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DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE APPROPRIATIONS FOR 1972

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

SUBCOMMITTEE ON DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE APPROPRIATIONS

DANIEL J. FLOOD, Pennsylvania, *Chairman*

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NEAL SMITH, Iowa
W. R. HULL, Jr., Missouri
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PART 4

DEPARTMENTAL MANAGEMENT
OFFICE OF CHILD DEVELOPMENT
SOCIAL AND REHABILITATION SERVICE
SOCIAL SECURITY ADMINISTRATION

Printed for the use of the Committee on Appropriations

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DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE APPROPRIATIONS FOR 1972

THURSDAY, MAY 13, 1971.

SOCIAL AND REHABILITATION SERVICE

WITNESSES

JOHN D. TWINAME, ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE
JOHN L. COSTA, COMMISSIONER, ASSISTANCE PAYMENTS ADMINISTRATION
STEPHEN P. SIMONDS, COMMISSIONER, COMMUNITY SERVICES ADMINISTRATION
HOWARD N. NEWMAN, COMMISSIONER, MEDICAL SERVICES ADMINISTRATION
DR. EDWARD NEWMAN, COMMISSIONER, REHABILITATION SERVICES ADMINISTRATION
JOHN B. MARTIN, COMMISSIONER ON AGING
RICHARD M. LONGMIRE, ASSOCIATE ADMINISTRATOR FOR PLANNING, RESEARCH, AND TRAINING
DR. JAMES F. GARRETT, ASSISTANT ADMINISTRATOR, RESEARCH AND DEMONSTRATIONS
RANDOLPH W. LEE, DIRECTOR, BUDGET DIVISION, SOCIAL AND REHABILITATION SERVICE
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

INTRODUCTION OF MR. TWINAME AND ASSOCIATES

Mr. FLOOD. We now take up the 1972 budget for the Social and Rehabilitation Service. The overall presentation will be made by John D. Twiname, the Administrator of the Social and Rehabilitation Service. I suppose you have with you some people you would like us to know. You have quite a cast of characters back there.

Mr. TWINAME. I think at this point I will just introduce the Commissioners of our basic programs, starting at the end: Dr. Edward Newman for Rehabilitation; Steven Simonds, Community Services, Howard Newman is the medicaid Commissioner and, John Martin, Commissioner on Aging. We have John Costa, Commissioner for Assistance Payments here. I think they represent the programs: the ones I should really introduce. Do you want to know the others, too?

Mr. FLOOD. That is up to you. We have your biographical sketch, Mr. Twiname. If and when you find it necessary to call upon any of your staff to help you answer any question, or if and when they feel that you are not doing so well, and they would like to volunteer, that is quite all right, just so they know they are not sitting back there in the woods. We would like anybody to sound off at any time, if there is some important thing—vis-a-vis a question that the witness and the Chair do not touch on—and if they feel that they should add something, they are only helping us and your program if they do. Mr. Twiname,

we would like, as I say, biographical sketches of each of your bureau chiefs following yours.

Mr. TWINAME. We have always appreciated the roundtable atmosphere of your hearings here, Mr. Chairman, in which we can get at some of the issues.

GENERAL STATEMENT

Mr. FLOOD. I see you have a prepared statement, Mr. Twiname. How do you wish to proceed?

Mr. TWINAME. I would propose to read this opening statement, prior to our statement on public assistance. This is an overview of the whole program.

Mr. FLOOD. Suppose when you finish your presentation as Administrator, you go straight ahead with your prepared statement on—I presume it would be—public assistance.

Mr. TWINAME. Yes.

Mr. FLOOD. We will then recess if the bells ring, and we can go on with questioning this afternoon. Suppose you go ahead now.

Mr. TWINAME. I can't resist telling you that as I left the breakfast table this morning, on this wet rainy day, one of my daughters said, "This is a great day to appear before Mr. Flood." I never thought of that bad line before, but my daughter thought it up, so I am pleased to report it.

Mr. FLOOD. If the Army Engineers were here I suppose they would talk about flood control, but that is quite a trick.

(The biographical sketches follow:)

BIOGRAPHICAL SKETCH

Name: John D. Twiname.

Position: Administrator, Social and Rehabilitation Service.

Birthplace and date: Mt. Kisco, New York—December 27, 1931.

Education: Cornell University—B.A. 1953, Harvard University Graduate School of Business Administration—M.B.A. 1957 (George Baker Scholar).

Military service: U.S. Army Artillery: 1953–1955—Honorably discharged, First Lieutenant.

Experience:

Present: Administrator, Social and Rehabilitation Service.

1969–1970: Deputy Administrator, Social and Rehabilitation Service; Employee of the American Hospital Supply Corporation in the following positions:

1968–1969: Vice President, Marketing Service—responsibilities below, plus research and development activity. Prior to appointment in SRS, given responsibility for coporate marketing function.

1964–1967: Marketing Manager. Organized and implemented product manager system; also responsible for product planning, advertising, sales promotion, and public relations.

1963: Assistant to President, American Hospital Supply Division.

1962: Midwest area Sales Manager.

1961: Manager of Product Planning, Evanston, Illinois, general offices.

1957–1960: Field Representative to Hospitals and Nursing Homes in Pennsylvania–New Jersey.

Other activities: Founding member and President of the Board of Chicago-Business-Industrial Project, one of the first "industrial missions" in the United States. Project was organized to bring together leaders of business, labor, and black community, plus university and government people, to focus on social problems.

Board Member, Wilmette Human Relations Committee.

Co-chairman, Fund Raising Task Force for Ghetto Self-Help Project "Toward Responsible Freedom" (Project of Community Renewal Society).

Chicago Executives Club.

Economic Club of Chicago.

BIOGRAPHICAL SKETCH

Name: John L. Costa.
Position: Commissioner, Assistance Payments Administration.
Birthplace: Providence, R.I., February 1, 1926.
Education: University of Illinois—B.S. 1950; Boston University School of Social Work—M.S.W. 1955.
Military Service: U.S. Air Force: 1944–1946.
Experience:
April 1970 to present: Commissoner, Assistance Payments Administration.
1968 to April 1970: First Deputy Commissioner, Department of Social Services, City of New York.
1964 to 1968: HEW Boston Regional Office—(1) Assistant Regional Representative for former Bureau of Family Services; and then (2) Associate Regional Representative, Assistance Payments Administration.
1960 to 1964: Connecticut State Welfare Department as (1) Director of Torrington District Office; and then (2) Director of Hartford District Office.
1951 to 1960: Rhode Island Department of Welfare in various positions—as caseworker, senior social worker, district supervisor, and area supervisor.

BIOGRAPHICAL SKETCH

Name: Stephen P. Simonds.
Position: Commissioner, Community Services Administration.
Birthplace and date: Franconia, N.H., November 25, 1924.
Education:
University of New Hampshire, B.A., 1948.
University of Chicago, M.A., 1953.
Fulbright scholar.
University of Bristol, England, 1957 to 1958.
Experience:
Assistance Payments Administration, Social and Rehabilitation Service, 1967 to 1969; Commissioner.
Maine Bureau of Social Welfare: 1960 to 1967; Director.
Connecticut Department of Public Welfare: 1958 to 1960; Field Supervisor.
New Hampshire Department of Public Welfare.
Personal:
Military Service, U.S. Navy, World War II.
Wife: Judith.
Children: Scott; Mark; Lora; and Jane.

BIOGRAPHICAL SKETCH

Name: Howard Neal Newman,
Position: Commissioner, Medical Services Administration.
Birthplace and date: New York, June 11, 1935.
Education: A.B., Dartmouth College, Hanover, N.H., 1952–56. M.B.A., Amos Tuck School of Business Administration, Hanover, N.H., 1955–57. M.S., Columbia University, New York, N.Y., 1957–59. Temple University Law School, Philadelphia, Pa., 1966–1970.
Experience: August 1965 to February, 1970—associate administrator, Pennsylvania Hospital, Philadelphia, Pa.; 1968—director of graduate program in health care administration, Wharton School of Commerce and Finance, Philadelphia, Pa., August 1967–August 1968—White House Fellow. Served with Director of the Bureau of the Budget. July 1957–August 1965—administrative resident, administrative assistant, and administrative vice president, the Roosevelt Hospital, New York, N.Y.
Association memberships: Fellow—American College of Hospital Administrators. Member—American Hospital Association. Member—American Public Health Association.

BIOGRAPHICAL SKETCH

Name: Edward Newman, Ph. D.
Position: Commissioner, Rehabilitation Services Administration.
Birthplace and date: New York, N.Y., March 13, 1934.
Education: Drew University, 1956, B.A.; Western Reserve University, 1958, M.S.; Brandeis University, 1968, Ph. D.
Experience:
Present: Commissioner, Rehabilitation Services Administration.
1968–69: Assistant for Program Planning and Coordination, Human Resources Program Division, Bureau of the Budget.
1966–68: Executive director, Vocational Rehabilitation Planning Commission, Commonwealth of Massachusetts.
1965–68: Lecturer, Boston University School of Social Work.
1964–66: Coordinator, Massachusetts Mental Retardation Planning project.
Association: National Rehabilitation Association.
Memberships: National Association of Social Workers; American Public Health Association.
Publications: "Helping All the Handicapped," a report of the Massachusetts Vocational Rehabilitation Planning Commission, 1966; *Journal of Rehabilitation*, May–June 1969, "A Federal Program for Neighborhood Services;" *Journal of Health and Social Behavior*, June 1969, "A New Look at Public Planning for Human Services;" *Mental Hygiene*, January 1969, "A Comprehensive Retardation Plan for Massachusetts;" *Journal of Rehabilitation*, NRA, September–October 1970, "Changing Rehabilitation Manpower Utilization."

BIOGRAPHICAL SKETCH

Name: James F. Garrett.
Position: Assistant Administrator, Research and Demonstrations.
Birthplace and date: New York, N.Y., March 31, 1916.
Education: Fordham University: B.A., 1937; Fordham University: M.A., 1939; New York University: Ph.D., 1941; Clinical Psychology.
Experience:
Present: Assistant Administrator, Research and Demonstrations, Social and Rehabilitation Service.
1967–70: Assistant Administrator, Research, Demonstration, and Training.
1958–1967: Associate Commissioner, Research and Training, Vocational Rehabilitation Administration.
1955–58: Assistant Director, Rehabilitation Services, Facilities, and Training, Vocational Rehabilitation Administration.
1951–55: Chief, Division of Program Services, VRA.
1948–1951: Assistant Professor of Clinical Psychology at New York University, College of Medicine, and Chief, Psycho-Social and Vocational Services, at the Institute of Physical Medicine and Rehabilitation in New York City.
1944–48: Chief, Special Rehabilitation Procedures, Veterans' Administration, Washington, D.C.
1941–44: Assistant Educational Director, Institute for the Crippled and Disabled, New York City.
Association memberships: American Psychological Association; National Rehabilitation Association; American Personnel and Guidance Association; United Cerebral Palsy Association.
Special awards and citations: Superior Service Award (DHEW) 1961); Distinguished Service Award (DHEW 1963); W. F. Faulkes Award, National Rehabilitation Association (1963); Humanitarian Award, National Hemophilia Foundation (1968); National Accreditation Council Award (1971).
Publications: Psychological Practices with the Physically Disabled (Levine-Garrett)—coeditor; Psychological Aspects of Physical Disability—editor; Cerebral Palsy: Its Individual and Community Problems—Contributor; Workshops for the Disabled: A Vocational Rehabilitation Resource—coauthor.

BIOGRAPHICAL SKETCH

Name: Richard M. Longmire.

Position: Associate Administrator for Planning, Research and Training.

Birthplace and date: Columbus, Ohio—August 19, 1929.

Education: Mr. Longmire received his bachelor of science degree in physics from the Ohio State University in 1952 and his master of science degree in electrical engineering from the University of Southern California in 1960.

Experience:

Present: Associate Administrator, SRS, since September 1, 1970.

1968–70: Manager, Public Safety Department, Research Analysis Corporation. Directed criminal justice studies covering problems of the police and juvenile court; trained state criminal justice planners and police chiefs of major cities on the use of gaming techniques; studied ways in which existing institutions may be utilized to help alleviate some of the causes of juvenile crime; chaired a major working conference to develop an integrated approach (schools, police, courts, corrections) to the prevention and control of juvenile delinquency.

1965–68: At the Research Analysis Corporation he managed several operations analysis studies and chaired a worldwide Conference on Army Tactical Data Systems.

1955–65: Project manager and operations research scientist on many systems analysis studies at the Columbia Research and Development Corporation, Battelle Memorial Institute, Hughes Aircraft Co., and the Systems Development Corporation.

1952–55: Served in the U.S. Navy Civil Engineering Corps.

Honors and awards: He received a 4-year Holloway College Scholarship and a Hughes Graduate Fellowship. Mr. Longmire is listed in *Who's Who in the South and Southwest; Community Leaders in the U.S.; Personalities of the South; Dictionary of International Biography;* and *American Men of Science.*

BIOGRAPHICAL SKETCH

Name: John B. Martin.

Position: U.S. Commissioner on Aging, Special Assistant to the President for the Aging, Social and Rehabilitation Service, Administration on Aging, Department of Health, Education, and Welfare.

John B. Martin was appointed by President Richard Nixon to serve as U.S. Commissioner on Aging on May 28, 1969 and as Special Assistant to the President for Aging on June 24, 1969.

Birthplace and date: Grand Rapids, Mich.; Oct. 3, 1909.

Education: Dartmouth, A.B., 1931; Oxford, as a Rhodes Scholar, B. Litt., 1933; and the University of Michigan Law School, J.D., 1936.

Experience: Has served as vice-chairman of the Michigan Commission on Aging from 1960 to May 1963, and as chairman from May 1963 to March 1967. In 1959–60, he was the chairman of the Grand Rapids Coordinating Council on Aging. He served as a member of the National Planning Advisory Committee for the White House Conference on the Aging, held in January of 1961.

Served as legal secretary to the chairman of the Securities and Exchange Commission in 1936, and as deputy chief of the Ohio State Division of Securities in 1941. He helped to organize and served as deputy director, U.S. Office of Civilian Defense, 1942–44. In 1944, he was commissioned in the U.S.N.R., serving in Europe and being discharged with the rank of Lieutenant Commander in 1946. After the war, he served as a member of the U.S. Prosecutor's Staff at the Nuremberg War Trials.

In 1948, he was elected to the Michigan State senate from Grand Rapids, and in 1950 was elected State auditor general, serving until 1954. Mr. Martin was elected Republican National Committeeman for Michigan in 1957, and again in 1960 and 1964. He served as delegate, and as chairman of the Committee on the Executive Branch, in the 1961–62 Michigan Constitutional Convention.

Association memberships: Member of the Grand Rapids, Mich., and American Bar Association; Grand Rapids Rotary; V.F.W.; American Legion.

1972 BUDGET REQUEST

Mr. TWINAME. Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you to discuss the programs of the Social and Rehabilitation Service and our budget request for fiscal year 1972. The total of our budget request is $12.4 billion, an increase of $1.9 billion over fiscal year 1971. Of this request, $11.4 billion and $1.7 billion of the increase is for grants to States for public assistance. As you know, the level of our expenditures for public assistance is determined primarily by the extent to which the States expend funds under the public assistance titles of the Social Security Act. This leaves approximately $1 billion of our request and $200 million of the increase for programs over which the Social and Rehabilitation Service and the Department exercise positive financial control. This is not to say that we have not attempted to effect a measure of control over the public assistance budget. However, such controls are only effective to the extent that we are able to interact with the States and the Congress under the provisions of the Social Security Act.

PUBLIC ASSISTANCE

While I will be discussing the public assistance program in greater detail a little bit later, I would like to make a few observations concerning that program at this time. We have tried within the framework of existing legislation to administer the program in such a way that the persons most in need would receive assistance without excessive expenditures for assistance and services to those few who are trying to beat the system or who are trying to use the system for their own selfish purposes.

Unfortunately under existing legislation, we do not have one system but a conglomeration of systems under the broad and general provisions of the Social Security Act. The President has proposed and the Congress is considering new legislation.

And, as you know, Chairman Mills announced yesterday completion of their work on H.R. 1, which would reform this entire system in public assistance.

We expect that the President will propose new social service legislation designed to improve the delivery of these services and make their distribution more equitable throughout the Nation. Meanwhile, in fiscal year 1972, we will need to do the best we can to make the present system work for the benefit of our poorest citizens.

Mr. PATTEN. Is that $9 billion referred to on top of this? Is this $9 billion more? The newspaper says H.R. 1 is going to cost $9 billion.

Mr. MILLER. It is on top.

Mr. TWINAME. It is on top but it is not $9 billion, I don't believe, Congressman.

WORK INCENTIVE PROGRAM

Essentially, all of our increase in fiscal year 1972 for controllable programs are devoted to greater efforts to assist the beneficiaries of public assistance to decrease their dependency on this program.

We are asking for an increase of $177 million in appropriations for the work incentive program. As you will recall, the budget request for

this program was reduced last year because resources available from prior years were considered adequate together with the $98 million appropriated to support the effort which could have reasonably been expected under the Federal-State program. While the States have continued to have difficulties in expanding this program, there has been enough growth in the program to make use of the resources available and to necessitate a major increase in appropriations in order to keep the States working toward our goal of placing 90,000 welfare recipients in jobs by the end of fiscal year 1972.

VOCATIONAL REHABILITATION

In our vocational rehabilitation program we are also giving top priotity to disabled public assistance recipients. The only real expansion of this program is for special project grants under the authority of section 4 of the Vocational Rehabilitation Act to expand our efforts to rehabilitate disabled public assistance recipients. While this is not a new effort, under the vocational rehabilitation program we have chosen the Project Grant approach to increase more rapidly our ability to focus rehabilitation efforts on the public assistance client.

This, of course, Mr. Chairman, is attempting to get ready for a welfare reform arrangement, where vocational rehabilitation would play a larger part.

Mr. FLOOD. I notice that in some of this newly proposed legislation that disabled persons would now be able to take advantage of certain of our programs that heretofore they were not able to do.

Mr. TWINAME. They will be able to; yes, that is correct.

DEVELOPMENTAL DISABILITIES ACT

We are implementing the Developmental Disabilities Services and Construction Act. This act authorizes the organization of an improved comprehensive service system for the mentally retarded and extends services to individuals suffering from epilepsey, cerebral palsy, and other neurological conditions as designated by the Secretary. Although our request for funds for developmental disabilities in fiscal year 1972 is the same as for 1971, we plan to leave the unused 1971 funds in the hands of the States for use during 1972 along with the new funds requested.

PROGRAMS FOR THE AGING

As originally proposed, the President's budget provided for increases in two new programs under the 1969 amendments to the Older Americans Act: areawide model projects and the retired senior volunteer program.

Within the overrall constraints of the development of the Federal budget, it was considered necessary to reduce support for other programs for the aging in order to accommodate these new initiatives. I am happy to say that the administration has found it possible to amend its budget to sustain the support of the community programs, the foster grandparent program, and related research and training programs under the Older Americans Act, while pressing forward with the new efforts.

Mr. FLOOD. Mr. Twiname, this is the 13th of May. Do you have any idea when the President is going to submit this budget amendment to Congress?

Mr. MILLER. Very shortly. It should be up here, Mr. Chairman, I would say within a week. This is on aging.

RESEARCH AND TRAINING

In an effort to get better use out of funds appropriated for research and training, we have consolidated our research and training activities in one appropriation request for fiscal year 1972. We are requesting $69,150,000 as compared with $98,140,000 for these purposes in fiscal year 1971. In proposing this reduced budget, we have reexamined all of our research and training efforts and plan to continue only those activities which are most essential to the success of our operating programs. In the area of research and demonstrations we will give emphasis to income maintenance experiments in support of welfare reform, efforts to improve the health care delivery system for the poor, development of new techniques to rehabilitate welfare recipients, improved social service delivery systems, and an effort to rehabilitate alcoholics and drug addicts. Our training efforts will be concentrated on long-term educational programs designed to increase the manpower pool in particularly scarce skills.

Although the budget request contains $14,650,000 for rehabilitation training, we will actually support this program at a level of $19 million in the next academic year. We plan to shift about $4.5 million of fiscal year 1971 research and demonstration funds for this purpose.

We have requested an increase in our research program which makes use of excess foreign currencies to conduct research in foreign countries that has application to our own rehabilitation program.

SALARIES AND EXPENSES

I shall be discussing with you later our request for the funds necessary to support the Social and Rehabilitation Service in administering these programs. Our cost for this effort represents about four-tenths of 1 percent of our total budget. We will be asking for some additional support for our efforts to improve the management of our social service and medical assistance programs.

1972 MANAGEMENT INITIATIVES

Before we review with you the individual appropriation requests, I would like to take a few moments to outline some of the areas in which we as the Social and Rehabilitation Service will be placing emphasis in the coming year in an effort to improve the management of our programs.

In an effort to improve the management of our maintenance assistance program we will be continuing our efforts to simplify the process of eligibility determination by encouraging the States to simplify both the criteria and the methods by which they make this determination. At the same time we will be pressing for effective implementation of quality control methods so that we and the States have a better control over the rate of ineligibility and improper payments for maintenance assistance.

In our medicaid program we will continue to press for improved review of the utilization of medical services. We will be helping the States install better management information and payment systems and we will continue our efforts to develop new and improved methods of financing the delivery of health services to the poor.

We will be working for improvement of our service delivery systems. We will be promoting the establishment of comprehensive delivery systems at the local level which tie services together for the best possible service to clients. We will be attempting to develop better linkages between our various programs and between our programs and other Federal and State programs to eliminate duplication and improve cooperation. We will be working, through our regional offices, for greater involvement with States in the planning of our programs.

We will be attempting to get our State rehabilitation and social services agencies to focus more attention on efforts to rehabilitate public assistance recipients and assist them in becoming self-supporting.

We are undertaking an effort to improve program development and program evaluation activities in the central office with appropriate participation by our regional staff and State agency personnel.

We plan to strengthen the role of our regional offices in providing technical assistance to State agencies and in monitoring and evaluating their program performance, especially in the areas of social services and medicaid.

We want to strengthen our capability to obtain compliance by State agencies with the provisions of the Social Security Act and the regulations developed pursuant to that act. In this respect we need to strengthen our financial analysis and control over the funds made available to the States. We need to improve our ability to measure their performance under these programs and we need to take steps to insure compliance with laws and regulations at the time of implementation rather than allowing noncompliance to become major issues at a later date.

We have a program underway to improve the integration of our long-range planning, research, legislative, budgeting, and operational planning efforts. Our goal here is to make our budget and legislative proposals more responsive to the needs of the people we serve and more meaningful to the administration and the Congress in terms of establishing policy for the Agency.

We will be working to upgrade our staff capabilities and to provide equal employment opportunity for our own employees as well as for those seeking employment from outside the Service. We will be undertaking a program to increase the involvement of the consumers of our service with emphasis on getting them involved in the provision of these services to the maximum extent so that they can have an influence from inside the system.

We will be increasing our efforts for a more sophisticated information flow between the Federal, State, and local levels of government.

SUMMARY

In summary, Mr. Chairman, our budget request for $12.4 billion and the nature of our mission will place a tremendous responsibility on the staff of the Social and Rehabilitation Service. We believe that

this is an austere budget but that the proposed distribution of resources places emphasis on the most urgent needs of the population we serve. This completes my statement. I will try to answer any questions you may have.

Mr. FLOOD. As you know, this is one of the subjects and one of the projects and one of the programs with which I have a very special concern and interest here, the whole business of rehabilitation.

Now, how do you wish to proceed?

Mr. TWINAME. I would be happy to answer any question on the opening statement, but I would otherwise plan to go right ahead with the public assistance presentation.

Mr. FLOOD. Are there any questions at this point?

Mrs. REID. I have some questions, Mr. Chairman.

Mr. FLOOD. Mrs. Reid?

VOCATIONAL REHABILITATION OF PUBLIC ASSISTANCE RECIPIENTS

Mrs. REID. Thank you, Mr. Chairman. What programs under the vocational rehabilitation program focus rehabilitation efforts on the public assistance client?

Mr. NEWMAN. One very promising element in our Nation's effort to move people out of dependent and into useful productive lives is the joint action programs of the State public welfare and rehabilitation agencies. Two years ago the Social and Rehabilitation Service made increases on numbers of welfare recipients rehabilitated a top objective. Welfare and rehabilitation agencies in each State have been focusing increasing resources and efforts on joint action to restore to gainful employment physically or mentally disabled people who are also public assistance recipients. The number of rehabilitated persons on welfare at any time in the vocational rehabilitation process has gone from 26,100 in 1968 to 32,300 in 1970. In 1971, we project 37,500 in the basic federally assisted State program. This joint program is only beginning to show the results of concentrated effort, and we in SRS are greatly encouraged by signs of progress to date.

This start represents a relatively small but productive effort which we believe holds much potential as a model for delivery of self-support services to the disabled and other especially vulnerable groups. The vocational rehabilitation agency's role is to be expanded as the primary provider of self-support services for the handicapped.

Under the Expansion Grant Program special project grants for the purpose of expanding services to disabled clients provide the most flexible method of quickly providing Federal resources to expand services to specific disabilities and target groups such as disabled public assistance recipients. Grants provide 90 percent Federal support to public and private nonprofit agencies for up to 3-year grant periods.

States have increasingly utilized these project grants to serve the disabled, disadvantaged, and public assistance recipient. In fiscal year 1969, there were only four projects exclusively serving the public assistance client. In 1970, there were 23 such projects and in fiscal year 1971, the number of such projects initiated will almost double. In fiscal year 1972, $26,360,000 is requested to support at least 72 major projects to serve 45,000 disabled public assistance recipients

and rehabilitate an estimated 8,000 during the year. This number will be in addition to those served and rehabilitated under the basic program.

Projects have been supported to develop, construct, provide initial staffing, improve and provide training services which have enabled State programs to materially expand services to all disabled, including public assistance recipients.

INCOME MAINTENANCE EXPERIMENTS

Mrs. REID. What research and demonstration projects are you supporting to give emphasis to income maintenance experiments?

Dr. GARRETT. We are now supporting three research experiments in income maintenance in Seattle, Wash., Denver, Colo., and Gary, Ind. In addition, we keep informed of the OEO income maintenance experiments in urban and rural areas.

The purpose of our experiments is to test the effect of providing basic income allowances to working poor families not on welfare and to families now on public assistance in combination with manpower counseling, training, job placement, and day care services where needed.

All of the experiments test more than one support level and focus on the problem of incentive to work in an income maintenance system.

The Seattle experiment is designed to test the combined effects of a negative income tax plan with a manpower program and serves both white and black, male-and-female-headed urban families. The Denver experiment has the same basic design but includes Mexican-American families as a population variable. The main difference between the Seattle and Denver experiments is that the Seattle experiment is taking place in a depressed labor market—13-percent unemployment and the Devner experiment in a favorable labor market—less than 3-percent unemployment. Therefore, having these two experiments will permit comparisons of the effects of income maintenance and manpower treatments for both different ethnic groups and labor market situations.

The Gary experiment is designed to test the effects of a negative income tax plan combined with day care and social services on urban black families with particular emphasis on female-headed families.

The OEO graduated Work Incentive Program explores the labor force response of male-headed working families to a negative income tax type program. The projects take place in five urban, New Jersey and Pennsylvania and two rural communities, Iowa and North Carolina. These OEO experiments focus on male-headed families and do not provide manpower treatments and social services.

The present status of these experiments is in Seattle, enrollment of families began in November 1970, with a pilot sample of 25 families. A gradual phase-in of the rest of the 2,300 families is in process and approximately 40 percent of the sample has been enrolled. To date, 490 families are receiving financial treatments, 135 families manpower services only and 235 families serve as controls. The entire enrollment process should be completed by August this year.

In Denver, enrollment is to start by mid-September this year. Listing of 50,000 households has been completed, 50 of 80 interviewers have been hired and screening interviews started 2 weeks ago.

In Gary, about 90 percent of 1,600 sample families have been enrolled. By the end of this month there will be 986 female-headed and 656 male-headed families enrolled. Among these, 456 families will recieve both a financial treatment and a social services package including day care and access-worker services, 344 families will receive social services only and another 344 families serve as controls. Most of the day-care recipients have been assigned. The sociological field instrument will be administered in July and shortly thereafter the access worker service will become operational.

A fourth ongoing experiment, in Vermont, is not concerned with income maintenance, but the administrative strategy needed to switch from the present welfare system to a new one. The emphasis is on coordinating present SRS-related social and vocational rehabilitation services and child care with DOL-related manpower services. This will permit integrating interagency planning and delivery of services in the manner to be achieved in the President's reorganization proposal.

REHABILITATION OF ALCOHOLICS AND DRUG ADDICTS

Mrs. REID. What research and demonstration projects do you have in an effort to rehabilitate alcoholics and drug addicts?

Dr. GARRET. Under the auspices of section 4(a)(1) of the Vocational Rehabilitation Act, we have a project in Portland, Oreg. which is testing three alternative approaches to therapeutic intervention for the rehabilitation of the drug addict. These three techniques—standard two-person psychotherapy, group psychotherapy, and a technique called minimarathon therapy—are conducted under an overall umbrella of social and vocational services. The project is so designed that once an individual is a client in the project, he or she then receives all services deemed necessary. Analyses of early data are beginning to yield vital pieces of information which deal with such basics as how to staff such a program, the kinds of services to be available, and how many and what specialities of staff.

Another important consideration in this project is the total cooperation of all service agencies at all levels both State and private volunteer groups. This demonstration project should yield a model which all the States can follow.

We have supported rehabilitation projects which have given us a good data base on which we hope to build a coordinated program for vocational rehabilitation of the alcoholic. We have learned the need for a strong community-based program and how to use the former alcoholic as part of the rehabilitation team.

PROTECTING NEGLECTED AND ABUSED CHILDREN

Mrs. REID. You will recall that earlier this year I had some correspondence with you regarding the Chicago Juvenile Protective Association's Bowen Center. I was very pleased that arrangements were made to continue operation of this center under a State-Federal partnership. What are some of the other programs you support to gain knowledge about protecting disadvantaged children from abuse and improving their care—without resorting to a 24-hour institutional environment?

Mr. SIMONDS. The Bowen Center project, financed by Child Welfare

Research and Demonstration funds was only one of several research projects related to causes and treatment of neglected and abused children.

A project to test a method of family treatment of Indian families was funded by CWRD to the Sioux Tribal Council at Fort Totten reservation, Devils Lake, N.Dak. This project was designed by the Indians and is being conducted by them.

A study into the basic psychosocial factors related to child neglect as well as treatment methods is being done with child welfare funds at the University of Georgia. A part of that study is the publication of a test book to be used by social workers with the expectation that they will then be better able to treat neglecting families successfully. We expect a similar publication from the Chicago Juvenile Protective Association. Widespread dissemination of these publications should add materially to the provision of effective help to neglected and abused children.

In an effort to prevent neglect of illegitimate children born to teenage school girls, CSA is funding a project in Cleveland, Ohio. This project has three centers in which illegitimately pregnant girls are given a wide variety of services designed to help them provide better care for their children. Included are services related to child care, medical care, nutrition, education and vocational training, and temporary foster care when needed. Homemakers instruct inexperienced mothers in child care. The findings of this project will serve as a model for other projects throughout the country. It has proven to be very successful in assuring adequate care for the children of these young mothers.

We are supporting a project in Tennessee which includes coordination of several services: A protective service, a homemaker unit, a juvenile detention unit, and an intake unit.

Our work in supporting adoption service, including the Adoption Resource Exchange of North America—ARENA—has a preventive effect in the area of child neglect.

Three special facility projects for research on teaching methods in the field of child welfare have been funded at the University of Chicago, Case Western Reserve University, Cleveland, Ohio, and Washington University in St. Louis, Mo.

The Child Welfare League of America is being funded to study methods of providing effective help to parents of children in foster care with the objective of early return of the children to their own families as soon as adequate care is assured.

REPATRIATION OF U.S. NATIONALS

Mrs. Reid. On page 4 of your statement, it is indicated that an amount of $687,000 is requested to provide assistance to U.S. citizens who are returned from foreign countries because they are needy or ill. Is this money given to these people on a loan basis or an outright grant?

Mr. Costa. Repatriation assistance is not made on a loan basis. The program provides for reimbursement to State agencies for temporary assistance and other identifiable costs incurred in providing assistance to repatriates, including cost of services purchased from other agencies. Also Federal and other hospitals are reimbursed for care and treatment of the mentally ill.

EFFECT OF SUPREME COURT DECISION ON RESIDENCY REQUIREMENTS FOR WELFARE

Mrs. REID. Since it has been over a year since the Supreme Court decision on nonresidency, can you say what effect there has been on the various States' estimates in the public assistance appropriation?

Mr. COSTA. It was estimated that the Supreme Court decision abolishing residence requirements for all categories of income maintenance would cost an additional $80,000,000 to $115,000,000 in Federal funds in the first year following April 1969 for those recipients made newly eligible for assistance. In the long run most needy persons would have received assistance after meeting the residence requirements. It is estimated that the chief impact of the decision currently is the publicity given to the availability of welfare. The States did not identify how much additional Federal funds were included in their 1972 estimates as a result of the decision barring durational residence requirements.

ECONOMIC EFFECT OF VOCATIONAL REHABILITATION

Mrs. REID. How many individuals were served in the rehabilitation program last year? How much could you say has been saved because of the rehabilitation program?

Mr. NEWMAN. During fiscal year 1970 we served 875,911 persons of whom 266,975 were closed as rehabilitated during that year. We estimate that we will serve approximately 972,000 individuals in fiscal year 1971 and about 980,000 in fiscal year 1972 and that we will close some 288,000 cases as rehabilitated in each of these 12-month intervals.

Perhaps the most important savings stem from sustaining individuals as productive and taxpaying members of society instead of dependent on public support, from the preventive role of rehabilitation in keeping people off the welfare rolls and lessening entry into publicly supported institutions.

The 241,390 rehabilitations during fiscal year 1969, the latest period for which we have indepth information, were earning an aggregate of $159 million at the time of their acceptance into the program. By the time these persons were closed from VR services, their annual rate of earnings amounted to $738 million—an improvement of $579 million. This contrasts with the estimated $324 million spent on all persons whose cases were closed in fiscal year 1969.

During fiscal year 1969, there were 24,475 persons receiving public assistance at the time of acceptance into rehabilitation, at an annual rate of $36 million. At the time of closure 14,032 persons were receiving public assistance at an annual rate of $19 million—a reduction of $17 million in public assistance payments. When added to the improvement in earnings of $53 million in this first year after rehabilitation for those receiving public assistance at acceptance, there is a first-year yield of $70 million. This compares with an estimated $34 million spent on all welfare recipients at acceptance whose cases were closed out during fiscal year 1969.

The Social Security Administration estimates that disability benefit payments of $104 million will not have to be made in the future to over 7,100 former beneficiaries rehabilitated in the Federal-State pro-

gram from fiscal year 1967 through fiscal year 1970 with use of social security trust funds. Trust fund expenditures in the same period for rehabilitation services amounted to $58 million.

DAY CARE CENTER FOR CHILDREN OF HEW EMPLOYEES

Mrs. REID. There was an article about a month ago about a day care center started in the Department of HEW for children of departmental employees. Is it serving as a sort of model center for others to be established throughout the country for working mothers? How many children are being taken care of in day care centers so their mothers can take job training?

Mr. SIMONDS. The HEW day care center is a model for the development of centers by public welfare departments. This center serves 58 children of HEW employees with a focus on minimum cost for adequate care. The center will also train AFDC mothers as child care aides.

As of December 31, 1970, 97,110 children of mothers enrolled in the work incentives program were being cared for.

We estimate that approximately 70 percent of the 197,479 children in title IV–A child care facilities are in employment or training-related child care.

TRAINING OF PUBLIC ASSISTANCE RECIPIENTS AS WELFARE WORKERS

Mrs. REID. Do you have a special training program for the nonprofessionals who are involved in helping prevent neglect and delinquency of children—the indigent people who are being trained as case aides?

Mr. LONGMIRE. The public assistance titles of the Social Security Act require State departments administering the public assistance program to train and make effective use of subprofessionals and such personnel to be selected from recipients of the public assistance titles and from persons of low income. State agencies obtain 75 percent matching for training of such personnel. There are approximately 10,000 such personnel employed in the various public welfare agencies. Some of these are working with children and in protective services in child welfare. In addition, the Department of Labor public service careers program has provided $5 million to SRS for training of personnel from the indigent and recipient groups. Under this program State agencies identify the job, pay the salary, and the public service careers money is used to train such personnel. At this time about 1,000 are in training. This program will end in February 1972. In addition, some short-term training money from the child welfare training program, title IV of the Social Security Act, has been used for training of child care workers and homemakers.

Mr. TWINAME. In addition, Mrs. Reid, we have approximately 15 grants that have been awarded under title II of the Juvenile Delinquency Prevention and Control Act of 1968 designed to train such nonprofessionals. For example, Indians from four States are being trained in Arizona to work with youth in their home communities, and Indian youth are receiving leadership training and efforts are being made to create new careers for them.

62–917 O—71—pt. 4——2

Another project in New York, is training parents and paraprofessionals in techniques designed to improve the self-esteem and intellectual functioning of Puerto Rican and black children from deprived backgrounds both at school and at home.

Here in Washington, D.C., youth leaders from a high delinquency area are being trained to prevent and deter the delinquent behavior they encounter, and adult residents are participating in workshops designed to make them more aware of and to help them deal with the community problems which negatively affect youth.

COOPERATION WITH OEO AND DEPARTMENT OF AGRICULTURE

Mrs. REID. Do you still have any cooperative programs with OEO? Also, do you work with the Agriculture Department with reference to food stamps and the school lunch programs?

Mr. SIMONDS. With the expiration of the work experience program, we do not have any formal cooperative programs with OEO. However, we do have quite a bit of informal cooperative activity in the areas of housing, child care, legal services, nutrition services, neighborhood health services, and mobile medical services.

The food stamp and school lunch programs are cooperative efforts between the Department of Agriculture and State and local welfare departments.

Mrs. REID. That is all, Mr. Chairman.

Mr. FLOOD. Are there any other questions before we move on?

Mr. CONTE. Yes.

Mr. FLOOD. Mr. Conte?

REDUCTION IN SOCIAL WORK TRAINING FUNDS

Mr. CONTE. Thank you, Mr. Chairman. I am most alarmed at the planned cutbacks in training grants and student scholarships that would seriously affect schools of social work. In my own district in Massachusetts, the Smith College School for Social Work has built up an enviable record in its field. Why are these programs being cut?

Mr. LONGMIRE. The reduction of training expenditures is the result of placing priority on service programs and research and training had to absorb the cut.

Mr. CONTE. How many social work teaching positions would be eliminated by these cutbacks?

Mr. LONGMIRE. We estimate that these will be reduced from 244 to 75.

CONTROLLING PUBLIC ASSISTANCE COSTS

Mr. CONTE. Would you be more precise and describe how you have attempted to effect a measure of control over the public assistance budget?

Mr. TWINAME. In the maintenance assistance programs the new quality control system is being used to reduce to an acceptable tolerance level the caseload that is ineligible and thereby reduce to some degree expenditures from Federal funds; the 110 percent limitation on administration costs has also been an effort in this direction.

Medical assistance efforts in administrative initiative should effect a savings of $110 million. These efforts require first, that the States

conduct a more critical review of medical services directed toward shifting hospitalized patients to nursing homes and outpatient care where feasible and cutting down on length of stays in hospitals and nursing homes; second, that prior authorization be required from a physician or hospital or nursing home review panel for extended stays in hospitals and nursing homes of medicaid patients, third, that uniform fee schedules be established for doctors and dentists and fourth, that States improve surveillance on claims processing through installation of the improved management information and payment system. In addition, we are developing the health maintenance organization concept of preventive care rather than cure. This effort should prove less costly since it guarantees medical services for a fixed fee and there is no incentive to provide unneeded care or prolonged hospitalization.

To control social services as well as administration and training costs, we have proposed that Federal payments in 1972 be limited to 110 percent of the estimated payments for 1971. New social service legislation and separation of social services from administration, along with the development and implementation of a comprehensive management information system will provide the means of assuring State accountability for Federal funds, and act as a control.

DEVELOPMENTAL DISABILITIES ACT

Mr. CONTE. Would you describe some of the programs you intend to establish under the Developmental Disabilities Services and Construction Act?

Mr. NEWMAN. One example of what could be done would be that a State Planning and Advisory Committee allots $50,000 to the Department of Mental Retardation for services to the developmentally disabled. On the basis of the approved State plan, the technical assistance is provided to a private, nonprofit day care center in a poverty neighborhood to extend its services to the developmentally disabled children in the area.

The day care center submits a project proposal to pay for a specialized supervisor to be added to the staff of the day care center. This supervisor first devises programs for the individual children, or adapts regular programs to meet their special needs, as indicated; second, trains regular day care center staff to meet the children's special as well as generic needs; and third, evaluates the progress of the children periodically.

Sammy Campbell, age 3, severely handicapped, has not previously been eligible for day care within a reasonable distance of home, so that his mother has not been able to go to work, Sammy is receiving AFDC, so the cost of the day care service is paid from public assistance funds as it is for other AFDC children, and his mother goes to work.

Another example would be in delivery of services via developmental disabilities' funds to Korey Scott, a developmentally disabled child born hydrocephalic and with a cleft palate to parents of low socioeconomic status.

The State Planning and Advisory Council awards funds to the Department of Mental Health which pays for interdisciplinary staffing of a private, nonprofit treatment and rehabilitation center to provide comprehensive services to developmentally disabled individuals in the city in which Korey Scott resides.

Services required by Korey and his family include counseling, diagnosis, evaluation, and treatment. Medicaid pays for disagnosis, evaluation, and treatment including surgery done at a local hospital, and subsequent speech therapy at the developmentally disabled clinic.

The State Planning and Advisory Committee allotted developmental disability funds through the federally financed urban renewal project to the local social service department serving a new low-income apartment building. These funds are to provide a worker to give minimal supervision to selected individuals who will occupy several apartments in the project, thus enabling the individuals to live semi-independently rather than go to an institution.

When Marilyn C.'s mother, with whom she had always lived, died suddenly several weeks ago, Marilyn was left without a home. She had been declared too intellectually handicapped to be eligible for vocational rehabilitation, but she works in a cafeteria and is able to cook and keep house and needs only slight supervision with financial matters and major decisions. Through the infusion of developmental disability moneys into social service to provide specialized supervision she will be able to live alone and receive the minimal services which she needs.

These examples, Mr. Conte, represent what we hope to accomplish at the grass roots level with these programs.

RETIRED SENIOR VOLUNTEER PROGRAM

Mr. CONTE. What kind of expanded activities are you planning as the result of the increase you are proposing for the retired senior volunteer program?

Mr. MARTIN. The $4,500,000 requested will permit us to pay the second year costs of projects begun in 1971, and to establish approximately 80 new projects. These projects will provide volunteers for service in a number of institutional and other settings in the communities involved. Every attempt will be made to match the interests of the volunteer with available service opportunities to insure the maximum satisfaction for the participants. Assignments might include such activities as: counseling juvenile delinquents, tutoring children in school settings; assisting staff in day-care centers; providing visiting and services to disabled persons of all ages in their homes or in nursing homes or hospitals; assisting local planning commissions in the resolution of physical problems of the environment and other similar tasks.

REDUCTION IN RESEARCH AND TRAINING

Mr. CONTE. You state that you plan to continue only those research and training activities that are most essential to the success of your operating program. Which research and training activities that you are currently engaged in do you feel are nonessential to the success of your operating programs?

Mr. TWINAME. Actually, I said we'd continue only the most essential activities. I did not mean to say that any of our programs were not essential, but that we do have programs that are of a higher priority than others. I've mentioned where our priorities are, such as income maintenance studies and health maintenance organizations. Except for these activities this request will allow us to continue only those research programs started in prior years. In training most of our short-term training in rehabilitation and social work will be dis-

continued, and only long-term training in fields where required skills are particularly scarce will be supported.

SIMPLIFIED METHOD OF DETERMINING ELIGIBILITY FOR PUBLIC ASSISTANCE

Mr. CONTE. What steps are you taking to encourage the States to simplify the process of eligibility determination under the maintenance assistance program?

Mr. TWINAME. The Secretary of HEW has mandated that effective July 1, 1971, all States must use the simplified method of eligibility determination statewide for maintenance payments in the categories for adults. As of May 6, 1971, 45 States were using the simplified method statewide in the adult categories. In five other States, from 51 percent to 87 percent of the caseload in the adult categories were in areas using the simplified method. Guide materials were distributed to the States, and both central and regional office staff have helped the States to implement the simplified method, and to simplify needs determination and payment procedures.

STRENGTHENING REGIONAL OFFICES

Mr. CONTE. Exactly how are your regional offices being strengthened to provide technical assistance to State agencies?

Mr. TWINAME. The capability of the regional offices to provide technical assistance to State agencies is being strengthened through a number of devices and measures. Among these are: Operational planning systems and other management systems, additional staffing, training, upgrading standards, and greater specialization.

The development of an operational planning system linking and coordinating objectives and goals of SRS, regional offices, and State agencies, has been started. It is anticipated that it will be implemented in fiscal year 1973. The system will provide for common goals and for determination of measures and means necessary to achieve the goals. The requirements of State agencies for technical assistance thus determined will permit a more managed approach to developing the capabilities of regional office staff and measures for provision of the assistance.

New position authorizations are being used to provide regional offices with personnel possessing special skills and technical knowledge. Greater indepth specialization is provided in skills which are pertinent to management of the major programs of constituent SRS administrations but which it has not been possible to provide through program specialists oriented to individual programs. Among the personnel with specialities and skills added to the regional offices to support program oriented staff are deputy regional commissioners for State programs, planning and evaluation specialists, program analysts, research and demonstration specialists, and grants management specialists. Specialties which have been strengthened include training and manpower development, research analysis, and administrative and fiscal management.

Increased technical assistance is also being provided through occasional employment of consultants in specialized fields (example is specialist on pneumoconiosis in the region with large coal mining industry) and use of contracting to meet short term immediate requirements for specialized technical services.

The capabilities of regional office personnel are also being increased through training at all levels from available sources. Internal SRS training programs, Civil Service Commission sponsored governmental and nongovernmental training, professional meetings and seminars, and on-the-job training are utilized to the extent funding and staffing limitations permit.

Qualifications for positions in regional offices are reviewed and revised to recognize the changing and developing needs. Assigned personnel are trained and the needed capabilities and knowledge are emphasized and required of applicants to fill vacant positions.

IMPROVING INFORMATION FLOW

Mr. CONTE. How do you plan to achieve a more sophisticated information flow between Federal, State, and local levels of government?

REGIONAL OPERATIONS PARTICIPATION

Mr. TWINAME. SRS and many of the States are in the preliminary phases of developing management information systems. These systems will be linked. A management information system coordinator network is now being established in SRS.

Hard data and informational materials which describe and interpret national programs, policies, and resources will be provided. Materials will be prepared for different audiences: State agency officials, planners, Governors, and their staffs, legislators, and local officials.

State input is sought as a source of ideas and as a means of keeping national programs sensitive and relevant to governmental and human necessities.

The immediate product of these efforts will be the establishment of broad, open channels of communications and an avenue for a two-way flow of information—from and to the Federal organization headquarters and regional offices and State and local governments.

Mr. CONTE. That is all, Mr. Chairman.

Mr. FLOOD. Then we will move on to grants to States for public assistance. I believe you have a statement, Mr. Twiname.

THURSDAY, MAY 13, 1971.

GRANTS TO STATES FOR PUBLIC ASSISTANCE

WITNESSES

JOHN D. TWINAME, ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE
HOWARD NEWMAN, COMMISSIONER, MEDICAL SERVICES ADMINISTRATION
STEPHEN P. SIMONDS, COMMISSIONER, COMMUNITY SERVICES ADMINISTRATION
JOHN L. COSTA, COMMISSIONER, ASSISTANCE PAYMENTS ADMINISTRATION
MRS. CORRINE WOLFE, DEPUTY ASSISTANT ADMINISTRATOR, OFFICE OF MANPOWER DEVELOPMENT AND TRAINING
RANDOLPH W. LEE, DIRECTOR, BUDGET DIVISION
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

GRANTS TO STATES FOR PUBLIC ASSISTANCE

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Other services	377	462	470
Grants, subsidies, and contributions	8,104,715	9,011,248	11,711,223
Total obligations	8,105,092	9,011,710	11,711,693

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
1. Maintenance assistance:			
(a) Old-age assistance	1,321,104	1,456,646	1,666,020
(b) Aid to the blind	56,297	61,017	65,434
(c) Aid to the permanently and totally disabled	517,248	575,987	794,047
(d) Aid to families with dependent children	2,163,438	2,540,683	3,718,943
(e) Emergency assistance	5,877	12,321	12,267
(f) State and local administration	286,944	307,897	398,610
Subtotal, maintenance assistance	4,350,908	4,954,551	6,655,321
Collections and adjustments	−20,562	−11,000	
Program costs, funded, maintenance assistance	4,330,346	4,943,551	6,655,321
2. Assistance to repatriated U.S. nationals	530	770	687
3. Medical assistance:			
(a) For those eligible for maintenance assistance	1,701,125	2,159,916	2,845,832
(b) For those not eligible for maintenance assistance	800,529	814,253	813,965
(c) Administration	114,946	139,516	167,822
Subtotal, medical assistance	2,616,600	3,113,685	3,827,619
Collections and adjustments	21,368	−4,000	
Program costs, funded, medical assistance	2,637,968	3,109,685	3,827,619
4. Social services	522,005	509,328	838,200
Collections and adjustments	12,599		
Program costs, funded, social services	534,604	509,328	838,200
5. State and local training	31,665	25,536	43,866
6. Child welfare services		46,000	46,000
7. Research and training projects	7,000	17,080	
Total program costs, funded	7,542,113	8,651,950	11,411,693
Change in selected resources[1]	514,464	451,555	300,000
Adjustments between State requirements and Federal grants to States for fiscal year	48,515	−91,795	
Total obligations	8,105,092	9,011,710	11,711,693
Financing:			
Unobligated balance lapsing	71		
Appropriation available from subsequent year	−2,140,240	−2,500,000	−2,800,000
Appropriation available in prior year	1,533,981	2,140,240	2,500,000
Budget authority	7,498,904	8,651,950	11,411,693
Budget authority:			
Appropriation	7,499,004	8,651,950	11,411,693
Portion withdrawn (Public Law 91-204, sec. 410)	−100		
Appropriation (adjusted)	7,498,904	8,651,950	11,411,693
Distribution of budget authority by account:			
Grants to States for public assistance	7,498,304	8,651,950	11,411,693
Assistance for repatriated U.S. nationals	600		

See footnote at end of table, p. 22.

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)—Continued

	1970 actual	1971 estimate	1972 estimate
Relation of obligations to outlays:			
Obligations incurred, net	8,105,092	9,011,710	11,711,693
Obligated balance, start of year	1,506,812	2,166,507	2,531,217
Obligated balance, end of year	−2,166,507	−2,531,217	−2,822,910
Adjustments in expired accounts	−48		
Outlays	7,445,349	8,647,000	11,420,000
Distribution of outlays by account:			
Grants to States for public assistance	7,335,762	8,647,000	11,420,000
Grants to States for maintenance payments	11,561		
Assistance for repatriated U.S. nationals	498		
Grants to States for medical assistance	65,098		
Social services, administration, training and demonstration projects	12,430		

[1] Selected resources as of June 30 are as follows:

	1969	1970	1971	1972
Selected resources at end of year (amount obligated in one year for grants chargeable to appropriation for subsequent year)	1,533,981	2,140,240	2,500,000	2,800,000
Amount of 1971 appropriation used to complete 1970 requirements		−91,795		
Total selected resources	1,533,981	2,048,445	2,500,000	2,800,000

NOTES

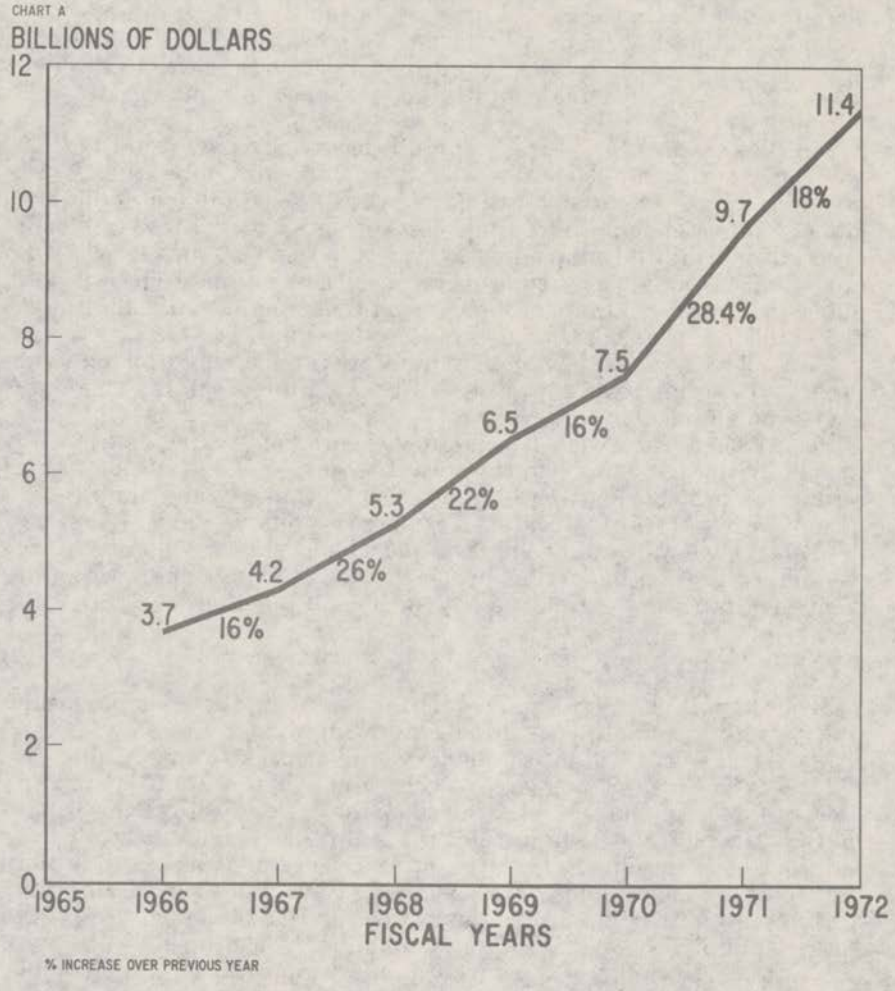
Excludes $7,950,000 in 1972 for activities transferred to research and training, 1970, $7,000,000 and; 1971, $15,080,000.
Excludes $2,000,000 in 1972 for activities transferred to child development, 1970, $0; 1971, $2,000,000.

FISCAL YEAR 1972 PUBLIC ASSISTANCE BUDGET

Mr. TWINAME. I have some charts accompanying the statement, which you might either like to set aside to look at, or I will use them here, because I think they might be helpful to understand where we are in this program what the real factors of increase are. I hope this might be helpful to the committee and to other Members of Congress. Copies of the charts are attached to the statement but perhaps this will give you a better picture than the words.

Mr. Chairman and members of the committee, under the consolidated budget for public assistance I shall discuss the maintenance assistance, repatriation, medical assistance, social services, training, and child welfare activities. The total amount requested for public assistance in fiscal year 1972 is $11,411,693,000, an increase of $1,729,236,000 over the fiscal year 1971 requests. (Chart A). The States have projected a smaller percentage increase in 1972 than in any of the last 5 years with the exception of fiscal year 1970. In accordance with our policy of basing our appropriation request on the States' estimates we have requested the above amount with the knowledge that this estimate may change at a later date. We are presently in receipt of February 1971 States' estimates which already indicate an increase of approximately $200 million for fiscal year 1971 and another $200 million for fiscal year 1972 above the estimates upon which the budget request was based.

GRANTS TO STATES FOR PUBLIC ASSISTANCE (Federal Share)



ADEQUACY OF THE BUDGET ESTIMATE

Mr. MICHEL. Every year since I have been on this subcommittee we have had a supplemental appropriation request, as for example yesterday's of $1.047 billion. Is this 1972 estimate a good hard figure, or is it one on which we can speculate that another $500 million may be needed?

Mr. TWINAME. We can expect another supplemental, I would say, and perhaps it would be more helpful to show what the budgets were and where they ended up, but these figures are actual increases from the previous fiscal years.

Mr. MICHEL. If I made a little side bet that this $11.4 billion was going to be nearer $12 billion, rounded out, by the time we got through fiscal 1972, I would have a pretty good chance of winning any bet, wouldn't I?

Mr. TWINAME. This year I wouldn't necessarily make that bet. In addition to the supplemental you discussed yesterday, the States came in, in their February estimates, with a $200 million additional amount they thought they would need in fiscal year 1971. It wasn't even covered by the supplemental you voted on, but based on—it is now almost June—their requests against that estimate since it was made in February, they probably won't use all of that additional $200 million. What is happening in the States now is a fiscal crisis, as you are all well aware, in which many States are cutting back on their program or trying to seek ways to cut back on the program. Therefore it may be a difficult year.

Mr. MILLER. Mr. Michel, you know we are not playing games with the committee. Our problem is we want to develop a responsible State estimating system, and if we ignore their estimates, and simply put in our own, or take percentages of increases in previous years, we don't feel that we can develop a responsible system in the States, so we simply use for budgeting purposes the latest estimates we have from the States at the time we put the budget together.

QUALITY OF STATE ESTIMATES

Mr. FLOOD. The performance of the States in the past has been pretty bad in estimating. Are the States improving?

Mr. TWINAME. I will let the budget people speak to that.

Mr. LEE. Some States are getting much better, but I think a greater factor in the inaccuracies than the lack of estimating capability is the fact that they haven't made up their minds exactly what position they are going to take yet, and as the estimates are submitted they change their minds. For example, New York and California have recently made major decisions affecting the amount.

Mr. FLOOD. That makes it pretty tough for you people.

Mr. LEE. If you don't know what you are going to do, it is difficult to estimate what it is going to cost.

Mr. FLOOD. That is a pretty safe statement.

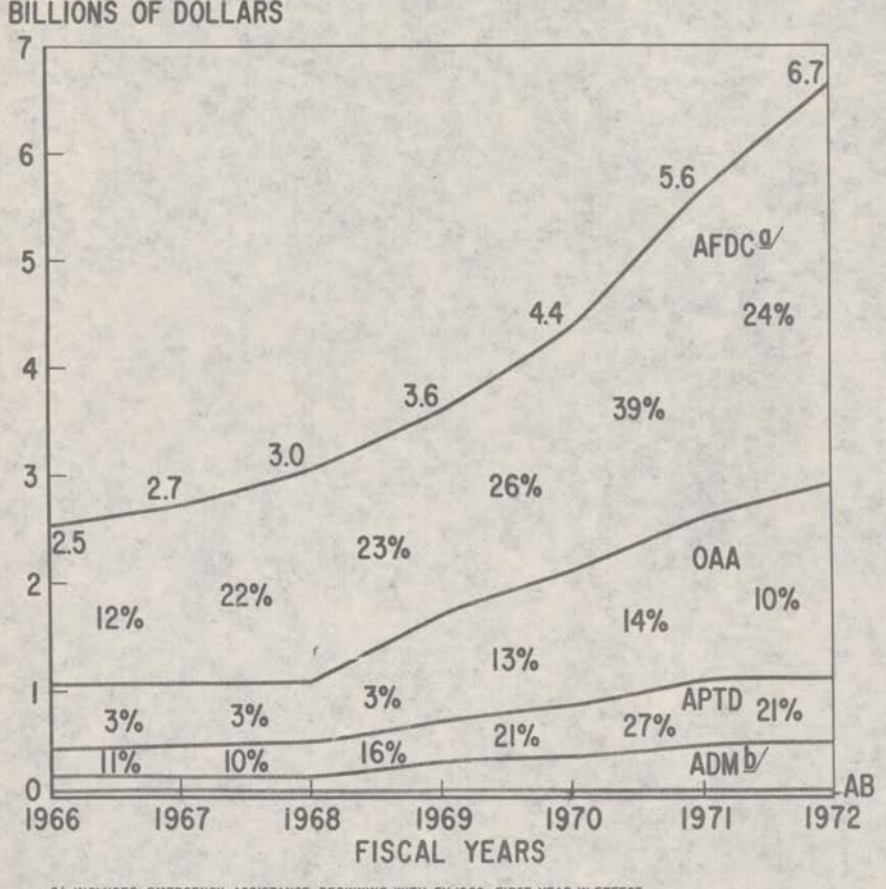
Mr. Twiname.

Increases in Maintenance Assistance

The maintenance assistance portion is for grants-in-aid to the States for maintenance assistance to the needy, aged, blind, and disabled and to dependent children, which are made under the public assistance titles of the Social Security Act, and for the Federal share of the cost of administering these maintenance programs through the State and local public welfare agencies. The Federal share of maintenance assistance requirements for 1972 is $6,655,321,000.

MAINTENANCE ASSISTANCE
(Federal Share)

CHART B



a/ INCLUDES EMERGENCY ASSISTANCE BEGINNING WITH FY 1969 - FIRST YEAR IN EFFECT.

b/ DATA ON STATE AND LOCAL ADMINISTRATION FOR FISCAL YEARS 1966, 1967, AND 1968 ARE INCOMPLETE; BEGINNING IN FISCAL YEAR 1969, FULL AMOUNT REPORTED AS ADMINISTRATION.

% EQUALS ANNUAL PERCENTAGE INCREASE

Chart B compares the increases in the four programs—disabled, blind, aged, and AFDC—with the percentage increases showing 24 percent for AFDC. Compared with the Federal requirements for 1971, the 1972 requirements are larger by $1,027,132,000, based on estimates from the States in November 1970. All components of maintenance assistance have been forecast to have a slower rate of growth than that experienced since 1969. The two components of these increases are the number of recipients and the average monthly payments. The component of predominant importance in this situation is the increase in the numbers of recipients, primarily in aid to families with dependent children and aid to the permanently and totally disabled (chart C). The numbers of AFDC recipients will be almost two and one-half times as great as they were in 1966 and almost one-fifth greater than in 1971. APTD recipients have almost doubled in numbers since 1966 and are more than 14 percent greater in 1972 than they were in 1971.

THE DEFINITION OF "TOTAL AND PERMANENT"

Mr. FLOOD. I am concerned about the phrase "total and permanent." It certainly isn't new. It has been used in this program since it was born many, many years ago, but we as Members all get mail here, and I suppose you do, too. It is difficult for the people to understand what this phrase means.

Mr. TWINAME. Yes. Different States have really different definitions, I would say. I can ask Mr. Costa, who has been experienced in that, to comment.

Mr. FLOOD. Total and permanent, as a condition precedent.

Mr. COSTA. Right. In some States a person may be ill for a period of time, and may be rehabilitated through Rehab or some other agency and may even go to work through training programs, et cetera. Then in some other States the "permanent and total" may be almost terminal. The person is on his way out. The range is variable from State to State, and it is very difficult to define.

Mr. FLOOD. Then there is no rigid yardstick in the States.

Mr. COSTA. No; there is not. It depends upon the State that you are in.

Mr. FLOOD. And that may change from time to time, depending upon many things.

Mr. COSTA. Yes.

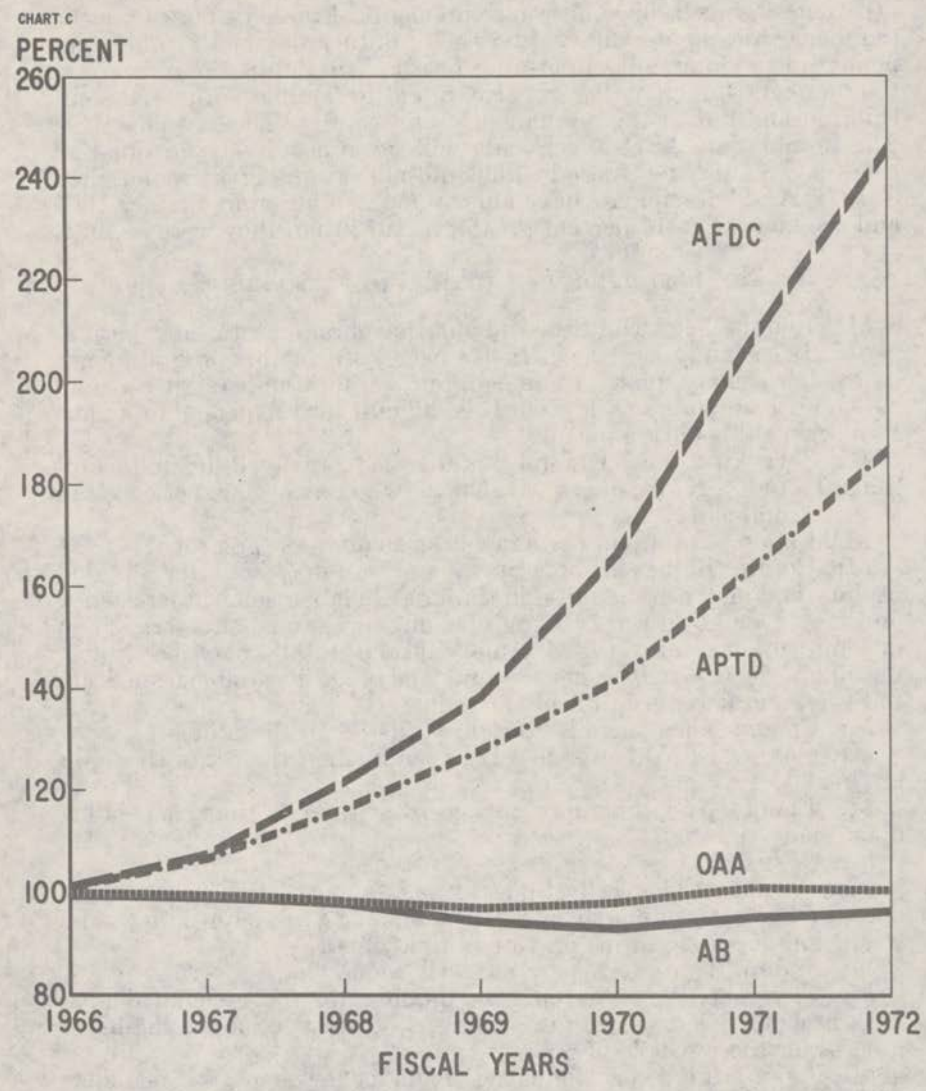
Mr. TWINAME. Generally I guess it is a fair yardstick to say someone who has been impaired so that he cannot be self-supporting as he was before, or perform his previous employment.

Mr. FLOOD. Those terms are not well understood.

Mr. TWINAME. No, everyone who qualifies for this assistance must have a medical certification in a State, so there is a longer eligibility process for these people of 60 days.

Mr. FLOOD. It is a very difficult problem for the people and members of Congress as it is phrased.

MAINTENANCE ASSISTANCE RECIPIENTS
(Percent of 1966 Caseload)



CAUSES OF LONG-TERM INCREASE IN AFDC RECIPIENTS

Mr. TWINAME. I should like to comment briefly on the long-term increase in the number of recipients under the AFDC program.

Mr. FLOOD. AFDC—you will have to translate that for the record.

Mr. TWINAME. The aid to families with dependent children program.

The upward trend since 1963 has resulted primarily from the war on poverty, including community action groups formed to help the poor, and from normal population growth coupled with a disproportionate rise in the number of families headed by a mother. Such families have had a smaller rise in income than normal families with the result that more of them need assistance. In addition, families stay on welfare longer due to the income disregard provisions.

Mr. FLOOD. What does that mean?

Mr. TWINAME. This means that in the amendments to the Social Security Act of 1967, the Congress put in some work incentive provisions whereby recipients could keep $30, if they went to work—the first $30 they earned—and one-third of their remaining income would be disregarded, in considering their need, as an incentive to go to work. Therefore people will be able to have a higher income and still be on the welfare rolls, whereas before, every dollar they earned was taken from them, so if they went to work they would leave welfare rolls right away, which would be a disincentive to go to work, as we have all learned. We do have people now on welfare rolls retaining some of their earnings, who are working and who formerly would have not been on the welfare rolls, assuming they would have gone to work without the incentive. Many of them probably would not have taken jobs because of the lack of incentive.

Mr. MICHEL. But that incentive isn't working against us; is it?

Mr. TWINAME. No, I don't believe it is. These people may remain on, but with a very small supplemental payment, until eventually, if they earn enough money, of course, they go off the rolls. If their job becomes stable and they get an increase, they go off.

COURT DECISIONS INCREASE CASELOAD

Court decisions have increased the caseload.

Mr. FLOOD. Court decisions?

Mr. TWINAME. Court decisions have been a major factor in the last 2 or 3 years.

Mr. FLOOD. What court?

Mr. TWINAME. All courts; but the Supreme Court particularly has been involved.

Mr. FLOOD. The Supreme Court of the United States?

Mr. TWINAME. Yes, sir. Mr. Chairman, you may recall decisions made by the Court on eligibility: residence requirements, for example.

Mr. FLOOD. When you refer to the court, you refer to the Supreme Court of the United States?

Mr. TWINAME. Yes sir; for example, the Court has ruled that you cannot deny assistance to a person because he has not resided in a locality long enough.

Mr. FLOOD. And by long enough you mean 6 months, 1 year, whatever the State law requires?

Mr. TWINAME. Yes.

Mr. FLOOD. Whatever the State law requires?

Mr. TWINAME. Yes, sir, previously.

Mr. PATTEN. Do you find fault with that decision under our law? You are not saying the Supreme Court didn't properly interpret the law?

Mr. TWINAME. No, sir; as a matter of fact most of the welfare recipients were not people who came and waited for 1 year and then got on assistance. Most people on assistance have been residents for a longer period. I think the average residency of the person on assistance was well over 3 years.

Mr. COSTA. Five years.

Mr. TWINAME. Five years before a resident went on assistance.

Mr. FLOOD. Will you supply for the record the date the Supreme Court handed down that decision?

Mr. TWINAME. Yes, sir.

Mr. FLOOD. With the date that the Court handed down that decision, submit a brief synopsis of the gist of the decision.

(The information follows:)

SUPREME COURT DECISION ON RESIDENCE REQUIREMENTS

Shapiro v. *Thompson*, 394 U.S. 618 (1969), April 21, 1969: Under the equal protection clause, a requirement of durational residence in a State is not an acceptable eligibility condition for public assistance.

Summary of Decision.—Held (6–3), that durational residence requirements of Connecticut, Pennsylvania, and the District of Columbia, under which residents of those jursidictions were denied AFDC or APTD because they had not resided within the jurisdiction for at least 1 year immediately preceding the applications for such assistance, violate the equal protection clause of the 14th amendment, the due process clause of the fifth amendment, and the constitutionally secured right to travel. The majority opinion stated that section 402(b) of the Social Security Act does not approve the imposition of a 1-year waiting period requirement so that the constitutionality of that section was not in issue; moreover, if section 402(b) did approve a 1-year residence requirement, that section would be unconstitutional.

Related case.—In *Wyman* v. *Bowens*, 39 U.S. 49 (February 24, 1970), five justices of the Court, without hearing argument, affirmed on the basis of *Shapiro* v. *Thompson* a district court decision which struck down a New York law denying AFDC to families who apply within 1 year of coming into the State unless they show that they did not come for the purpose of obtaining assistance.

EXTENSION OF AFDC TO CHILDREN OF UNEMPLOYED FATHERS

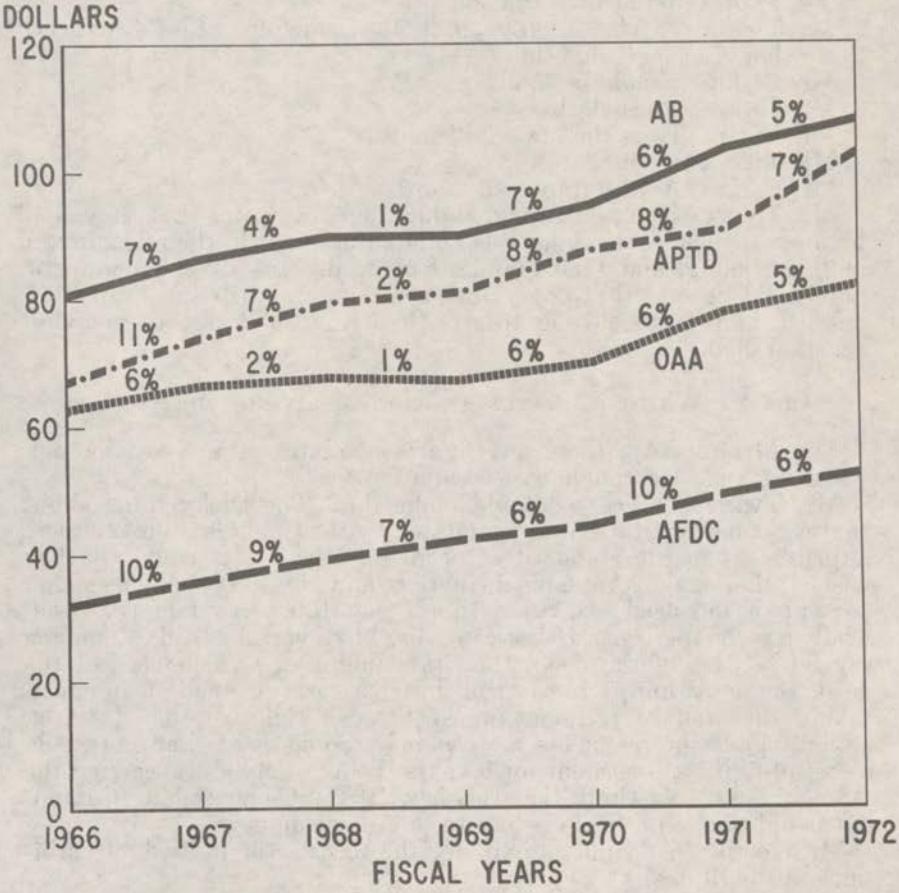
Mr. TWINAME. The extension of the program of aid to families with dependent children to cover children of unemployed fathers, also has contributed to the raise in the number of recipients. Unemployment rates are considerably higher among minority groups, especially Negroes and women heads of families, than for the total labor force.

MAINTENANCE ASSISTANCE

AVERAGE MONTHLY PAYMENT TO MAINTENANCE ASSISTANCE RECIPIENTS

(Money Payments)

CHART D



% EQUALS ANNUAL PERCENTAGE INCREASE

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COST-OF-LIVING ADJUSTMENTS REQUIRED BY LAW

Chart D shows the average payments as they have risen, the average monthly payment to a recipient. And annually this simply means that the AFDC payment to a family went up 10 percent between 1966 and 1967, and from 1967 to 1968 there was a 9 percent increase in the average payment to AFDC recipients. This increase in the budget is a function of more recipients, and for each recipient a higher payment. The reason for this particular payment here, which is the largest factor in this year (1970–71), is related to the fact that we are cleaning up the requirement that there be a cost-of-living adjustment in the maximum payments made to these families.

Mr. FLOOD. What does that mean?

Mr. TWINAME. The Congress, in its 1967 amendment, said that each State should at least one time——

Mr. FLOOD. Should or shall?

Mr. TWINAME. Shall, by——

Mr. FLOOD. Does the law say "shall"?

Mr. TWINAME. Shall.

Mr. FLOOD. A very important word.

Mr. TWINAME. Yes, it was mandated on the States that they shall by July 1, 1969, make a cost-of-living adjustment in their maximum, in their ceiling, and their standard of need. Most of them unfortunately did not get that done, until sometime in 1970 and even 1971, and we had quite a time to wrestle with the States to get that accomplished.

VARIATIONS AMONG STATES IN COST-OF-LIVING ADJUSTMENTS

Mr. MICHEL. Are there any figures available as to how that adjustment varied throughout the country?

Mr. TWINAME. Yes, we could make that. The tricky thing about that was that the States were mandated by the Congress to make these adjustments in the standard of need, but the States could, if they wished, then make a rateable deduction, and give everybody a smaller percent of the need. All States don't pay 100 percent of the need. They pay 50 percent, 70 percent, or whatever. Instead of paying say 80 percent of the need, the State might pay 75 percent of the need. But I am happy to say that in most cases, instead of, in effect, taxing the welfare recipient, most States, well over 35, I think, actually gave the recipients more money. Some States had not made a cost-of-living adjustment for 5 years. People were still receiving the same amount, so I think that this is what the Congress had in mind, but it did not tell a State it had to pay more money.

Mr. COSTA. We could submit, for the record, the individual variations in the States.

Mr. FLOOD. A good idea.

(The information follows:)

MONTHLY STANDARDS AND PAYMENTS FOR AN A.F.D.C. FAMILY OF 4 (1 ADULT PLUS 3 CHILDREN) AS OF MAY 1971

	Payment levels before and after adjusting standards and maximums for 402(a)(23) of the act				
	Before	After	Increase	Decrease	No change
Alabama	$89	$81		$8	
Alaska	140	300	$160		
Arizona	134	173	39		
Arkansas	85	101	16		
California (Los Angeles County)	221	221			X
Colorado	185	235	40		
Connecticut	291	335	44		
Delaware	149	149			X
District of Columbia	184	245	61		
Florida	85	134	49		
Georgia	125	133	8		
Hawaii	233	260	27		
Idaho	238	241	3		
Illinois	247	284	37		
Indiana	150	175	25		
Iowa	244	243		1	
Kansas	237	251	14		
Kentucky	163	193	30		
Louisiana	116	104		12	
Maine	137	168	31		
Maryland	178	196	18		
Massachusetts	263	283	20		
Michigan	249	293	44		
Minnesota	266	309	43		
Mississippi	52	60	8		
Missouri	114	130	16		
Montana	203	206	3		
Nebraska	200	226	26		
Nevada	150	143		7	
New Hampshire	242	314	72		
New Jersey	332	347	15		
New Mexico	183	179		4	
New York (New York City)	278	313	35		
North Carolina	144	172	28		
North Dakota	251	282	31		
Ohio	193	200	7		
Oklahoma	175	185	10		
Oregon	201	224	23		
Pennsylvania (Philadelphia)	205	301	96		
Rhode Island	241	255	14		
South Carolina	87	103	16		
South Dakota	250	300	50		
Tennessee	120	129	9		
Texas	114	148	34		
Utah	185	189	4		
Vermont	284	311	27		
Virginia	183	261	82		
Washington (King County)	282	270		12	
West Virginia	161	138		23	
Wisconsin	239	217		22	
Wyoming	200	227	27		
Puerto Rico	28	53	25		
Virgin Islands	139	166	27		
Summary			43	8	2

MONTHLY STANDARDS AND PAYMENTS FOR AN A.F.D.C. FAMILY OF 4 (1 ADULT PLUS 3 CHILDREN) AS OF MAY 1971

	Full standard	Payment	Payment level as a percent of full standard
Alabama	230	81	35
Alaska	400	300	75
Arizona	266	173	65
Arkansas	255	101	40
California (Los Angeles County)	328	221	67
Colorado	235	235	100
Connecticut	335	335	100
Delaware	287	149	52
District of Columbia	326	245	75
Florida	223	134	60
Georgia	208	133	64
Hawaii	260	260	100
Idaho	272	241	89
Illinois	284	284	100
Indiana	363	175	48
Iowa	300	243	81
Kansas	282	251	89
Kentucky	264	193	73
Louisiana	204	104	51
Maine	349	168	48
Maryland	302	196	65
Massachusetts	283	283	100
Michigan	293	293	100
Minnesota	309	309	100
Mississippi	232	60	26
Missouri	348	130	37
Montana	225	206	92
Nebraska	346	226	65
Nevada	317	143	45
New Hampshire	314	314	100
New Jersey	347	347	100
New Mexico	203	179	88
New York (New York City)	336	313	93
North Carolina	200	172	86
North Dakota	282	282	100
Ohio	258	200	78
Oklahoma	218	185	85
Oregon	280	224	80
Pennsylvania (Philadelphia)	301	301	100
Rhode Island	255	255	100
South Carolina	198	103	52
South Dakota	300	300	100
Tennessee	217	129	59
Texas	197	148	75
Utah	271	189	70
Vermont	311	311	100
Virginia	279	261	94
Washington (King County)	282	270	96
West Virginia	265	138	52
Wisconsin	255	217	85
Wyoming	283	227	84
Puerto Rico	132	53	40
Virgin Islands	166	166	100

REASONS MORE PEOPLE ARE ON THE WELFARE ROLLS

Mr. TWINAME. I might submit for the record an appendix of the reasons a little more definitively, why more people are on the public assistance rolls.

Mr. FLOOD. Not only for the record but send a copy to each member of the subcommittee.

(The information follows:)

Of the total increase of 1,876,480 in the average monthly number of recipients between 1971 and 1972, almost 90 percent is accounted for by the increase in AFDC. The average monthly number of recipients of AFDC in 1972 will be about 2½ times the number in 1966 as shown in chart C of the opening statement on maintenance assistance. The reasons for the increase in the number of recipients of AFDC in recent years is shown below:

I. *Demographic factors*

1. *Increase in family breakdown in the population.* The percentage of children under 18 who were not living with both parents rose between 1960 and 1970 from 33.7 to 39.5 percent for nonwhites, and from 10 to 10.9 percent for white children.

2. Migration from rural to urban areas by persons who lack the education and job skills needed for occupations in the cities.

II. *Increase in applications from families that have been eligible but have failed to apply*

1. Community action groups, the National Welfare Rights Organization (NWRO), medicaid, the food stamp program, the WIN training program, etc., have located eligible recipients and helped them to apply for welfare, or have referred applicants to the welfare agency.

2. Greater public awareness of the availability of welfare, and the legal entitlement to a welfare payment.

3. A more liberal attitude toward welfare by the community in general and by applicants for payments has removed the stigma formerly attached to welfare and resulted in increased applications.

III. *Federal legislation*

1. Exemption of a specified amount of earned income, one of the provisions of the social security amendments of 1967, became mandatory on July 1, 1969. Some cases that would have been closed if the full amount of earnings were taken into consideration, remain on the rolls longer.

2. The use of the medicaid percentage, with no maximum on the amount of the average monthly payment, in computing the Federal share of maintenance payments was made optional under the 1965 amendments. The additional Federal funds going to the States under this alternative has enabled States to raise their standards thereby making more needy families eligible for a payment.

3. Updating of prices of items in the standard became mandatory under the 1967 amendments on July 1, 1969, and the resulting higher standards being implemented late made more needy persons eligible for a payment.

4. An AFDC payment for specified children in foster care became mandatory on July 1, 1969, under the 1967 amendments. For 1972, the States estimate an increase in the average monthly number of children in foster care of 12,944 over 1971.

IV. *Economic factors*

1. Higher than average unemployment among families with a female head and minority groups has forced these needy families to seek welfare aid.

2. Continuing rise in the cost-of-living has resulted in planned increases in assistance standards that make more people eligible.

V. *Court decisions*

1. Abolition of the man-in-the-home policy as a result of the Supreme Court decision (King against Smith) continues to make some families eligible who would not have been eligible under the former policy in 20 States.

2. HEW has issued policy following a court decision prohibiting States from requiring support from persons who are not legally liable under State law and assuming support payments in determining the amount of assistance payments when such payments are not actually available.

3. Court decision abolished durational residence requirements, with result that caseloads have increased in some States.

VI. *Program elections and simplified method*

1. Program elections of optional provisions of the income maintenance programs, such as disregarding up to a specified amount of earned income in determining need under OAA and APTD, extending AFDC to include children in need because of the unemployment of a father, the use of the Medicaid percentage in computing the Federal share of payments, etc., all result in an increase in Federal funds. For example, three additional States plan to adopt the unemployed father provision of the AFDC program in 1972.

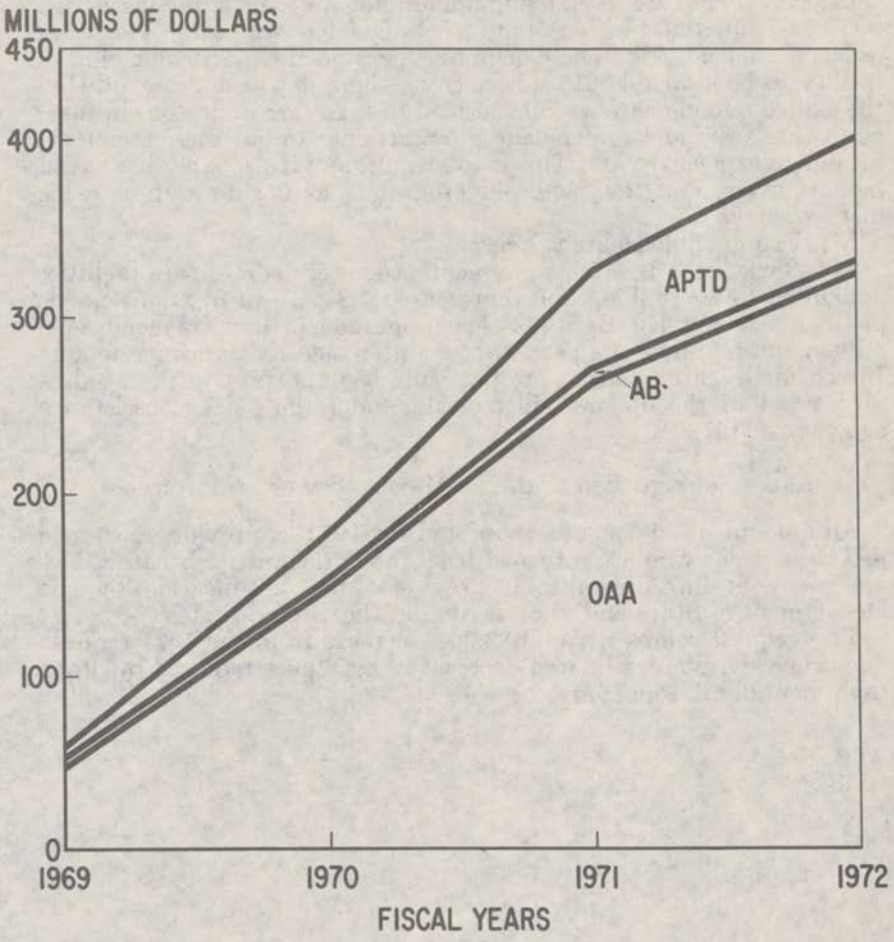
2. Introduction of the simplified method of determining eligibility by using less cumbersome procedures has speeded up getting payments to eligible needy recipients. Under the old procedures, a case was carried as not eligible for Federal participation until the month in which the final action was taken on their eligibility status.

INCREASE IN AVERAGE MAINTENANCE PAYMENTS

Mr. TWINAME. About one-fourth of the total maintenance assistance cost increase is attributable to the increase in average payments (chart D). An examination of the chart indicates average monthly payments to families with dependent children has increased at a relatively steady rate from 1966 to 1972 while payments for the adult categories have generally experienced a similar rate of increase except for the period 1968–69 at which time the rate of increase declined. The reduction in rate of increase experienced between 1968 and 1969 was due to the Social Security Act amendments of 1967 which increased social security payments, thus reducing the requirement for maintenance assistance. The effect of these increased social security payments was felt in the last half of 1968 but in all of 1969. The recent social security payment increase has not been reflected in the estimate for 1972.

INTERMEDIATE CARE FACILITIES
(Federal Share)

CHART E



% OF MAINTENANCE PAYMENTS

1969-1.8 1970-4.4 1971-6.2 1972-6.4

INTERMEDIATE CARE FACILITIES COSTS

Although the intermediate care facilities program was to start in 1968 the first recorded Federal expenditures did not take place until 1969.

This is a relatively new program, and this chart E shows you the increase in the use of the intermediate care facilities. In terms of millions of dollars spent, you can see the rapid increase in all the adult categories. These are the nursing homes, not the skilled nursing homes for Medicaid, but facilities for providing long-term care of a lesser order of medical skill. The Congress suggested this particular kind of facility to be available at a lower cost, where it was determined that the skilled nursing care was not needed to take care of persons in these adult categories and to persuade the States not to put these recipients into more expensive care. This is the result, and it probably has saved money in terms of the Medicaid program, but it shows up as a big increase here.

Mr. FLOOD. That chart is a help.

Mr. TWINAME. In 1969, payments to intermediate care facilities amounted to $60 million and represented 1.8 percent of maintenance payments (chart E). By 1972 this program will have reached $400 million and represent 6.4 percent of maintenance assistance payments. Intermediate care facilities are particularly important to the aged as 81 percent of the dollars will be paid under the old age assistance category in 1972.

ASSISTANCE TO REPATRIATED UNITED STATES NATIONALS

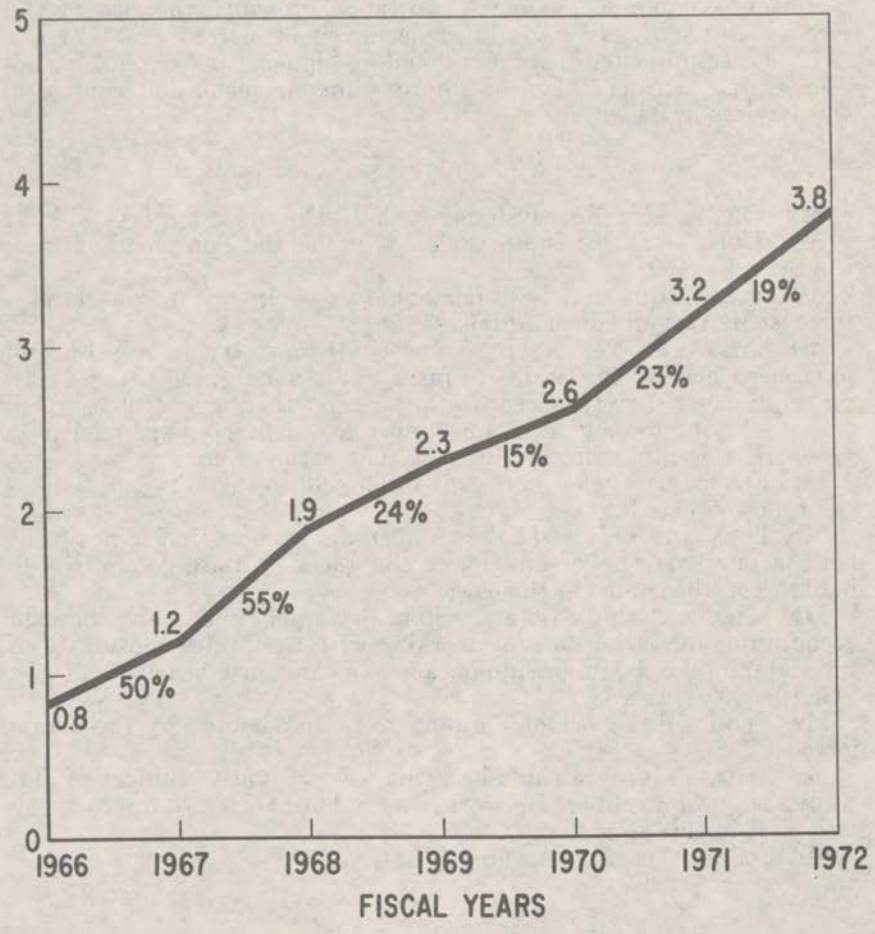
An amount of $687,000 is requested for 1972 to provide assistance to U.S. citizens who are returned from foreign countries because they are needy or ill. Assistance is provided upon certification by the Department of State and upon arrival in the United States.

This request represents an $83,000 decrease from the 1971 request due primarily to an estimated decrease in assistance required by other than mentally ill repatriates.

MEDICAL ASSISTANCE
(Federal Share)

CHART F

BILLIONS OF DOLLARS



% EQUALS ANNUAL PERCENTAGE CHANGE

Medical Assistance

The appropriation request for the Federal share of medical assistance for fiscal year 1972 is $3,827,619,000, a 19 percent increase (chart F).

The appropriation request for the Federal share of medical assistance for fiscal year 1972 is $3,827,619,000, a 19 percent increase. This program experienced large increases in relation to the previous year in 1967 and 1968, at the time that most States were initiating Title XIX programs. As this start up period came to a close in 1969 and 1970, the increases over the previous year lessened. With the program in full operation and the increases in maintenance assistance recipients eligible for medical assistance growing, the program is forecast to move once more to higher levels of increases in 1971 and 1972. These projected increases would be higher if it were not for administrative actions taken to improve management and control of the services provided.

FORECASTING MEDICAL ASSISTANCE GROWTH

Mr. Flood. How do you forecast that? Do you use a crystal ball?

Mr. Twiname. This is also collected under the same method from the States.

Mr. Flood. But that is so inadequate. I wonder how you dare to forecast. Is this an educated guess?

Mr. Twiname. We, as Mr. Miller said, must try to rely on and have been helping the States to justify and come up with these estimates, because they are closer to the scene of their legislatures, where they are trying to make decisions. Some are cutting out the medically needy. If they are going to do that, they estimate lower.

Mr. Flood. But you don't want to be held to this forecast. This is the best you can do.

Mr. Twiname. This is the best we can do, once we decide not to sit here in our ivory tower and make the guess. We are committed to banking on the States in this case.

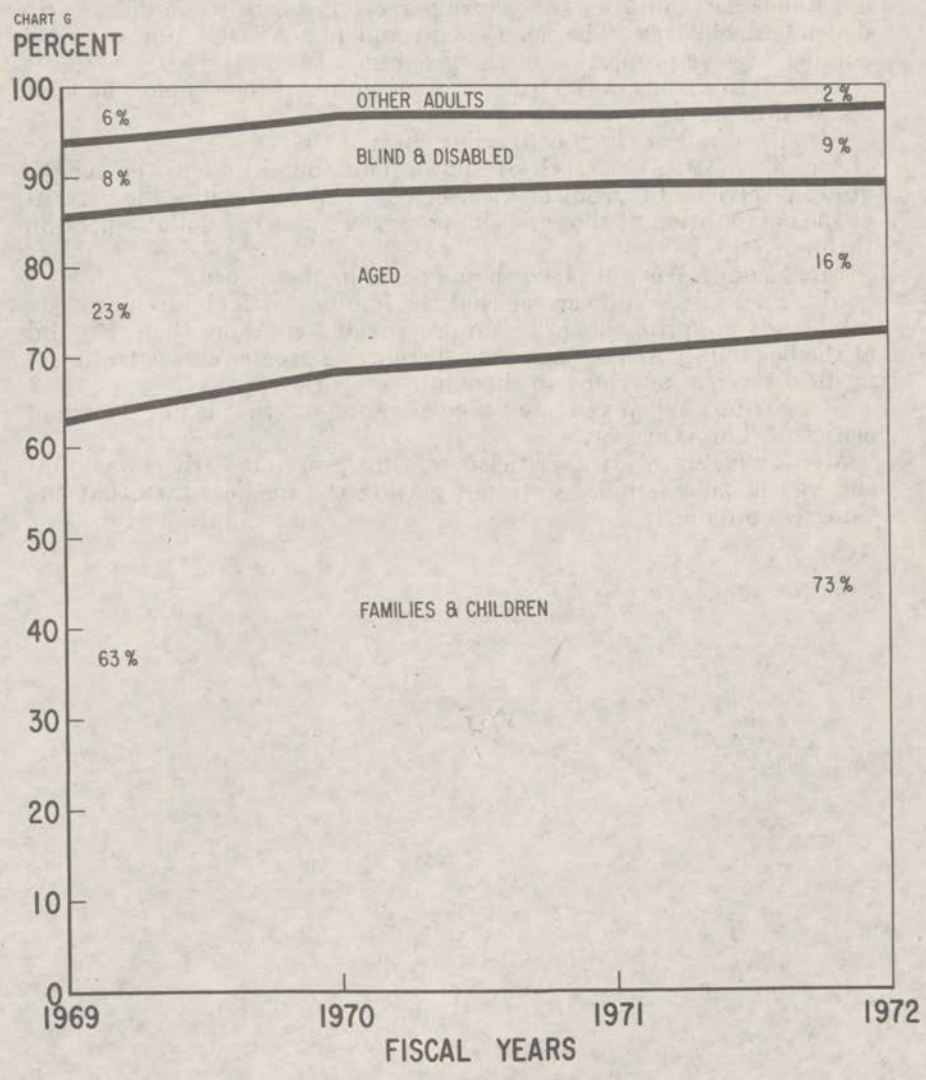
Mr. Miller. I think we are willing to be held and should be held accountable for trying to keep working with the States constantly to try and improve the reporting, because we can't just sit back and say, "Gentlemen, it is well."

Mr. Flood. But you don't intend to be handcuffed by the actual forecast.

Mr. Miller. No, we can't be. This was a favorite subject of Jim Kelly, as you remember. He worked very hard to try to improve the estimates in this area.

Mr. Flood. Yes, I am aware of that.

CHANGING COMPOSITION OF THE MEDICAL ASSISTANCE CASELOAD



MAJOR INCREASES IN AFDC MEDICAID RECIPIENTS

Mr. TWINAME. Increases in the number of persons on maintenance assistance rolls are reflected in the increases in the persons receiving medical assistance. This becomes evident when we examine the changing composition of the medical assistance caseload. Ninety-five percent of the approximately two million increase in persons receiving medical assistance is comprised of persons receiving aid to families with dependent children. The aged, blind and non-AFDC adults are becoming a lesser proportion of the program.

Here in this chart is 100 percent distribution of the people who have received medical services.

Mr. FLOOD. For the record what chart is that?

Mr. TWINAME. Chart G. It shows here that in 1969, the AFDC group received 63 percent of the services. This just shows the percent of the composition of those receiving services, not the dollars spent on them.

Mr. FLOOD. We will place these charts in the record.

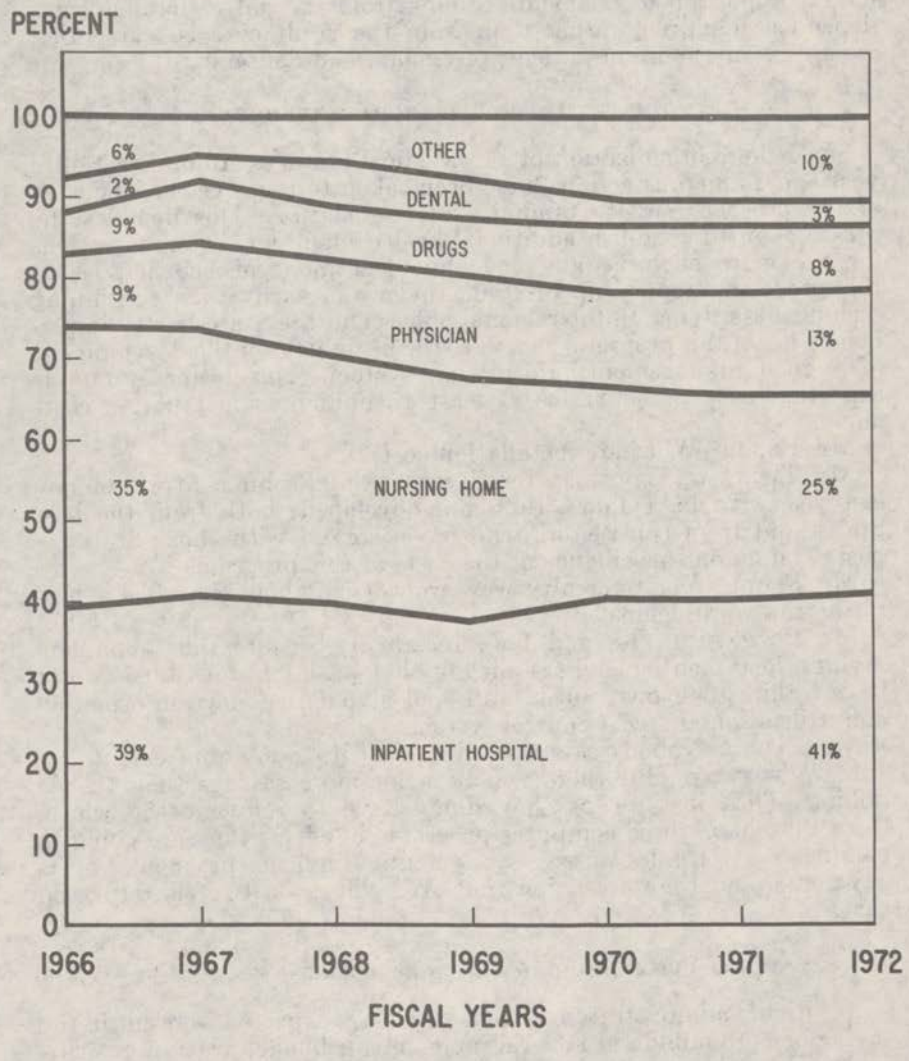
Mr. TWINAME. You can see that the families with children now are taking advantage of this program proportionately more then they did at the beginning. At the beginning there was a greater concentration of medical services provided to the adult categories.

Mr. FLOOD. When you say "take advantage," that is not a term of criticism. This is proper.

Mr. TWINAME. No; a criticism of the program earlier was that children of poor families were not getting the medical care that the Congress intended.

MEDICAL ASSISTANCE
CHANGING COMPOSITION OF MEDICAL COSTS

CHART H



DISTRIBUTION OF COSTS BY PROVIDER TYPE

An examination of the composition of the cost of medical assistance, chart H, indicates that the largest portion of the medical assistance costs, inpatient hospital costs, have remained the same, at about 40 percent, while nursing home care is taking 25 percent of the dollars next year, instead of the 35 percent it took in 1966, reflecting the advent of the intermediate care facilities that we saw before. With a larger proportion of recipients coming from the aid to families with dependent children, rather than from the adult or aged categories, we are getting more in-patient, physician, and dental care.

ACTIONS TO IMPROVE PROGRAM EFFICIENCY

Since the reorganization of the Medical Services Administration a year ago, numerous actions have been taken to improve the efficiency of the program and to minimize cost escalation. This includes the present aim to establish additional health maintenance organizations for the more effective and economic treatment of beneficiaries of this program, stepped-up program reviews in each State, continuing technical assistance to the regional offices and the States in the implementation of this program, as well as the beginnings of the development of a good management information system. This latter system is expected to save the States at least $5 million in installation costs alone.

Mr. FLOOD. What are installation costs?

Mr. TWINAME. You may recall you gave us some contract money last year. We have taken that and developed, both from the best States and from contractors who have worked with those States, a basic system on surveillance of the costs of this program.

Mr. FLOOD. You remember we were worried about that. There hasn't been a word against it.

Mr. TWINAME. Yes, and I appreciate it, because this $5 million savings just mentioned here means that each of the States won't have to hire their own consultants and invent their own information and utilization and cost control systems.

Mr. FLOOD. Nobody said a word against it, to my amazement.

Mr. TWINAME. But there will be a lot more savings than the $5 million. That just means they don't have to reinvent the wheel. Once they have these computer programs in effect, they are going to be able to catch a lot of excess payments, duplicate payments, overpayments, and they are doing that. We will get a twofold return on that.

SAVINGS FROM MEDICAL SERVICES UTILIZATION REVIEW

Additional administrative actions which are expected to result in the saving of $110 million in Federal funds in this budget are a more critical review of the utilization of medical services, requiring prior authorization by physicians or utilization review panels of extended stays in hospitals and nursing homes. You know we have put out a policy to match the medicare program in this respect.

Mr. FLOOD. What is that utilization review program?

Mr. TWINAME. This consists of peer group review.

Mr. FLOOD. Where?

Mr. TWINAME. Hospital and nursing homes.

Mr. FLOOD. Who names the panel? Where does it sit?

Mr. TWINAME. The institution names the panel.

Mr. FLOOD. What institution?

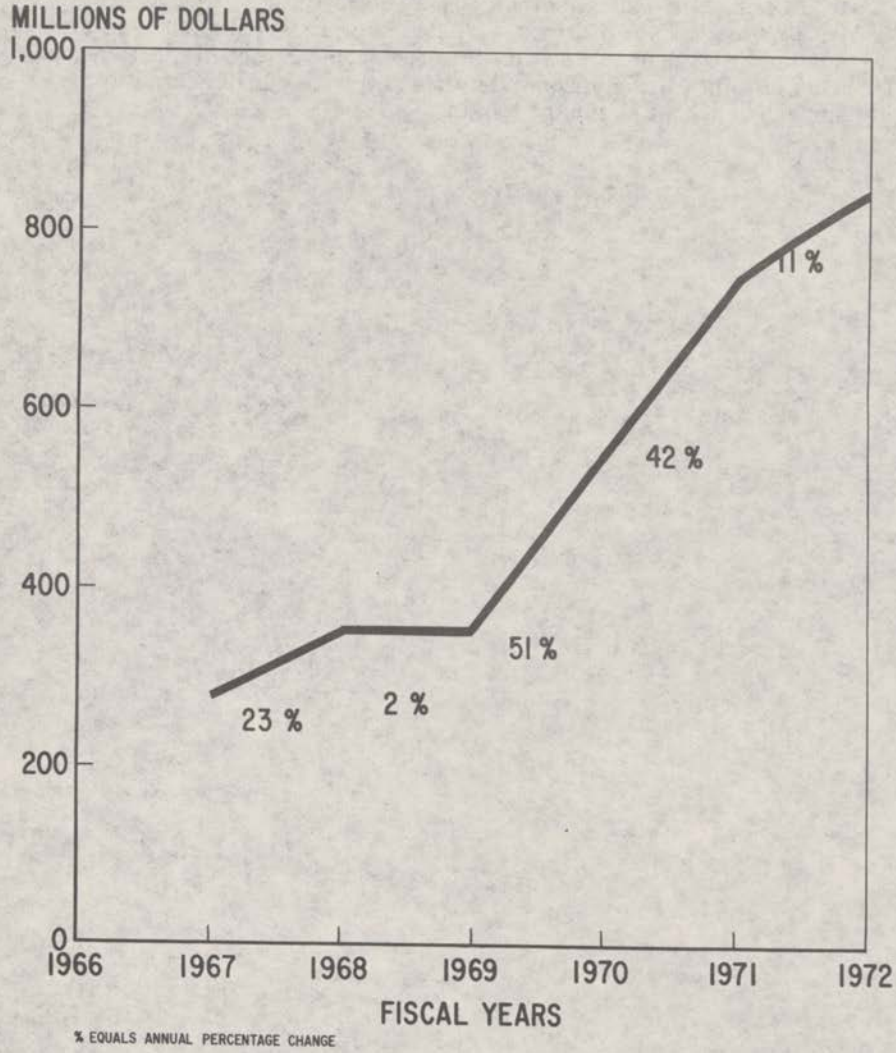
Mr. TWINAME. If you had a hospital, it would permit that group to do an in-house utilization review. In addition to that, we are asking the State offices ———

Mr. FLOOD. But this panel is not a Federal thing.

Mr. TWINAME. No. States have been slow in setting that up and are getting into business now in that area. Some States are instituting fee schedules for physicians and dentists and with our help are improving surveillance and claims processing.

FEDERAL SHARE OF SOCIAL SERVICES

CHART I



% EQUALS ANNUAL PERCENTAGE CHANGE

THE 110-PERCENT LIMITATION ON SOCIAL SERVICES

Our budget request for social services is $838,200,000, an 11-percent increase over 1971. Chart I, shows the 11-percent increase we are projecting. There has been a 51-percent increase in 1970 over 1969, a 42-percent increase in 1971 over 1970. We are projecting in the budget an 11 percent increase. The objective of——

Mr. MICHEL. If there is not a limitation, that figure would be what?

Mr. LEE. That figure would be 20 percent, according to the States' November estimates.

Mr. PATTEN. Is this the 110 percent we are talking about?

Mr. TWINAME. Yes, sir. We are proposing that with the 110-percent limitation, we would have only an 11-percent increase in Federal cost of this program.

Mr. FLOOD. And you know what State I come from.

Mr. TWINAME. Yes, sir.

The objective of the social services program is to assist the States to provide social services to needy children and their parents or persons with whom they live; maintain and strengthen family life; promote child development; prevent and reduce illegitimacy; encourage family planning; protect children as needed, and help the parents, relatives and caretakers to attain or retain capability for maximum self-support and personal independence.

PROBLEMS WITH FAMILY PLANNING SERVICES

Mr. FLOOD. Have you had any fallout against your programs to help, encourage or advise on family planning?

Mr. TWINAME. No.

Mr. FLOOD. Oh, you must have.

Mr. TWINAME. Not that I am aware of. We sent a report to the Congress last year on this particular aspect, and most States showed that they were providing some assistance in this area.

Mr. FLOOD. I know they are doing it. I asked you do you get any fallout of any consequence against it?

Mr. SIMONDS. We have had one instance that I am aware of, a written complaint alleging that the Department of Public Welfare's field staff may be using the family planning coercively. We are investigating that as clearly a violation of Federal standards. That is the only instance I am aware of.

Mr. FLOOD. I have heard about that. That is the only one?

Mr. SIMONDS. Yes.

Mr. FLOOD. Coercion is the word, yes.

Mr. TWINAME. States are also assisted in providing services to help aged, blind, and other handicapped adults to attain or retain capabilities for self-care, self-support, and personal independence and to provide protection to those who need it.

THE NUMBER OF SOCIAL SERVICES RECIPIENTS

Combined with State and local funds, the 1972 programs will provide social services for over 10,734,000 public assistance recipients in carrying out the objectives of this program.

Mr. FLOOD. Is that number a lot?

Mr. TWINAME. Yes. Actually there are about 12 million average caseload, but on a given year there would be more than the 12 million, because people are going off and new people are coming on.

Mr. FLOOD. That is a lot of people.

Mr. TWINAME. That is a lot of people.

As of March 1970, a total of 810,000 families and 2,128,000 children were reported by 45 States to be receiving one or more types of social services. Over one-half of AFDC families received service to obtain medical services or dental care; to improve home and financial management and services related to employment or training for employment.

TURNOVER ON WELFARE ROLLS

A lot of people don't realize that a large number of people leave the welfare rolls every year. They always look at the figure going up and assume they are staying on. We reduce the welfare load 25 percent every year, through people going to work or getting more income some other way, and of course more than that leave the welfare rolls, but 25 percent of the welfare rolls are cut down every year by people who leave because they have got more income through work or some other source. People don't realize these social services do help, case workers helping people to find employment or find a way to get some training. The only trouble is more people come on. They don't realize the assistance that is given there to the ones who have left. More than one-third received housing services and almost one-quarter received emergency and family planning services.

HOUSING SERVICES

Mr. FLOOD. How would a person on the rolls receive housing services?

Mr. TWINAME. A lot of people, poor people especially, have difficulty because they have fires, housing is coming down, it has been condemned, or for one reason or another they have to leave their housing. It is not easy to find housing, especially in the cities, but in rural areas too, if you are a poor family.

Mr. FLOOD. You help them find housing?

Mr. TWINAME. Yes.

Mr. FLOOD. I think you should expand on that for the record.

(The information follows:)

In 1969, approximately 590,200 AFDC families received services to secure better housing or improve housing conditions. Three general areas of housing services include facilitating changes in living arrangement, improving living quarters, and obtaining change in residence.

Various types of housing services provided welfare recipients by social workers are:

1. Pre-and post-occupancy maintenance training for recipients moving from substandard housing into standard housing.
2. Assisting recipients with low budget home decorating to make their environment more liveable.
3. Making recipients aware of legal rights regarding housing violations.
4. Actively participating in community activities to make communities more aware of and receptive of scattered housing sites for recipents.
5. Providing a multitude of housing related services to recipients, as well as former and potential recipients in certain public housing projects. This is where social service units are on the premises.

6. Coordinating activities of other community resources that can assist the recipient with housing problems.
7. Working closely with public housing authorities in arranging for housing of welfare recipients in the projects.
8. Investigating home rental and homeownership situations to protect the best interests of the recipient.

These housing services are incorporated into the overall duties of the social worker.

HARDSHIPS DUE TO INCREASING RENTS

Mr. PATTEN. You didn't mention increase in rents. In my area increase in rents, and the sale of the house in which they live, seems to be by far the main reason we have low-income people on our hands for housing.

Mr. TWINAME. They can't pay the rent.

Mr. PATTEN. They have lived in a house for 30 years and they are dispossessed. The rent is then $150 a month instead of $40, so the buying of old houses in my area is one of the biggest reasons that relief families and low-income families are being dispossessed.

Mr. TWINAME. You can understand then what it takes to find new housing for them. It is a tough job.

Mr. PATTEN. It is a crisis in my city. There is just nothing available.

Mr. FLOOD. That is why I wish you would develop this for the record.

OTHER TYPES OF SOCIAL SERVICES PROVIDED

Mr. TWINAME. More than one-half received services to secure support, or paternity and services related to school, summer employment, or recreational activities; while over one-quarter received services related to child adjustment.

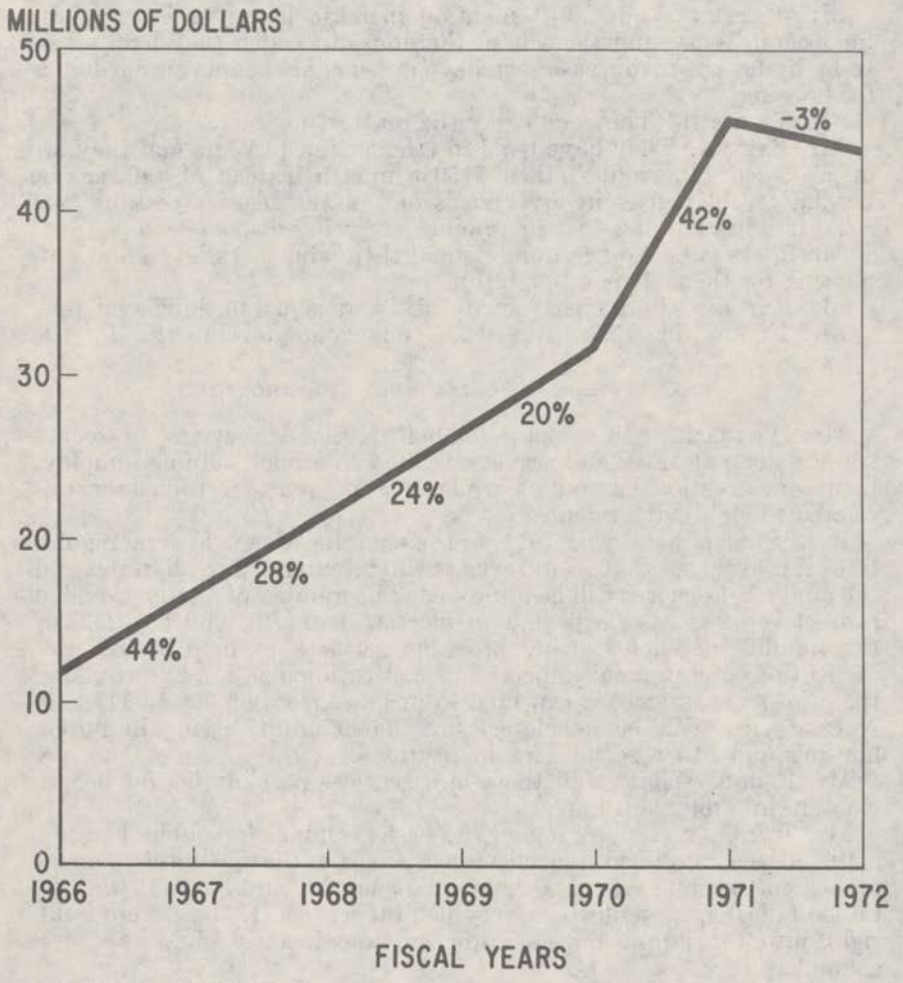
By the end of fiscal year 1971, at the stimulus of new Federal regulations it is expected that adult services will be extended to all States and the quality of services will be improved. The number of adults provided protective services is expected to increase from 101,000 to 125,000; the number of clients being provided services to help them leave institutions and prevent unnecessary institutionalization by providing them in-home services is expected to increase from 65,900 to 115,000. New services will be developed for 50,000 adults living in public housing and other social care institutions.

Mr. FLOOD. What could those new services possibly be, for people who are in public housing?

Mr. TWINAME. I think one of the best examples for public housing is that if you combined a social service program that includes financial management, child care, and home management and locate it there in public housing, it would be a very helpful service. If these were built right into the public housing program, particularly child care, for example.

STATE AND LOCAL TRAINING
(Federal Share)

CHART J



% EQUALS ANNUAL PERCENTAGE CHANGE

State and Local Training Program Decreases

The 1972 request for State and local training is $43,866,000 a decrease of $1,204,000 from the 1971 appropriations. Training programs are expected to support the separation of income maintenance eligibility determination from social services; the training of subprofessionals and the retraining of staff for new service delivery systems. This decrease would bring the overall development of the training program more in line with the rate of growth prior to 1971, when a 42-percent growth was experienced. (Chart J)

This shows the rate of the training increase. The decrease is a result of the pro-rata application of this 110-percent limitation which I will discuss right now.

Mr. Patten. Mr. Chairman, I have a high school group on the steps of the Capitol. This is one section I would like to hear. What is our time schedule?

Mr. Flood. I would like to finish the statement and then come back in an hour.

Rationale for the 110-Percent Limitation

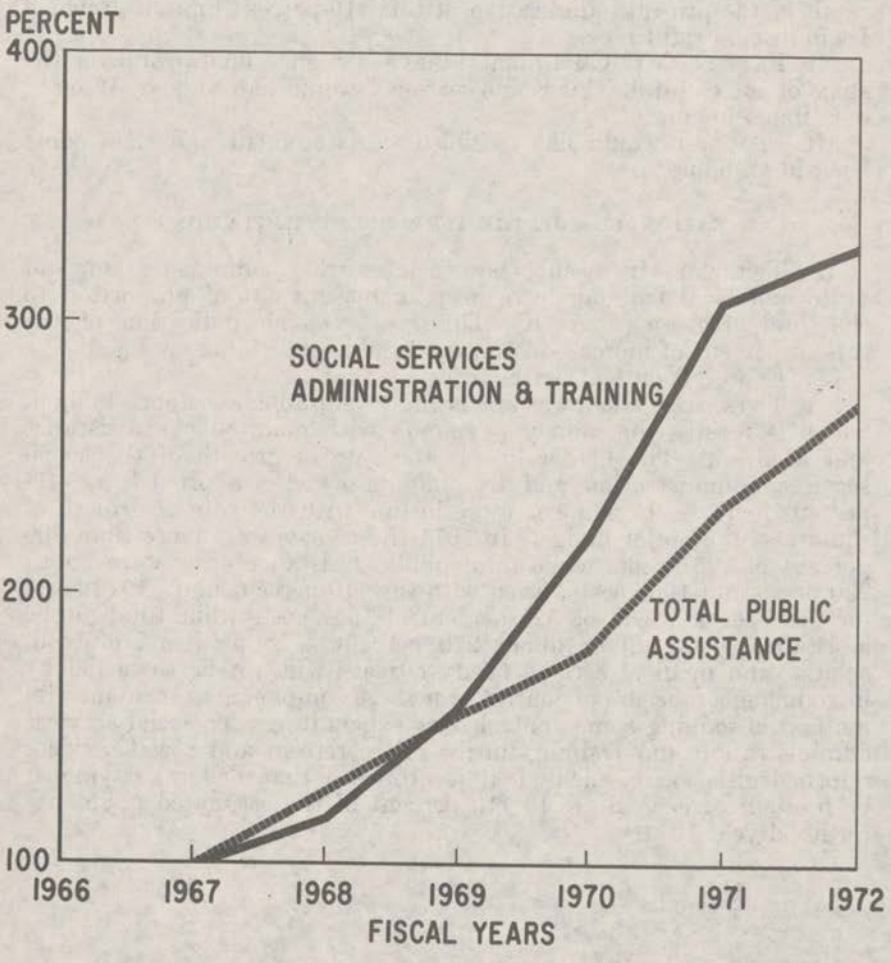
Mr. Twiname. In recent years social services, administration, and State and local training have been increasing out of proportion to the total program (chart K). This gives you an indication of the rate of percent of increase of the total public assistance.

Mr. Flood. You had better translate that.

Mr. Twiname. The lower line is the total public assistance budget, which is mostly the money payments with maintenance assistance and Medicaid. The higher line is the rate of growth of the social services administration and training on which we propose a 110-percent increase, bringing it more in line with the rate of growth of the other, the major budget. In 1971 these costs were more than 300 percent of 1967 costs while total public assistance costs were about 230 percent of 1967 costs. Even with the 110 percent limit, 1972 costs for these services will be 328 percent of 1967 costs while total public assistance costs will be about 270 percent. The provision of food, shelter, and medical care to needy citizens will not be thwarted by introducing a measure of control over these components. As an interim method of gaining some control over expenditures for social services administration and training until welfare reform and social services reform legislation is enacted, it is proposed that Federal payments be limited for each State to 110 percent of the estimated payments for fiscal year 1971.

SOCIAL SERVICES ADMINISTRATION AND TRAINING AND TOTAL PUBLIC ASSISTANCE AS PERCENT OF BASIC YEAR 1967

CHART K



Child Welfare Services

The 1972 request for child welfare services is $46 million, the same level as the 1971 appropriation.

Child welfare services are extended to children in need of such services without regard to financial need, legal residence, race, or religion. These services include, but are not limited to counseling services aimed at relieving social, physical, and mental problems, protective services, and training and child care services.

As you know Mr. Chairman, the President has proposed legislation which will improve the major aspects of the programs under this appropriation. We are not standing still however, in waiting for such legislation before we take steps to bring these programs under better control. Our salaries and expenses request will speak further to these action steps, but I will be pleased to discuss our progress and plans with respect to the management of these programs now in response to your questions.

Mr. Flood. Of course you know that insofar as the 110 percent limitation is concerned, that makes me very unhappy, and you know the reason why.

We will recess at this time and return at 2 p.m.

May 13, 1971.

Afternoon Session

ADDITIONAL FUNDS REQUIRED FOR FISCAL YEAR 1971

Mr. Flood. Mr. Twiname, the House of Representatives, as you know, has just passed a supplemental appropriation of over $1 billion for fiscal year 1971 for public assistance. At the hearing on this supplemental you told us that this amount was probably inadequate. Well, what is your latest estimate for 1971?

Mr. Twiname. Our latest estimate, Mr. Chairman, based on the February information given to us by the States is that they will need about $200 million more than we have provided for in that supplemental, but, as I mentioned this morning, based on the actual vouchers or bills that came in for us to pay for January, February, March, and April, our guess is they won't really need as much as $200 million to finish out this year.

LATEST 1972 PUBLIC ASSISTANCE ESTIMATES

Mr. Flood. Now you are requesting $11,411,693,000 for fiscal year 1972. When did you prepare that estimate?

Mr. Twiname. This is based on the November 1970 estimates of the States. The information I just gave you was based on the February estimates which came in after this budget was printed.

Mr. Flood. Then what is your current estimate of the total appropriation which will be required for fiscal year 1972?

Mr. Twiname. That is the budget that we have just submitted to you.

Mr. Flood. That is your current estimate of the total for 1972?

Mr. Twiname. I have a total public assistance figure here of $11,411,693,000.

Mr. LEE. That is the budget request. With the latest experience it could probably run as much as $200 million over that, including the shortage in the 1971 appropriation.

Mr. FLOOD. That will be your current estimate?

Mr. LEE. That is based on the latest information we have from the States.

Mr. MICHEL. Which dates back to February, and this is May.

Mr. TWINAME. Yes, and the next estimate we have comes in this month.

Mr. LEE. It is due on the 15th of this month.

Mr. FLOOD. The timing is bad for our hearing. Well, when you get that, since you will get it this month—it is just too bad for these hearings that we don't have it—will you see that the committee staff gets that estimate as soon as you get it?

Mr. TWINAME. Yes, sir, we will.

NUMBER OF PEOPLE ELIGIBLE FOR PUBLIC ASSISTANCE

Mr. FLOOD. Your budget request projects an increase from 1971 to 1972 of $1.7 billion. You are also projecting an increase of about 1.9 million in the number of recipients of money payments. Now, do you have an estimate of the number of people who are eligible for public assistance payments but who are not receiving them?

Mr. THINAME. This is something we really do not have. It has been subject to various guesses and all of them have been bad. With the combination of reasons that cause families to breakup, the economic situation, and so forth, it is very difficult to predict.

We are planning to get together with the Bureau of the Census for a research study which would put us in a better position to make that kind of an estimate because, as you know, under the proposed welfare reform the Federal Government will administer the program and we will be responsible for the estimates and we really ought to know on some more scientific basis what we could predict as the eligible population, but at this stage nobody wants to say.

ENCOURAGING APPLICATIONS FOR ASSISTANCE

Mr. FLOOD. Is it your policy to encourage people to apply for assistance?

Mr. TWINAME. I think our stance is that everybody who is eligible is entitled to get assistance, and it is my personal belief that very often if you can help somebody when he first has the need you can get him off of assistance faster. A person who has used up all his resources and has simply come to the end and is desperate has a much better chance of remaining dependent than someone who has just become eligible through desertion, fire in the home, or some family problem. That is the time they ought to get the help.

THE SIMPLIFIED METHOD OF ELIGIBILITY DETERMINATION

Mr. FLOOD. Well, on page 28 of your justifications one of the reasons for the increase in the number of public assistance recipients is, and I quote you: "The introduction of the simplified method of determining eligibility by using less cumbersome procedures. * * *"

Well, now, will you describe briefly what you mean by simplified method?

Mr. TWINAME. Let me clarify that. I did not mean to say, or at least I don't recall my testimony saying, that I believed that the simplified method was responsible for more people coming on the rolls.

Mr. FLOOD. Your lead line on page 28 of the justification is:

"Factors accounting for increases in the numbers of recipients in maintenance assistance programs:"

Then you talk about this simplified method. What is that?

Mr. TWINAME. Well, what we are talking about here is to try to get a more businesslike procedure for determining who is eligible and who is not eligible. Where formerly we used up all kinds of staff, money, salaries, caseworkers, trying to get this information in a very primitive way to determine if a family was eligible for payments, we have found that we can do a better job, or the States can do a better job, of coming to this decision without all that kind of personal spadework and investigation, and that you can actually get as accurate or more accurate a determination of who is eligible and for a lot less administrative cost, a lot less overhead. Now, what it does is it speeds up the decision-making process. If you don't have to go out to somebody's home and go to the neighborhood and look around and do all that kind of investigation, you can get the information you need faster and then you can make the decision on who is eligible more quickly and therefore they would be on the rolls sooner. We have cut the cost of eligibility determination in those States that have done this.

STATE ADOPTION OF THE METHOD

Mr. FLOOD. Has this been adopted in all the States?

Mr. TWINAME. It is being implemented statewide in 39 States in the adult categories. The remaining 15 States have not yet achieved statewide implementation for the adult categories of public assistance. You may recall when we were together a year ago we had completed testing in a large number of locations. This has been going on, this testing and experimentation of this method, over several years. Frequently, you find that a better job can be done with less staff and the States are having a big problem, as you know, on this.

We are saying the 110 percent limitation should be imposed because they can carry more work with less staff out there, and this is the way that we are doing it. These tests and now their full implementation of this with the adult groups are proving it out.

RESULTS OF SIMPLIFIED SYSTEM

Mr. FLOOD. Have you made any studies as to how well it is working?

Mr. TWINAME. Yes.

Mr. FLOOD. What did you find out?

Mr. TWINAME. We found out that we have States saving from 25 to 70 percent in staff overhead cost, by adopting this more modern approach. That is labor cost in the State agencies. What we have is a check factor. In the supplemental, you may recall, we asked for 55 positions for quality control. This is what we are talking about. The

quality control system is the other part of the simplified system, which is a way of statistically verifying that those who are ineligible are not getting payments and those who are eligible are getting the right payment, not an overpayment and not an underpayment. The States have their own quality control system and we have mandated that on them. They are implementing that now, and we in turn are going to have a Federal check on the States to make sure with high statistical accuracy that they are making the payments in a correct amount to the people who are entitled to them. This is the total method. Some people misunderstand this method and think that it is simply a case of somebody coming in and saying, "I am poor. I don't make any money and therefore I am eligible for welfare."

That is not what we are talking about at all. We are talking about getting the information that we need as much as possible from the recipient but to verify it where it needs to be verified. For example, with the savings that they have in staff we have asked the States now to go to the unemployment insurance records to cross-check against welfare applicants, to check those other records over to see if they have any other unemployment insurance or work income. That is the kind of verification you can make on a modern basis.

PREVENTING FRAUD

Mr. FLOOD. Suppose you tell us briefly, and I am sure you will have to expand it for the record, what efforts you are making to prevent fraud and payments to ineligible recipients in both your maintenance assistance programs and your medical assistance programs.

Mr. TWINAME. Perhaps you would want to comment on that, Mr. Costa or Mr. Newman.

Mr. COSTA. Basically, what we are doing is one that Mr. Twiname has mentioned, the quality control system, in which we are expecting the States to validate those who are on assistance programs as to their eligibility and make sure that they are eligible, and once they find those cases that are ineligible that they take action on those cases and close them, and that they also take corrective administrative action to see that this error does not occur again, so the biggest offense we have now is the quality control system that Mr. Twiname had mentioned.

The biggest weakness that we have had in the Federal system is we have not had the Federal capability of taking a look at the States and seeing how they are running and monitoring their systems.

(The following additional information was submitted:)

The three main methods used by the Assistance Payments Administration for preventing fraud are as follows:

I

The new improved quality control system is based on a cross-sectional sample of recipients of payments with a full field investigation of their eligibility and amount of payment. The APA monitors the implementation of the new system by the States for income maintenance and medical care by performing the following tasks:

(1) Review of sampling procedures;
(2) Review administrative and program elements of State system, including analysis of reports, adequacy of State staffing, verification of findings in individual cases, corrective action, et cetera;
(3) Review of analytic and reporting procedures;
(4) Rereview of a Federal monitoring sample of State cases, by full field investigation.

II

For cases with a support order that is not being met, a check with the records of the Internal Revenue Service to locate the person who is failing to make support payments and ascertain his income.

III

The Bendex system for automated exchange of information with the Social Security Administration of income of aged beneficiaries who are applicants or recipients of public assistance. The Bendex system is being extended to the blind and disabled. Social Security records are also used to try to locate absent parents of children receiving AFDC.

Mr. FLOOD. You are including medical assistance as well as maintenance assistance?

Mr. COSTA. Quality control is the biggest one for both, for the eligibility process. I think in medicaid, Mr. Newman can probably talk more about the quality aspects.

Mr. NEWMAN. With regard to fraud in the medicaid program, we have recently published a regulation which imposed a requirement on the States that they do two things. One is to require physicians to sign a statement when payment is made for services to that physician, indicating that he is aware that there are Federal funds in the program, that he is receiving Federal dollars, and therefore subject to Federal prosecution for fraud. In addition the States are obligated by this regulation to develop means for determining where and when a fraud has taken place and to report these cases to the social and rehabilitation service.

I think it is worth pointing out that the number of cases of fraudulent activity on the part of providers reported by the States to us has been relatively small. I think it is a common misconception that there is a significant amount of fraud on the part of providers. This has not been substantiated, at least by the reports to us from the States.

Mr. TWINAME. We are talking, of course, about fraud both by providers and by the recipient, so we are trying to get at both ends. As far as fraud by recipients is concerned, you might be interested to know that in 1969 there were 33,000 cases identified as involving a question of fraud and that is a decrease from 1968 of 4,000 cases and compared with 5 years ago the drop was about 20 percent. There has been a tightening up of administration, I think, in this area in the States. The cases identified and disposed of in 1969—represent less than 1 percent of the average monthly caseload. Perhaps this puts the problem in perspective.

Mr. FLOOD. You were speaking of the maintenance then, primarily?

QUALITY CONTROL

Mr. COSTA. Maintenance and medicaid for both. I would like to point out that you have, I believe, approved the 55 Federal positions for the quality control system. Our own feeling is that the Federal Government has never had the capability of looking at expenditures of its own money and projecting those expenditures. We are really grateful that those 55 positions have been given to us because I think in the history of public assistance this is the first time the Government has had the capability, or will have it.

Mr. TWINAME. We have $6 billion going out of an office with a little over 100 people, and we talk about the Federal bureaucracy. We don't have the capability really to check up on these things, and now we have the systems to do this and we think it is about time we started implementing them.

Mr. Chairman, I have about a two-page statement on quality control that I might insert for the record here.

(The document follows:)

The system of quality control is an administrative program for determining the extent to which those receiving public assistance are: (1) Eligible for assistance, and (2) receiving assistance payments in the amount to which they are properly entitled. It is used by States and Federal Government to maintain a continuous and systematic control over the incidence of ineligible recipients and incorrect payments in the public assistance caseload. For purposes of this system, errors in eligibility encompass both ineligibility of assistance recipients and erroneous denials of assistance to applicants and recipients. Errors in amount of payment include both overpayments and underpayments. The system is carried out in all States in accordance with federally established methods and processes.

As a method of State administration, the quality control system has the purpose of holding the incidence of errors below preestablished tolerance limits of error. It accomplishes this purpose by means of three processes: (1) Continuous review of statistically reliable, statewide samples of cases; (2) periodic assembly and analysis of case findings to determine incidence of errors; and (3) when tolerance limits are found to be exceeded, corrective action to bring the level of erroneous cases within the tolerances established.

At periodic intervals, the findings of the system are assembled and reported to the Department of Health, Education, and Welfare. These summaries enable the State agency to determine the nature and extent of problems in the areas covered, to keep currently informed about changes in levels of error and evaluate the effect of new policies and other changes in administration. For HEW, State reports provide the basis for evaluating State programs on a nationwide basis. For this purpose, the quality control system must yield comparable data from State to State so as to permit compilation and comparisons.

As an instrument for corrective and remedial action, the focus of QC is on locating types of error that occur with such frequency as to cause error levels in excess of acceptable tolerance limits, and determining why they occur so that action can be taken to reduce such errors to a minimum level of incidence by eliminating their causes. It is concerned with individual case errors in the case sample only insofar as they reflect problems in overall agency performance that require remedial treatment.

The extent to which QC contributes to these objectives depends, in part, on the skill with which reviewers conduct investigations, and the care and precision with which they record their findings. The accomplishment of remedial and corrective action requires a close working partnership between all units of agency administration involved.

POLICING MEDICAID PROGRAM

Mrs. REID. Last year I asked this same question and at that time you said that you had directed the State agencies administering medicaid to meet the following requirements and you listed those for the record. Now, do I understand that you have added requirements other than those you listed last year?

Mr. TWINAME. Is this what we asked State agencies to do in which——

Mrs. REID. You listed three things you asked them to do, and then you put in the record section 250.80, Fraud in the Medical Assistance program.

Mr. TWINAME. Oh, yes.

Mrs. REID. Have you added other requirements since then?

Mr. TWINAME. This was in the provider statements, I believe.

Mr. NEWMAN. What I was referring to has now been put out in final form. Those earlier requirements were interim regulations. Essentially, we are talking about the same kind of requirements; that is correct.

Mrs. REID. Well, a year has elapsed.

Mr. NEWMAN. I think the significant fact to report in the year is that the number of cases of fraud reported as required in the regulations has not been of a significant number, so that, hopefully, the requirement has provided a deterrent and requiring physicians to sign a statement such as I described makes them think twice.

Mrs. REID. Thank you.

110 PERCENT LIMITATION ON SOCIAL SERVICES, ADMINISTRATION, AND TRAINING

Mr. FLOOD. You are again proposing a general provision which would limit payments to the States for social services, administration, and staff training to 110 percent of the amount spent in 1971. We have heard about that 110 percent before. So have the States, and most of the Governors and three-quarters of the House. What is your latest information on the savings which would be achieved with this limitation?

Mr. LEE. According to the February estimates, there would be $139 million reduction from what the States have——

Mr. FLOOD. Let me ask you this: What would the savings if the limitation were changed to 115 percent in one case, or in another case 120 percent?

Mr. TWINAME. We have that for each State, as a matter of fact, if you would like it. At 115 percent, I have $77 million.

Mr. LEE. That is based on the States' November estimates.

Mr. FLOOD. Do you have the 120 percent?

Mr. TWINAME. Based on the November estimates, $59 million.

Mr. MILLER. At 120 percent is the $59 million.

Mr. FLOOD. You will have it for May which you are going to give the committee when you get that new estimate for May. Give us the 115 percent and 120 percent, too, with that other information you are going to give us.

(The information appears in the appendix at the end of the hearing, page 1167.

EFFECTS ON STATES OF A 110-PERCENT LIMITATION

Mr. MILLER. May I make one point in answer to your question? If you include in the bill the 110-percent limitation 17 States, plus Guam and the Virgin Islands, would receive 100 percent of their request for public assistance. Fourteen additional States and Puerto Rico would receive 90 to 99 percent of their request. Eight States would receive 80 to 89 percent, and there would only be 11 States plus the District of Columbia that would be less than 80 percent.

RATIONALE FOR PROPOSING THE 110-PERCENT LIMITATION

Mr. FLOOD. Let me tell you this. This proposal is very, very unpopular with the State welfare agencies, as you know very well, and we are receiving a lot of complaints, complaints after complaints, about this thing. You proposed it last year and it was not approved by the Congress. That is about where you are now. What in the world can you add to what you said last year unless you change the punctuation? The principle is the same. There it is. We have all the facts and figures.

Mr. TWINAME. Except that we have a year more of history.

Mr. FLOOD. Act 2, scene 1.

Mr. TWINAME (continuing). To show the increase that came as a consequence of not enacting it, and perhaps the Congress in reviewing those consequences would feel differently this year.

Mr. FLOOD. Perhaps.

Mr. MILLER. It is a very unpopular item, Mr. Chairman, but——

Mr. FLOOD. That is an understatement.

Mr. MILLER (continuing). Like the continuing controversy over impacted area aid, I think there is a lot of merit to the proposal despite its political unsalability. It is the only item I can think of where you say to somebody, "No matter what your administrative overhead is the Federal Government will share in the cost of it and we won't establish any kind of control over the amount of overhead you have in your budget." We don't do that for any Federal operation. We wouldn't do it if we federalized assistance, and I frankly don't see the merits of it under the current program, but I recognize politically it is a very difficult thing to sell.

Mr. FLOOD. Very.

Mr. PATTEN. Mr. Chairman, he said, I believe, all but 11 States, but dollarwise does that statement reflect, really, the proper relationship of the load here or are you leaving out the 11 big States? Does that include New York, California, New Jersey, Pennsylvania?

Mr. MILLER. We have a very different pattern from last year, Mr. Patten. For example, last year California would have been the biggest saving. This year California will get 100 percent of their request even under the 110 percent. So we have a mix between large and small. There is no particular relationship.

Mr. PATTEN. Apparently New Jersey is one of those 11; right? It is one of the 11 that is going to suffer?

Mr. MILLER. New Jersey would receive 100 percent of its request. They wouldn't lose a nickel.

Mr. FLOOD. You told us on page 7 of your statement how important all of these social services are—day care, family planning, and you talked a good deal about housing assistance, and so on and so on. Now, if this is true, why are you proposing this limitation? Aren't you contradicting yourself? How do you put those two things together?

Mr. TWINAME. I think I will just have to say this, Mr. Chairman: that we have before you under this budget a number of social service programs in the broad sense, rehabilitation, and aging and youth development programs, and the rest, which involve services to people and all of them have a fixed appropriation to determine how much of those specific services or to what degree those problems are going to be addressed here, and we think that this committee ought to have

that same kind of appropriation control in this service program also, that it should be accountable to some planning in advance. Does that seem reasonable?

Mr. FLOOD. Well, it seems strange. You have praised all of these social services so highly and then you want a limitation on them. Now you are at opposite poles. That is like walking across Niagara Falls on a rope. It is a good trick whether you succeed or not.

Mr. MILLER. But the limitation, Mr. Chairman, allows for a 10 percent increase.

Mr. FLOOD. I know.

Mr. MILLER. I guess that is really the basic answer.

Mr. FLOOD. Mr. Shriver?

REDUCTIONS IN TRAINING PROGRAMS

Mr. SHRIVER. Thank you, Mr. Chairman. Mr. Twiname, you are probably aware that there has been considerable mail about the proposed cutback in your training programs. I noticed when you were giving your statement that research and training is down from $98,140,000 to $69,150,000. Why is this?

Mr. TWINAME. Mr. Shriver, essentially the situation is this: that we had a limitation in resources this year. Of course, this is not public assistance now that we are talking about.

Mr. SHRIVER. I know that.

Mr. TWINAME. Right. They are related somewhat, however, in that we have, as I said in the opening statement, a large amount of our increase, an overwhelming amount, which deals with public assistance and requires a major increase in our budget. Consequently, we have had very limited resources with which to deal in other areas. We had to make a choice in priorities with these limited resources and felt that they should be put first into services for people, into the basic service programs themselves, into the rehabilitation service programs, for example, and that research and training come second to that.

Mr. SHRIVER. On page 5 of your statement right after you discuss what you have just discussed, you say:

> Our training efforts will be concentrated on long-term educational programs designed to increase the manpower pool in particularly scarce skills.

One of those we have heard throughout the testimony, particularly from the Office of Education. One of the scarce areas needing attention is to find trained teachers to work with the handicapped, mentally handicapped and other types of handicaps. Yet you are proposing to cut back on the training of this kind of people.

Mr. TWINAME. Of course, one consideration is that there are in the Office of Education programs for training teachers.

Mr. SHRIVER. Will this be turned over to them, then?

Mr. TWINAME. No, but this is a consideration as we look at our budget and as we try to develop our priorities.

Mr. SHRIVER. But you have been a long time in this field.

Mr. TWINAME. Yes, for example, in rehabilitation counseling, we are trying to concentrate on that as a priority area because no one else trains rehabilitation counselors.

TRAINING PROGRAM AT WICHITA STATE UNIVERSITY

Mr. SHRIVER. Specifically, I have before me a letter from the president of Wichita State University and for some 37 years that university has worked closely with the Institute of Logopedics. The institute provides academic and clinical training for students preferring to work professionally with children and adults with communications problems involving speech and hearing. The institute is well known. This committee is familiar with it. Dr. Palmer who founded the institute used to come in here and testify years ago. They are concerned about the cutback of the training programs and they spent considerable funds in connection with their program in this institution. That is what I am talking about.

Mr. TWINAME. Yes, sir. This is difficult. I cannot be here before you and say that this is not difficult for institutions who have received money from the Federal Government on these training programs. It is always difficult to reduce and we are concerned.

Mr. SHRIVER. Yes, you are starting new things and they are all good. That is what concerns me. You are starting new programs and neglecting ongoing good programs.

Mr. TWINAME. Yes, I think we could say under the condition that I first described, the limited resources, we are really not starting any new training efforts. Our priorities have been to try to support and preserve those in the last——

FEDERAL ADMINISTRATIVE ROLE IN WELFARE REFORM

Mr. SHRIVER. I hope we can do that in this case. You have received quite a bit of criticism concerning the difficulty the various States have been having in meeting welfare program requirements and in all of the cases the problems involve Federal against State authority. As I understand, the administration has been proposing the new federalism in which the State and local officials would have more responsibility in administering programs of their own constituents, but it looks to me as though more authority is coming up here rather than going back to the States or to the localities, from what you have testified. Is that correct?

Mr. TWINAME. I think the welfare reform debate that we have had over the past 2 years has reflected a fair amount of agreement that the Federal Government is a pretty good collector of revenue and not a very good dispenser of services, and so, with respect to services, we say you really need the States to have the responsibility to determine what services are needed and how to administer them, but with respect to the dispensing of cash on a mass scale that, as proved by the Social Security Administration, the Federal Government is probably in a better position, given the costs and the expenditures and the efficiency, to administer that kind of program; consequently, the welfare reform bill presumes a provision for Federal administration. The State agency directors have told me that with all of the provisions that Congress has made in the Social Security Act in the welfare area, it makes it very difficult for States to administer it at the present time because there are a number of Federal laws that they have to comply with in addition to the State laws that are

added by their own legislatures, and then, in half the States with counties who administer it, the county laws; so at each of these levels we have added up a system that you can't administer with human beings.

That is where we get the errors in the system, more so than people cheating. It is much more a case of just being unable to apply this whole galaxy of laws and regulations at the street level where some average case worker has to try to apply all these rules, so I think it is a reflection on those things that many of us have come to the conclusion this would be better under one standard system.

INCREASED FEDERAL ROLE VERSUS NEW FEDERALISM

Mr. SHRIVER. So really this is kind of in opposition to the so-called new federalism advocated by the administration?

Mr. TWINAME. I think the President has said that in the case of a mass program for a national problem of this order, which is almost everywhere present, that this is where the Federal Government must do what it can do best but to genuinely leave more to the States in what the States can do best.

MONITORING MEDICAL ACTIVITIES

Mr. SHRIVER. Last year the Senate Finance Committee added an amendment to the social security bill to establish a new office to monitor the medicare and medicaid programs. What action has your office taken to monitor these two programs? That didn't result in law, of course.

Mr. TWINAME. That was never passed——

Mr. SHRIVER. No.

Mr. TWINAME (continuing). But still we have taken action. I am going to separate out the medicare part because Bob Ball of Social Security administers that, but I will ask Commissioner Newman to speak to some of the monitoring activities that we have begun.

Mr. NEWMAN. The proposal in the Senate Finance Committee last year had to do with creation of an Office of Inspector General. It was the feeling of the Secretary and the position of the administration that there is adequate monitoring capability available, particularly in light of the reorganization of the Medical Services Administration which took place a year ago. We have since that time established a program for monitoring activities in which program reviews of the medicaid programs are conducted at least annually in each State.

The HEW audit agency has intensified its audit program in which it has investigated various aspects of the medicaid program. We have, I think, diligently attempted to improve the monitoring of the medicaid program.

PROPOSED COST SHARING FOR MEDICAID RECIPIENTS

Mr. SHRIVER. Do you support payment by low-income recipients for part of the cost of health care under medicaid?

Mr. TWINAME. We have a proposal, you know, in on the new health initiatives and also in this H.R. 1 bill that is coming out. Maybe you could speak to the level at which those are being talked about.

Mr. NEWMAN. The proposals that the administration has put forth regarding the cost-sharing in medicaid are based on two assumptions. One is that there is to some extent inappropriate utilization of services by all users, including medicaid recipients, and, secondly, that cost consciousness on the part of providers and recipients can exert a positive influence on making the utilization more appropriate.

The proposals that have been put forth do not require that the individual whose only source of income is his welfare payment would be obliged to make any payment. It is those individuals who have discretionary resources who would be requested to make a nominal payment on their medical services. This is an effort to distribute the scarce medical resources more equitably.

DEVELOPMENTAL DISABILITIES PROGRAM

Mr. SHRIVER. On page 3 of your statement you mentioned the Development Disabilities Services and Construction Act. I have been getting some mail on this. Do you expect to increase these amounts as the program gets rolling?

Mr. TWINAME. Of course, this is just a new program so, as I pointed out in my statement, we and the States would really have more money for 1972 expenditures than they do in 1971 even though the budget levels were the same because it got started late in this fiscal year, but I would think we have the opportunity to take a look at the effectiveness and we are building in an evaluation right from the start which is something we would like to do for a change. We are actually putting money aside now that we would be otherwise tempted to expend, so we can build in an evaluation system to really and truly see whether we are getting positive benefits out of this program, and if we are I think the Congress will want to consider this as the Administration will.

RESULTS OF INCOME MAINTENANCE STUDIES

Mr. SHRIVER. What have been the results of the studies on income maintenance in support of welfare reform? What results have come out of the New Jersey experiment or any others that you have? Can we put that in the record?

Mr. TWINAME. Yes, I think we should have a statement on those in the record at this point.

Let me just summarize by saying unfortunately the ones that we have in the HEW budget that the committee has discussed are just really getting under way, so that the results are still at a distance.

Mr. SHRIVER. OEO has had one for several years. This committee has had that responsibility for years.

Mr. TWINAME. Yes, and I can't and really shouldn't speak for OEO, but if you would like I would put our understanding of where we are with that along with the others.

Mr. SHRIVER. Yes, if you would. Thank you.

(The statement follows:)

Status Report on Findings From the Income Maintenance Experiments

To date only one of the experiments has been in operation long enough to report any preliminary results, the New Jersey project. This is because the experments must operate for at least a 2 or 3 year period before one can say with a high degree of certainty that the results observed were not simply distortions in the behavior of the experimental population which resulted from the newness of the project. Since the objective of the experiments is to measure the long-run response of families to an income maintenance program, the families must be able to regard the experimental payment as being secure for a reasonable length of time. Because these projects are intended to be carefully controlled experiments, it is important to limit as much as possible the perception in the minds of the experimental population that they are a special group, since this could very well bias the results. Therefore, it is not in the best interests of the overall experimental effort to make any partial findings generally available before the end of the project.

FINDINGS FROM THE NEW JERSEY EXPERIMENT

OEO issued a brief initial report of findings from the New Jersey experiment in February 1970, and subsequently a more extensive report of those findings was issued by the institute for Research on Poverty of the University of Wisconsin in June. Further preliminary results concerning the work effort of participants in the experiment were released by OEO in May 1971. However even the latest findings must be qualified as preliminary in the sense that they are based on only the first year's experience of the total population and 18 months for ⅓ of the sample. Thus some allowance must be made for the possibility of distortions in behavior of the experimental population produced during the start up phase. A brief summary of the New Jersey findings are:

(a) There is no evidence indicating a significant decline in weekly family earnings as a result of the income assistance program.

(b) Low income families receiving supplementary benefits tend to reduce borrowing, buy fewer items on credit, and purchase more of such consumer goods as furniture and appliances.

The more extensive analysis of work effort response released in May 1971, supports the earlier preliminary findings and further refines the data.

The only statistically significant difference in earning that was found between the experimental and control groups was a reduction in the earnings of wives in the yearly sample. However this difference does seem to disappear at the end of the 18-month period. As a result of the average number of workers per family declining, the total number of hours worked per experimental family is slightly less than for the control group.

However, since there are no significant earnings difference between these two groups, the results imply that the experimental families have significantly increased their average hourly earnings compared to the control group. Indeed, the average family hourly earnings appear to have increased by 20% for experimental subjects as compared to only 8% for the controls.

It is important to note also that there was no significant differential in the number of hours worked per family among the various income maintenance plans, indicating that the various combinations of tax rates and guarantee levels have not yet affected the number of hours a family works.

There are several plausible explanations for these observations. The availability of a "cushion" in the form of experimental benefits may allow the prime worker the freedom not to accept the first job he can find, but rather to seek one that is more appropriate to his skills and interests and pays a higher wage.

Another view suggests that when a family initially experiences an abrupt increase in income, there will be a tendency to "invest," rather than consume a substantial portion of the increase. Thus we may see an increase in the purchase of durable goods and/or an increase in "human capital" investment in the form of training and/or increased time spent searching for better jobs. Such behavior may account for part of the reduction in hours observed, as well as increased hourly earnings. This approach suggests that labor force participation and hours of work would return toward normal, and hourly earnings would stabilize at a new (higher) level. This hypothesis can only be tested as data covering a longer time span becomes available.

FINDINGS FROM THE OTHER INCOME MAINTENANCE EXPERIMENTS

In addition to the New Jersey experiment, there are three other income maintenance experiments, the Rural experiment funded by OEO and the Seattle-Denver and Gary experiments which are funded by DHEW. Since these experiments have been in operation for either just one year or are just beginning, research findings on individual behavioral response will not be available for at least two years. However, several important lessons have been learned in developing designs and administrative structure for these experiments.

The first and most important lesson arises from the fact that HEW experiments explicitly cover the current welfare population and, in so doing, attempt to replace the current layering of welfare and other in-kind benefits by a single integrated income maintenance program which preserves work incentives and eliminates horizontal inequities and vertical "notches." One lesson of this attempt is that it is impossible to achieve such integration without making some current recipients worse off unless fairly high guarantee levels are established for experimental purposes. For example, in Seattle it was necessary to modify the design structure by allowing rather generous day care allowances for all single-parent families since these are currently available to such families from the welfare department. In Gary, despite the existence of a maximum AFDC payment of $2,100 for a family of four, it was necessary to raise the minimum experimental guarantee to $3,300, and even at that level it will not provide superior benefits to some 30 percent of current welfare families. The anomaly occurs because Indiana welfare payments are at a minimum, not reduced at all for earnings below $2,560. Furthermore, given virtually unlimited work expense allowances, payments are in practice not reduced for some considerable distance beyond that earning level.

Another equally important finding is that certain administrative details can be among the most important determinants of the character and impact of an income maintenance program. Chief among these is the definition of an accounting period for determining eligibility for benefits. For example, the use of an annual accounting period will result in an income maintenance system far different from that which employs a monthly accounting period (which is similar to that being employed in the current welfare system) both in terms of cost, equity and work incentives. A brief analysis of the data obtained from the Seattle income maintenance experiment showed that caseloads may be doubled when one uses a monthly accounting period rather than an annual accounting period.[1] Of the random sample of 100 male-headed families in Seattle with incomes below $15,000 annually only 19 percent were eligible for payments on the basis of an annual accounting period, whereas with a monthly accounting period another 23 percent became eligible. Furthermore, families that are similarly situated in terms of income over a short period (such as a month) may have quite disparate incomes over a long period (such as a year) and vice versa. Take for example two four-person families with total annual earned income of $4,320 (the FAP breakeven point) but one family earns it over an entire 12-month period while the other earns all of it during a 6-month period.

Under an annual accounting period neither family would receive any benefit payments since both are over the FAP breakeven point. However under a monthly accounting system the former family would still receive no payments but the latter family would receive $800 worth of benefits as a result of the way in which its earned income was distributed. Thus the monthly accounting system will not treat families who earned the same annual income in an equitable manner, if their incomes are unevenly distributed.

The significance of the choice of an accounting period on cost, caseload, and equity, as illustrated above, was brought out during the technical development of the income maintenance projects. This preliminary information has already been useful to the Ways and Means Committee in their selection of an accounting period system for the welfare reform bill recently reported out by the Committee.

Another almost as important lesson learned both in New Jersey and from analysis of the 3-year baseline data collected in Seattle is that given the variability of income flows among the poor, regular reporting of income and prompt adjustment of payments is essential to keep program costs within tolerable bounds.

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[1] The accounting period systems noted here are but two of a number of differing accounting period systems which can be varied to achieve different program objectives.

PROGRAM CHARACTERISTICS OF THE 4 INCOME MAINTENANCE EXPERIMENTS

	New Jersey	Rural (Iowa, North Carolina)	Seattle/Denver	Gary
Guarantee levels (1971) (family of 4)	$1,830 [1]	$1,938 [1]	$3,800	$3,330.
	$2,903	$2,907	$4,800	$4,300.
	$3,889	$3,876	$5,600	
	$4,839	$4,844	$	
Offset tax rates	30 percent	30 percent	50 percent	40 percent.
	50 percent	50 percent	70 percent	60 percent.
	70 percent	70 percent	70 percent—decline	
			80 percent—decline [2]	
Sample size by experimental treatments:				
Experimental	724 (60 percent)	374 (46 percent)	4,600 (78 percent)	1,289 (76 percent).
Accounting plan —3 months		299 (37 percent)		
Accounting plan — 1 month		75 (9 percent)		
Financial only			900 (15 percent)	466 (26 percent).
Financial and manpower			2,100 (36 percent)	
Manpower only			1,600 (27 percent)	
Financial and social services				486 (26 percent).
Social services only				425 (24 percent).
Control	489 (40 percent)	435 (54 percent)	1,300 (22 percent)	425 (24 percent).
Original sample size by site:				
Trenton	197			
Paterson-Passaic	452			
Jersey City	390			
Scranton	318			
Sample characteristics	Non-aged male-headed families and couples, black, white, and Puerto Rican.	Predominantly non-aged male-headed families, and couples and unrelated individuals (73 percent), some female-headed and aged families, couples and unrelated individuals, black and white.	Non-aged male- and female-headed families and couples, black, white and Mexican-American.	Non-aged male- and female-headed families, black.
Sex of family head	Male, 1,359 (100 percent)	Male, 587 (73 percent)		Approximate.
		Female, 108 (13 percent)		Male, 792 (40 percent).
		Over, 114 (14 percent)		Female, 1,190 (60 percent).
Special treatments	Accounting period variation	Accounting period variation	Manpower services	Day care and social services.

[1] These are the projected guarantee levels for 1971. Actual levels will be set in July 1971 on the basis of the National Consumer Index's cost-of-living increase. Original levels for New Jersey (1968), $1,650, $2,475 $3,300, and $4,125. Original levels for Rural (1969), $1,741 $2,611, $3,482, and $4,352.

[2] Tax rate declines by 5 percent for each additional $1,000 earned (e.g., earned $1,000, 70 percent tax second $1,000, 65 percent tax).

IMPACT OF FINDINGS ON PROPOSED LEGISLATION

Mr. CASEY. Following that up, have any of you or your staff appeared before the Committee on Ways and Means about any findings that you have had as a result of these experiments?

Mr. TWINAME. I have not been responsible for that testimony. The Under Secretary and Mr. Montgomery of our Department have discussed that with the Ways and Means Committee. I am sure they have said, as I have just implied, that it is too early for us to be able out of the Seattle and Gary experiments that we just really began only a year ago to develop design and initiate——

Mr. CASEY. You got knocked for a loop in Seattle.

Mr. TWINAME. With the unemployment.

Mr. CASEY. With the drop in the aerospace program.

Mr. TWINAME. And that distorted it so we moved part of that experiment to Denver as a control, but we said to this committee at the time that, even though we might pass a welfare reform bill, it certainly wasn't going to be the definitive answer on the way to handle income maintenance. There are a lot of questions that people will continue to ask over the years and the time to develop a base of research is now rather than after we get in trouble again. That I think is our assumption. In the past we have assumed that if we passed legislation we solved the problem for now, and then by the time we gear up to do the research it is too late. We feel the need to have the legislation before all the facts are in. So I guess what we are saying is that most of this research will pay off for the next time the Congress deliberates on how to make further refinements in this kind of a program.

Mr. CASEY. In other words, even though they have a bill reported out and we may pass it, you think this program should go on; is that it?

Mr. TWINAME. I certainly do. I think it would be shortsighted of us to close down the research because there are so many other options of the ways to deliver an income to supplement people's wages.

TIMETABLE FOR WELFARE REFORM BENEFITS

Mr. CASEY. With respect to the people that are in your control group in Seattle, if you still have some there, and those in Denver, Colo., and those in Gary, should we pass the new welfare bill are they going to be recipients of more help from the Federal Government than those that are under the general bill that we passed?

Mr. TWINAME. By the time the general bill goes into effect some of these people would not actually get benefits from that until fiscal year 1973 or later.

Mr. CASEY. Who wouldn't get the benefits until 1973?

Mr. TWINAME. None of the new groups or none of the recipients that come under the new welfare reform bill would in effect get their benefits until at least a year from now.

Mr. CASEY. How do you know? Do you know what the other body does sometimes? They make them retroactive sometimes.

Mr. TWINAME. Yes. I don't anticipate that in this case.

Mr. CASEY. You mean as it is proposed?

Mr. TWINAME. Yes, sir.

Mr. CASEY. That is what you mean?

Mr. TWINAME. Yes, sir.

Mr. MILLER. Actually, I think from the standpoint of administrative feasibility, Mr. Casey, the earliest that we could make it effective are the dates in the House bill. I don't think the Senate would consider anything else. I don't think we can get geared up any faster.

BUDGET FOR REHABILITATION RESEARCH AND TRAINING CENTERS

Mr. CASEY. How many research and training centers do you have?

Mr. TWINAME. This is Mr. Longmire, our associate administrator for planning, research, and training.

Mr. LONGMIRE. We have 19 research and training centers. We have 16 regional research institutes, 6 in rehabilitation and 10 in social welfare. We have the deaf-blind center, special center, in New York.

Mr. CASEY. Let's start with these 19. What are you requesting this year?

Mr. LONGMIRE. I am sorry, sir.

Mr. CASEY. What are you requesting this year in the way of funding for your 19 centers?

Mr. LONGMIRE. The research and training for the special center program is $12,375,000 for this year.

Mr. CASEY. Is that an increase or a decrease over last year?

Mr. LONGMIRE. It is essentially the same level except there is no construction money for this year.

Mr. CASEY. Essentially the same?

Mr. LONGMIRE. Yes, sir.

Mr. CASEY. Have you had much increase in moneys for these centers over the last several years, or have you just been maintaining about the same dollar level?

Mr. LONGMIRE. About the same dollar level.

Mr. CASEY. On page 80 of this justification you are saying in 1972 the centers plan to (1) expand training programs. How are you going to do any expansion with the same dollar level on anything? Don't you suffer from inflation just like everybody else?

Mr. LONGMIRE. We certainly do; yes, sir.

Mr. CASEY. Maybe this isn't your fault. What did you ask for, to begin with, or are you free to state it?

Mr. TWINAME. If you ask we can respond. Whatever you ask is fine.

Mr. CASEY. I can't hear you.

Mr. TWINAME. Whatever you want to ask us is fine. I can put that in the record.

(The information follows:)

The amount requested of the Office of Management and Budget in 1972 for special centers programs was $14,175,000, which is net of a $2,500,000 reduction for construction cost.

Mr. CASEY. You have been funding these centers at the same level and then you state:

In 1972 the centers plan to (1) expand training programs for involving economically disadvantaged and disabled persons by developing career ladders and counseling, rehabilitation, social work, and health fields; (2) develop outreach programs; (3) develop drug and alcoholic addiction rehabilitation programs.

You can just go right down there, nine in which you are talking about expansion. Yet you are not asking for any more money. How are you going to do it?

Mr. TWINAME. One of the ways, of course, is to redirect the efforts of the research and training centers. Since they are a continuing activity we would want to presume that they themselves shift their emphasis to meet the needs of the program and the particular problems that we face which are different in one period than they are in another. So we are saying there a shift of priorities is not only possible but desirable.

Mr. CASEY. Just let me ask you this: Didn't you ask for more money than this when you went before the Office of Management and Budget?

Mr. TWINAME. Yes, sir; we did.

Mr. CASEY. And you got caught in that same old trap and just what you have been telling me about the priorities, and they bounce that ball around and you get confused and give up and take what you can get. Is that about it?

Mr. TWINAME. You know the process.

Mr. CASEY. I know the process. That is all, Mr. Chairman.

Mr. SMITH. Mr. Michel?

IDENTIFICATION OF WELFARE RECIPIENTS BY SOCIAL SECURITY NUMBER

Mr. MICHEL. Thank you, Mr. Chairman. Mr. Twiname, how are public assistance cases identified so far as the Federal Government is concerned? They are nameless creatures, are they not, so far as the Federal Government is concerned?

Mr. TWINAME. We get numbers and dollars.

Mr. MICHEL. Numbers and dollars. Is there any prohibition in the law that makes it impossible for us to have more than just numbers and dollars? What if we had anybody who is a recipient in your program keyed in with the social security number for computer purposes? There is no prohibition against that, is there?

Mr. TWINAME. There is not a prohibition against it. In fact, that is what is contemplated under the welfare reform bill.

Mr. MICHEL. Which one are you talking about? The one the administration has proposed, or the one we are hearing things about before the Ways and Means Committee?

Mr. TWINAME. Both, since they come out essentially the same, and that is another reason for the Federal administration of the program, as we discussed with Mr. Shriver, is that you could then match up some information about resources and Federal payments from one program to the other and have a machine verification.

Mr. MICHEL. I have been an advocate of that for a good long time. We are all paying our income taxes and they are getting identified in the service now with their social security number. You might as well go the full route and as soon as a youngster is born, give him a number which he will use throughout his life. If we are going to have this type of program, far-flung as it is with all these medical payments and all these Federal checks floating around, it seems to me we ought to get outselves keyed into a uniform system where you could really keep track of this thing. I think we are in real need of it.

Mr. TWINAME. We agree with the condition and know that there is a need for balance here. You know this is a subject of concern, so that we don't get overzealous in the way we treat people's privacy the way we use those numbers. I hope I could qualify my former statement that we don't get names here and shouldn't. We hope we administer the program with a mind that we are dealing with people, persons, and not numbers. But I think in terms of modern accounting and management controls we should make optimum use of number identifications in these Government programs.

FEDERAL-STATE PUBLIC ASSISTANCE MATCHING RATIOS

Mr. MICHEL. For the sake of the record, the Federal contribution here in grants to the States for public assistance is what? Or should I put it this way: I said on the floor the other day, well, you have 52 percent Federal money and 48 percent State money. Now, where I keep getting that from I am not altogether sure, but how does this thing break down? Is it uniform among the States, No. 1?

Mr. TWINAME. No, it is not.

Mr. MICHEL. What is the difference between the States in that Federal-State relationship in the area here of public assistance?

Mr. TWINAME. We have a range and it is never lower than 50 percent Federal and goes up to a matching, and this is maintenance assistance, the last time I looked, of 83 percent in Mississippi, because the formula is based to some extent on the per capita income.

Mr. MICHEL. And the requirement of the law is that that adjustment of formula should be made how frequently?

Mr. COSTA. Two years.

Mr. MICHEL. Every 2 years?

Mr. TWINAME. Yes.

Mr. MICHEL. When was the last adjustment made?

Mr. TWINAME. It will be made this July 1.

Mr. MICHEL. There will be another adjustment July 1 of this year?

Mr. TWINAME. Yes, sir.

Mr. MICHEL. Why don't you place in the record at this point what it was the last time for which figures were available for each of the 50 States?

Mr. TWINAME. Fine. Their percentage contribution?

Mr. MICHEL. Right.

Mr. TWINAME. Or the Federal contribution?

Mr. MICHEL. Both. As I recall, too, in this fiscal year with that supplemental we have a shade over $9 billion of Federal money and $7 billion, in round figures, from the States. Is that approximately correct?

Mr. TWINAME. It sounds about right.

Mr. MICHEL. As long as we are going to do it for the record, why don't we make it exact. In fiscal year 1971 there will be a total amount of x number of Federal dollars and the total number of State dollars. In 1972, then, you are asking for $11.4 billion and it looks like there might be a supplemental for $300 million. Give me a ball park figure, the best estimates available, for what the States will be coming up with in 1972.

Mr. TWINAME. Good. We will make the same breakdown. I think it probably ought to be broken down, if you will, for maintenance, assistance for medical, and so forth. We have a straight 75 percent matching for the services, for example, so you can see that there is a different match in these programs.

Mr. MICHEL. Right; if you would.

Mr. TWINAME. All right.

(The information follows:)

PROMULGATION OF FEDERAL PERCENTAGES, FEDERAL MEDICAL PERCENTAGES, AND FEDERAL MEDICAL ASSISTANCE PERCENTAGES, JULY 1, 1969–JUNE 30, 1971

State	Federal percentage	Federal medical percentage [1]	Federal medical assistance percentage
Alabama	65.00	76.15	78.54
Alaska	50.00	50.00	50.00
Arizona	62.69	62.69	66.42
Arkansas	65.00	77.51	79.76
California	50.00	50.00	50.00
Colorado	51.37	51.37	56.24
Connecticut	50.00	50.00	50.00
Delaware	50.00	50.00	50.00
District of Columbia	50.00	50.00	50.00
Florida	60.11	60.11	64.10
Georgia	65.00	68.31	71.48
Guam		50.00	50.00
Hawaii	50.00	50.00	50.75
Idaho	65.00	65.46	68.91
Illinois	50.00	50.00	50.00
Indiana	50.00	50.00	52.85
Iowa	50.30	50.30	55.27
Kansas	53.09	53.09	57.78
Kentucky	65.00	71.45	74.30
Louisiana	65.00	70.63	73.57
Maine	64.81	64.81	68.33
Maryland	50.00	50.00	50.00
Massachusetts	50.00	50.00	50.00
Michigan	50.00	50.00	50.00
Minnesota	52.17	52.17	56.95
Mississippi	65.00	80.00	83.00
Missouri	54.77	54.77	59.29
Montana	60.80	60.80	64.72
Nebraska	52.50	52.50	57.25
Nevada	50.00	50.00	50.00
New Hampshire	54.64	54.64	59.18
New Jersey	50.00	50.00	50.00
New Mexico	65.00	68.31	71.48
New York	50.00	50.00	50.00
North Carolina	65.00	71.07	73.96
North Dakota	65.00	67.20	70.48
Ohio	50.00	50.00	52.42
Oklahoma	65.00	65.38	68.84
Oregon	51.51	51.51	56.35
Pennsylvania	50.00	50.00	54.60
Puerto Rico		50.00	50.00
Rhode Island	50.00	50.00	51.70
South Carolina	65.00	76.32	78.68
South Dakota	65.00	66.57	69.91
Tennessee	65.00	71.81	74.62
Texas	62.95	62.95	66.66
Utah	64.70	64.70	68.23
Vermont	61.07	61.07	64.96
Virgin Islands		50.00	50.00
Virginia	61.16	61.16	65.04
Washington	50.00	50.00	50.00
West Virginia	65.00	73.03	75.73
Wisconsin	50.24	50.24	55.21
Wyoming	55.98	55.98	60.38

[1] These percentages were used in titles I and XVI through Dec. 31, 1970, and were then discontinued.

PROMULGATION OF FEDERAL PERCENTAGES AND FEDERAL MEDICAL ASSISTANCE PERCENTAGES, JULY 1,1971–JUNE 30, 1973

State	Federal percentage	Federal medical assistance percentage	State	Federal percentage	Federal medical assistance percentage
Alabama	65.00	78.43	Montana	63.51	67.16
Alaska	50.00	50.00	Nebraska	53.86	58.48
Arizona	60.17	64.15	Nevada	50.00	50.00
Arkansas	65.00	79.42	New Hampshire	54.84	59.36
California	50.00	50.00	New Jersey	50.00	50.00
Colorado	52.91	57.61	New Mexico	65.00	72.63
Connecticut	50.00	50.00	New York	50.00	50.00
Delaware	50.00	50.00	North Carolina	65.00	72.84
District of Columbia	50.00	50.00	North Dakota	65.00	71.28
Florida	56.30	60.67	Ohio	50.00	53.65
Georgia	65.00	69.67	Oklahoma	65.00	69.02
Guam		50.00	Oregon	52.65	57.39
Hawaii	50.00	50.83	Pennsylvania	50.50	55.45
Idaho	65.00	71.56	Puerto Rico		50.00
Illinois	50.00	50.00	Rhode Island	50.00	50.26
Indiana	50.06	55.05	South Carolina	65.00	78.00
Iowa	53.41	58.07	South Dakota	65.00	69.69
Kansas	54.51	58.06	Tennessee	65.00	74.35
Kentucky	65.00	73.49	Texas	61.31	65.18
Louisiana	65.00	73.49	Utah	65.00	69.88
Maine	65.00	69.43	Vermont	60.79	64.71
Maryland	50.00	50.00	Virgin Islands		50.00
Massachusetts	50.00	50.00	Virginia	60.04	64.03
Michigan	50.00	50.00	Washington	50.00	50.00
Minnesota	52.02	56.82	West Virginia	65.00	76.97
Mississippi	65.00	83.00	Wisconsin	51.42	56.28
Missouri	55.03	59.53	Wyoming	58.59	62.73

GRANTS TO STATES FOR PUBLIC ASSISTANCE

	1971 total	Federal share	State and local share
Maintenance assistance:			
Dollars	$9,880,126,000	$5,628,189,000	$4,251,937,000
Percent	100	57.0	43.0
Medical assistance:			
Dollars	5,910,313,000	3,220,142,000	2,690,171,000
Percent	100	54.5	45.5
Social services:			
Dollars	1,009,715,000	757,286,000	252,429,000
Percent	100	75.0	25.0
State and local training:			
Dollars	60,093,000	45,070,000	15,023,000
Percent	100	75.0	25.0
Total, public assistance:			
Dollars	16,860,247,000	9,650,687,000	7,209,560,000
Percent	100	57.2	42.8
	1972 total	**Federal share**	**State and local share**
Maintenance assistance:			
Dollars	$11,862,531,000	$6,655,321,000	$5,207,210,000
Percent	100	56.1	43.9
Medical assistance:			
Dollars	7,027,998,000	3,827,619,000	3,200,379,000
Percent	100	54.5	45.5
Social services:			
Dollars	1,117,600,000	838,200,000	279,400,000
Percent	100	75.0	25.0
State and local training:			
Dollars	58,488,000	43,866,000	14,622,000
Percent	100	75.0	25.0
Total, public assistance:			
Dollars	20,066,617,000	11,365,006,000	8,701,611,000
Percent	100	56.6	43.4

MAXIMUM STATE ASSISTANCE PAYMENTS

Mr. MICHEL. Are there maximum and minimum payments within a State?

Mr. TWINAME. To a recipient?

Mr. MICHEL. Yes.

Mr. TWINAME. Yes.

Mr. MICHEL. Let's have that put in the record for each State, if we can, for the various categories.

Mr. TWINAME. I think it might be appropriate to show the standard of need defined in each State and then the percentage of need paid, the actual payment. It is a standard thing in each State, which in some cases is a legislative maximum, but it is the actual payment.

Mr. MICHEL. Alright.

(The information follows:)

TABLE 1.—OLD-AGE ASSISTANCE: MONTHLY AMOUNT FOR BASIC NEEDS UNDER FULL STANDARD AND PAYMENT STANDARD AND LARGEST AMOUNT PAID FOR BASIC NEEDS FOR AN AGED WOMAN, BY STATE, JULY 1970

State	Monthly amount for basic needs				Largest amount paid for basic needs	
		Payment standard [1]				
	Full standard (1)	Total (2)	Other than rent (3)	Rent (4)	Amount (5)	Percent of full standard for basic needs in column (1) (6)
Alabama	$140	$140	$100	$40	$93	66
Alaska	250	250	(2)	(2)	200	80
Arizona	118	118	73	45	118	100
Arkansas	98	98	63	35	90	92
California	172	172	109	63	172	100
Colorado	134	134	(2)	(2)	134	100
Connecticut	176	176	78	98	176	100
Delaware	130	130	69	61	130	100
District of Columbia	178	151	83	[3] 68	151	85
Florida	114	114	64	50	75	66
Georgia	96	96	66	30	87	91
Guam	(2)	(2)	(2)	(2)	(2)	(2)
Hawaii	127	127	72	55	127	100
Idaho	153	153	88	65	153	100
Illinois	181	181	86	95	181	100
Indiana	144	144	85	[4] 59	80	56
Iowa	122	113	81	32	113	93
Kansas	112	112	74	38	112	100
Kentucky	94	94	71	23	94	100
Louisiana	133	133	98	35	89	67
Maine	115	115	72	43	115	100
Maryland	95	95	54	41	95	100
Massachusetts	170	170	123	47	170	100
Michigan	156	156	71	85	156	100
Minnesota	148	148	78	70	148	100
Mississippi	120	120	80	40	60	50
Missouri	166	166	126	40	85	51
Montana	120	111	82	29	111	92
Nebraska	182	182	82	100	182	100
Nevada	168	168	117	51	168	100
New Hampshire	173	173	103	70	173	100
New Jersey	157	157	82	[4] 75	157	100
New Mexico	116	116	79	37	116	100
New York	159	159	84	[5] 75	159	100
North Carolina	112	112	40	[3] 72	112	100
North Dakota	149	149	87	62	149	100
Ohio	122	122	64	[3] 58	122	100
Oklahoma					127	100

See footnote at end of table.

TABLE 1.—OLD-AGE ASSISTANCE: MONTHLY AMOUNT FOR BASIC NEEDS UNDER FULL STANDARD AND PAYMENT STANDARD AND LARGEST AMOUNT PAID FOR BASIC NEEDS FOR AN AGED WOMAN, BY STATE, JULY 1970.—Cont.

State	Monthly amount for basic needs				Largest amount paid for basic needs	
	Full standard (1)	Payment standard [1]			Amount (5)	Percent of full standard for basic needs in column (1) (6)
		Total (2)	Other than rent (3)	Rent (4)		
Oregon	141	113	74	39	113	80
Pennsylvania	146	146	81	65	146	100
Puerto Rico	54	54	34	[4] 20	22	40
Rhode Island	164	164	84	80	164	100
South Carolina	87	87	52	35	87	100
South Dakota	180	180	80	100	180	100
Tennessee	102	102	69	33	97	95
Texas	115	115	82	33	115	100
Utah	129	99	74	[4] 25	99	77
Vermont	177	177	92	85	177	100
Virgin Islands	[2]	[2]	[2]	[2]	[2]	[2]
Virginia	152	152	57	[3] 95	152	100
Washington	192	192	92	100	192	100
West Virginia	146	76	43	33	76	52
Wisconsin	108	108	63	[4] 45	108	100
Wyoming	139	139	94	45	100	72

[1] Payment standard for an aged woman living alone in rented quarters for which monthly rental, unless otherwise indicated, is at least as large as the maximum amount allowed by the State for this item.
[2] Data not reported.
[3] Utilities included in rent.
[4] Estimated average.
[5] Heat included in rent. Higher rent authorized with supervisory approval.

Note: The full standard is the amount with which income from all sources is compared to determine whether or not financial eligibility exists.
The payment standard is the amount from which income "available for basic needs" is subtracted to determine the amount of assistance to which an aged woman is entitled.
The largest amount paid is the total monthly payment for basic needs made under State law or agency regulations to an aged woman with no other income.

TABLE 2.—OLD-AGE ASSISTANCE: MONTHLY AMOUNT FOR BASIC NEEDS UNDER FULL STANDARD AND PAYMENT STANDARD AND LARGEST AMOUNT PAID FOR BASIC NEEDS FOR AN AGED COUPLE, BY STATE, JULY 1970

State	Monthly amount for basic needs				Largest amount paid for basic needs	
	Full standard (1)	Payment standard [1] Total (2)	Other than rent (3)	Rent (4)	Amount (5)	Percent of full standard for basic needs in column (1) (6)
Alabama	$230	$230	$190	$40	$186	77
Alaska	350	350	[2]	[2]	350	100
Arizona	164	164	114	50	164	100
Arkansas	147	147	112	35	147	100
California	308	308	218	90	308	100
Colorado	268	268	[2]	[2]	268	100
Connecticut	224	224	126	98	224	100
Delaware	184	184	113	71	184	100
District of Columbia	278	236	163	[3] 73	236	85
Florida	160	160	110	50	150	94
Georgia	157	157	122	35	157	100
Guam	[2]	[2]	[2]	[2]	[2]	[2]
Hawaii	199	199	127	72	199	100
Idaho	190	190	125	65	190	100
Illinois	222	222	127	95	222	100
Indiana	206	206	147	[4] 59	160	78
Iowa	186	172	128	44	172	92
Kansas	152	152	114	38	152	100
Kentucky	156	156	126	30	156	100
Louisiana	204	204	169	35	166	81
Maine	198	198	130	68	198	100
Maryland	129	129	88	41	129	100
Massachusetts	247	247	200	47	247	100
Michigan	198	198	113	85	198	100
Minnesota	205	205	130	75	205	100
Mississippi	184	184	144	40	120	65
Missouri	242	242	192	50	170	70
Montana	192	175	138	37	175	100
Nebraska	235	235	135	100	235	100
Nevada	269	269	206	63	269	100
New Hampshire	228	228	158	70	228	100
New Jersey	232	232	142	[4] 90	232	100
New Mexico	155	155	118	37	155	100
New York	219	219	134	85	219	100
North Carolina	147	147	75	[3] 72	147	100
North Dakota	192	192	130	62	192	100
Ohio	200	200	120	[3] 80	200	100
Oklahoma	206	206	176	----	206	100
Oregon	200	160	120	40	160	80
Pennsylvania	218	218	139	79	218	100
Puerto Rico	88	88	68	[4] 20	35	40
Rhode Island	211	211	131	80	211	100
South Carolina	121	121	86	35	121	100
South Dakota	220	220	120	100	220	100
Tennessee	142	142	109	33	142	100
Texas	184	184	151	33	184	100
Utah	182	158	118	[4] 40	158	87
Vermont	233	233	148	85	233	100
Virgin Islands	[2]	[2]	[2]	[2]	[2]	[2]
Virginia	196	196	101	[3] 95	196	100
Washington	247	247	147	100	247	100
West Virginia	186	97	64	33	97	52
Wisconsin	164	164	99	[4] 65	164	100
Wyoming	195	195	150	45	170	87

[1] Payment standard for the specified type of family living by itself in rented quarters for which monthly rental, unless otherwise indicated, is at least as large as the maximum amount allowed by the State for this item.
[2] Data not reported.
[3] Utilities included in rent.
[4] Estimated average.
Heat included in rent. Higher rent authorized with supervisory approval.

Note: The full standard is the amount with which income from all sources is compared to determine whether or not financial eligibility exists.
The payment standard is the amount from which income "available for basic needs" is subtracted to determine the amount of assistance to which an aged couple is entitled.
The largest amount paid is the total monthly payment for basic needs made under State law or agency regulation to an aged couple with no other income.

State maximums on the monthly maintenance payment to recipients are available only for AFDC and OAA. The State maximums on the payment to a family of four receiving AFDC are furnished in earlier testimony. State maximums on payments to an adult receiving OAA are shown above for July 1970, the most recent month for which data are available.

STATISTICS ON GROWTH IN PUBLIC ASSISTANCE PROGRAMS

Mr. MICHEL. Could we also have for the record a breakdown by old age assistance cases, the blind, the permanently disabled, and AFDC by States for the last several years to see where that growth comes? Is that possible?

Mr. TWINAME. Yes, it is, I believe.

Mr. COSTA. Do you want it in people and money, both?

Mr. MICHEL. Yes.

(The information follows:)

Attached are tables indicating the average monthly number of recipients, by State, for fiscal years 1967 to 1972. This data is furnished for the programs of aid to families with dependent children, and aid to the permanently and totally disabled, as these are the categories with significant changes. Recipients of aid to the blind and old-age assistance have not changed significantly in number during this time period (see chart C, public assistance opening statement).

Tables are also provided which show the Federal share of expenditures, by State, fiscal years 1967 to 1972, for the programs of old-age assistance, aid to the permanently and totally disabled, and aid to families with dependent children. No table is provided for aid to the blind because there has been no significant change in this program during this time period. (See chart B, public assistance opening statement.)

AFDC: Average Monthly Number of Recipients of Money Payments
Fiscal Years 1967 - 1972

	1967	1968	1969	1970	Est. 1971	Est. 1972	Change 1967-1972
U.S. TOTAL ..	4,713,490	5,348,850	6,091,200	7,290,265	9,129,160	10,806,328	+6,092,838
Alabama	70,900	80,400	100,700	123,261	175,000	243,000	+172,100
Alaska	5,000	5,200	6,300	7,693	9,822	12,776	+7,776
Arizona	42,700	43,300	43,700	51,664	60,642	68,038	+25,338
Arkansas	34,100	38,400	39,600	44,080	59,025	68,235	+34,135
California ..	714,000	786,000	917,900	1,121,604	1,337,804	1,617,992	+903,992
Colorado	52,600	54,900	55,900	66,269	76,760	92,406	+39,806
Connecticut..	52,500	62,100	73,000	80,606	97,758	115,351	+62,851
Delaware	13,400	16,700	17,800	20,233	24,850	29,285	+15,885
Dist. of Col.	23,100	25,400	30,000	39,832	61,627	80,450	+57,350
Florida	136,000	147,000	169,700	203,743	255,965	332,459	+196,459
Georgia	90,000	105,000	141,000	197,189	244,354	320,200	+230,200
Guam	790	950	1,300	1,689	2,106	2,083	+1,293
Hawaii	16,700	19,800	20,900	24,621	30,902	36,278	+19,578
Idaho	10,600	11,800	12,400	14,973	20,237	22,918	+12,318
Illinois	250,000	278,000	317,900	373,773	441,277	513,900	+263,900
Indiana	47,400	51,500	56,100	73,849	102,300	130,450	+83,050
Iowa	44,100	48,200	55,500	63,522	71,861	83,166	+39,066
Kansas	35,500	39,900	44,200	52,564	65,402	80,967	+45,467
Kentucky	87,600	105,000	116,600	128,142	144,750	159,150	+71,550
Louisiana ...	112,000	127,000	163,300	202,420	251,647	300,685	+188,685
Maine	19,900	21,700	25,700	36,821	55,823	69,650	+49,750
Maryland	94,900	108,000	115,100	131,684	160,226	178,078	+83,178
Massachusetts	112,000	139,000	168,600	201,342	253,380	310,845	+198,845
Michigan	158,000	184,000	204,500	251,862	341,930	414,700	+256,700
Minnesota ...	54,400	59,400	63,700	74,653	102,750	122,965	+68,565
Mississippi..	88,400	99,000	103,600	93,820	132,742	146,475	+58,075
Missouri	108,000	112,000	120,500	139,724	177,139	192,516	+84,516
Montana	8,800	9,700	10,700	13,356	16,564	18,575	+9,775
Nebraska	19,900	23,300	25,700	29,588	38,632	40,955	+21,055
Nevada	6,400	7,700	8,900	12,341	16,300	18,350	+11,950
New Hampshire	5,300	5,900	6,900	9,930	18,712	23,998	+18,698
New Jersey ..	123,000	146,000	185,700	261,439	354,231	445,880	+322,880
New Mexico ..	33,200	38,900	43,800	50,965	62,706	74,598	+41,398
New York	639,000	794,000	900,000	999,383	1,154,627	1,250,827	+611,827
No. Carolina.	107,000	107,000	108,800	125,515	144,600	160,000	+53,000
No. Dakota ..	8,600	9,600	10,100	10,850	12,595	13,555	+4,955
Ohio	192,000	220,000	241,300	262,360	336,325	396,231	+204,231
Oklahoma	82,800	89,600	88,800	95,238	106,750	108,625	+25,825
Oregon	35,600	40,600	46,000	71,609	93,932	110,082	+74,482
Pennsylvania.	254,000	294,000	342,100	423,926	563,000	709,300	+455,300
Puerto Rico..	180,000	177,000	187,500	230,450	247,098	271,528	+91,528
Rhode Island.	26,000	29,800	33,300	37,925	46,945	56,150	+30,150
So. Carolina.	25,200	28,100	36,500	51,299	75,547	99,568	+74,368
So. Dakota...	12,700	13,600	14,200	15,950	17,300	24,126	+11,426
Tennessee....	86,200	96,200	107,800	131,194	183,094	242,002	+155,802
Texas	102,000	124,000	158,400	213,424	335,068	450,735	+348,735
Utah	22,700	27,500	28,700	33,178	38,830	44,850	+22,150
Vermont	6,400	8,300	10,800	12,070	14,631	17,072	+10,672
Virgin Is. ..	1,300	1,600	1,600	1,802	1,844	1,860	+560
Virginia	50,900	58,200	65,100	87,262	118,040	148,110	+97,210
Washington ..	56,600	67,100	74,700	112,458	140,489	166,479	+109,879
W. Virginia .	98,800	94,800	87,100	93,189	94,450	95,800	-3,000
Wisconsin ...	50,100	62,200	76,500	76,881	92,335	104,869	+54,769
Wyoming	4,400	4,500	4,700	5,050	6,436	10,185	+5,785
						**-43,000	-43,000

** FY 1972 total recipients reduced by 43,000 due to redefinition of unemployed parent--breakdown not available by State.

APTD: Average Monthly Number of Recipients of Money Payments
Fiscal Years 1967 - 1972

	1967	1968	1969	1970	Est. 1971	Est. 1972	Increase 1967-1972
US TOTAL.....	590,400	646,000	710,200	787,339	911,191	1,035,268	444,868
Alabama.....	15,100	15,600	16,400	17,765	20,100	23,700	8,600
Alaska.....	300	400	500	671	800	915	615
Arizona.....	4,900	5,900	6,100	7,166	8,350	9,350	4,450
Arkansas.....	10,600	11,400	11,300	11,200	11,400	11,600	1,000
California...	98,100	118,300	136,100	165,740	203,575	237,695	139,595
Colorado.....	6,800	7,000	7,400	8,460	10,525	12,425	5,625
Connecticut..	6,000	4,900	5,600	6,067	7,104	7,824	1,824
Delaware.....	700	1,000	1,200	1,296	1,500	1,810	1,110
Dist. of Col.	3,700	4,200	4,500	5,038	7,540	10,014	6,314
Florida.....	20,500	20,700	20,500	20,582	21,680	22,806	2,306
Georgia.....	27,900	28,900	30,100	32,090	34,442	35,525	7,625
Guam.....	50	50	50	54	65	65	15
Hawaii.....	1,300	1,500	1,600	1,683	1,884	1,925	625
Idaho.....	2,600	2,600	2,800	2,765	2,819	2,962	362
Illinois.....	29,800	31,800	35,100	38,820	44,400	50,500	20,700
Indiana.....	2,000	2,800	3,700	4,871	6,200	9,200	7,200
Iowa.....	1,700	2,200	2,500	2,895	3,400	3,800	2,100
Kansas.....	5,300	5,600	5,400	5,870	5,600	6,179	879
Kentucky.....	12,900	14,500	15,100	15,992	18,000	19,800	6,900
Louisiana....	21,500	22,500	22,400	21,836	22,535	23,650	2,150
Maine.....	2,300	2,500	2,900	3,457	3,800	4,700	2,400
Maryland.....	9,200	12,000	14,200	15,640	17,007	18,442	9,242
Massachusetts	13,200	14,200	15,300	15,774	16,975	18,535	5,335
Michigan.....	15,400	18,100	21,200	25,038	28,000	32,000	16,600
Minnesota....	6,500	8,000	8,800	10,013	9,952	10,444	3,944
Mississippi..	21,000	21,900	21,600	21,600	23,625	25,338	4,338
Missouri.....	16,100	16,900	17,600	18,237	19,979	20,579	4,479
Montana.....	1,400	1,500	1,700	1,970	2,319	2,462	1,062
Nebraska.....	3,000	3,300	3,500	4,054	4,750	5,100	2,100
Nevada.....	---	---	---	---	---	---	---
New Hampshire	700	700	700	803	893	975	275
New Jersey...	8,900	9,600	10,600	11,918	13,504	15,601	6,701
New Mexico...	4,400	5,300	6,700	7,744	8,759	10,098	5,698
New York.....	35,600	39,900	50,700	50,086	64,840	78,000	42,400
No. Carolina.	22,700	23,300	24,300	26,561	28,925	31,200	8,500
No. Dakota...	1,700	1,800	1,900	2,011	2,120	2,240	540
Ohio.....	20,800	22,800	26,600	28,883	32,550	36,575	15,775
Oklahoma.....	17,900	19,700	19,400	20,700	23,750	24,680	6,780
Oregon.....	5,200	5,200	4,800	6,084	8,553	10,865	5,665
Pennsylvania.	22,900	25,900	26,400	25,658	30,700	40,220	17,320
Puerto Rico..	16,900	12,700	19,900	14,905	16,266	17,868	968
Rhode Island.	3,000	3,300	3,600	3,759	3,630	3,582	582
So. Carolina.	9,300	9,300	9,300	9,988	11,637	12,755	3,455
So. Dakota...	1,200	1,300	1,400	1,445	1,600	1,788	588
Tennessee....	15,400	17,500	12,900	23,198	28,493	33,893	18,493
Texas.....	11,000	13,200	17,800	22,312	26,723	31,323	20,323
Utah.....	3,400	3,700	4,500	4,828	5,483	5,908	2,508
Vermont.....	1,200	1,400	1,600	1,821	1,950	1,986	786
Virgin I.....	50	50	50	65	74	75	25
Virginia.....	6,800	7,100	7,200	7,532	8,348	9,550	2,750
Washington...	10,400	10,000	11,300	14,901	17,740	19,573	9,173
W. Virginia..	5,800	6,000	6,400	8,070	8,500	9,000	3,200
Wisconsin....	4,500	5,200	6,200	6,599	6,900	7,150	2,650
Wyoming.....	800	800	800	824	927	1,018	218

OAA: Federal Share of State Expenditures for Maintenance Assistance
Fiscal Years 1967 - 1972 (In Thousands)

	1967	1968	1969	1970	Est. 1971	Est. 1972	Change 1967-1972
US TOTAL.....	$1,122,227	$1,137,172	$1,173,683	$1,321,104	$1 509,390	$1,666,020	+$543,793
Alabama.....	61,720	62,864	64,108	68,504	78,309	83,277	+21,557
Alaska.....	729	713	868	921	1,002	1,064	+335
Arizona.....	6,726	6,595	6,289	8,237	8,789	8,753	+2,027
Arkansas.....	34,167	34,556	31,624	37,590	47,505	51,573	+17,406
California...	173,395	178,241	187,497	207,524	227,770	251,630	+78,235
Colorado.....	22,000	21,840	22,477	24,917	22,828	24,845	+2,845
Connecticut..	3,328	3,292	3,947	4,431	4,742	5,633	+2,305
Delaware.....	879	939	932	1,253	1,452	1,620	+741
Dist. of Col.	1,236	1,264	1,317	1,565	2,950	3,969	+2,733
Florida.....	34,761	34,535	32,104	30,335	33,392	42,128	+7,367
Georgia.....	42,110	47,182	45,382	46,273	48,535	51,174	+9,064
Guam.....	38	67	79	96	74	115	+77
Hawaii.....	946	1,052	991	1,207	1,542	1,744	+798
Idaho.....	2,062	1,962	1,742	1,836	1,761	1,866	-196
Illinois.....	22,127	21,618	29,535	42,075	42,762	50,837	+28,710
Indiana.....	8,369	6,872	7,271	11,728	22,123	25,203	+16,834
Iowa.....	11,952	17,535	17,239	17,325	18,701	19,580	+7,628
Kansas.....	12,001	10,913	9,742	11,424	12,752	14,557	+2,556
Kentucky.....	32,010	32,929	32,555	33,734	33,270	33,700	+1,690
Louisiana....	82,804	80,340	76,078	73,917	83,393	88,562	+5,758
Maine.....	5,410	5,433	9,374	10,760	11,686	13,304	+7,894
Maryland.....	4,402	4,505	4,549	6,708	9,080	9,960	+5,558
Massachusetts	30,092	28,875	30,363	38,395	44,908	52,083	+21,991
Michigan.....	21,808	21,826	25,834	26,091	26,069	27,171	+5,363
Minnesota....	14,510	11,260	10,407	10,739	24,063	40,991	+26,481
Mississippi..	28,787	28,092	26,349	32,830	39,226	43,163	+14,376
Missouri.....	50,771	55,856	54,684	57,410	59,636	60,381	+9,610
Montana.....	2,309	2,195	2,042	2,458	2,665	2,653	+344
Nebraska.....	4,927	4,589	6,323	9,409	10,181	10,728	+5,801
Nevada.....	1,428	1,471	1,565	1,809	2,076	2,196	+768
New Hampshire	2,566	3,125	3,346	3,620	5,702	6,330	+3,764
New Jersey...	7,552	8,068	8,384	8,244	8,613	11,137	+3,585
New Mexico...	5,439	5,407	5,160	6,294	6,880	7,218	+1,779
New York.....	36,483	40,624	45,131	53,196	68,228	76,895	+40,412
No. Carolina.	21,455	22,556	24,087	23,307	24,403	24,541	+3,086
No. Dakota...	2,768	2,907	2,681	2,701	2,759	2,775	+7
Ohio.....	42,746	33,585	34,218	38,768	41,125	41,706	-1,040
Oklahoma.....	54,799	53,737	51,290	49,874	47,222	51,801	-2,998
Oregon.....	4,723	4,696	5,511	8,864	9,853	12,066	+7,343
Pennsylvania.	25,820	25,881	24,276	29,451	33,579	39,059	+13,239
Puerto Rico..	1,321	1,370	1,497	1,722	2,569	2,916	+1,595
Rhode Island.	2,574	2,457	2,501	2,358	2,738	3,021	+447
So. Carolina.	8,470	9,039	8,373	8,942	9,621	9,999	+1,529
So. Dakota...	2,846	2,900	3,839	4,625	5,088	5,788	+2,942
Tennessee....	22,319	23,752	23,499	27,449	46,696	50,488	+28,169
Texas.....	122,168	126,592	144,038	181,747	217,854	235,894	+113,726
Utah.....	2,402	2,281	2,798	2,715	3,121	3,602	+1,200
Vermont.....	2,521	2,569	3,200	4,035	4,765	5,235	+2,714
Virgin I.....	85	88	77	82	97	99	+14
Virginia.....	4,839	5,554	5,736	8,346	13,181	16,886	+12,047
Washington...	14,643	14,214	13,271	12,976	9,090	8,336	-6,307
W. Virginia..	5,818	6,437	6,696	8,061	9,157	9,959	+4,141
Wisconsin....	8,789	8,685	9,571	10,879	12,181	13,613	+4,824
Wyoming.....	1,277	1,237	1,236	1,347	1,626	2,196	+919

APTD: Federal Share of State Expenditures for Maintenance Assistance
Fiscal Years 1967-1972 (in thousands)

	1967	1968	1969	1970	Est. 1971	Est. 1972	Change 1967-1972
US TOTAL.....	$314,327	$366,580	$427,061	$517,248	$659,193	$794,047	$479,720
Alabama.....	6,182	7,132	7,760	8,444	9,776	12,992	+6,810
Alaska.....	105	251	324	413	480	549	+ 444
Arizona.....	2,830	3,456	3,550	4,281	5,403	6,151	+3,321
Arkansas.....	3,905	6,184	5,805	8,360	11,622	12,527	+8,622
California...	61,839	79,737	94,864	124,117	160,006	203,342	+141,503
Colorado.....	3,334	3,783	4,711	6,530	7,433	9,557	+6,223
Connecticut..	3,440	2,627	3,541	4,323	5,287	6,812	+3,372
Delaware.....	408	595	711	778	900	1,086	+ 678
Dist. of Col.	2,182	2,500	2,708	3,278	5,179	7,970	+5,788
Florida.....	10,429	9,666	11,243	12,712	12,971	14,497	+4,068
Georgia.....	13,110	14,686	15,051	16,637	20,422	21,185	+8,075
Guam.....	9	15	18	19	13	22	+13
Hawaii.....	746	875	1,079	1,258	1,606	1,691	+ 945
Idaho.....	1,432	1,583	1,688	1,790	1,915	2,397	+ 965
Illinois.....	16,250	17,812	21,988	27,801	34,649	45,008	+28,758
Indiana.....	88	1,249	1,656	3,187	7,004	9,559	+9,471
Iowa.....	923	1,942	2,395	2,628	3,150	4,032	+3,109
Kansas.....	3,236	3,628	4,296	5,244	6,368	7,992	+4,756
Kentucky.....	6,974	7,842	8,297	8,937	11,865	13,180	+6,206
Louisiana....	10,164	11,030	11,138	11,043	12,768	13,472	+3,308
Maine.....	1,206	1,362	1,966	3,361	3,509	4,404	+3,198
Maryland.....	4,966	6,909	8,707	9,639	10,581	11,560	+6,594
Massachusetts	7,995	8,500	10,098	13,316	15,650	18,350	+10,355
Michigan.....	9,202	10,768	13,145	16,256	19,646	22,269	+13,067
Minnesota....	3,856	4,362	5,172	6,531	18,222	24,594	+20,738
Mississippi..	9,153	9,563	9,481	11,461	14,163	15,985	+6,832
Missouri.....	9,394	10,440	10,822	11,339	12,422	12,795	+3,401
Montana.....	887	944	1,111	1,314	1,661	1,778	+ 891
Nebraska.....	1,383	1,752	3,070	3,867	4,554	4,994	+3,611
Nevada.....	--	--	--	--	--	--	--
New Hampshire	414	474	519	603	991	1,163	+ 749
New Jersey...	5,198	5,637	6,369	6,842	8,639	11,008	+5,810
New Mexico...	2,492	2,970	4,240	5,675	6,665	6,787	+4,295
New York.....	19,393	22,018	30,592	33,265	49,976	60,711	+41,318
No. Carolina.	12,160	14,350	15,491	17,907	19,920	21,817	+9,657
No. Dakota...	1,026	1,245	1,406	1,535	1,713	1,818	+ 792
Ohio.....	11,943	13,141	16,087	19,082	21,971	24,459	+12,516
Oklahoma.....	12,185	13,349	13,059	13,838	15,874	16,496	+4,311
Oregon.....	2,924	3,130	3,373	5,420	9,011	12,333	+9,409
Pennsylvania.	12,497	14,287	14,547	15,897	21,458	25,362	+12,865
Puerto Rico..	869	754	880	1,142	1,340	1,532	+ 663
Rhode Island.	1,607	1,880	2,395	2,479	2,517	2,626	+1,019
So. Carolina.	3,977	4,336	4,478	5,256	6,281	7,002	+3,025
So. Dakota...	671	764	947	1,086	1,302	1,579	+ 908
Tennessee....	8,983	10,358	11,773	14,036	18,267	21,862	+12,879
Texas.....	5,822	7,218	11,130	15,587	20,257	23,957	+18,135
Utah.....	1,732	1,942	2,991	3,896	5,067	6,382	+4,650
Vermont.....	699	846	1,254	1,470	1,637	1,812	+1,113
Virgin I....	9	13	15	16	20	20	+ 11
Virginia.....	3,502	4,508	4,440	4,998	6,842	8,725	+5,223
Washington...	5,401	5,947	7,454	9,469	11,167	14,027	+8,626
W. Virginia..	2,553	3,077	3,380	4,742	4,104	6,016	+3,463
Wisconsin....	2,213	2,654	3,340	3,592	4,274	4,960	+2,747
Wyoming.....	429	489	506	551	675	843	+ 414

AFDC: Federal Share of State Expenditures for Maintenance Assistance
Fiscal Years 1967 - 1972 (In thousands)

	1967	1968	1969	1970	Est. 1971	Est. 1972	Change 1967 - 1972
US TOTAL	$1,140,049	$1,394,766	$1,714,221	$2,163,438	$3,002,117	$3,718,943	+$2,578,894
Alabama	9,009	11,671	15,505	18,404	25,433	35,717	+26,708
Alaska	1,287	1,381	1,758	2,135	2,715	3,495	+2,208
Arizona	11,046	11,466	11,580	14,956	17,365	19,482	+8,436
Arkansas	6,197	7,336	7,544	9,498	13,674	17,113	+10,916
California ...	181,814	206,934	256,844	331,993	476,871	593,860	+412,046
Colorado	13,729	14,367	14,612	17,673	26,641	34,890	+21,161
Connecticut ..	13,911	18,649	25,221	29,534	37,470	46,486	+32,575
Delaware.....	3,470	4,390	4,692	5,295	6,717	7,901	+4,431
Dist. of Col..	6,108	6,696	7,918	11,812	20,534	30,923	+24,815
Florida.....	20,729	22,456	34,553	45,110	56,243	91,518	+70,789
Georgia	19,847	24,662	32,529	51,229	65,513	85,743	+65,896
Guam	78	192	259	354	403	497	+419
Hawaii	4,376	5,169	5,765	8,101	11,886	16,999	+12,623
Idaho	3,879	4,507	4,761	6,277	8,662	11,150	+7,271
Illinois	66,397	73,576	84,777	98,578	152,063	204,860	+138,463
Indiana	10,982	13,511	14,704	19,496	27,040	34,487	+23,505
Iowa	11,538	16,474	19,917	21,669	24,916	35,245	+23,707
Kansas	9,667	11,856	14,067	18,335	24,247	36,125	+26,458
Kentucky	22,551	27,451	31,163	35,382	40,713	45,448	+22,897
Louisiana	24,173	28,528	36,414	40,067	48,554	59,398	+35,225
Maine	5,398	5,894	7,052	12,689	19,043	24,603	+19,205
Maryland	25,049	28,630	31,085	35,453	43,208	47,999	+22,950
Massachusetts.	30,149	36,454	57,300	92,577	120,131	151,952	+121,803
Michigan	41,174	48,248	53,560	76,691	121,760	155,220	+114,046
Minnesota	14,699	22,182	24,710	34,399	54,953	76,761	+62,062
Mississippi ..	7,984	8,467	9,521	13,475	16,152	19,390	+11,406
Missouri	24,256	25,535	28,791	35,358	46,240	50,380	+26,124
Montana	2,447	2,716	2,976	4,235	5,514	6,183	+3,736
Nebraska	4,964	6,364	7,049	8,020	10,540	11,282	+6,318
Nevada	1,636	1,960	2,262	3,216	4,390	4,945	+3,309
New Hampshire.	1,417	1,705	2,120	2,969	8,819	11,994	+10,577
New Jersey ...	32,436	38,768	49,556	82,737	138,590	186,608	+154,172
New Mexico ...	9,049	10,975	12,359	14,935	18,433	22,023	+12,974
New York	185,787	285,822	384,099	391,412	513,944	568,617	+382,830
No. Carolina..	24,544	25,763	28,111	34,384	41,931	47,410	+22,866
No. Dakota ...	3,055	3,774	4,129	4,746	6,022	6,525	+3,470
Ohio	49,424	57,383	62,799	69,398	89,012	104,867	+55,443
Oklahoma	24,510	26,108	25,947	27,938	31,930	33,481	+8,971
Oregon	10,264	10,825	12,113	21,935	28,953	38,003	+27,739
Pennsylvania..	67,451	78,069	102,951	156,106	230,694	288,742	+221,291
Puerto Rico...	4,500	6,411	8,798	12,534	13,921	15,917	+11,417
Rhode Island .	6,849	7,860	8,872	11,688	16,783	20,036	+13,187
So. Carolina..	3,914	5,000	6,594	9,790	14,603	19,244	+15,330
So. Dakota ...	3,621	4,962	5,526	6,036	7,027	11,451	+7,830
Tennessee	21,121	23,520	26,257	34,291	50,562	67,773	+46,652
Texas	20,750	24,988	29,308	52,302	87,511	119,829	+99,079
Utah	6,437	7,952	8,308	11,129	14,410	18,715	+12,278
Vermont	1,659	2,988	4,344	4,978	7,048	8,147	+6,488
Virgin Is. ...	133	169	245	317	359	454	+321
Virginia	12,865	15,650	18,385	28,941	43,046	56,164	+43,299
Washington ...	15,082	18,284	20,472	32,635	49,192	57,269	+42,187
W. Virginia ..	22,563	22,768	21,590	23,585	25,975	27,873	+5,310
Wisconsin	12,933	16,095	21,224	25,241	31,971	39,878	+26,945
Wyoming	1,141	1,205	1,225	1,400	1,790	2,871	+1,730
						1/ -15,000	1/ -15,000

1/ Savings due to redefinition of unemployed parent--breakdown not available by State.

SOURCE OF WELFARE WORKER SALARY

Mr. MICHEL. I have used some total figures in the debate on the floor. Since you folks are here, I want to build a more extensive record in view of our upcoming debate on this overall problem.

Social workers out in the countryside are paid by whom?

Mr. TWINAME. They are paid by the county department if it is county-run, or in half the States they are paid directly by the State as State employees.

Mr. MICHEL. Is there any Federal contribution?

Mr. TWINAME. Yes. That is the same contribution that we were putting in the record before, so one typical system might be the county pays 12½ percent of the salary, the State pays 12½ percent, and the Federal Government pays 75 percent.

FACTORS IN INCREASING WELFARE CASELOAD

Mr. MICHEL. And to what do we attribute this tremendous rise within these last few years in this item?

Mr. TWINAME. The number of recipients, do you mean?

Mr. MICHEL. Yes. The chairman, I think, asked the question of you. He said, "Do you go out and just recruit these people or pack them on the rolls?" Your response was: "No, we just want those who are eligible to get what is coming to them." I guess there is no question that in the past there were many who were eligible but never applied. Now, however, there is no question that we have people out in the field who are making absolutely sure that everybody gets in for his cut. Is that the big reason for this going up?

Mr. TWINAME. No. I think it is safe to say as far as State administration has gone, they haven't had to look for customers and there hasn't been that effort of outreach or case finding because they have been so swamped with people applying on their own, and I suppose it is realistic also to say that the States have been more engaged in trying to hold this off to resist the increase, to slow it down, because they have been poorly equipped to handle it administratively and fiscally, so regardless of what you might want to do or we might argue on philosophical terms, the practical realities are the States aren't looking for customers by their practice of administering this program. Other factors have really caused the increase. There are activities by community groups to make people aware of their entitlements and the possible benefits from programs, and poor people have become aware of these programs and also have found that there is less stigma attached to getting an income payment from welfare. I can go on and have previously inserted in the record and would be glad to discuss now a number of these factors. We have had some broad categories here such as demographic factors, that is, the family breakdown problem; secondly, the increase in applications from families who were eligible but few of whom had applied that you referred to, the Federal legislation; economic factors; unemployment; et cetera, and there are court decisions.

COURT DECISIONS AS A FACTOR

Mr. MICHEL. Is there any estimate of what that big Supreme Court decision on eligibility or residency requirements has meant?

Mr. TWINAME. I do not have a current estimate. We tried to get them from the States but I don't know that we can.

Mr. COSTA. We have not had this estimate; no, sir.

Mr. TWINAME. The answer would be how many people have applied for welfare who are residents less than a year.

Mr. MICHEL. Yes.

Mr. TWINAME. I don't think it is as much of a factor as we might think.

Mr. SMITH. It wouldn't be a big factor on a national level but it would be a factor in some States compared to others.

Mr. TWINAME. Yes.

Mr. MICHEL. But generally speaking, it would be a movement of those from States paying less to the States paying more, and that in effect balloons the cost up? We have a big problem in Illinois. California also has one as do all the heavily populated industrial States.

In Illinois we raised the income tax for the first time and it generates $1 billion of additional revenue in the State in a year. Unfortunately, over $400 million of that is going to be eaten away in welfare, so we have only $300 million for education and then the balance for highways and some of the other services. I offered the amendment last year to limit these expenditures in this current fiscal year. They were 110 percent of what they were the year before, and I suppose there are those who would like to see us do that again this year. I can't say that my Governor would like to have me do that or anybody else in my home State.

THE 110% LIMITATION ON SOCIAL SERVICES, ADMINISTRATION, AND TRAINING

Now, has anybody given any consideration in the area of revenue-sharing to this gimmick called holding harmless—nobody getting less than what he got before? Maybe that is an angle here. If I could tell my Governor, "Well, we have to do something here, Governor. You and the legislature aren't doing anything to cut this thing back, you are just adding on more. We are having to ante up, so we are going to try to make one little step to guarantee you are not going to get any less than what you had before." Has anybody given any thought to that?

Mr. TWINAME. The provision that was discussed by Mr. Mills yesterday in reporting out the Welfare Reform bill says that the States would not under this program that he is bringing to this House have to pay any more under this program than they did in fiscal year 1971 now ending, so that is a consideration, I think, for you in considering what to do about fiscal year 1972.

Mr. MILLER. Mr. Michel, excuse me. I was engaged in conversation with someone. Are you referring, when you mention "hold harmless," to the 110-percent limitation on social services?

Mr. MICHEL. Yes.

Mr. MILLER. Because in a sense, it is hold harmless.

Mr. MICHEL. Except when we are arguing with our colleagues and they say, "Well, if we do this many States will be hurt. They will receive no more than 80 percent to 90 percent of what they should receive, or 90 percent to 99 percent."

Mr. TWINAME. But those percentages apply to their estimates for the forthcoming year. In fact, of course, when you have a limitation

which is higher than 100 percent, 110 percent, they will get as much as they got the previous year, and more.

Mr. MICHEL. I was called out of the room when the Chairman was interrogating you, Mr. Twiname, on this subject. Did I understand that he asked you to place in the record what the effect would be in several increments?

Mr. TWINAME. He said all the States at 115 percent, and then at 120 percent.

Mr. MILLER. And I guess 110 percent.

Mr. TWINAME. We might put in the 110 percent, 115 percent, and 120 percent.

Mr. MICHEL. Would you do that?

Mr. TWINAME. Yes.

Mr. MICHEL. I am not sure we had that. If I would have been successful last year and we had made that thing stick in the current fiscal year, what would be the net difference in dollars and cents? The reason I ask is I used the figure several times during the debate and in this hearing, and I want to know how accurate that figure was.

Mr. TWINAME. At one time we were talking $300 million, as I recall, and the actual now looks like about $280 million because States have been cutting back a little.

Mr. MICHEL. On the strength of some of the other estimates around here that didn't turn out too badly.

Mr. TWINAME. I think you looked good on that.

FEDERAL MEDICAID EXPENDITURES

Mr. MICHEL. How much is the total Federal bill for medicaid?

Mr. TWINAME. Well, it is over $3 billion.

Mr. NEWMAN. The estimate for 1972 is $3.8 billion. The 1971 estimate is $3.2 billion, and the 1970 actual was $2.6 billion.

Mr. TWINAME. Your last figure was February?

Mr. NEWMAN. These are November estimates. The November estimate was $3.8 billion in 1972.

Mr. MICHEL. Is it just by accident that it has gone up $600 million a year or is this some arithmetical magic here?

Mr. NEWMAN. No, sir. It is a result of what comes out after you put all the numbers together.

Mr. MICHEL. Does that mean in 1973 that it is going to be $4.4 billion?

Mr. NEWMAN. No; it doesn't mean that that is what it is going to be.

Mr. MICHEL. Is that a good prospect?

Mr. NEWMAN. I think that would be a high estimate.

Mr. MICHEL. Is it going to level out? Are we going to peak out here and reach a plateau?

Mr. NEWMAN. Yes; I think if you are looking at the figures from 1970 through to 1972, they support the fact that virtually all of the States are now in the program.

Mr. MICHEL. Who is still left out?

Mr. NEWMAN. Arizona and Alaska.

Mr. MICHEL. Any prospect for their changing their minds?

Mr. NEWMAN. My understanding is that Arizona has had a proposal before its legislature. The problem in both of these States is that because of the heavy incidence of fully federally financed health services for their indigent population, through Indian Health Services and others, the equation doesn't work out too favorably for them going into the medicaid program. The $3.8 billion figure for 1972 reflects State estimates reduced by administrative savings, so that that figure actually would have been higher and we would have had more than a $600 million increase that you see in the previous 2 years.

NEW SRS PERSONNEL MONITORING MEDICAID

Mr. MICHEL. With respect to these additional people we gave you last year to begin this monitoring and checking, how many of those were actually detailed to look at that whole medicaid business?

Mr. NEWMAN. Of the number of positions authorized, the Medical Services Administration unit itself has 167 positions now in the central office. The monitoring activities, as Mr. Twiname mentioned in his presentation this morning, include a substantial role by the regional offices and consequently a significant proportion of the additional staff has been directed into the regional offices and specifically involved in monitoring activity.

Mr. TWINAME. Before, when we did a program review, I think we got to each State every 4 years and now we have them scheduled to examine each State this year and to really go into the State's administration of the program and try to bring in some of these claims processing systems, and so forth, so we really are much more on top of it

MEDICARE AND MEDICAID FISCAL INTERMEDIARIES

Mr. MICHEL. In a given State does the same carrier handle both medicare and medicaid?

Mr. NEWMAN. No, sir. In the medicaid program the State is responsible for the administration of the program. It can opt and in 34 States I believe they have opted for the fiscal intermediary. In 26 States the carrier is the same. They have used the same carrier, Blue Cross, or in some cases a commercial insurance company which is also used by medicare.

EQUIPPING STATES FOR FRAUD SURVEILLANCE

Mr. MICHEL. Do you have any people actually in your shop in any one of these carrier offices checking in any way on what is being done in medicare now in several places?

Mr. NEWMAN. We do not have any such people. As I understand it, Social Security has actual Federal employees living in the——

Mr. MICHEL. I would be willing to wager that the problem of duplicate payments would be just as knotty in your shop as it would over in medicare.

Mr. NEWMAN. I hesitate to volunteer the possibility of our being worse, but since the medicaid program has variations in eligibility and each State has its own benefit schedule so that there is no uniform package of benefits as there is in medicare this would increase the possibility of problems connected with surveillance of the program.

Mr. MICHEL. How could we best ride herd on this? I know over in medicare in Cincinnati alone we have turned up $500,000 in duplicate payments. We have some real shoddy things in other sections of the country and there should be some prosecutions. The U.S. attorneys don't want to be bothered with this kind of stuff, just like with food stamps. Do you have any record of prosecutions or violations in medicaid?

Mr. NEWMAN. There have been no Federal prosecutions of which I am aware. There are, as I mentioned earlier in the testimony, some but not a significant number of cases of fraud that have been reported to us. What we have done, though, as a positive response to the problem, and Mr. Twiname mentioned earlier, is to attempt to develop a model system for the processing of claims, and to provide technical assistance so that the States have the basic information for the kind of surveillance that is required.

Mr. T INAME. I brought up one time before and we never got to it and you didn't bring it up this time, some examples of what the product of our effort is in the way of a printout. In Virginia, for instance, they have a good system and what we mean when we talk systems and surveillance and all that is a piece of paper that comes out of a machine, and it only prints out those doctors or providers where they exceed a certain number of, say, prescriptions. They look at that sheet and they see it exceeds a certain number of prescriptions. They look at that limited number and they say, "Well, here are six prescriptions to the same recipient number." And when they look into that then they find out it has been a duplicate payment or else overprescribing, and in either case there is a re ıedy for that, but with all the providers and all the recipients you can't get at that problem unless you have that piece of paper. There is no other way to target it. What we are up to with the States is to give them the capability at the end of the month to find out if a doctor has been in a nursing home and he visits 10 people on a visit and he charges $10 for each one. That is a problem we have and we can get after it. It is not a duplicate payment but it is a problem. It is perhaps an overcharge in that case.

So we have in that State and the other States that Medicaid is working with, been able to center down on these particular excesses that come out above the norm and are becoming able to really get after them.

DEVELOPING STATE PAYMENT SYSTEMS

Mr. MICHEL. Do you have any kind of significant information available yet in the printouts that you have to date of any significant problem areas?

Mr. NEWMAN. In the testimony and in the figures submitted is an anticipated saving from administrative action. That projection was based in part on our communicating with the States and getting from them estimates of savings from the implementation of this type of system. I think the kinds of problems that are uncovered are the problems not only of duplicate payments but the overlong stay in the institution. These problems can't be adequately attacked given the tremendous volume of transactions, unless you have some parameter and some mechanical process developed by which you can get the exceptions in front of a review board or review council of some kind.

We have taken the approach that the first step is to develop the capability to handle the data, to get the States into the position of at least having usable review data in front of them. In the proposed legislation there would be increased Federal matching for the States' development of computerized review capability so that there would be a positive incentive and we think, as Mr. Twiname mentioned earlier, that with the tremendous cost-benefit ratio for the dollar invested in a system of that kind you get a manyfold return in savings.

Mr. TWINAME. We have had such a good response on this from the States who just have not been prepared to cope with this, that what we are proposing during this budget presentation is that we move in the same way on the social services. Very much the same problem exists and 110 percent is a kind of arbitrary way to get at it, which is the only way we have at the moment, but we think that we can develop the same kind of payment systems we are talking about in Medicaid. They are puchasing services from providers in the social services for day care, for homemaker service and others, just the way the medical unit is purchasing from doctors and hospitals, so the same kind of approach can help get that under control. It is just that the States have a tough time getting around to that, given their limitations in appropriations, and so forth.

HOUSING SERVICES FOR WELFARE RECIPIENTS

Mr. MICHEL. Let me turn now to the housing problem. I am reminded of that most celebrated case in New York City.

Mr. TWINAME. In the Waldorf.

Mr. MICHEL. Where the people were put up at the Waldorf Astoria. People back home come to me and say, "I thought some of that was funded in your committee. Don't you fellows take any closer look at this thing than to permit that to happen?" Well, it is a pretty tough one to answer. How do you answer that kind of question? As the Federal Administrator of that program, why can't you keep that kind of thing from happening?

Mr. TWINAME. I am going to make a comment and then I want Mr. Costa, who has lived with the New York situation, to comment on it. We moved in very strongly on that situation to work with the city of New York and the State to prevent that kind of thing from happening but we do have to put it in the context that there are getting to be fewer places to live than there are people at that income level. I don't want to escape the responsibility, but I do want to say it is hard to blame Welfare for the problem of trying to find a place for somebody to live if they have been burned out of their home and there are just no living accommodations, so the city has arranged for what was supposed to be an emergency situation to put some people in hotels. As you have read, the hotels turned out to be worse than the places, in the main, they lived in previously. Now, the city has moved on this. Perhaps you could speak to this, Commissioner.

Mr. COSTA. The City and the State have moved on this, Mr. Congressman. They have taken some action. They have taken quite a bit of action, as a matter of fact. The State has now set up a $5 per day limitation per person in a hotel if they have to place a per-

son in a hotel. I understand the city will sue the State for abrogating their responsibilities in this, but that is another issue. The real problem is that there is a shortage of housing in New York City for poor people or any major city in this country for poor people. That is the basic issue. But what they have done is they are trying to set a limitation. They have reduced, in fact, in the past month from 1,400 persons or families housed in hotels to 1,000, so they have dropped about 400 in the past month or two. They have a special unit in New York just trying to help these people find housing. They also have the Housing Authority and private homeowners and brokers trying to help people into housing. The Public Housing Authority has tried to hold vacancies for those people who are in those emergency situations in the hotels. In New York City the department that handles the emergency housing is also helping to try to find housing, but my own opinion is, just an opinion, that I don't think that problem is going to be licked and will never be licked unless we start building houses or doing something else about the housing situation.

Mr. TWINAME. They expect in that particular instance to move from the 1,400 Mr. Costa mentioned that were in these emergency housing situations in January to 400, which is our target with them, by the end of the year. That is their goal, to get it down to 400, and in each case whoever was in a "social services hotel" will be placed in a place such as a New York City Housing Authority apartment or otherwise housed. So they are really concentrating on the problem. I think they are making progress.

HOUSING PROBLEMS FACING RECIPIENTS

Mr. MICHEL. Do you have some research money in your shop?

Mr. TWINAME. Yes, sir.

Mr. MICHEL. If this is the real problem, or going to be, do we have to know anything other than the fact that you just aren't producing the kind of housing that would take care of these people in the big urban centers?

Mr. TWINAME. That is it. I suppose our role as an advocate is to try and stimulate more activity on the HUD side of the executive branch to help out.

Mr. MICHEL. With respect to this most recent problem out here in Maryland or Virginia, the controversy about some housing project and pretty expensive homes with people being moved: Were these welfare cases or is this something different?

Mr. PATTEN. No.

Mr. MICHEL. Was that low income?

Mr. TWINAME. Columbia, Md., has tried to build a community that includes low-income housing. This is the latest addition to that new town project. But welfare recipients have the worst problem because they are the lowest on the totem pole as far as landlords are concerned. I mean in a city welfare recipients have an image problem and landlords just don't want to take welfare recipients. There is both racial and other stigma about the welfare recipients, so even though they might have a welfare check that would cover some kind of rent they are not taken in. That just further complicates the problem.

Mr. SMITH. If the gentleman will yield, there is another problem. The Congress has provided that subsidies can be paid to purchase used houses as well as new, but arbitrarily they have practically excluded used housing from the program. I know that I have had examples right in Des Moines, Iowa. One was where a woman happened to be on welfare with a couple of children and she wanted an older house that only cost, I think, about $10,000, and they wouldn't let her purchase that under that program because they said the program was for new housing, which isn't so. The law very specifically includes older houses. She didn't want the new house that cost $30,000. She wanted the older house. Federal programs have made it more difficult to buy older houses with a low downpayment for 30 or 40 years.

Mr. MILLER. Who is "they"? The housing people?

Mr. SMITH. Yes. At one time I went down and talked to Mr. Weaver, had quite a session with him, and I remember he went so far as to put out an order on this but it never did get down to the operating level. There are about five or six levels before it arrives there. He never did get it into operation before he left.

Mr. TWINAME. That is unfortunate.

RECENT COURT DECISIONS AFFECTING WELFARE RECIPIENTS

Mr. MICHEL. Would you, just for the sake of the record, at this point put in those court decisions in the past year which have affected welfare recipients? Have there been any?

Mr. TWINAME. Yes, sir.

Mr. MICHEL. Why don't you just cite those and a brief exposition of what the effect of those decisions was within this past year?

Mr. TWINAME. Good. We will.

(The information follows:)

I. Between July 1, 1970, and May 14, 1971, the Supreme Court rendered decisions in the two cases listed below, which kept welfare caseloads and costs from rising higher than they did in 1971:

Machias v. *Richardson*, 400 U.S. 913 (Nov. 16, 1970) affirmed without opinion the U.S. District Court decision in *Machias* v. *Finch* (U.S.D.C., N.D. and Calif., Jan. 5, 1970) upholding exclusion of the working poor from AFDC; *Wyman* v. *James*, 400 U.S. 309 (Jan. 12, 1971) upheld New York's home visitation by welfare workers in AFDC program, and termination of benefits upon recipient's refusal to allow worker to make home visit.

II. Supreme Court decisions rendered prior to fiscal year 1971 that have been implemented in SRS policy issuances that continue to increase caseloads and payments at the present time are as follows:

King v. *Smith*, 392 U.S. (1968) held that AFDC cannot be denied because of a "man in the house." SRS policy makes clear that assistance cannot be denied because of the presence of a man in the house, that a stepfather cannot be held responsible for support of children unless he is legally liable for such support under State law, and that support payments cannot be assumed but must actually be paid before they can be considered in determining need. Twenty States had a man-in-the-home policy and others held stepparents responsible when not legally liable or assumed support when not paid.

Lewis v. *Martin*, 397 U.S. (April 20, 1970) held HEW regulation implementing *King* v. *Smith* is valid in providing that, for AFDC, income of an individual who is not the child's natural or adoptive parent, or a stepparent with support obligation under State law, is available for support of the child, but may only consider those sums actually contributed for the child's support on a regular basis.

Wheeler v. *Montgomery*, 397 U.S. 280 (Mar. 23, 1970) and *Goldberg* v. *Kelly*, 397 U.S. 254 (Mar. 23, 1970) held that due process clause of the 14th amendment requires that public assistance recipients be afforded an evidentiary hearing

before termination of their benefits where the proposed terminations are challenged as "resting on incorrect or misleading factual premises or on misapplication of rules or policies to the facts of particular cases." SRS policy provides for 15 days' advance notice of discontinuance or reduction of payment and also that the payment be continued pending the outcome of the appeal for a fair hearing when it is questionable or a matter of opinion as to whether the payment should be reduced or discontinued.

STATE COMPLIANCE WITH FEDERAL WELFARE LAW

Mr. MICHEL. Then in this same vein would you bring us up to date on the status of State compliance with Federal welfare law? I asked something about that last year.

Mr. TWINAME. Yes, sir.

Mr. MICHEL. Refer particularly to Arizona, Indiana, Nebraska, Connecticut, and any other State where there have been——

Mr. TWINAME (interrupting). Hearings, yes.

Mr. MICHEL (continuing). The same or similar problems.

Mr. TWINAME. Yes, sir.

(The information follows:)

Compliance: National summary for assistance payments administration

During the quarter ended March 31, 1971, 74 compliance issues are reported, compared with 83 in the quarter October-December 1970. Of the 74 issues, 56 (including 18 on which conformity hearing decisions are pending) had been reported previously and 18 were new issues. Twenty-six previously reported issues were resolved in the quarter January–March 1971. The regional offices reported 26 States with compliance issues, of which 18 States had serious issues either because they concerned adjustment of assistance standards in AFDC or deprivation of parental support or care, or had been pending a long time.

States with important compliance hearings on assistance payments administration issues

Arizona: The following four issues were raised in the hearing held last August (1970): 90-day residency requirement, income disregards applied to the net rather than gross income, lack of a State level AFDC–CWS advisory committee, assistance to children living with relatives while their siblings remain with natural parents will only be made if relatives obtain legal custody of the children.

A decision was issued January 26, 1971, finding the State out of compliance and ordering the cutoff of Federal funds effective April 1. The State petitioned the U.S. Court of Appeals to hear the case and stay the penalty order pending the court's decision. The petition was granted by the court on February 22.

California: The following three issues were raised in a hearing held last August: Failure to proportionately adjust AFDC maximum payments to reflect increase in living costs, as required, effective July 1, 1969; State's automatic inclusion of certain relatives as essential persons in computing the AFDC grant; lack of statewideness in the adult social services. The State submitted approval plan material for all issues but the adjusting of maximum payments.

On April 16, a decision was issued finding the State out of compliance on the maximum issue and ordering a cutoff of Federal funds effective July 1, 1971. The State has indicated that it is working to resolve this issue before the July1 deadline.

Connecticut: Hearing was held on December 1, 1971. The hearing notice included 13 issues (some with multiple parts): (1) State plan excludes application of the income disregard to the earnings of an eligible family which did not receive AFDC for any one of 4 preceding months; there is a plan provision which imposes a ceiling on the earnings exemption; (2) disregards in AFDC are applied to the net amount of income rather than to the gross; (3) the plan fails to make the $2.50 disregard of income from all sources available to OAA and MA recipients age 65 or over in skilled nursing homes; (4) State plans for OAA, AFDC, AB, and APTD recognizes only certain payroll deductions as work expenses; (5) lack of compliance of provisions in the State plan for AB concerning disregard of income; (6) State excludes from AFDC a father and his children who live in the home of an AFDC mother to whom he is not married and who, under Federal law, are eligible; (7) State excludes from AFDC those similarly situated children who are

living with a relative rather than their natural parent unless the relative obtains legal custody of them; (8) lack of compliance of the procedures in the State plan for AFDC for determining the extent to which stepparents will support their stepchildren; (9) the State has failed to submit plan material regarding the testing of the simplified eligibility method in the AFDC and MA programs; (10) lack of compliance of provisions in the State plans which require the State welfare department to give access to welfare records to the department of finance; question of the role of the department of finance and control in connection with establishing paternity and securing support for children receiving AFDC; (11) question of compliance of State plan for MA relating to payment of inpatient on hospital care; (12) income levels for maintenance used as a basis for eligibility for medical assistance are below the levels of the most liberal money payment standards; (13) State has failed to submit plan material on the training and use of subprofessionals and volunteers for the OAA, AB, APTD, and MA programs.

Indiana: The following two issues were raised in a hearing in September 1970: Failure to proportionately adjust AFDC maximum payments to reflect increase in living costs as required, effective July 1, 1969; failure to provide vendor payments when the adult has demonstrated inability to manage funds.

On January 18, 1971, a decision was issued finding the State out of compliance and ordering a cutoff of Federal funds effective April 1. On March 26, the Governor signed a bill which would bring the State into compliance, thus averting the cutoff of Federal funds.

Missouri: Hearing was held on January 19, 1971, involving four issues State does not furnish public assistance with reasonable promptness to all eligible applicants within the required time standard of 30 days for the programs for the aged, blind and families with dependent children, and 60 days for the aid to the disabled program. The State had not updated the prices in the AFDC standard to: reflect increases in living costs as required effective July 1, 1969, and had not proportionately adjusted AFDC maximum payments. Modification of State plan resulted in reduction of amount of medical care and services provided without necessary certification by the Governor to the Secretary of HEW. State failed to submit an amendment to its MA plan to include home health services to any individual who is entitled to skilled nursing home services.

On May 3, 1971, the examiner recommended that the State be found out of compliance and Federal funds be withheld. The Administrator's decision is due by July 2. His decision may be appealed to the U.S. Court of Appeals.

Nebraska: The following two issues were raised in a hearing last September: Failure to proportionately adjust AFDC maximum payments to reflect increase in living costs as required effective July 1, 1969; and consideration of a stepfather's income as available for support of stepchildren although the State did not have a law of general applicability.

On January 18, 1971, a decision was issued finding the State out of compliance and ordering a cutoff of Federal funds effective April 1. On March 31, the Governor signed a bill which would bring the State into compliance, thus averting the cutoff of Federal funds.

THE NEVADA WELFARE SITUATION

Mr. MICHEL. What is the Nevada survey?

Mr. TWINAME. The Nevada situation is an unfortunate one in that we have disagreed with the State. We normally like to affirm the Federal-State partnership but perhaps this is an example where it is useful to have a check and balance in our work together. The State of Nevada made a survey in depth of its caseload in two major city areas.

Mr. MICHEL. Was it accurate?

Mr. TWINAME. No.

Mr. MICHEL. It was inaccurate?

Mr. TWINAME. Yes. And it was an effort on the part of the State to get at some of the problems of the growing caseload but the problem was that in the zealousness to cut people off some of the wrong people were taken off, and taken off without regard to their rights to have a hearing about it, and so the consequence has been that a court order restored those people to the rolls. We felt the responsibility to put a

team of monitors in ourselves to find out the nature of the problem and came up with an independent report. We felt that was necessary not only because of the rights of the particular individuals involved but the statement had been made that HEW had mandated the use of the simplified method which we discussed earlier, in the AFDC program, and that we have not done. We talked when I spoke earlier about the simplified method and its successful implementation in the adult categories. We are still testing in AFDC and States have the option, if they want to develop this kind of a system. We have not mandated the particular eligibility determination method that was being used there, and that was the background of why we felt we had to look at what actually was being done. We still have a disagreement out of that but I am sure good will come out of it and I think the upshot of it will be tightened administration at that end, and I hope some clarity about the facts for all others interested.

Mr. COSTA. There was a big difference. Nevada was pointing out a 22 percent ineligibility rate in the survey of cases that they had interviewed. In fact, they went through their whole caseload of 4,800 cases in a 2-month period, which in itself is rather difficult to do, and our findings were that about 7.4 percent of the cases could have been closed. They weren't eligible. We agreed with the State. But of that 7.4 percent, on 3.6 percent the State already had enough information from the clients that they should have been closed routinely. They did have some problems in terms of high staff turnover and changes in the administration and did not take action.

LEGALLY REQUIRED WELFARE CASE REVIEW

Mr. MICHEL. We in the Federal statute require the State to review their cases how often?

Mr. COSTA. Once per year in the adult program, but every 6 months in the AFDC program.

Mr. MICHEL. Are all the States complying with that provision?

Mr. COSTA. For the most part they are, yes, sir. Even despite this Nevada did have this information in the case records where the woman had written in saying, "You can close me. I am going to work." But with the staff turnover they didn't close them. I think it is fair to say that Nevada has some unique problems and that is that it has employment for seasonal periods. Forty percent of the AFDC caseload is employed at any given time of the year when there are people coming into the hotels and the gambling areas where these people work. They earn money for a short period of time. Then they don't earn money, and to control this and try to work out the distribution or the payment is rather difficult, so we are trying to help to work out a system with them where they can better control this.

Mr. MICHEL. I will yield.

MONITORING STATE INFORMATION ESTIMATES

Mrs. REID. If you will yield, you mentioned checks and balances. Do you have part of your staff checking on information estimates from the various States?

Mr. TWINAME. We have a close relationship with the State estimators and we communicate by phone. We have monitoring that

goes on, but staff is very limited as far as getting down to the local welfare office and really monitoring the way the transactions are made there, so that in an instance like this in Nevada we have to mobilize a kind of a task force on a special basis to do that. The departure from this general rule is the 55 positions that were in the supplemental for this quality control system. Then we are saying to a group of employees your full-time job is to be out in the field taking subsamples of the system in order to help point out to the States where their own system may have leaks and to shore up the State's own ability to manage quality control system on their own. This should make a big difference.

MONITORING STATE COMPLIANCE WITH THE LAW

Mrs. REID. We were discussing your regulations and requirements with which the States are supposed to comply. How do you monitor this?

Mr. TWINAME. Well, this has been something new at HEW and, of course, this is what you may have read about in these compliance hearings. It seemed to us that it was certainly not carrying out the intent of Congress to put out regulations that were required by the law and then just having them on pieces of paper. It wasn't doing very much in terms of respect for the law either by State administrators or welfare recipients. Most States I think felt that HEW certainly wouldn't get very serious because the only remedy we had was to withdraw payments, and you hesitate to do that. That is a very primitive method of doing business.

Still in all, we felt the Supreme Court had told us in many ways that we ought to be using our administrative procedures; Congress itself in a couple of committees said we should, so we took inventory by a method of monitoring on all the compliance questions that existed—that had never been done before—some 2 years ago or a year and a half ago. Then we decided on those which were most serious and in which people were most affected or there was more than a technical problem, and then we moved in a way to negotiate with the States, focusing on those problems, trying to resolve them by technical assistance, or some other kind of help. In those cases where the States had a problem of complying or felt that they wanted to test us out on it we held compliance hearings. We had about a year ago I think over 300 compliance issues in certain areas. We held compliance hearings in a few States and in effect made decisions to cutoff funds. No funds have actually been cutoff because States have either complied or appealed to the courts. I will put in the record the number of issues that have been cleared up by the compliance hearings.

(The information follows:)

There is continued progress in the resolution of issues. Total issues reported for quarter ending April 30, 1971, represent a 46 percent *decrease* in issues during the past year.

Compliance issues reported by program	Apr. 1, 1970	July 1, 1970	Oct. 1, 1970	Dec. 1, 1970	Apr. 1, 1971
Administration on Aging (AOA)	1			8	
Assistance Payments Administration (APA)	102	59	56	74	66
Community Services Administration (CSA)	24	20	14	19	16
Medical Services Administration (MSA)	100	115	78	100	78
Rehabilitation Services Administration (RSA)	163	73	20	11	53
Office of Manpower Development and Training (OMDT)	9	10	7	5	3
Youth Development and Delinquency Prevention (YDDPA)					
Total	399	277	175	217	216

The above table represents the 12-month period from April 1970 through April 1971. For this period of time, APA reduced the number of reported issues from 102 to 66, or a 35 percent reduction. For this same period of time, MSA experienced a 22-percent reduction in the number of issues (100 to 78). The reduction for CSA, from 24 to 16 issues, is 33 percent.

For these three SRS program administrations (APA, MSA, CSA), their total effort represents a 29-percent reduction in compliance issues reported; i.e., from 226 issues to 160 for the three programs.

Mr. TWINAME. But many other States as a result have come into compliance and we have cleared up at least 150 compliance issues by others who have done it voluntarily. I think this overall has been constructive and it is our intent to make it so, and not to use this as a club in an arbitrary way.

FEDERAL TAKEOVER OF WELFARE

Mr. MICHEL. May I ask just one final simple question.

Could we do a better job if we just took this whole thing over lock, stock, and barrel in the Federal Government?

Mr. TWINAME. I hate for my State friends, the welfare administrators, to see me say in the record that we could, but the last time I met with them, and they were from probably 40 States, they said, "We are willing to have you take this over."

Mr. MICHEL. Thank you, Mr. Chairman.

Mr. SMITH. Mr. Patten?

Mr. MICHEL. Excuse me. What would that cost? Would we just take what the States are doing now, that figure we talked about earlier, add it to this Federal budget, and that is the package?

Mr. TWINAME. That is the problem, I guess, in that it would be quite inequitable to take it over just as it is. The way the welfare reform bill will come out I believe is that we would presume to pick up at the national minimum standard and begin, hopefully, Federal administration at that level and then the States could supplement on top of that, depending from one State to the other what they felt the welfare recipient ought to get. Depending on how that works out, I think down the road we could come to a time of full Federal administration over a period of orderly transition.

Mr. MICHEL. Thank you.

Mr. SMITH. Mr. Patten?

Mr. PATTEN. You know, Mr. Administrator, that certainly for more than 1 year the question of the spending of this money has caused millions of words to be spoken in this Nation and there were times last fall when I thought probably our whole program might be in jeopardy. There was a tremendous reaction on account of the things that were said, suspicions aroused and things of that type. I voted for the Family Assistance Act last year. I didn't want to as it wasn't my opinion but I just voted because the committee asked for it and I didn't want to be known as a loggerhead and not help, so I voted to pass but it never became law and it sustained my own judgment. You would better understand my deep convictions about this if you knew my background at the State level. I am a depression mayor of 1934, with WPA, two-thirds of my city unemployed, a bankrupt city hall, and everything else.

PROPOSED CUTS IN PROGRAMS FOR THE AGING

Just looking at the clock, I can't carry on a discourse with you in the next 5 minutes on all the things that have been covered. I don't intend to rehash them but I think there are two things that we haven't touched on. In your first statement, on page 4, you state:

"Within the overall constraints of the development of the Federal budget, it was considered necessary to reduce support for other programs for the aging in order to accommodate these new initiatives."

Now we are talking about our Older Americans Act and the amendments that were added in 1969, and I am getting a little flak from the field on this, from very wonderful people. I don't know how much personal experience you have, but our people who were benefited by the Older Americans Act are the cream of the crop in this country, and I say that without fear of contradiction.

I am thinking of one man who had a most successful life. As a result of some of our efforts here he is now running a YMCA part time. It is our conviction that on some of the retired senior volunteer programs and under the Foster Grandparent program and a few others we have generated enough employment among our senior citizens to pay income taxes far in excess of the cost of the program, so it hurt a little bit to hear you say the budget constraints made it necessary to reduce support for other programs for the aging. From my experience, I am sorry that that is coming back. We worked on the Older Americans Act with a great deal of pleasure, knowing it was all good and beneficial.

I don't intend to develop the different programs, but it just happens in my area that our senior citizens that I am talking about are people who have been great Americans through their entire lifetime, fully employed, led a good life, and they have a lot in them yet and, believe me, we had great success once we advertised a little, and we found out there is a great need and great demand for their services. I hate to see our Older Americans program come in with a reduced budget.

If we go on talking we could be here until 5 o'clock easily. I am going to come back to that.

BUDGET AMENDMENT FOR PROGRAMS FOR THE AGING

Mr. TWINAME. May I just insert one thing here, Mr. Patten?

Mr. PATTEN. Yes.

Mr. TWINAME. In my next statement following in the testimony the Older Americans Act commentary I said: "I am happy to say," and

I want you to be able to be happy to say to your constituents that you mentioned, that we agree with you and have found it possible to amend the budget to add $10 million to the original budget presented by the President, which would not only sustain all the activities of the fiscal year 1971 but would allow the extra initiatives in the Retired Senior Volunteer Program and the Areawide Model program that we wanted to begin, so I am pleased that I can give you an immediate positive response to your concern.

Mr. PATTEN. Yes, but when you say it was necessary to reduce support for the other programs, it still stands; right?

Mr. TWINAME. No.

Mr. SMITH. We haven't received that budget amendment yet.

Mr. TWINAME. I beg your pardon. The Chairman wanted us to get this supplemental budget amendment that has been announced, but you don't have the paperwork here at the committee yet.

Mr. PATTEN. Only in Sunday's paper I read a statement by a U.S. Senator viewing with alarm the cuts in the Older Americans program, and he is one of the leaders over there. I don't have the experience to be personally acquainted with this program except I am close to the senior citizens. I know as of this week they are under the impression they have been cut.

Mr. TWINAME. Well, in this particular program they have been added on to, and you can report that, and I think also we should keep in mind that overall we have a responsibility across the whole Federal Government for a number of programs that have impact on senior citizens, and I would not want them to get the impression that the Government's concern rested on this small $30 million activity when there are many hundreds of millions of dollars that are dedicated across the board. There is $150 million alone in service programs for older Americans under the Public Assistance Act. Under Maintenance Assistance we have upwards of many hundreds of millions going to older people, so I think it is important that we put in the right context where our concern is.

Mr. PATTEN. I want to, because I think your budget will cost, if you just divide $20 million into 200 million people roughly, somewhere in the neighborhood of $100 for every man, woman, and child in the United States if you want to take it on a per capita basis, so that I was full of fear and as a result of that I have spent some time with my local administrator and I have spent some time with other people and have asked some questions in depth about caseloads and who is on, and how many single persons are on, because there are a lot of false statements being made. and I am not in the crisis area. In my own city, which is an industrial city, the local tax rate only has $22,000 in it for welfare. Our school budget is $6.5 million. So I don't view with alarm at the local level our welfare problem. There is a rosier side.

A lot of our people who are in the headlines in my area are really affluent. They are sporting convertibles and other cars, and they are fully employed, which is a lot better than their lot in life was 10 years ago wherever they were. They weren't in my town. Our industries brought them in. They are smoking cigars and they are eating strawberries in January, so I am not crying with alarm here but I think there is some work to be done.

FUNDS FOR KIDNEY DIALYSIS

Now let's turn to page 136 of your request. The last item there is "Other" and in 1971 you had $119 million and this year you are asking for $110 million, a cut of $9 million. I want you to know one of my satellites is kidney work and if you turn to your justifications on page 144 you will note that you say that these people with renal disease have a good chance of being sent back to work, "85-90 percent of such patients return to full-time employment."

In my State 400 people are going to die of kidney trouble this year because they are not getting the treatment which would save them. This is according to our State Director of Health. Now, you point out the cost of dialysis treatment at the hospital level. I offered to give my hospital a kidney machine. They said they couldn't afford to take it. They haven't the help. They don't have the nurses or the doctors, and they figure the minimum budget is $50,000 and they said they had other priorities. Now, I think this is an area where we could have made some gains based on your own statement of the fact that so many are put back to work. I know this is my own experience. Your justification says that 3,000 are currently on an artificial kidney machine and 1,000 are involved with vocational rehabilitation agencies. You say only 40 States have provided some assistance to patients. I am not saying anything now about kidney transplants. I am just talking about the kidney machine.

But it would appear to me we are not going forward. We have had some meetings at the State level with the kidney doctors and other interested people the last 5 or 10 years and I have introduced some bills to increase our work in this area, without success. No one seems to be overly concerned about it, but based on your own statement that 85 to 90 percent of such patients return to full-time employment, it would seem to me that this is one area where we could make a good investment. You say:

> Another 10,000 could benefit by chronic dialysis with the probability of a 50-percent return to gainful employment.

I think this kidney work offers a wonderful field to get good results. It annoyed me, really, in your budget justifications that you spoke of the blind and the deaf but when you came down to the last item you just said "Other." You didn't even identify it. I wouldn't be a bit surprised your reaction might be the reaction of most people. They don't even know what I am talking about.

Mr. TWINAME. Oh, no.

Mr. PATTEN. There is a little bit here, but as I have seen the problem I know there are many people suffering and they are not getting any help and we have the know-how.

Mr. TWINAME. I am very much in agreement. It is a difficult treatment problem, the hemodialysis patient, and this is another example of where the rehabilitation program can mean so much, because it is almost like drug abuse. Somebody is on a maintenance program and we think we are doing so much for somebody by keeping him alive or in some state or condition without really doing something for the other half of him, his own ability to produce and contribute and to lead some kind of life that is now as normal as it can be. This is the real job of rehabilitation. There are a number of others that we really haven't had the State agencies get to in the degree to which they could be helped.

Mr. PATTEN. You know, I am worse off than I was a few years ago.

Mr. TWINAME. There is a long way to go.

Mr. PATTEN. We used to get a lot of help from the New York Kidney Foundation. We just sent the patient in. If the fellow was a barber we had him working. He would go up there and get cleaned out and come back and he would work the other 5 days along with other people and the whole family is gratified. If you don't give them some service it is a very depressing picture and, frankly, we are hard put now in my area for the few cases we have to know where to turn.

I was very disappointed in the attitude of our hospital people but I understand it. A man says, "I need two doctors. I will need several nurses and I don't have them." I can't contradict that because of my own knowledge I know the hospital staff and their help is a critical problem. They do have other priorities. But I just wanted to say a good word for all those who were drinking during prohibition and drank that booze. They are having their kidney problems. I think this is the biggest price we are paying for prohibition. These fellows who were drinking that stuff during prohibition now are dropping off.

I don't want to shake you up, Charley, but I say one of the big casualties of prohibition and the bum booze is a lot of people are running around now at age 60 with poor kidneys and they are paying the price, and there are quite a few of them and they are not getting much help. I was hoping in our health work we could make a little better showing.

Mr. MILLER. This is the principal question confronting kidney dialysis. It is not in this appropriation. It is in the regional medical program and we switched into the regional medical program, oh, 3 years ago about seven or eight chronic disease programs and then we began to phase those out, but one of the programs we didn't phase out was kidney disease and there by far the biggest amount of money directed to the problem you are talking about is in the health budget in the regional medical program, not here, and just because of the kind of problem you are describing we did not try to phase out that one categorical disease control program.

Mr. PATTEN. Thank you, Mr. Chairman.

Mr. SMITH. I guess that is all. Thank you very much.

Mr. TWINAME. It has been an interesting discussion. Thank you.

Mr. SMITH. We will recess until 10 o'clock tomorrow morning.

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Grants to States for Public Assistance

Amounts Available for Obligation

	1971	1972
Appropriation	$ 8,651,950,000	$11,411,693,000
Proposed supplemental appropriation	1,047,587,000	---
Subtotal, appropriations	9,699,537,000	11,411,693,000
Comparative transfer to:		
"Research and Training"	-15,080,000	---
"Office of Child Development"	- 2,000,000	---
Subtotal, budget authority	9,682,457,000	11,411,693,000
Appropriation available in prior year	-2,140,240,000	- 2,500,000,000
Appropriation available from subsequent year	+2,500,000,000	+ 2,800,000,000
Total, obligations	$10,042,217,000	$11,711,693,000

Obligations by Activity

Page Ref.		1971 Estimate	1972 Estimate	Increase or Decrease
26	Maintenance assistance:			
31	(a) Old-age assistance	$1,509,390,000	$1,666,020,000	+$156,630,000
34	(b) Aid to the blind	62,588,000	65,434,000	+ 2,846,000
37	(c) Aid to the permanently and totally disabled	659,193,000	794,047,000	+ 134,854,000
40	(d) Aid to families with dependent children	3,002,117,000	3,718,943,000	+ 716,826,000
44	(e) Emergency assistance	10,185,000	12,267,000	+ 2,082,000
45	(f) State and local administration	384,716,000	398,610,000 1/	+ 13,894,000
	Subtotal, Maintenance assistance	5,628,189,000	6,655,321,000	+1,027,132,000
	Collections and adjustments	-11,000,000	---	+11,000,000
	Maintenance assistance program cost funded	5,617,189,000	6,655,321,000	+1,038,132,000
46	Assistance to Repatriated U. S. Nationals	770,000	687,000	- 83,000
48	Medical assistance:			
	(a) Eligible for money payment	2,361,875,000	2,845,832,000	+ 483,957,000
	(b) Not eligible for money payment	710,606,000	813,965,000	+ 103,359,000
	(c) State and local administration	147,661,000	167,822,000	+ 20,161,000
	Subtotal, Medical assistance	3,220,142,000	3,827,619,000	+ 607,477,000
	Collections and adjustments	-4,000,000	---	+ 4,000,000
	Medical assistance program cost funded	3,216,142,000	3,827,619,000	+ 611,477,000
58	Social services	757,286,000	838,200,000 1/	+ 80,914,000
65	State and local training	45,070,000	43,866,000 1/	- 1,204,000
66	Child welfare services	46,000,000	46,000,000	---
	Program costs funded	9,682,457,000	11,411,693,000	+1,729,236,000
	Available in prior year	-2,140,240,000	-2,500,000,000	- 359,760,000
	Available from subsequent year	+2,500,000,000	+2,800,000,000	+ 300,000,000
	Total obligations	10,042,217,000	11,711,693,000	+1,669,476,000

1/ Reduction in the total of maintenance administration, social services and training in accordance with proposed Section 208 is prorated among the separate entries for those items.

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Other services	$454,000	$462,000	+$8,000
Grants, subsidies, and contributions	10,041,763,000	11,711,231,000	+1,669,468,000
Total obligations by object	10,042,217,000	11,711,693,000	+1,669,476,000

Summary of Changes

1971 estimated obligations	$10,042,217,000
1972 estimated obligations	11,711,693,000
Net change	+1,669,476,000

	Base	Change from base
Increases:		
Program:		
1. Maintenance payments:		
a. Old-age assistance	$1,509,390,000	$156,630,000
b. Aid to the blind	62,588,000	2,846,000
c. Aid to the permanently and totally disabled	659,193,000	134,854,000
d. Aid to families with dependent children	3,002,117,000	716,826,000
e. Emergency assistance	10,185,000	2,082,000
f. State and local administration	384,716,000	13,894,000
Subtotal, Maintenance payments	5,628,189,000	1,027,132,000
Collections and adjustments	-11,000,000	11,000,000
Maintenance assistance program costs funded	5,617,189,000	1,038,132,000
2. Medical assistance:		
a. Eligible for money payment	2,361,875,000	483,957,000
b. Not eligible for money payment	710,606,000	103,359,000
c. State and local administration	147,661,000	20,161,000
Subtotal, Medical assistance	3,220,142,000	607,477,000
Collections and adjustments	-4,000,000	4,000,000
Medical assistance program costs funded	3,216,142,000	611,477,000
3. Social services	757,286,000	80,914,000
Total, Program Increases		1,730,523,000
Decreases:		
Program:		
1. Assistance to repatriated U.S. nationals	770,000	-83,000
2. State and local training	45,070,000	-1,204,000
Total, Program Decreases		-1,287,000
Net change in obligation of prior year and subsequent year appropriations		-59,760,000
Total Decreases		61,047,000
Net Increase		1,669,476,000

Explanation of Changes

Program Increases:

1. Maintenance Assistance:

The requirements for maintenance payments for 1972, including administration, are $6,655,321,000, an increase of $1,038,132,000 over the 1971 requirements including the proposed supplemental. Of the total increase in requirements 70% is for the increase in Aid to Families with Dependent Children; 15% for increases in Old Age Assistance and 13% for increases in Aid to the Permanently and Totally Disabled. The increase for State and local administration is limited by the application of the 110% limitation (Section 208). States estimated a 13% increase in this activity without the limitation.

2. Medical Assistance:

Increase of $611,447,000 is primarily associated with increased number of recipients, increases in unit prices of medical goods and services and increased utilization of covered medical services. The Federal share of Medical vendor payments will be about 19 percent higher. Sixty-three percent of this increase is associated with the recipient increase and 37 percent is relatable to the rise in prices and increased utilization.

The number of persons in whose behalf medical vendor payments will be made in 1972 is expected to be about 19,000,000 and is 2,000,000 and 12 percent higher than in 1971. Ninty-five percent of the increase is in services for families with dependent children and is consistent with the continued increase in recipients under the maintenance assistance program. The dollar distribution of total medical vendor payments by types of services, made in behalf of recipients, has not altered materially since utilization of services by these families is similar.

3. Social Services:

The requested increase of $80,914,000 would provide for the Federal share of the cost of the expected increase in assistance caseload and the increase in the number of adults and children receiving social services. This increase would also be utilized in helping the State provide services to target groups such as migrant families and socially handicapped children i.e. addicted youth, teenage unmarried mothers, homeless youth, school drop outs, etc. This increase is limited by the application of the 110% limitation (Section 208). States estimated a 20% increase in this activity without the limitation.

Program Decreases:

1. Assistance to repatriated U.S. nationals

The decrease of $83,000 is based on a reduction in the estimated number of persons to be repatriated partially offset by an increase in the costs of hospitalization for the mentally ill.

2. State and local training

The decrease in State and local training results from the pro rata distribution among social services, maintenance administration and State and local training of the estimated total savings of $110,625,000 for all three which accrues from the application of the 110% limitation (Section 208). States estimated a 6% increase in this activity without the limitation.

Authorizing Legislation

Legislation	1972 Authorization	1972 Appropriation requested
Social Security Act		
Section 1--Old Age Assistance	Indefinite	$1,666,020,000
Section 401--Aid to Families with Dependent Children	Indefinite	3,731,210,000
Section 420--Child Welfare Services	$110,000,000	46,000,000
Section 1001--Aid to the Blind	Indefinite	65,434,000
Section 1113--Assistance for United States Citizens Returned from Foreign Countries 2/	Indefinite	225,000
Section 1401--Aid to the Permanently and Totally Disabled	Indefinite	794,047,000
Section 1601--Aid to the Aged, Blind, or Disabled	Indefinite	1/
Section 1901--Medical Assistance Program	Indefinite	3,827,619,000
Public Law 86-571		
Section 2--Assistance for Certain Nationals of the United States Adjudged Insane or Otherwise Found Mentally Ill in Foreign Countries	Indefinite	462,000
Authorized in Various Titles of the Social Security Act		
Social Services, Maintenance Administration and Training	Indefinite	1,280,676,000

1/ Included under titles I, X, and XIV.

2/ Section 1113 of the Social Security Act will expire on June 30, 1971. Proposed legislation is pending which would make this section permanent.

SOCIAL SECURITY ACT

Title I--Grants to States for Old-Age Assistance and Medical Assistance for the Aged

Appropriation

Section 1. For the purpose (a) of enabling each State, as far as practicable under the conditions in such State, to furnish financial assistance to aged needy individuals, (b) of enabling each State, as far as practicable under the conditions in such State, to furnish medical assistance on behalf of aged individuals who are not recipients of old-age assistance but whose income and resources are insufficient to meet the costs of necessary medical services, and (c) of encouraging each State, as far as practicable under the conditions in such State, to furnish rehabilitation and other services to help individuals referred to in clause (a) or (b) to attain or retain capability for self-care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purpose of this title.

Authorizing Legislation--Continued

Title IV--Grants to States for Aid and Services to Needy Families with Children and for Child Welfare Services

Part A. Aid to Families with Dependent Children

Appropriation

Section 401. For the purpose of encouraging the care of dependent children in their own homes or in the homes of relatives by enabling each State to furnish financial assistance and rehabilitation and other services, as far as practicable under the conditions in such State, to needy dependent children and the parents and to help such parents or relatives to attain or retain capability for the maximum self-support and personal independence consistent with the maintenance of continuing parental care and protection, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this part.

Title IV, Part B.--Child Welfare Services

Appropriation

Section 420. For the purpose of enabling the United States, through the Secretary, to cooperate with State public welfare agencies in establishing, extending, and strengthening child welfare services, the following sums are hereby authorized to be appropriated: $55,000,000 for the fiscal year ending June 30, 1968, $100,000,000 for the fiscal year ending June 30, 1969, and $110,000,000 for each fiscal year thereafter.

Title X--Grants to States for Aid to the Blind

Appropriation

Section 1001. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals who are blind, and of encouraging each State, as far as practicable under such conditions, to furnish rehabilitation and other services to help such individuals attain or retain capability for self-support or self-care, there is hereby authorized to be appropriated to each fiscal year a sum sufficient to carry out the purposes of this title.

Title XI--General Provisions

Section 1113 (a) (1). The Secretary is authorized to provide temporary assistance to citizens of the United States and to dependents of citizens of the United States, if they (A) are identified by the Department of State as having returned, or been brought, from a foreign country to the United States because of the destitution of the citizen of the United States or the illness of such citizen or any of his dependents, or because of war, threat of war, invasion, or similar crisis, and (B) are without available resources.

Title XIV--Grants to States for Aid to the Permanently and Totally Disabled

Appropriation

Section 1401. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals eighteen years of age and older who are permanently and totally disabled, and of encouraging each State, as far as practicable under such

Authorizing Legislation--Continued

conditions, to furnish rehabilitation and other services to help such individuals attain or retain capability for self-support or self-care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title.

Title XIV--Grants to States for Aid to the Aged, Blind, or Disabled, or for Such Aid and Medical Assistance for the Aged

Appropriation

Section 1601. For the purpose (a) of enabling each State, as far as practicable under the conditions in such State, to furnish financial assistance to needy individuals who are 65 years of age or over, are blind, or are 18 years or over and permanently and totally disabled; (b) of enabling each State, as far as practicable under the conditions in such State, to furnish medical assistance on behalf of individuals who are 65 years of age or over and who are not recipients of aid to the aged, blind, or disabled but whose income and resources are insufficient to meet the costs of necessary medical services; and (c) of encouraging each State, as far as practicable under the conditions in such State, to furnish rehabilitation and other services to help individuals referred to in clause (a) or (b) to attain or retain capability for self-support or self-care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title.

Note: States may elect to provide assistance to the needy aged, blind, and permanently and totally disabled under this title in lieu of titles I, X, and XIV.

Title XIX--Grants to States for Medical Assistance Programs

Appropriation

Section 1901. For the purpose of enabling each State, as far as practicable under the conditions of such State, to furnish (1) medical assistance on behalf of families with dependent children and of aged, blind, or permanently and totally disabled individuals, whose income and resources are insufficient to meet the costs of necessary medical services; and (2) rehabilitation and other services to help such families and individuals attain or retain capability for independence or self-care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title.

PUBLIC LAW 86-571
Section 2--Assistance for Certain Nationals of the United States Adjudged Insane or Otherwise Found Mentally Ill in Foreign Countries

Section 2(a). Upon request of the Secretary of State, the Secretary of Health, Education, and Welfare is authorized (directly or through arrangements under this subsection) to receive any eligible person at any port of entry or debarkation upon arrival from a foreign country and, to the extent he finds it necessary, to temporarily care for and treat at suitable facilities (including a hospital), and otherwise render assistance to such person pending his transfer or hospitalization pursuant to other sections of this Act. For the purpose of providing such care and treatment and assistance, the Secretary is authorized to enter into suitable arrangements with appropriate State or other public or nonprofit agencies. Such arrangements shall be made without regard to section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), and may provide for payment by the Secretary either in advance or by way of reimbursement.

Explanation of Transfers

	1971 Estimate	Purpose
Comparative transfer to:		
Research and Training	$15,080,000	Reflects consolidation of all SRS research and training activities in one appropriation.
Office of Child Development	2,000,000	Places research and demonstrations pertaining to child development within the child development appropriation.

Grants to States for Public Assistance

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1962	$2,517,805,000	$2,305,664,000	$2,521,064,000	$2,421,064,000
1963	2,929,575,000	2,768,062,000	2,765,562,000	2,765,562,000
1964	3,097,100,000	2,922,010,000	2,918,010,000	2,918,010,000
1965	3,432,103,000	3,330,040,000	3,228,103,000	3,228,103,000
1966	3,893,552,000	3,651,452,000	3,651,452,000	3,651,452,000
1967	4,271,860,000	4,271,860,000	4,225,460,000	4,225,460,000
1968	5,494,175,000	5,315,432,000	5,315,525,000	5,315,525,000
1969	6,477,391,000	6,473,391,000	6,473,391,000	6,473,391,000
1970	7,538,004,000	7,538,004,000	7,538,004,000	7,538,004,000
1971	8,634,870,000	8,634,870,000	8,634,870,000	8,634,870,000
1971 proposed supplemental	1,047,587,000			
1972	11,411,693,000			

Justification

General Statement

This appropriation provides for grants to States under Titles I, IV, X, XIV, XVI and XIX of the Social Security Act. Assistance is provided for needy aged (OAA), blind (AB), and disabled (APTD), persons and families with dependent children (AFDC). Child welfare services and assistance to repatriated United States nationals are also funded from this appropriation.

The amounts requested for the various activities and components are based upon estimates submitted by the States in November 1970, with the exception of child welfare services and assistance to repatriated U. S. Nationals. The estimates for the latter two programs were developed at the Federal level. The States' estimates of November 1970 have been adjusted for administrative actions whose net effect has been to reduce the fiscal requirements. These administrative actions include a redefinition of unemployed parents as related to assistance for families with dependent children; changes in managerial methods and procedures in the medical assistance program and a limitation of 110 percent of FY-1971 expenditures placed upon the aggregate of maintenance assistance administration, social services and State and local training.

The redefinition of unemployed parents consisted of changing the maximum hours that a parent could work and be considered as unemployed from 35 hours per week to 100 hours per month.

The changes in managerial methods and procedures in the medical assistance program include a more critical review of the utilization of medical services with the intent of substituting out-patient and nursing home care for hospitalization where appropriate and reducing the length of stay in hospitals and nursing homes; requiring prior authorization for extended stays in hospitals and nursing homes by physicians or utilization review panels, the establishment of fee schedules for doctors and dentists and improved surveillance of claims processing.

The President's Budget in Section 208 of the General Provisions, provides for a limitation of 110% of 1971 payments on the amount of the federal payments to each State for fiscal year 1972 for social services, administration of maintenance assistance and related training. The limitation is an attempt to place some measure of control over those portions of public assistance which do not directly affect recipient income pending enactment of proposed legislation which would provide for better control of these expenditures. Historical data indicate that between 1965 and 1970, public assistance recipients have increased by 48 percent and the payments to these people have increased by 62 percent. During this same time period, expenditures for administration, social services and training have increased 324 percent.

Since the States were faced with this limitation one year ago, when it was first proposed, they have had an additional year to increase or shift emphasis on these programs as they desired.

Tables 1, 2 and 3 indicate the levels and rate of growth of social services, administration and State and local training estimated by the States in November 1970 for fiscal years 1970, 1971 and 1972.

Table 4 shows the effect of the 110 percent limitation in total and on each of the individual States. The total effect of this provision is to reduce estimated Federal expenditures by about $111,000,000.

Under the proposed limitation the States would be able to determine the actions they would take to allocate resources between services, administration of maintenance assistance and training. The budget reflects proportionate reductions in these programs but the actual allocation would be at the States' discretion.

Proposed legislation reflected in the President's Budget would provide additional resources for services, administration and training. Under proposed Social Service reform legislation, general appropriations for social services would be limited by allotments at approximately the levels proposed in the budget, but $162,000,000 would be added for foster care and adoptions and for assistance to State governors in planning their social service programs. Proposed Family Assistance legislation would provide additional funds to States for conversion to administration of maintenance assistance under the new system and for staff training related thereto. These additional funds would more than offset the reductions imposed by the 110% limitation, but they would do it in such a way that federal expenditures would be focused on national priorities rather than simply being used to match whatever expenditures the States chose to make.

TOTAL EXPENDITURES FOR SOCIAL SERVICES
Distributed by State

Table No. 1

States and territories	1970 Estimate	% Change	1971 Estimate	% Change	1972 Estimate
Alabama	2,369,000	78.7	4,233,000	28.0	5,417,000
Alaska	1,378,000	35.6	1,868,000	20.6	2,252,000
Arizona	1,856,000	57.7	2,927,000	36.3	3,990,000
Arkansas	1,645,000	10.3	1,815,000	10.4	2,004,000
California	142,918,000	46.0	208,622,000	8.1	225,545,000
Colorado	11,000,000	23.5	13,586,000	47.9	20,096,000
Connecticut	1,983,000	249.8	6,937,000	78.4	12,375,000
Delaware	378,000	549.7	2,456,000	18.0	2,898,000
Dist. of Col	5,373,000	1.6	5,457,000	85.7	10,131,000
Florida	10,592,000	44.0	15,248,000	56.6	23,883,000
Georgia	7,233,000	69.4	12,252,000	29.9	15,912,000
Guam	122,000	41.8	173,000	-36.4	110,000
Hawaii	1,226,000	-23.8	934,000	169.8	2,520,000
Idaho	1,062,000	50.0	1,593,000	8.4	1,727,000
Illionis	19,793,000	5.0	20,780k000	53.9	31,987,000
Indiana	3,119,000	19.7	3,735,000	10.4	4,125,000
Iowa	5,535,000	17.9	6,523,000	37.6	8,973,000
Kansas	4,563,000	53.0	6.981,000	6.2	7,415,000
Kentucky	2,792,000	47.7	4,124,000	3.1	4,250,000
Louisiana	6,621,000	41.5	9,366,000	31.5	12,318,000
Maine	3,060,000	2.7	3,143,000	20.4	3,783,000
Maryland	12,417,000	47.9	18,370,000	10.0	20,207,000
Massachusetts	7,964,000	-2.7	7,752,000	0.2	7,767,000
Michigan	18,485,000	73.6	32,093,000	19.8	38,456,000
Minnesota	8,186,000	40.2	11,476,000	10.0	12,623,000
Mississippi	1,705,000	-47.2	900,000	6.7	960,000
Missouri	12,582,000	3.6	13,039,000	9.0	14,206,000
Montana	1,381,000	10.1	1,520,000	10.2	1,675,000
Nebraska	3,639,000	41.7	5,156,000	7.3	5,530,000
Nevada	788,000	4.4	823,000	20.0	988,000

(November 1970 Estimates)

TOTAL EXPENDITURES FOR SOCIAL SERVICES
Distributed by State (Continued)

Table No. 1

States and territories	1970 Estimate	% Change	1971 Estimate	% Change	1972 Estimate
New Hampshire	$ 729,000	87.2	$ 1,365,000	20.1	$ 1,639,000
New Jersey	9,359,000	186.9	26,850,000	4.5	28,050,000
New Mexico	3,831,000	10.4	4,231,000	37.8	5,830,000
New York	57,385,000	40.2	80,463,000	15.1	92,607,000
North Carolina	10,167,000	27.8	12,993,000	17.3	15,244,000
North Dakota	1,958,000	16.0	2,272,000	8.0	2,453,000
Ohio	11,855,000	21.5	14,404,000	26.5	18,225,000
Oklahoma	5,167,000	33.8	6,911,000	0	6,911,000
Oregon	10,287,000	57.8	16,234,000	40.8	22,853,000
Pennsylvania	15,727,000	239.5	53,388,000	11.8	59,708,000
Puerto Rico	2,448,000	30.3	3,190,000	25.1	3,991,000
Rhode Island	3,517,000	12.4	3,953,000	46.6	5,797,000
South Carolina	1,591,000	78.7	2,843,000	73.4	4,929,000
South Dakota	1,809,000	9.0	1,971,000	22.1	2,407,000
Tennessee	5,365,000	149.7	13,394,000	27.7	17,100,000
Texas	8,655,000	93.8	16,775,000	17.3	19,685,000
Utah	2,606,000	34.5	3,506,000	1.6	3,563,000
Vermont	1,259,000	-31.5	863,000	90.8	1,647,000
Virgin Islands	-	-	-	-	-
Virginia	4,557,000	86.7	8,509,000	26.3	10,745,000
Washington	19,132,000	38.9	26,581,000	39.1	36,968,000
West Virginia	7,351,000	40.9	10,361,000	15.1	11,925,000
Wisconsin	14,138,000	53.0	21,627,000	54.3	33,365,000
Wyoming	940,000	-23.4	720,000	16.5	839,000
Total	$501,598,000	51.0	$757,286,000	20.2	$910,604,000

Table No. 2

TOTAL EXPENDITURES FOR MAINTENANCE ADMINISTRATION
DISTRIBUTED BY STATE

(November 1970 Estimates)

States and territories	1970 Estimates	% Change	1971 Estimates	% Change	1972 Estimates
Alabama	$5,181,000	23.7	$6,411,000	-4.0	$ 6,165,000
Alaska	322,000	67.7	540,000	20.0	648,000
Arizona	1,550,000	52.3	2,361,000	38.7	3,276,000
Arkansas	2,056,000	12.6	2,316,000	10.0	2,548,000
California	66,019,000	40.2	92,553,000	-1.4	91,230,000
Colorado	1,221,000	8.9	1,330,000	29.2	1,718,000
Connecticut	6,140,000	12.8	6,927,000	72.3	11,935,000
Delaware	642,000	-7.0	597,000	12.1	669,000
District of Columbia	554,000	20.4	667,000	-24.0	507,000
Florida	4,459,000	-2.0	4,370,000	27.6	5,577,000
Georgia	5,422,000	30.4	7,069,000	29.9	9,183,000
Guam	23,000	-8.7	21,000	9.5	23,000
Hawaii	411,000	301.5	1,650,000	-40.5	982,000
Idaho	436,000	14.0	497,000	5.2	523,000
Illinois	12,355,000	21.5	15,010,000	17.3	17,605,000
Indiana	3,575,000	-7.4	3,310,000	0.8	3,337,000
Iowa	1,258,000	73.5	2,183,000	37.6	3,003,000
Kansas	2,206,000	43.8	3,173,000	6.2	3,370,000
Kentucky	4,318,000	16.7	5,038,000	4.5	5,269,000
Louisiana	7,363,000	22.2	8,995,000	12.2	10,996,000
Maine	906,000	4.4	946,000	17.8	1,114,000
Maryland	3,324,000	48.4	4,932,000	10.0	5,425,000
Massachusetts	7,443,000	61.4	12,016,000	0.1	12,026,000
Michigan	7,064,000	80.1	12,725,000	25.5	15,975,000
Minnesota	2,640,000	25.0	3,299,000	10.0	3,629,000
Mississippi	3,654,000	45.2	5,307,000	14.2	6,063,000
Missouri	5,387,000	46.5	7,893,000	8.9	8,599,000
Montana	861,000	10.2	949,000	10.1	1,045,000
Nebraska	1,314,000	8.1	1,420,000	10.0	1,562,000
Nevada	631,000	7.9	681,000	20.0	817,000

Table No. 2

TOTAL EXPENDITURES FOR MAINTENANCE ADMINISTRATION
DISTRIBUTED BY STATE (Contd.)

States and territories	1970 Estimates	% Change	1971 Estimates	% Change	1972 Estimates
New Hampshire	253,000	17.8	298,000	19.8	357,000
New Jersey	11,188,000	-2.6	10,900,000	5.5	11,500,000
New Mexico	1,152,000	6.4	1,226,000	23.2	1,510,000
New York	63,068,000	47.6	93,106,000	15.1	107,158,000
North Carolina	2,766,000	50.2	4,155,000	8.1	4,492,000
North Dakota	603,000	14.1	688,000	6.2	731,000
Ohio	7,117,000	-16.7	5,927,000	15.9	6,872,000
Oklahoma	5,321,000	16.0	6,170,000	0	6,170,000
Oregon	1,828,000	15.3	2,107,000	31.4	2,769,000
Pennsylvania	12,936,000	-24.6	9,750,000	27.4	12,420,000
Puerto Rico	3,108,000	21.2	3,767,000	14.1	4,297,000
Rhode Island	919,000	92.2	1,766,000	46.5	2,587,000
South Carolina	2,702,000	18.2	3,193,000	33.0	4,247,000
South Dakota	505,000	21.4	613,000	58.6	972,000
Tennessee	4,124,000	-58.1	1,728,000	62.2	2,803,000
Texas	7,313,000	15.7	8,463,000	27.0	10,748,000
Utah	586,000	5.8	620,000	6.1	658,000
Vermont	335,000	53.1	513,000	-14.2	440,000
Virgin Islands	184,000	19.6	220,000	-0.9	218,000
Virginia	2,143,000	24.7	2,672,000	17.7	3,145,000
Washington	1,930,000	5.3	2,033,000	28.9	2,621,000
West Virginia	1,124,000	34.7	1,514,000	12.3	1,700,000
Wisconsin	5,155,000	46.2	7,537,000	21.4	9,150,000
Wyoming	201,000	180.6	564,000	16.5	657,000
Total	295,296,000	30.3	384,716,000	12.6	433,041,000

Table No. 3

TOTAL EXPENDITURES FOR STATE AND LOCAL TRAINING
Distributed by State

(November 1970 Estimates)

States and Territories	1970 Estimates	% Change	1971 Estimates	% Change	1972 Estimates
Alabama	$ 43,000	123	$ 96,000	4	$ 100,000
Alaska	137,000	10	150,000	20	180,000
Arizona	25,000	192	73,000	58	115,000
Arkansas	72,000	19	86,000	15	99,000
California	5,404,000	66	8,948,000	-23	6,912,000
Colorado	437,000	12	491,000	13	553,000
Connecticut	75,000	99	149,000	59	237,000
Delaware	41,000	-22	32,000	9	35,000
Dist. of Columbia	184,000	20	220,000	-60	56,000
Florida	306,000	193	898,000	67	1,498,000
Georgia	403,000	76	708,000	30	918,000
Guam	-	-	-	-	-
Hawaii	66,000	49	98,000	24	121,000
Idaho	35,000	40	49,000	6	52,000
Illinois	600,000	22	730,000	17	857,000
Indiana	84,000	25	105,000	8	113,000
Iowa	171,000	5	179,000	39	248,000
Kansas	174,000	52	264,000	7	283,000
Kentucky	742,000	10	814,000	4	846,000
Louisiana	270,000	20	323,000	38	447,000
Maine	175,000	2	178,000	5	187,000
Maryland	1,185,000	48	1,751,000	10	1,926,000
Massachusetts	191,000	-180	11,000	9	12,000
Michigan	303,000	-6	286,000	12	319,000
Minnesota	59,000	70	100,000	4	104,000
Mississippi	68,000	335	296,000	9	323,000
Missouri	257,000	9	281,000	9	305,000
Montana	470,000	10	517,000	10	570,000
Nebraska	109,000	13	123,000	8	133,000
Nevada	271,000	0	272,000	19	324,000

TOTAL EXPENDITURES FOR STATE AND LOCAL TRAINING
Distributed by State (continued)

States and Territories	1970 Estimates	% Change	1971 Estimates	% Change	1972 Estimates
New Hampshire	10,000	20	12,000	25	15,000
New Jersey	272,000	11	300,000	15	345,000
New Mexico	261,000	-24	199,000	84	366,000
New York	11,655,000	36	15,841,000	15	18,235,000
North Carolina	152,000	51	230,000	14	263,000
North Dakota	112,000	14	128,000	6	135,000
Ohio	445,000	714	3,622,000	-43	2,055,000
Oklahoma	452,000	0	451,000	0	451,000
Oregon	451,000	-11	400,000	31	525,000
Pennsylvania	683,000	21	825,000	36	1,118,000
Puerto Rico	-	-	-	-	-
Rhode Island	118,000	55	183,000	46	267,000
South Carolina	22,000	64	36,000	94	70,000
South Dakota	57,000	14	65,000	9	71,000
Tennessee	370,000	39	515,000	18	607,000
Texas	783,000	-3	759,000	3	780,000
Utah	652,000	2	665,000	0	665,000
Vermont	26,000	81	47,000	-28	34,000
Virgin Islands	-	-	-	Starting	7,000
Virginia	161,000	152	405,000	21	490,000
Washington	931,000	5	978,000	96	1,920,000
West Virginia	207,000	44	298,000	26	375,000
Wisconsin	627,000	31	818,000	11	910,000
Wyoming	78,000	-17	65,000	22	79,000
Total	30,882,000	46	45,070,000	6	47,656,000

Table No. 4 Grants to States for Social Services, Administration and Training (November 1970 Estimates)

Federal Share of Estimated Expenditures for Social Services, Administration and State and Local Training
Distributed by State; Allowance Under 110% of FY-1971 Limitation, Distributed by State

States and territories	Social services	Maintenance administration	State and local training	Total	110% of FY-1971 total allowance	Allowance as % of FY-72 Est.
Alabama	$ 5,417,000	$ 6,165,000	$ 100,000	$ 11,682,000	$ 11,682,000	100.0
Alaska	2,252,000	648,000	180,000	3,080,000	2,813,000	91.3
Arizona	3,990,000	3,276,000	115,000	7,381,000	5,897,000	79.9
Arkansas	2,004,000	2,548,000	99,000	4,651,000	4,651,000	100.0
California	225,545,000	91,230,000	6,912,000	323,687,000	323,687,000	100.0
Colorado	20,096,000	1,718,000	553,000	22,367,000	16,948,000	75.8
Connecticut	12,375,000	11,935,000	237,000	24,547,000	15,414,000	62.8
Delaware	2,898,000	669,000	35,000	3,602,000	3,394,000	94.2
Dist. of Col	10,131,000	507,000	56,000	10,694,000	6,978,000	65.3
Florida	23,883,000	5,577,000	1,498,000	30,958,000	22,568,000	72.0
Georgia	15,912,000	9,183,000	918,000	26,013,000	22,032,000	84.7
Guam	110,000	23,000	---	133,000	133,000	100.0
Hawaii	2,520,000	982,000	121,000	3,623,000	2,950,000	81.4
Idaho	1,727,000	523,000	52,000	2,302,000	2,302,000	100.0
Illinois	31,987,000	17,605,000	857,000	50,449,000	40,172,000	79.6
Indiana	4,125,000	3,337,000	113,000	7,575,000	7,575,000	100.0
Iowa	8,973,000	3,003,000	248,000	12,224,000	9,774,000	80.0
Kansas	7,415,000	3,370,000	283,000	11,068,000	11,068,000	100.0
Kentucky	4,250,000	5,269,000	846,000	10,365,000	10,365,000	100.0
Louisiana	12,318,000	10,996,000	447,000	23,761,000	20,552,000	86.5
Maine	3,783,000	1,114,000	187,000	5,084,000	4,694,000	92.3
Maryland	20,207,000	5,425,000	1,926,000	27,558,000	27,558,000	100.0
Massachusetts	7,767,000	12,026,000	12,000	19,805,000	19,805,000	100.0
Michigan	38,456,000	15,975,000	319,000	54,750,000	49,614,000	90.6
Minnesota	12,623,000	3,629,000	104,000	16,356,000	16,356,000	100.0
Mississippi	960,000	6,063,000	323,000	7,346,000	7,153,000	97.4
Missouri	14,206,000	8,599,000	305,000	23,110,000	23,110,000	100.0
Montana	1,675,000	1,045,000	570,000	3,290,000	3,290,000	100.0
Nebraska	5,530,000	1,562,000	133,000	7,225,000	7,225,000	100.0
Nevada	988,000	817,000	324,000	2,129,000	1,954,000	91.8

Table No. 4

Grants to States for Social Services, Administration and Training

Federal Share of Estimated Expenditures for Social Services, Administration and State and Local Training Distributed by State; Allowance Under 110% of FY-1971 Limitation, Distributed by State, (Continued)

States and territories	Social services	Maintenance administration	State and local training	Total	110% of FY-1971 total allowance	Allowance as % of FY-72 Est.
New Hampshire.....	1,639,000	357,000	15,000	2,011,000	1,843,000	91.6
New Jersey.....	28,050,000	11,500,000	345,000	39,895,000	39,895,000	100.0
New Mexico.....	5,830,000	1,510,000	366,000	7,706,000	6,222,000	80.7
New York.....	92,607,000	107,158,000	18,235,000	218,000,000	208,357,000	95.6
North Carolina.....	15,244,000	4,492,000	263,000	19,999,000	19,116,000	95.6
North Dakota.....	2,453,000	731,000	135,000	3,319,000	3,319,000	100.0
Ohio.....	18,225,000	6,872,000	2,055,000	27,152,000	26,348,000	97.0
Oklahoma.....	6,911,000	6,170,000	451,000	13,532,000	13,532,000	100.0
Oregon.....	22,853,000	2,769,000	525,000	26,147,000	20,615,000	78.8
Pennsylvania.....	59,708,000	12,420,000	1,118,000	73,246,000	70,359,000	96.1
Puerto Rico.....	3,991,000	4,297,000	---	8,288,000	7,653,000	92.3
Rhode Island.....	5,797,000	2,587,000	267,000	8,651,000	6,492,000	75.0
South Carolina.....	4,929,000	4,247,000	70,000	9,246,000	6,679,000	72.2
South Dakota.....	2,407,000	972,000	71,000	3,450,000	2,914,000	84.5
Tennessee.....	17,100,000	2,803,000	607,000	20,510,000	17,201,000	83.9
Texas.....	19,685,000	10,748,000	780,000	31,213,000	28,597,000	91.6
Utah.....	3,563,000	658,000	665,000	4,886,000	4,886,000	100.0
Vermont.....	1,647,000	440,000	34,000	2,121,000	1,565,000	73.8
Virgin Islands.....	---	218,000	7,000	225,000	225,000	100.0
Virginia.....	10,745,000	3,145,000	490,000	14,380,000	12,745,000	88.6
Washington.....	36,968,000	2,621,000	1,920,000	41,509,000	32,551,000	78.4
West Virginia.....	11,925,000	1,700,000	375,000	14,000,000	13,390,000	95.6
Wisconsin.....	33,365,000	9,150,000	910,000	43,425,000	32,980,000	75.9
Wyoming.....	839,000	657,000	79,000	1,575,000	1,484,000	94.2
Total.....	910,604,000	433,041,000	47,656,000	1,391,301,000	1,280,676,000	

1. Maintenance Assistance

Program	1971 Estimate 1/	1972 Estimate	Increase or Decrease
Maintenance assistance:			
Old-age assistance 2/	$1,509,390,000	$1,666,020,000	+$156,630,000
Aid to the blind 2/.....	62,588,000	65,434,000	+2,846,000
Aid to the permanently and totally disabled 2/	659,193,000	794,047,000	+134,854,000
Aid to families with dependent children	3,002,117,000	3,718,943,000	+716,826,000
Emergency assistance	10,185,000	12,267,000	+2,082,000
State and local administration	384,716,000	3/ 398,610,000	3/ +13,894,000
Total, maintenance assistance	5,628,189,000	6,655,321,000	+1,027,132,000

1/ Reflects proposed supplemental request of $673,638,000.
2/ Includes vendor payments for intermediate care facilities segment of program.
3/ The Federal share for 1972 has been reduced - prorated share for maintenance assistance - due to the 110 percent limitation placed on the overall item for administration, social services, and training.

Introduction

Maintenance payments to recipients are to provide needy persons--dependent children deprived of parental support or care, the aged, the blind, and the disabled--with income to supplement their own resources and other programs such as Old-age, Survivors, and Disability Insurance, for the costs of food, shelter, clothing, and other necessary items of daily living. These payments are generally made to the recipient in the form of a money payment. In certain cases, such payments may be made on his behalf to another person: for example, protective payments on behalf of aged recipients unable, because of mental conditions, to manage funds; payments for foster care provided certain children under the program of aid to families with dependent children; and payments for institutional services in intermediate care facilities provided to recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled in need of personal care short of skilled nursing home care. Also shown separately as a maintenance assistance activity is the cost of State and local administration, including the cost of eligibility determination.

Amount of request

The requirements for 1972 of $6,655,321,000 are about $1,027,132,000, or 18.2 percent more than the 1971 requirements including the proposed supplemental request for that year. An increase in expenditures from Federal funds is expected for all categories of assistance as well as for State and local administration.

Program Increases

Of the total increase of $1,027,132,000 in requirements for maintenance assistance in 1972, $936,742,000 is for increased payments to recipients, of which more than 70 percent is accounted for by more recipients, and the remaining approximately 30 percent by a rise in the average monthly payment per recipient in all programs. Similarly, of the total increase of $76,496,000 in 1972 for requirements for intermediate care facilities in the adult categories combined, about 70 percent is the result of an increase in recipients, and 30 percent,due to higher average monthly payments per recipient.

The following table shows the change in recipients between 1971 and 1972 for each program.

Average Monthly Number of Recipients, Fiscal Years 1971 and 1972

Program	Average Monthly Number of Recipients			
			Increase 1972 over 1971	
	1971	1972	Number	Percent
Money Payment Recipients				
Total, all programs 1/	12,239,768	14,116,248	1,876,480	15.3
OAA	2,097,546	2,168,913	71,367	3.4
AB	81,398	82,222	824	1.0
APTD	911,191	1,035,268	124,077	13.6
AFDC: Total	9,129,160	10,806,328	1,677,168	18.4
Payments to recipients.	(9,070,059)	(10,734,283)	(1,664,224)	(18.3)
Foster care	(59,101)	(72,045)	(12,944)	(21.9)
EA 1/	40,946	47,034	6,088	14.9
Intermediate Care Facilities Recipients				
Total, all programs	162,595	189,788	27,193	16.7
OAA	131,888	153,849	21,961	16.7
AB	1,487	1,586	99	5.3
APTD	29,220	34,353	5,133	17.6

1/ Recipients of Emergency Assistance (EA) families estimated. Total for all programs includes only half of estimated EA recipients because half of the EA recipients also get an AFDC payment.

Of the total increase of 1,876,480 in the average monthly number of recipients of money payments in 1972, almost 90 percent is accounted for by AFDC; 6.6 percent by APTD; and the remaining 4 percent by OAA, AB, and EA combined. More than 80 percent of the increase of 27,193 in the average monthly number of recipients in intermediate care facilities for the 3 adult programs combined occurs in OAA in the 33 States with such facilities in both 1971 and 1972 because of greater planned utilization of these facilities in 1972.

Factors accounting for increases in the numbers of recipients in maintenance assistance programs:

1. Social and economic factors

   A. Greater public knowledge about the availability of and legal entitlement to public assistance, and removal of the stigma attached to welfare have resulted in an increase in applications.

   B. Community participation in groups to help the poor, and action by special groups such as the National Welfare Rights Organization (NWRO) have resulted in the discovery of many needy aged and disabled persons and families with dependent children who qualified for welfare but had not been receiving payments.

   C. Other programs refer needy persons to welfare. For example, Model Cities, Medicaid, Medicare, HURRAH (Rehabilitation Administration's program to aid the handicapped), VISTA, Food Stamp Program, the WIN training program, etc., have acted as case-finding devices for the needy who are eligible for welfare payments.

   D. Continued inflation forces persons with no income or relatively low fixed incomes--particularly the aged and mothers who are heads of families with children--to seek assistance.

2. Program factors

   A. Higher assistance standards, that the States may raise at any time for cost-of-living increases or by adding items to the standard, make some persons eligible who would have been ineligible under the old standard.

   B. Changes in Federal legislation, particularly the Social Security Amendments of 1967, have added to program coverage (specified children in foster care in AFDC, payments to intermediate care facilities in the adult categories, and emergency assistance). Other legislative provisions have kept recipients on the rolls longer through the disregard of specified amounts of earned income (mandatory in AB and AFDC, but optional in OAA and APTD) in determining need. Earlier amendments permitted eligibility for AFDC for children of an unemployed father and provided for Federal financial participation in payments for the second parent in the home.

   C. Many States have adopted less restrictive policies with regard to assets and resources, such as the removal of liens, etc.

   D. The introduction of the simplified method of determining eligibility by using less cumbersome procedures has speeded up getting payments to eligible needy recipients. Under the old procedures, a case was carried as not eligible for Federal participation until the month in which the final action was taken on their eligibility status.

   E. Program elections of optional provisions of the income maintenance programs, such as disregarding up to a specified amount of earned income in determining need under OAA and APTD, extending AFDC to include children in need because of the unemployment of a father, the use of the Medicaid percentage in computing the Federal share of payments, etc., all result in an increase in Federal funds. For example, 3 additional States plan to adopt the unemployed father provision of the AFDC program in 1972.

The following table summarizes expenditures from Federal, State, and local funds and from Federal funds, by program for each of the fiscal years, 1970, 1971 and 1972, based on estimates received from the States in November 1970, with adjustments for savings resulting from the change in definition of an unemployed parent and proration of the reduction imposed by the 110 percent limitation on administration, services, and training.

Maintenance Assistance: Summary - Total Federal, State, and local expenditures and the Federal share thereof, Fiscal Years 1970 actual, 1971, and 1972, based on States' November 1970 estimates

	Fiscal Year 1970			Fiscal Year 1971 1/			Fiscal Year 1972		
		Federal Share			Federal Share			Federal Share	
	Total	Amount	% of Total	Total	Amount	% of Total	Total	Amount	% of Total
Total Expenditures									
Total	$7,556,554,464	$4,350,908,204	57.6	$9,880,126,000	$5,628,189,000	57.0	$11,862,531,000	$6,655,321,000	55.8
OAA	2,067,179,084	1,321,104,032	63.9	2,413,489,000	1,509,390,000	62.5	2,688,806,000	1,666,020,000	62.0
AB	95,460,048	56,297,056	59.0	106,545,000	62,588,000	58.7	113,274,000	65,434,000	57.8
APTD	882,782,194	517,248,204	58.6	1,144,757,000	659,193,000	57.6	1,398,833,000	794,047,000	56.8
AFDC	3,925,699,874	2,163,437,658	55.1	5,425,527,000	3,002,117,000	55.3	6,836,563,000 2/	3,718,943,000	54.4
EA	11,754,767	5,877,383	50.0	20,366,000	10,185,000	50.0	24,533,000	12,267,000	50.0
S&L Adm.	573,678,497	286,943,871	50.0	769,442,000	384,716,000	50.0	3/800,522,000	3/398,610,000	49.8
Payments to Recipients									
Total	$6,678,739,447	$3,884,950,669	58.2	$8,568,308,000	$4,918,685,000	57.4	$10,388,405,000	$5,855,427,000	56.4
OAA	1,814,042,533	1,171,040,609	64.5	1,975,014,000	1,244,400,000	63.0	2,146,237,000	1,340,519,000	62.5
AB	92,400,069	54,560,834	59.0	101,207,000	59,545,000	58.8	107,246,000	61,993,000	57.8
APTD	834,842,204	490,034,185	58.7	1,046,194,000	602,438,000	57.6	1,273,826,000	721,705,000	56.7
AFDC	3,925,699,874	2,163,437,658	55.1	5,425,527,000	3,002,117,000	55.3	6,836,563,000 2/	3,718,943,000	54.4
EA	11,754,767	5,877,383	50.0	20,366,000	10,185,000	50.0	24,533,000	12,267,000	50.0
Payments to Intermediate Care Facilities									
Total	$304,136,520	$179,013,664	58.9	$542,376,000	$324,788,000	59.9	$673,604,000	$401,284,000	59.6
OAA	253,136,551	150,063,423	59.3	438,475,000	264,990,000	60.4	542,569,000	325,501,000	60.0
AB	3,059,979	1,736,222	56.7	5,338,000	3,043,000	57.0	6,028,000	3,441,000	57.1
APTD	47,939,990	27,214,019	56.8	98,563,000	56,755,000	57.6	125,007,000	72,342,000	57.9
State and Local Administration									
Total	$573,678,497	$286,943,871	50.0	$769,442,000	$384,716,000	50.0	3/$800,522,000	3/$398,610,000	49.8

1/ Includes proposed supplemental request.
2/ Estimates for AFDC in 1972 have been reduced to reflect effect of revised definition of an unemployed parent.
3/ The estimate for fiscal year 1972 for maintenance administration has been reduced due to the 110% limitation placed on the overall item for administration, social services, and training. The reduction has been prorated for administration.

Old-Age Assistance

In January 1971 a report was released by the Senate Special Committee on Aging that shows 4.8 million aged persons, or one-fourth of the aged population, were living in poverty in the calendar year 1969. The number of aged persons who were living in poverty increased by almost 200,000 between 1968 and 1969. The poverty rate among older black population was 50.2 percent, compared with 23.3 percent of the aged white population.

The States estimate that 10.5 percent of the aged population will be receiving an OAA payment in 1971 and 10.8 percent in 1972.

The reasons for increases in caseloads that apply to all programs were indicated above. Among the reasons that apply particularly to Old-Age Assistance are the following:

1. Inflation and higher prices have forced many aged persons who have relatively low fixed incomes to seek supplementation through a welfare payment. In 1970, about 60 percent of the OAA recipients of a money payment also had a social security benefit.

2. The 1967 amendments to the Social Security Act permitted States to claim Federal financial participation in payments to intermediate care facilities beginning in January 1968. The 33 States with intermediate care facilities estimate that the average monthly number of recipients in these institutions will increase by 21,961 to a total of 153,849 in 1972.

3. The Medicare, Medicaid, and service programs of the Administration on Aging refer to the welfare agency many aged persons who, although eligible for OAA, have not previously applied.

Maintenance payments to recipients

It is estimated that the average monthly number of recipients of money payments will increase by 71,367 or 3.4 percent, to 2,168,913 in 1972. The number of recipients of OAA has generally been rising since July 1968, and was 2,061,000 in September 1970. It is estimated that the average monthly payment per recipient will rise in 1972 by $4.00, or 5.1 percent, because of improvements in standards of assistance and greater needs of recipients. Details on recipients and payments are shown in the tables which follow.

Intermediate care facilities

The Federal share of intermediate care facilities is estimated by 33 States (the same number as in 1971) to increase in 1972 by $60,511,000, or 22.8 percent over 1971. Of the total Federal increase, about 73 percent is due to an estimated rise of 21,961 in the average monthly number of recipients in 1972, and the remainder to an increase of $16.85 in the average monthly payment per recipient. Details on recipients and payments are shown in the following tables.

Old-Age Assistance: Expenditures for maintenance payments to recipients, fiscal years 1970, 1971, and 1972, based on States' November 1970 estimates

Item	1970 actual	1971 estimate 1/	1972 estimate	Change, 1972 from 1971
1. Payments to recipients:				
Total.....	$1,814,042,533	$1,975,014,000	$2,146,237,000	+$171,223,000
Federal share:				
Amount.....	1,171,040,609	1,244,400,000	1,340,519,000	+ 96,119,000
Percent of total.....	64.6	63.0	62.5	---
2. Recipients:				
Average monthly number.....	2,047,987	2,097,546	2,168,913	+71,367
Rate per 1,000 population 65 years and over.	104	105	108	+3
3. Average monthly payment.....	$73.80	$78.45	$82.45	+4.00

1/ Includes proposed supplemental request.

Recent trends in the old-age assistance program shown below.

	Fiscal Years		
	1967	1968	1969
Recipients:			
Average monthly number.....	2,069,300	2,051,000	2,023,200
Percentage change from preceding fiscal year.....	-0.6	-0.9	-1.4
Rate per 1,000 population 65 years and over, June.....	109	107	104
Average monthly payment:			
Amount.....	$67.45	$68.90	$69.70
Change from preceding fiscal year.	+$3.75	+$1.45	+$0.80

Table on Intermediate Care Facilities segment, not included above, follows.

Old-Age Assistance - Intermediate Care Facilities: Expenditures for maintenance payments to intermediate care facilities, fiscal years 1970, 1971, and 1972, based on States' November 1970 estimates

Item	1970 actual	1971 estimate 1/	1972 estimate	Change, 1972 from 1971
1. Payments to intermediate care facilities:				
Total	$253,136,651	$438,475,000	$542,569,000	+$104,094,000
Federal share:				
Amount	$150,063,423	$264,990,000	$325,501,000	+$60,511,000
Percent of total	59.3	60.4	60.0	---
2. Average monthly number of recipients	90,430	131,888	153,849	+21,961
3. Average monthly payment	$233.25	$277.05	$293.90	+$16.85

1/ Reflects proposed supplemental request.

Aid to the Blind

Maintenance payments to recipients

The average monthly number of recipients for 1972 is 82,222, about the same as the number estimated for 1971. The estimated average monthly maintenance payment to recipients is $5.10 more than the estimate for 1971, reflecting the emphasis on raising assistance standards in all categories. The effect of these factors is an increase of $2,448,000, or 4.1 percent, in the Federal share of expenditures in this program.

Intermediate care facilities

In 1972, the Federal share of payments to vendors for institutional services in intermediate care facilities for recipients is estimated to be $398,000, or 13.1 percent, more than in 1971. The increase is about equally divided between higher monthly payments to these facilities and more recipients in the 31 States that will make such payments in 1971 and 1972.

The following tables show the pertinent data for the program for the blind.

Aid to the Blind: Expenditures for maintenance payments to recipients, fiscal years 1970, 1971, and 1972, based on States' November 1970 estimates

Item	1970 Actual	1971 estimate 1/	1972 estimate	Change, 1972 from 1971
1. Payments to recipients:				
Total	$92,400,069	$101,207,000	$107,246,000	+$6,039,000
Federal share:				
Amount	$54,560,834	$59,545,000	$61,993,000	+$2,448,000
Percent of total	59.0	58.8	57.8	---
2. Average monthly number of recipients	79,024	81,398	82,222	+824
3. Average monthly payment	$97.45	$103.60	$108.70	+$5.10

1/ Reflects proposed supplemental request.

Recent trends in maintenance payments to recipients of Aid to the Blind are shown below.

	Fiscal Years 1967	1968	1969
Recipients:			
Average monthly number	82,900	81,600	79,500
Percentage change from preceding fiscal year	-0.8	-1.6	-2.6
Average monthly payment:			
Amount	$86.40	$89.65	$91.65
Change from preceding fiscal year	+$5.20	+$3.25	+$2.00

Table on Intermediate Care Facilities segment, not included above, follows.

Aid to the Blind - Intermediate Care Facilities: Expenditures for maintenance payments to intermediate care facilities, fiscal years 1970, 1971, and 1972, based on States' November 1970 estimates

Item	1970 Actual	1971 estimate 1/	1972 estimate	Change, 1972 from 1971
1. Payments to intermediate care facilities:				
Total	$3,059,979	$5,338,000	$6,028,000	+$690,000
Federal share:				
Amount	$1,736,222	$3,043,000	$3,441,000	+$398,000
Percent of total	56.7	57.0	57.1	---
2. Average monthly number of recipients	1,109	1,487	1,586	+99
3. Average monthly payment	$246.60	$299.15	$316.75	+$17.60

1/ Reflects proposed supplemental request.

Aid to the Permanently and Totally Disabled

Maintenance payments to recipients

The average monthly number of recipients in 1972 is estimated to increase by 124,077, or 13.6 percent over 1971. This increase reflects the continued growth in the number of persons aided under this program, anticipated increases in assistance standards, and other State program improvements. The estimated average monthly maintenance payment per recipient for 1972 is $6.85 more than for 1970. The increase in annual expenditures from Federal funds between the two years is $119,267,000, or 19.8 percent.

Intermediate care facilities

The Federal share of expenditures for intermediate care facilities is expected to rise by $15,587,000, reflecting, primarily, greater utilization in 1972 in the 31 States with institutions in both years, and secondly, higher monthly vendor payments to these institutions.

Tables which follow reflect program changes for APTD for the years 1971 and 1972.

The major reasons for the increase in caseloads are as follows.

1. Efforts by community action groups, the National Welfare Rights Organization (NWRO), and particularly the HURRAH program of the Rehabilition Services Administration to locate eligible recipients and help them to apply for welfare.

2. The 1967 amendments to the Social Security Act that permitted Federal financial participation in payments to intermediate care facilities; in 1972, 31 States estimated that the average monthly number of recipients would be 34,353.

3. Program liberalizations such as the removal of liens, and exemption of $7.50 of income from consideration in determining need, have added disabled recipients to the rolls.

Aid to the Permanently and Totally Disabled: Expenditures for maintenance payments to recipients, fiscal years 1970, 1971, and 1972, based on States' November 1970 estimates

Item	1970 actual	1971 estimate 1/	1972 estimate	Change, 1972 from 1971
1. Payments to recipients:				
Total	$834,842,204	$1,046,194,000	$1,273,826,000	+$227,632,000
Federal share:				
Amount	$490,034,185	$602,438,000	$721,705,000	+$119,267,000
Percent of total	58.7	57.6	56.7	---
2. Recipients:				
Average monthly number	787,339	911,191	1,035,268	+124,077
Rate per 1,000 population aged 18-64 ...	7.0	8.0	9.1	+1.1
3. Average monthly payment	$88.35	$95.70	$102.55	+$6.85

1/ Reflects proposed supplemental request.

Recent trends in the aid to the permanently and totally disabled program are shown below.

	Fiscal Years 1967	1968	1969
Recipients:			
Average monthly number	590,400	646,000	710,242
Percentage change from preceding fiscal year	+6.2	+9.4	+9.9
Rate per 1,000 population aged 18-64, June	5.7	6.0	6.5
Average monthly payment:			
Amount	$74.30	$79.98	$81.65
Change from preceding fiscal year	+$7.00	+$5.68	+$1.67

Table on Intermediate Care Facilities segment, not included above, follows.

Aid to the Permanently and Totally Disabled - Intermediate Care Facilities:
Expenditures for maintenance payments to intermediate care facilities, fiscal years 1970, 1971, and 1972, based on States' November 1970 estimates

Item	1970 actual	1971 estimate 1/	1972 estimate	Change, 1972 from 1971
1. Payments to intermediate care facilities:				
Total	$47,939,990	$98,563,000	$125,007,000	+$26,444,000
Federal share:				
Amount	$27,214,019	$56,755,000	$72,342,000	+$15,587,000
Percent of total	56.8	57.6	57.9	---
2. Average monthly number of recipients	18,182	29,220	34,353	+5,133
3. Average monthly payment	$235.20	$281.10	$303.25	+$22.15

1/ Reflects proposed supplemental request.

Aid to Families with Dependent Children

Maintenance payments to recipients

The estimated average monthly number of recipients--children and adults--to be aided in 1972 is expected to increase by 1,664,224, to 10,734,283. The rise in the number of recipients represents an increase from 89 per 1,000 to 105 per 1,000 children in the population under 18 years of age--about the same as the increase in rate between 1970 and 1971. The average maintenance payment is expected to rise by $3.10, or 7 percent between 1971 and 1972.

Of the total increase in Federal funds, 77 percent is due to the increase in the number of recipients.

The general reasons for the increase in numbers of public assistance recipients were stated earlier. The most important reasons for increases in the number of recipients of AFDC are listed below.

1. Family breakdown in the population, as evidenced by the number of families with children that are headed by women, continues to rise. Income in these families is relatively low.

2. Migration from rural to urban areas has resulted in the need for assistance by persons with inadequate education or vocational skills or who are in families broken by divorce, separation, or desertion.

3. Higher than average unemployment among families with a female head and minority groups, particularly teenagers, has forced these people to seek welfare aid.

4. Other programs serve as case-finding devices, especially such programs as Model Cities, Medicaid, VISTA, Food Stamps, and WIN training, for needy families who are eligible for AFDC.

5. Community participation in activities to help the poor has resulted in locating many needy families who are eligible for AFDC but have not applied.

6. Federal court decisions have resulted in the issuance of policy by the Department of Health, Education, and Welfare prohibiting States from requiring support from persons not legally liable for support under State law and from assuming as income in determining need amounts that are not actually available. The man-in-the-home decision has made many families eligible for AFDC. Another decision prohibiting durational residence requirements for eligibility has resulted in higher caseloads in many States.

WIN training program

By the end of June 1970, the potential employability of 1,895,789 parents and older children in AFDC had been assessed. Of this number, 395,215 were found suitable for referral for work or training and 295,940 had been referred. The average enrollment under the WIN program is expected to be 160,000 in 1972, compared with 111,500 in 1971.

Foster care

Foster care in private homes or institutions for specified children became mandatory on July 1, 1969. The Federal share of payments to foster homes and institutions is expected to increase in 1972 by $16,384,000, or about 35 percent, because the average monthly number of such children is estimated to go up by 12,944, or 21.9 percent, and the average monthly payment per child is expected to rise by $12.20, or 10.4 percent, to $129.15 in 1972.

Pertinent data for the AFDC program are reflected in the tables which follow.

Aid to Families with Dependent Children: Expenditures for maintenance payments to to recipients, fiscal years 1970, 1971, and 1972, based on States' November 1970 estimates

Item	1970 actual	1971 estimate 1/	1972 estimate	Change, 1972 from 1971
1. Payments to recipients:				
Total 2/	$3,893,269,797	$5,342,601,000	$6,724,900,000	+$1,382,299,000
Federal share:				
Amount 2/	$2,144,997,691	$2,955,861,000	3/ $3,656,303,000	+$700,442,000
Percent of total	55.1	55.3	54.4	---
2. Average monthly number:				
Families	1,922,005	2,398,250	2,842,950	+444,700
Recipients	7,258,213	9,070,059	10,734,283	+1,664,224
Children	5,339,228	6,666,531	7,895,165	+1,228,634
Rate per 1,000 population under 18	72	89	105	+16
3. Average monthly payment 2/:				
Per family	$168.80	$185.65	$197.10	+$11.45
Per recipient	$44.70	$49.10	$52.20	+$3.10

1/ Reflects proposed supplemental request.

2/ Excludes payments for foster care.

3/ Estimates for AFDC in 1972 have been reduced to reflect the effect of the revised definition of an unemployed parent.

Recent trends in the program of aid to families with dependent children are shown below. A separate table on the foster care segment, not included above, follows on a separate page.

	Fiscal Years 1967	1968	1969
Recipients:			
Average monthly number	4,714,300	5,348,000	6,076,100
Percentage change from preceding fiscal year	+7.3	+13.4	+13.6
Child rate per 1,000 children under 18, June	52	56	63
Average monthly payment:			
Amount	$36.10	$39.50	$42.40
Change from preceding fiscal year	+$3.20	+$3.40	+$3.10

Aid to Families with Dependent Children - Foster Care[1/]: Expenditures for maintenance payments for children in foster care, fiscal years 1970, 1971, and 1972, based on States' November 1970 estimates

Item	1970 actual	1971 estimate [2/]	1972 estimate	Change, 1972 from 1971
1. Payments to recipients:				
Total	$32,430,077	$82,926,000	$111,663,000	+$28,737,000
Federal share:				
Amount	$18,439,967	$46,256,000	$62,640,000	+$16,384,000
Percent of total	56.9	55.8	56.1	---
2. Average monthly number of children	32,052	59,101	72,045	+12,944
3. Average monthly payment per child	$95.65	$116.95	$129.15	+$12.20

1/ On July 1, 1969, it became mandatory to include children in foster care who had been removed from their homes by a court order under specified circumstances, under the AFDC program.

2/ Reflects proposed supplemental request.

Emergency Assistance

Emergency assistance to families, including families of migratory workers, with children under 21 years of age, was reported on for the first time in fiscal year 1969. It is provided in crisis situations that must be ameliorated before the process of eligibility determination for an authorization of assistance to families with dependent children can be completed. Such situations include imminent eviction, loss of utility services because of nonpayment, and exhaustion of food supplies. Federal financial participation is available at 50 percent of total payments under the program, but is limited to assistance for up to 30 days to any family during a twelve-month period. These payments may be in the form of money or vendor payments for food, clothing, rent, utilities, medical care, etc. For fiscal year 1972, the appropriation request is for $12,267,000, an increase of $2,082,000, or 20.4 percent over the request for 1971.

Twenty States are expected to provide such payments in 1972. Of the total increase, 73 percent is attributable to the additional families, and the remainder, to an increase of $7.85 in the average monthly payment per family.

The following table shows the increase in the estimated annual expenditures and the average number of families for 1971 and 1972.

Emergency Assistance: Expenditures for maintenance payments to recipients for emergency assistance, fiscal years 1970, 1971, and 1972, based on States' November 1970 estimates

Item	1970 actual	1971 estimate 1/	1972 estimate	Change, 1972 from 1971
1. Payments, including medical assistance:				
Total	$11,754,767	$20,366,000	$24,533,000	+$4,167,000
Federal share	$5,877,383	$10,185,000	$12,267,000	+$2,082,000
2. Average monthly number of families	6,812	10,499	12,060	+1,561
3. Average monthly payment per family	$143.79	$161.65	$169.50	+$7.85

1/ Reflects proposed supplemental request.

State and Local Administration

The Federal share of the cost of State and local administration is 50 percent. Federal funds for State and local administration are estimated to increase by $13,894,000 to a total of $398,610,000, or 3.6 percent over estimated 1971 requirements of $384,716,000. This amount is below the original estimates from the States in November 1970, due to the 110 percent limitation placed on the overall item for administration, social services, and training. The maintenance administration's share of the reduction has been prorated.

Funds requested under this activity are used to meet the costs of administration of State and local welfare agencies. Generally included in the activity are: the costs of seeing the client in order to determine eligibility for maintenance payments and eligibility for Medicaid for categorically needy persons who are not eligible for a maintenance payment. Also included are the costs of validating eligibility; the costs of personnel not dealing directly with public assistance clients, such as State and local personnel engaged in program direction and management; personnel and equipment required for the sizable task of making monthly payments to millions of recipients; all staff engaged in providing services to the welfare agencies, e.g., recruiting personnel and arranging for office space; and some costs of travel, communications, etc. Costs of office space and costs of automatic data processing equipment are usually covered under this activity.

The increase from 1971 to 1972 is to finance additional staff and increased salary costs of staff. The number of recipients for whom checks must be written and the number of vendor payments will be higher in 1972 than in 1971. For example, there will be more protective payments under the program of aid to families with dependent children, and more vendor payments made to intermediate care facilities.

The cost of State and local administration is shown in the table which follows.

State and Local Administration: Expenditures for maintenance assistance administration, fiscal years 1970, 1971, and 1972, based on States' November 1970 estimates

Item	1970 actual	1971 estimate 1/	1972 estimate 2/	Change, 1972 from 1971
Payments for state and local administration:				
Total	$573,678,497	$769,442,000	$800,522,000	+$31,080,000
Federal share	$286,943,871	$384,716,000	$398,610,000	+$13,894,000

1/ Reflects proposed supplemental request.
2/ The estimates for fiscal year 1972 have been reduced--prorated for the maintenance assistance portion--due to the 110% limitation placed on the overall item for administration, social services, and training.

2. Assistance to Repatriated U. S. Nationals

Program	1971 Estimate	1972 Estimate	Increase or Decrease
Mentally Ill repatriates	$454,000	$462,000	+$8,000
Other repatriates	316,000	225,000	-91,000
Total	770,000	687,000	-83,000

This request is for $687,000, a decrease of $83,000 from the 1971 appropriation, to assist United States citizens returned from abroad because of mental illness, other illnesses, destitution, or international crises, and who are without available resources. State and local public welfare agencies' facilities are used for both the mentally ill and for other repatriates. Where appropriate, the facilities of voluntary agencies are also used.

Public Law 86-571, approved July 5, 1960, provides for hospitalization and services to repatriated mentally ill U.S. Nationals until arrangements can be made for assumption of responsibility by States of residence or the repatriate's family. Persons aided under this program are referred to the Social and Rehabilitation Service by the Department of State. The Social and Rehabilitation Service authorizes appropriate State welfare agency to meet the person at the port of entry and to arrange for necessary care and treatment. This includes care and treatment in a Federal or other hospital if the individual is without resources and acceptance of responsibility for his care cannot be obtained from a State or a relative.

Under the conditions of the basic authority for this mentally ill program, Public Law 86-571, two existing laws under which Saint Elizabeth's Hospital provided care and treatment were repealed as of July 1, 1961. Mentally ill repatriates, transferred to this program at its inception, represent the major portion of the mentally ill caseload of 46 at the beginning of fiscal year 1971.

This budget estimate assumes that a total of 100 mentally ill repatriates will require hospitalization and/or other financial assistance in 1972, compared with 82 who required such care in 1970, and 100 estimated for 1971. The estimated 1972 increase of $8,000 is largely based on a projected increase in the per diem rate for Saint Elizabeth's Hospital from the current rate of $31.11 to $35.22 in 1972.

Section 1113 of the Social Security Act authorizes temporary assistance to U.S. citizens and their dependents who are referred by the State Department as having returned to this country because of destitution, illness, or international crises and who are without available resources. This program provides for reimbursement to State agencies for providing assistance to repatriates. Temporary assistance may be provided an individual up to one year; it may be extended for six additional months for handicapped persons.

It is estimated that temporary assistance will be provided a total of about 218 cases in 1972 who have been repatriated from countries other than Cuba, as compared to 154 in 1970 and 207 estimated for 1971.

Repatriates from Cuba

Beginning in February 1968, the Cuban Government, on short notice, permitted the return of a number of persons with American citizenship. The current budget estimate of 100 persons to be repatriated from Cuba in 1972 was formulated on the assumption that most of the persons who were registered in December 1967 will have arrived in the United States by the end of fiscal year 1971. In July 1970, the Cuban Government suddenly suspended the monthly airlift of repatriates, with no indication it would be resumed. Since that time, Cuba has agreed to permit repatriates to depart by scheduled flights of a Cuban airline, but none have arrived. There is an indication that approximately 800 families with U.S. citizenship, estimated to be over 3,200 persons, are now registered at the Swiss Embassy for repatriation. However, sufficient information is not available to justify an increased appropriation request at this time.

3. Medical Assistance

General Statement

Grants for medical assistance under title XIX of the Social Security Act (Medicaid) are made to States having plans approved by the Department of Health, Education, and Welfare. The purpose of title XIX, which became effective in January 1966, is to provide higher quality medical care to low income groups by coupling required Federal program coverage and quality of care with more generous Federal financial participation.

Federal financial participation in Medicaid payments varies from a minimum of 50% to a maximum of 83% depending upon the per capita income of the State. The Federal program requires that eligible recipients include, as a minimum, all persons receiving or eligible to receive maintenance payment under the Social Security Act and eligible children under 21 who are not in families. In addition, States may elect to cover certain medically needy persons who are eligible for help only with their medical bills and hence do not receive maintenance payments for food, clothing, and shelter.

The cost of this program has doubled between 1968 and 1972, from $3,600,000,000 to $7,200,000,000 in Federal, State, and local funds. At the same time, the number of individuals served by the program has more than doubled, from 8,600,000 people in 1968 to an estimated 19,000,000 people in 1972. Concurrent with this, there has been a shift in the mix of people served by the program. To examine a more narrow focus, from 1970 to 1972, children and adults in AFDC families are estimated to increase from 68% of the total recipients served to 73%, while the aged drop from 20% to 16%. In this same two-year period, a change is projected in the mix of funds going to those eligible for maintenance assistance and those not eligible (the medically needy). This latter group received 32% of the medical assistance funds in 1970 but only 22% in 1972. In terms of total dollars, a 67% rise in funds for those eligible for maintenance assistance over this period is anticipated but only a 2% increase for the medically needy. This results from significant changes in the economic status of medical assistance recipients where low paid workers formerly eligible for support as medically needy lost their jobs and shifted into the categorically needy group. Also, elimination of the residency requirement from the qualification requirements helped to expand the categorically needy group. It further reflects financial difficulties of the States in expanding support for the medically needy group.

The average cost of medical assistance per recipient is expected to increase from $354 in 1970 to $398 in 1972. Without the planned administrative savings of $200,000,000 from improved management, the average cost would rise to $409 per recipient. There is also a substantial difference in FY 1972 in the average cost of medical assistance by type of recipient, ranging from $1,040 for the permanently and totally disabled to $198 for the aid to families with dependent children recipient. Average costs for the aged and the blind are also substantially above the average; namely, $813 and $696 respectively.

By type of service received, 33% of all funds go for general and tuberculosis hospital care, 25% for skilled nursing home care, 12% for physician services, and 8% for drugs. The other 20% will provide for mental hospital care, outpatient care, dental care and all other.

Costs between 1970 and 1972 for all services are expected to increase by 46%. This comprises relatively heavy increases in outpatient care (69%), general and TB hospital care (59%), and dental care (55%), offset by more modest increases of 14% for mental hospitals and 31% for skilled nursing homes.

The appropriation request for 1972 is $3,827,619,000, an increase of $607,477,000 from the amount for 1971. The Federal share is expected to amount to about 55 percent in both years. The $607,477,000 increase in FY 72 is required to cover 2,000,000 more recipients, a rise of about 10 percent in prices, and a 2 percent increase in utilization of covered medical services.

Program	1970 Actual	1971 estimate	1972 estimate	Increase or decrease
1. For those eligible for maintenance assistance.....	$1,701,125,000	$2,361,875,000	$2,845,832,000	+$483,957,000
2. For those not eligible for maintenance assistance.....	800,529,000	710,606,000	813,965,000	+103,359,000
3. State and local administration...	114,946,000	147,661,000	167,822,000	+20,161,000
Total for all activities.....	$2,616,600,000	$3,220,142,000	$3,827,619,000	+$607,477,000

Increased Number of Recipients

The number of recipients is expected to increase from 17,000,000 in FY 71 to 19,000,000 in FY 72. 1,900,000 of the 2,000,000 recipient increase is for Aid to Families with Dependent Children (AFDC). They now represent 73 percent of the 19,000,000 total recipients. In FY 71 and 70, AFDC represented 71 and 68 percent of the total recipients. The FY 72 increase results largely from the anticipated increase in recipients for maintenance payments as a result of the following:

a. The provision of the 1967 amendment to the Social Security Act which allows for disregarding work-connected expenses of recipients in computing payments, resulted in more families receiving payments.

b. Court decision which removed durational residence requirements and abolished man-in-house policies, thus making more families eligible for aid.

c. Community organizations increased the case load by finding families who were unaware of their eligibility for assistance.

d. The number of eligible female-headed families resulting from divorce, separation and desertion increased.

While 73 percent of the total recipients are AFDC, only 38 percent of the total dollars for medical assistance is for AFDC. The percent increase was no more than 1 percent from FY 71 and 3 percent from FY 70. The recipient and dollar variance indicate that mothers and children are in need of the less expensive outpatient care and do not stay in the hospitals as long as the aged, blind and disabled.

Increased Utilization

Increased utilization of medical resources has occurred both in programs in which the scope of services has been broadened and in those which remained unchanged. To a great extent, increased utilization has resulted from increased awareness on the part of the eligible poor that medical care previously beyond their reach can now be obtained.

The second causative factor in increased utilization is previous under - or non-utilization. Inaccessible to the poor for much of their lives, medical services now available must meet the accumulated demand of eligible recipients.

Cost Increases

While the Consumer Price Index for all items increased at a rate of 5.5% over the twelve months ending December, 1970, the rate of increase of medical care over the same period was 7.4%. This figure compares to only 6.0% for the previous year, when the rate of increase of all items was actually higher(6.1%).

Medical care services increased at a greater rate than goods, with hospital daily service charges leading the rise at a rate of 13.5% compared to 12.0% for the previous year. Physicians' fees rose at a rate of 8.1% - faster than the previous year(7.3%) while the rate of increase for dentists' fees dropped from 7.5% to 5.6%. State estimates, of course, reflect these cost adjustments.

Program Comparison and Explanation

As indicated in the table titled "Estimated total Federal, State, and local expenditures," Federal funds will rise by over $1,200,000,000 in 1972 over 1970 or 46%. The proportion of Federal funds to total funds remains virtually unchanged. However, there is a substantial shift in mix of funds going to those eligible and those not eligible for maintenance assistance. The Medically Needy comprised 32% of the funds in 1970 but only 22% in 1972. Looked at another way, funds for those eligible for maintenance assistance increased over 67% between these two years while funds for those not eligible for maintenance assistance increased less than 2%.

In terms of recipients for whom vendor medical payments are made, the largest group, approximately two-thirds of the total in 1970 and three-fourths in 1972, represent persons in families with dependent children under 21. Aged persons comprised 20% in 1970 but drop to 16% in 1972. The changing distribution of the eligible categories is shown in the table below.

Category	1970 100%	1971 100%	1972 100%
Aged	20	18	16
Blind and Disabled	9	9	9
Children and Adults in Families (AFDC)	68	71	73
Other Adults	3	2	2

In terms of the distribution of medical vendor payments by type of service, there also has been a substantial shift between 1970 and 1972. For example, payments for inpatient mental hospital care increased only about 14% over this period, while the total funds were increasing by 46%. In contrast, funds for physician services and general inpatient and TB hospital care increased about 59% while funds for nursing home care increased only 31%. These changes are reflected in the tables below.

Distribution of Federal Payments
(Dollars in millions)

Type of Service	1970	1971	1972	Percent increase from 1970 to 1972
General & TB	$ 781	$ 998	$1,237	59
Mental	203	215	231	14
Outpatient	98	129	165	69
Nursing Home	705	805	922	31
Physicians	290	387	468	61
Dental	83	107	128	55
Drugs	195	240	285	46
Other	147	191	224	54
Total	$2,502	$3,072	$3,660	46

Percent Distribution

Type of Service	1970	1971	1972
General & TB	31.2	32.5	33.8
Mental	8.1	7.0	6.3
Outpatient	3.9	4.2	4.5
Nursing Home	28.2	26.2	25.2
Physicians	11.6	12.6	12.8
Dental	3.3	3.5	3.5
Drugs	7.8	7.8	7.8
Other	5.9	6.2	6.1
Total	100.0	100.0	100.0

Relating the units of service to the cost for the different segments of care provides the following information on average daily unit cost:

Type of Service	Amounts 1970	1971	1972	Percent Increase from 1970 to 1972
Hospitals - general and TB (per day of care)	$54.16	$62.26	$68.46	26
Nursing homes (per day of care)	10.02	11.78	12.34	23
Physician services (per visit)	7.71	9.31	9.34	21

In total, the average cost per individual of medical care in the United States is estimated to be $324 in 1970, rising to $359 in 1971 and $391 in 1972. In contrast, the average cost (Federal, State and Local Title XIX funds) of care per Medicaid recipient averaged $354, $376, and $398 for these same three years. Thus, costs for all persons in the U.S. rose 21% between 1970 and 1972, contrasted with a 12% rise for Medicaid recipients.

There is a substantial disparity in the average cost of Medicaid services per person by type of recipient. While the average cost for all Medicaid recipients in 1972 was $398, the cost for the average aid to families with dependent children recipient was only $198. In contrast, the average cost for the permanently and totally disabled was $1,040 and for the aged and the blind $813 and $696 respectively. These figures are shown in the table below:

Average Cost Per Recipient Per Year

Type of Recipients	Amounts 1970	1971	1972	% Increase 1970 - 1972
All recipients.....	$354	$376	$398	12
Aged	628	720	813	29
Blind.....	575	634	696	21
Aid to the permanently and totally disabled..	1,012	1,017	1,040	3
Aid to Families with dependent children....	180	190	198	10

Medicaid Program in Operation

As of January 1, 1971, 52 jurisdictions were operating a title XIX Medical Assistance Program. Alaska and Arizona are not expected to initiate a program under title XIX during FY 1972.

Federal requirements that affect program costs

Since July 1, 1970, all medical assistance plans under title XIX must provide as a minimum, eight basic medical services (inpatient hospital care, outpatient hospital care, skilled nursing home care, physician care, home health service, screening and treatment of people under 21, transportation, and laboratory and X-ray care) to all individuals who are eligible to receive maintenance payments. The following 24 States limit their programs to the foregoing group:

Alabama	Indiana	Montana	South Carolina
Arkansas	Iowa	Nevada	South Dakota
Colorado	Louisiana	New Jersey	Tennessee
Florida	Maine	New Mexico	Texas
Georgia	Mississippi	Ohio	West Virginia
Idaho	Missouri	Oregon	Wyoming

Under Federal law, as enacted in 1965, all State plans under title XIX are to be expanded, both in terms of persons who are eligible and quantity and quality of services provided, so that by 1977 comprehensive medical services will be available to all the medically needy.1/ Looking toward this goal, 28 State plans now cover both the people who are eligible for assistance payments and the people who are medically needy only. These States are:

California	Kansas	New Hampshire	Rhode Island
Connecticut	Kentucky	New York	Utah
Delaware	Maryland	North Carolina	Vermont
District of Columbia	Massachusetts	North Dakota	Virgin Islands
Guam	Michigan	Oklahoma	Virginia
Hawaii	Minnesota	Pennsylvania	Washington
Illinois	Nebraska	Puerto Rico	Wisconsin

1/ Those individuals who would be eligible for maintenance assistance except that their income is sufficient to provide for the basic needs of food, shelter and clothing but is insufficient to pay for medical needs.

Accomplishments 1970 - 1971

Beginning in 1970 and continuing in 1971, the reorganization of the Medical Services Administration has expanded the Federal role in reshaping the medical program to provide more health services to eligible recipients with increased emphasis on economy and improvements in the delivery of services. More searching project reviews, new regulations on hospitals, more critical utilization of nursing homes, stronger utilization review procedures, and new management information systems are being devised and implemented to improve the States' ability to control their costs and provide a more economical method of delivering health care.

New methods of financing and of delivering services to Medicaid patients have been implemented. Several organizations that would qualify as Health Maintenance Organizations deliver comprehensive services to Medicaid patients. Prepaid financing is also becoming available as Medicaid negotiates contracts with provider groups and insurance companies who guarantee to pay for services needed by Medicaid patients in return for fixed per capita fees.

The following administrative initiatives are being taken in FY-1971 which are expected to result in savings of $70,000,000 in Federal funds. These savings have been applied to reduce the FY-1971 Supplemental budget request.

a. It is estimated that a potential savings of $40,000,000 will result from a more critical review of medical services utilization by Medicaid eligibles by reducing hospitalization where outpatient care or nursing home care will substitute, and by cutting down on the lengths of hospital and nursing home stays.

b. Savings of $30,000,000 is estimated by requiring prior authorization for extended stays in hospitals and nursing homes by physicians or utilization review panels, establishing fee schedules for doctors and dentists, and improving surveillance of claims processing. When an improved management information and payments system is installed in all the States, greater savings should be forthcoming in all these areas. This is reflected in the next section of this report where similar savings, namely $60,000,000 for utilization review and $50,000,000 for prior authorization, fee schedules and claims processing, are estimated for 1972. Also, some contracts may be let to experiment in new ways of reviewing utilization, fee schedules, and claims to obtain greater savings.

Program Plans for 1972

The request for 1972 is based upon the States' estimates, which are modified for Federal administrative initiatives reducing the total costs. The States estimates show increases in the number of people eligible for medical assistance, greater utilization of available services by those eligibles, and added costs for services provided.

The administrative initiatives are expected to result in a savings of $110,000,000 in Federal funds in FY 1972. This savings is deducted in arriving at the FY 72 budget requirement.

Additional savings which would result from legislative changes to be proposed are not reflected in these estimates.

Relation to Long Range Objectives

The plans for 1972 reflect the concentration on improved utilization review, strengthened management information systems capability, program incentives to encourage the use of more efficient methods of delivering health services to the poor, and more reasonable expenditures for long term care. Contracts with private industry are currently being developed to provide methods and ways of converting existing medical service activities to Health Maintenance Organizations. Contract plans are also under way to study the background and causes of long-term care in nursing homes. It is expected that these contracts will provide necessary material and information to reduce or curtail future costs. In addition, it is planned that all the States will accept and install the Model Management Information Payment System to improve claims processing and surveillance of vendor medical payments.

62-917 O - 71 - pt. 4 ---10

Comparison of Vendor Payments by the Category of Recipients
receiving medical assistance in FY 70, 71, and 72

Category of recipients	1970 Recipients	%	1970 Vendor Payments	%	1971 Recipients	%	1971 Vendor Payments	%	1972 Recipients	%	1972 Vendor Payments	%
Aged	3,000,000	20	1,753,660,000	35	3,100,000	18	2,100,560,000	35	3,100,000	16	2,388,294,000	33
Blind	81,000	01	43,100,000	01	85,000	01	50,684,000	01	85,000	01	56,385,000	01
APTD	1,175,000	08	1,128,942,000	23	1,400,000	08	1,340,304,000	22	1,600,000	08	1,576,758,000	22
AFDC - Families and Other Children under 21	10,200,000	68	1,708,706,000	35	12,000,000	71	2,139,980,000	36	13,900,000	73	2,691,026,000	38
Subtotal (Federal Matching)	14,500,000	97	4,634,408,000	94	16,600,000	98	5,631,528,000	94	18,600,000	98	6,712,463,000	94
Other Adults (Non-Federal Matching)	500,000	03	301,263,000	06	400,000	02	391,770,000	06	400,000	02	456,358,000	06
Total	15,000,000	100	4,935,671,000	100	17,000,000	100	6,023,298,000	100	19,000,000	100	7,168,821,000	100

Medical Assistance: Estimated total Federal, State, and local expenditures

Category	Fiscal year 1970 actual		Fiscal year 1971 estimate		Fiscal year 1972 estimate	
	Total	Federal funds	Total	Federal funds	Total	Federal funds
1. For those eligible for maintenance assistance..	$3,151,397,000	$1,701,125,000	$4,266,258,000	$2,361,875,000	$5,146,446,000	$2,845,832,000
No. of recipients 1/.....	11,100,000		12,920,000		15,010,000	
Percent of Vendor payments.....	68	68	76	77	77	78
2. For those not eligible for maintenance assistance..	1,483,011,000	800,529,000	1,365,270,000	710,606,000	1,566,017,000	813,965,000
No. of recipients 1/.....	3,900,000		4,080,000		3,990,000	
Percent of Vendor payments.....	32	32	24	23	23	22
Total Vendor payments...	4,634,408,000	2,501,654,000	5,631,528,000	3,072,481,000	6,712,463,000	3,659,797,000
Total recipients.....	15,000,000		17,000,000		19,000,000	
Percent of Vendor payments.....	100	100	100	100	100	100
3. State and local administration.....	217,574,000	114,946,000	278,785,000	147,661,000	315,535,000	167,822,000
Total.....	4,851,982,000	2,616,600,000	5,910,313,000	3,220,142,000	7,027,998,000	3,827,619,000

1/ Numbers of recipients are estimates based on very limited data.

Vendor Payments for Medical Care, By Program, Fiscal Years 1951 to Date

Fiscal year	Total	Special types of Public assistance							General assistance
		Total	Old-age assistance	Aid to the blind	Aid to the permanently and totally disabled	Aid to families with dependent children	Medical assistance for the aged	Medical assistance	
1951	$ 100,746,000	$ 48,116,000	$ 35,860,000	$ 945,000	$1,362,000	$9,940,000	$ ---	$ ---	$52,629,000
1952	119,147,000	70,521,000	51,859,000	1,513,000	6,082,000	11,067,000	---	---	48,626,000
1953	154,357,000	101,974,000	73,864,000	2,145,000	11,532,000	14,433,000	---	---	52,383,000
1954	175,454,000	120,745,000	87,406,000	2,489,000	15,290,000	15,561,000	---	---	54,709,000
1955	211,882,000	145,626,000	104,588,000	2,865,000	19,168,000	19,005,000	---	---	66,256,000
1956	252,697,000	180,848,000	130,514,000	3,431,000	23,869,000	23,034,000	---	---	71,849,000
1957	287,600,000	214,659,000	155,935,000	4,330,000	27,549,000	26,845,000	---	---	72,942,000
1958	320,177,000	236,131,000	159,141,000	5,127,000	28,626,000	43,236,000	---	---	84,046,000
1959	409,967,000	313,926,000	215,741,000	6,173,000	35,918,000	56,094,000	---	---	96,041,000
1960	492,700,000	393,337,000	280,282,000	7,630,000	46,074,000	59,351,000	---	---	99,363,000
1961	588,867,000	477,441,000	303,810,000	8,261,000	54,503,000	68,861,000	42,007,000	---	111,425,000
1962	812,365,000	712,550,000	349,751,000	8,987,000	67,714,000	91,312,000	194,787,000	---	99,815,000
1963	1,000,822,000	897,900,000	410,773,000	10,658,000	88,248,000	100,878,000	287,342,000	---	102,922,000
1964	1,147,597,000	1,043,912,000	420,888,000	10,998,000	107,574,000	122,780,000	381,671,000	---	103,685,000
1965	1,367,125,000	1,249,087,000	436,416,000	12,248,000	128,329,000	151,116,000	520,978,000	---	118,038,000
1966	1,709,930,000	1,605,986,000	415,946,000	10,264,000	133,146,000	139,210,000	535,068,000	372,352,000	103,944,000
1967	2,382,637,000	2,308,192,000	185,918,000	3,171,000	42,852,000	37,715,000	94,374,000	1,944,161,000	74,445,000
1968	3,580,825,000	3,510,753,000	118,469,000	2,822,000	35,328,000	25,438,000	63,078,000	3,265,618,000	70,071,000
1969	4,126,082,000	4,046,386,000	124,328,000	2,008,000	18,212,000	27,358,000	60,142,000	3,814,338,000	79,696,000
1970	4,935,671,000	4,634,408,000	5,675,000	503,000	5,978,000	74,610,000	31,668,000	4,515,974,000	301,263,000
1971	6,023,298,000	5,631,528,000						5,631,528,000	391,770,000
1972	7,168,821,000	6,712,463,000						6,712,463,000	456,358,000

Social Services

	1971 Estimate	1972 Estimate	Increase or Decrease
Grants	$757,286,000	$838,200,000	$+80,914,000

General

The 1967 amendments to the Social Security Act authorized 75 percent Federal financial participation in State and local costs of providing social services, specified in an approved State plan, for public assistance recipients and former or potential recipients.

The objective of the social services program is to assist States to:

(1) provide social services to needy children and their parents or persons with whom they live; maintain and strengthen family life; foster child development; prevent and reduce illegitimacy; encourage family planning; protect children as needed; and help the parent, relatives, and caretakers to attain or retain capability for maximum self-support and personal independence; and

(2) provide services to help aged, blind, and other handicapped adults to attain or retain capabilities for self-care, self-support, and personal independence.

In 1970, the average monthly number of families receiving AFDC was 1,922,000. The number of families is expected to increase to 2,398,250 in 1971 and to 2,842,950 in 1972. Accompanying the increased caseload will be a demand for more services to strengthen and improve family living, to prevent family breakdown or to alleviate the effects of broken homes, to strengthen the capability of parents to carry out their parental role and improve parent-child relationships, to assist people in coping with the problems attendant on economic and social deprivation and to open up opportunities to enhance the quality of family and personal living.

The following situations are indicative of the kinds of problems that social services agencies will address in 1971 and 1972:

400,000 AFDC children were judged to be mentally retarded;

According to recent studies, 80 percent of AFDC mothers want to be self-supporting provided they can adequately provide for their families;

60 percent of AFDC families live in sub-standard housing;

15 percent of AFDC mothers are physically or mentally incapacitated. Many more have chronic impairments. At least 10 percent of AFDC mothers suffer from emotional disorders;

14.5 percent of AFDC mothers are currently working; and

6 of 10 AFDC mothers are not employable because of incapacity, lack of job skills, or fulltime homemaker duties.

The 1971 program of social services moves a long way toward providing a variety of specific social services in a comprehensive program designed to meet the total needs of the recipient. The aim of this program is to create opportunities for helping the recipient develop more fully his social, economic, and personal potential.

In most States the same staff that handled social services simultaneously determined eligibility. There is reason to believe that because of the nondifferentiated functions of staff--which was both legal and in accord with policy--75 percent claims were often being made for functions related to determining eligibility for financial and/or medical assistance. At the same time, services, to some extent, were being provided for which only 50 percent matching was claimed.

Because of this diffusion in responsibilities, the Federal Government has encouraged States to separate staff functions of establishing eligibility for financial and medical assistance from those related to social services by providing a financial incentive to those States achieving separation. Seventy-five percent Federal financial participation is provided for States with separation; 50 percent Federal financial participation is provided for States without separation. Although there is currently no legal mandate for separation, it is strongly believed that separation will result in improvements in the quality and quantity of social services. In addition, with the achievement of separation, specific staff functions can be evaluated and cost estimates derived.

In fiscal year 1971, a new social service legislation package is being submitted for consideration by the Congress to provide for reform measures in social services. These measures will provide the means of assuring State accountability for Federal funds. They will provide the States with an improved capability for program management and for determining cost effectiveness. The proposed legislation will provide for increased funds for the foster care and adoption programs. It will also provide for some degree of equalization of State programs by earmarking funds to bring all State expenditures for social services at least up to the present national average. These reforms will be a giant step toward improving States' social services programs.

New service legislation and separation, coupled with the development and implementation of a comprehensive management information system, should provide the means for determining what services were provided to what target groups, at what cost, and with what result.

AFDC Program for 1971

Some of the major services with respect to AFDC are homemaker services, counseling services, family planning services, family-life education, services to assist in child rearing, home and financial management services, day care, in-home child care, help in obtaining and utilizing health services, legal services, housing services, self-support services, education services, and programs to maximize the educational and social development of children.

As of March 1970, a total of 810,000 families and 2,128,000 children were reported by 45 States to be receiving one or more social services under the AFDC program.

Some of the types of services received by AFDC families and children are as follows. Many families received more than one type of care during the year.

Type of service	Percent receiving
Family	
Services to obtain or use medical or dental care	56
Services to improve home and financial management	54
Services related to employment or training for employment not otherwise classified	51
Housing services	36
Emergency services	21
Family planning without medical referral	20
Children	
Services related to school, summer employment or recreational activities	53
Services to secure support or paternity	53
Services related to child adjustment	27

The above list is by no means all inclusive. Specific annual data are not available on the number of children in non-WIN child care and special child care or on families receiving homemaker services. There are indications, however, that these services have accelerated over the past year and will continue to do so.

Adult Programs for 1971

During 1971, it is expected that adult services will be extended to all States and that the quality of services will be improved. The number of individuals being served is expected to increase as follows: (1) 101,000 adults are currently being provided protective services. This number is expected to increase to 125,000 during 1971. (2) 65,900 clients are currently being provided services to help them leave institutions and prevent unnecessary institutionalization by helping them to remain in their own homes ("in-home" service). This number is expected to increase to 115,000 during 1971. New services will be developed for 50,000 adults living in community-based housing and other social care institutions.

1972 Program Plans

During 1972, the number of adults and families and children requiring and provided with needed social services will increase.

Target Groups: While attempting to provide a comprehensive program which will encompass and meet the more pressing service needs of current, former, and potential public assistance recipients, States focus especially upon certain needy groups within this eligible population. It is expected that social services supplied to these groups will diminish the incidence or severity of future social problems and their accompanying public costs.

The target groups for which special emphasis will be directed in the 1972 program are:

Families
1. AFDC families at the ready or almost ready stage of manpower training or job acceptance
2. Alcoholic parents and their families
3. Migrant families
4. Families in crisis situations, especially potential marital breakups, parent-child difficulties, and severe environmental problems

Adults
1. Isolated aged and disabled persons
2. Institutionalized adults who can live outside the institution
3. Under-nourished adults

Youth
1. School drop-outs
2. Teenage unmarried mothers
3. Addicted youth
4. Drifting and/or homeless youth
5. Out-of-school youth

Children
1. Abused, neglected or exploited children
2. Physically and mentally handicapped children
3. Under-nourished children
4. Children needing part-time or full-time care in parents' absence

Social services directed to children disadvantaged for a variety of reasons are an investment in the future of these children growing into adulthood. Corrective services as of today are designed to assist children to be more adequately self-sustaining persons in their adult years.

Social services to persons at the ready or almost ready stage of manpower training or job acceptance are designed to be helpful to enable such persons to move into self-support programs. All during the period that enabling services are offered to adults, supplemental child care is indicated for a number of children. These child care services as well as direct curative services may continue to be required for a considerable number of children for short or lengthy periods of time.

Goals and Objectives

While attempting to meet the full scope and intent of the social services provisions of the Social Security Act, to the degree adopted by each State plan, the Federal program for 1972 emphasizes five major goals with related objectives. They are as follows:

I. Self-support

A. Get job-ready people into manpower channel

B. Remove obstacles to job readiness in areas of:

- child care
- education
- health
- disability
- environment

II. Self-care and Protection for Vulnerable Aged and Disabled Adults

A. Assure appropriate living arrangements in or outside own home

B. Maintain or restore family ties

C. Reduce isolation

D. Prevent neglect, exploitation and abuse and protect legal rights

E. Provide access to health services and resources

III. Family Stability

A. Promote and provide family planning

B. Reduce the number of families living in sub-standard housing and environment

C. Improve home and financial management

D. Promote mental and physical health with emphasis on reducing alcoholism, malnutrition and drug addiction

E. Respond to and help families deal with crises in marital or parent-child relationships

F. Promote educational development including adult basic education and high school equivalency and courses in family life and consumer education

IV. Child and Youth Development

A. See that hungry and ill children get adequate nutrition and health care

B. See that each physically and mentally handicapped child and youth in Aid to Families with Dependent Children and Child Welfare families have resources to overcome handicaps and normalize development

C. See that children of working parents are provided adequate child care

D. See that socially and culturally handicapped children receive developmental opportunities

E. See that school drop-outs return to school, receive training or are placed in employment

F. Provide outreach and access to community services for drifting youth

G. See that each teenage unmarried mother is enabled to make and carry out a satisfactory plan for herself and child

H. See that addicted youth have an identifiable place to turn for information and access to treatment and rehabilitation services

V. Child Protection

A. To see that systems for reporting and prompt response to child abuse, neglect and exploitation are operating in every community

B. To see that more services are given to families to keep such children in their own homes and prevent unnecessary separation from own parents

C. To expand resources for emergency, temporary and long term care for such children as must be removed from their own homes

D. To see that services are provided to such parents and such children to facilitate return to their own home whenever possible

E. To see that legal rights of such children and parents are protected by assuring them the availability of legal counsel and updating statuatory protections

The kinds of services most commonly needed to achieve these objectives include the following which may be provided directly by the public agency, arranged for by agreement with other public agencies or purchased from public or private agencies:

Personal counseling including referral

Group counseling

Day care

Homemaker services

Transportation

Legal assistance

Home management training

Foster care

Emergency shelter

Family life and consumer education

Half-way houses and drop-in centers

Home delivered meals

$838,200,000 is requested for this program for 1972.

State and Local Training

	1971 Estimate	1972 Estimate	Increase or Decrease
Grants.....	$45,070,000	$43,866,000	-$1,204,000

Narrative

Under the 1962 Amendments to the Social Security Act, Federal financial participation at the 75 percent rate is available to States for costs of training public assistance staff or persons preparing for employment in public assistance agencies. The 1967 Amendments require States to provide for the training and effective use of subprofessionals as community service aides and of volunteers.

This program enables State and local public assistance agencies to provide educational leave for employees, stipends for individuals preparing for employment, agency in-service training programs for employees, and educational and training grants or contracts for training.

In 1971 there were 920 training positions in State and local agencies to provide in-service training for the 156,000 employees in public assistance programs. About 10,000 subprofessionals and 30,000 other staff received some form of training. Agency in-service training conducted by agency staff are to train new staff, to retrain old staff for new programs and to upgrade skills to improve services. In-service training expenditures are about 40% of the costs. Educational leave and short term training is also about 40% of the total.

Some 3,300 individuals were on full time educational leave with an additional 1,300 on part time or work study programs.

Some agencies give grants and contracts to agencies to purchase training services. About $4,000,000 is spent for field instruction and classroom faculty. Most agencies provided summer work training programs. Approximately 5,360 students were trained in the summer of 1970. One half had less than high school education.

In 1972 emphasis on retraining of staff for new service delivery systems will continue.

State and local agencies make use of a range of personnel such as neighborhood worker, friendly visitor for the aging, homemaker for handicapped or disabled people, employment counselors to help people return to work and technical and professional personnel. All of these areas require special training for staff to have necessary knowledge and skills in this wide range of service delivery systems.

With the increased emphasis on employment of the disadvantaged in public service careers different kinds of in-service training programs and opportunities for formal education will be developed. The need for training of staff for income maintenance will decrease with enactment of Family Assistance, since the President's budget includes funds for training of State and local staff in administration of assistance under the proposed legislation. Approximately 4,000 individuals will receive educational leave in 1972.

Child Welfare Services

	1971 estimate	1972 estimate	Increase or decrease
Grants	$46,000,000	$46,000,000	---

Background

A variety of services for children and their parents are provided by child welfare agencies through the Federal grants for child welfare services. Child welfare agencies have developed services to help children before and after trouble occurs and have worked to develop community resources that will "supplement, or substitute for, (1) parental care and supervision for the purpose of preventing, remedying, or assisting in the solution of problems which may result in the neglect, abuse, exploitation, or delinquency of children, (2) protecting and caring for homeless, dependent, or neglected children, (3) protecting and promoting the welfare of children of working mothers, and (4) otherwise protecting and promoting the welfare of children, such as strengthening their own homes where possible or, where needed, the provision of adequate care of children away from their homes, foster family homes, day care or other child care facilities."

Children referred to public child welfare agencies by other welfare agencies, courts, schools, police and neighbors are not limited to the poor. Child welfare services are extended to children in need without regard to financial need, legal residence, race, or religion.

Child welfare services include but are not limited to:

1. Counseling children and their parents in relation to behavior problems, parent-child conflicts, physical and mental handicaps and emotional and social adjustment.

2. Emergency care and protection of children reported to be abused, neglected, abandoned or exploited by parents or guardians.

3. Services and assistance for unmarried mothers and their babies including education and training of the mothers and family planning services.

4. Homemaker services to keep children in their own homes when a crisis occurs such as the illness of a parent or where help in home management may keep a family intact.

5. Foster care in foster family homes or institutions when children must be removed from their own homes.

6. Adoption placement services to provide a permanent family home for children who have lost their parents or whose parents' rights to them have been legally terminated.

7. Day care services to care for and protect children whose mothers work or are in training for employment or for children who need day care for such reasons as training to compensate for a physical or mental handicap.

8. Recruitment and licensing of child-caring facilities including day care facilities to assure adequacy of care of children and to prevent their exploitation or neglect.

The 1967 amendments to the Social Security Act made major changes in the operation and direction of child welfare services. Both Child Welfare Services and Aid to Families with Dependent Children are authorized by the same title of the Social Security Act and must be administered through a single organizational unit at the State and local level. Under these amendments increased Federal financial participation is available for services to needy families and children reached through the AFDC program. This, in effect, releases some child welfare services funds for providing services to the many needy children living on the fringes of poverty in and out of their own homes who cannot be helped through the AFDC program.

As of March 1970 a total of 338,000 families and 611,000 children were reported by 51 States to be receiving some social services under the Child Welfare Services program as follows:

	Families	Children
Number provided day care (47 States reporting)	12,000	17,000
Number provided homemaker service (4 States reporting)	2,500	8,700
Number with children in foster family homes and institutions who were provided social services (51 States reporting)	154,000	258,000
Other (mostly protective services for children in their own homes)	169,500	327,300
Total number provided social services of some type (51 States reporting)	338,000	611,000

The child welfare program provides the following types of services to children and to personnel engaged in the provision of these services:

Personnel Services:
- Child Welfare
- Day Care Services
- Homemaker Services

Professional Education
Institutes, Conferences, and Short Term Courses
Foster Care of Children
Care of Unmarried Mothers
Day Care of Children
- a. In Family Day Care Home
- b. In Day Care Center:
  - (1) Operation
  - (2) Purchase

Purchase of Homemaker Services
Specialized Services
Return of Runaway Children
Research and Special Facilitative Services
Merit System Costs
Advisory Committees
Membership Fees
Supplies, Equipment and Communication
Occupancy and Maintenance of Space

The total costs for these services amounted to approximately $563,000,000 in 1970, of which the Federal contribution was $46,000,000, or 8%.

During the fiscal year 1971, State welfare departments are continuing their efforts to reorganize and coordinate the family and child welfare services programs as required by the Social Security amendments of 1967. Most have also started the process of separating the staff functions of determining eligibility for financial and medical assistance from the delivery of social services.

Program for Fiscal Year 1972

States will be encouraged to coordinate child welfare services more closely with the social services program of AFDC and to use child welfare services to fill in the gaps that cannot be reached through the AFDC social services program. Continued emphasis will be placed upon:

(1) Improvement of existing foster care and the recruitment of additional badly needed foster homes.

(2) Recruitment of additional adoption homes.

(3) Expanding family planning services.

(4) Referring children in need of health services.

(5) Recruitment of day care facilities and provision of services that will foster the physical, emotional, and intellectual development of needy children.

(6) Development of services programs for the reduction and prevention of illegitimacy.

With the amount of Federal funds remaining at $46,000,000 for the past three years, the States have had to provide a greater proportion of financial participation. In 1970, State and local funds made up approximately 92% of the total funds expended for child welfare services, with Federal participation being 8%. In order to maintain the 1970 level of 611,000 children receiving child welfare services, State and local funds will make up approximately 93% in 1971 and 94% in 1972, with the Federal participation dropping to 7% and 6% respectively.

The provision, improvement, and expansion of existing services as well as the development of new services, and progress toward meeting the goal of assuring that child welfare services are available by 1975 to all children who need them will be accomplished primarily as a result of State effort.

The 1972 request for $46,000,000, the same level as 1971, will be used in assisting the States to accomplish the legislative objectives of this program.

SOCIAL AND REHABILITATION SERVICE

Grants to States for Public Assistance

Program Purpose and Accomplishments

Activity: Maintenance Assistance (Social Security Act, as amended, Secs. 1, 401, 1001, 1401, and 1601)

1971 Amount	1972 Authorization	1972 Budget Estimate
$5,628,189,000	Indefinite	$6,655,321,000

Purpose: Under formulas established by Congress, the Federal government reimburses the States for payments made to eligible needy persons--dependent children deprived of parental support or care, the aged, the blind, and the disabled--for food, shelter, clothing, and other necessary items of daily living; also, for the costs of vendor payments made to intermediate care facilities for the aged, blind, and disabled; and for the costs of State and local administration of the program.

Explanation: The public assistance programs are administered by the States with the financial participation of the Federal government, and under Federal policies and regulations. The scope of coverage and assistance standards are set forth in State Plans approved by the Federal government.

Accomplishments in 1971: In fiscal year 1971, it is anticipated that money payments will be made to a monthly average of more than 12 million needy recipients, with the majority of the assistance to families with dependent children (over nine million recipients), and to the aged (over two million).

The main program emphasis in fiscal year 1971 has been in the improvement of control of eligibility through the establishment of an expanded quality control system, and through the improvement of administration of eligibility determination and payment procedures under the Simplified System. The new quality control of eligibility was mandated in October 1970, and all States are moving to effectuate the revised system. The simplified method was mandated in May 1970 for the adult categories, to be effective Statewide by July 1, 1971, and the States are installing the revised approach and have submitted plans for further simplification. Also, a number of States have extended the simplified method Statewide in all categories. Continued emphasis in fiscal year 1971 has been placed on requiring State compliance with Federal laws and regulations, both through stepped-up negotiations and through compliance hearings.

Objectives for 1972: From the States' estimates received to date, it appears the number of persons assisted by the program will continue to rise substantially in fiscal year 1972. The average number of recipients of money payments in 1972 will be over 14 million, an increase of 1.8 million over 1971, with about 90 percent of the increase occurring in the AFDC program. In fiscal year 1972, program administration emphasis will continue to be placed upon the improvement of Quality Control of the eligibility system and further efforts to work with the States to improve the over-all administration of the programs through the simplified system. Also, efforts will be continued in the improvement of prompt delivery of payments to eligible recipients and provision of fair hearings by continued efforts to obtain State compliance with Federal laws and regulations.

SOCIAL AND REHABILITATION SERVICE

Grants to States for Public Assistance

Program Purposes and Accomplishments

Activity: Assistance to Repatriated U.S. Nationals. (Public Law 86-571 and Section 1113 of the Social Security Act as amended through June 30, 1971, Public Law 91-41 *)

1971	1972	
Amount	Authorization	Budget Estimate
$770,000	Indefinite*	$687,000

Purpose: This program provides assistance to United States citizens returned from abroad because of mental illness, other illness, destitution, or international crises, and who are without available resources. Assistance is provided upon certification by the Department of State and upon arrival in the United States.

Explanation: Public Law 86-571 authorizes hospital care and treatment to U.S. Nationals returned because of mental illness; Section 1113 of the Social Security Act authorizes assistance to citizens and their dependents whose return is due to destitution, illness or international crises. The program is administered by the Social and Rehabilitation Service with cooperation of State and local public welfare agencies, which arrange necessary hospital treatment for ill or mentally ill persons, provide temporary maintenance, plan for resettlement and contributions from relatives, locate employment, obtain rehabilitative services, and explore eligibility for benefits from other programs. Temporary assistance under Section 1113 may be provided an individual up to one year; it may be extended for six additional months in extenuating circumstances. The program provides for direct reimbursement to Federal and other hospitals for care and treatment of the mentally ill. State agencies are reimbursed for temporary assistance and other identifiable costs incurred in providing assistance to repatriates, including cost of services purchased from other agencies.

Accomplishments in 1971: In 1971, approximately 710 persons are expected to receive assistance under this program, including 100 mentally ill persons and 610 other repatriates.

Objectives for 1972: Approximately 500 persons are estimated to require assistance under this program in 1972, including 100 mentally ill persons and 400 other repatriates on the basis that most persons who registered in 1968 for repatriation from Cuba will have returned to the U.S. by June 1971. Information received from the State Department in December 1971 indicates that 800 families with U.S. Citizens, estimated to include 3,200 persons, are registered at the Swiss Embassy for return to the U.S. The Cuban Government suspended the monthly airlift as of July 1970 with no indication that they will resume. Cuba has agreed, however, to permit U.S. Citizens and dependents to depart Cuba via scheduled flights on the Cuban Airline with transit visas approved by Mexico. Until these arrangements become operative, however, there is insufficient basis for projecting additional costs.

62-917 O - 71 - pt. 4 ---11

Social and Rehabilitation Service

Grants to States for Public Assistance

Program Purpose and Accomplishments

Activity: Medical Assistance (Title XIX of the Social Security Act and for Medical Assistance Provided under Titles I, IV, X, and XVI of the Act)

1971 Amount	1972 Authorization	1972 Budget Estimate
$3,216,142,000	Indefinite	$3,827,619,000

Purpose: To provide more quality medical care to low income groups by coupling required Federal program coverage and quality of care with more generous Federal financial participation.

Explanation: Federal financial participation in Medicaid payments varies from a minimum of 50 % to a maximum of 83% depending upon the per capita income of the State. Federal program requires that eligible recipients include, as a minimum, all persons receiving or eligible to receive maintenance payments under the Social Security Act and eligible children under 21 who are not in families. In addition, States may elect to cover certain medically needy persons who are eligible for help only with their medical bills and hence do not receive maintenance payments for food, clothing, and shelter.

Accomplishments in 1970-1971: The reorganization of the Medical Services Administration, begun in 1970 and completed in 1971, has expanded the Federal role to provide more health services to eligible recipients. New regulations and guidelines on utilization of hospitals and nursing homes, and new management information systems are being devised to improve the States' ability to manage and control their costs.

Administrative initiatives are being taken to generate savings of $70,000,000 to be applied to reduce the FY-1971 supplemental budget request. These initiatives consist of a more critical review of the utilization of medical services in order to reduce hospitalization and substitute nursing home or outpatient care for hospitalization. In addition, the requirement for prior authorization for extended stays in hospitals and nursing homes, the establishment of fee schedules for doctors and dentists, and improved surveillance of claims processing will yield additional savings.

Program Plans 1972: The request for 1972 is based upon the States' estimates, which are modified for Federal administrative initiatives affecting the total costs. The States' estimates show increases in the number of people eligible for medical assistance, the utilization of available services by those eligibles, and the costs for services provided.

The administrative initiatives described above for 1971 will be expanded in 1972 and are expected to result in a savings of $110,000,000 in FY-1972. This savings is deducted from the FY-1972 budget requirement.

Additional savings expected to result from legislative changes to be proposed are not reflected in these estimates.

Relation to Long-Range Objectives: The plans for 1972 reflect the concentration on improved utilization review, strengthened management information systems capability, program incentives to encourage the use of more efficient methods of delivering health services to the poor, and more rational expenditures for long term care. Contracts with private industry are currently being developed to provide methods and ways of converting existing medical service activities to Health Maintenance Organizations. Contract plans are also under way to study the reasons and causes of long-term care in nursing homes. It is expected that these contracts will provide necessary material and information to reduce or curtail future costs. In addition, it is planned that all the States will accept and install the Model Management Information Payment System to improve claims processing and surveillance of vendor medical payments.

SOCIAL AND REHABILITATION SERVICE

Grants to States for Public Assistance

Program Purpose and Accomplishments

Activity: Social Services (Social Security Act, Titles I, IV-A, X, XIV, and XVI)

1971 Amount	1972 Authorization	1972 Budget Estimate Amount
$757,286,000	Indefinite	$838,200,000

Purpose: Social services are authorized under Titles I, IV, X, XIV, and XVI of the 1967 amendments to the Social Security Act. The purpose of this program is to provide a full range of social services to public assistance recipients and former or potential recipients.

Explanation: Services are provided to recipients of Aid to Families with Dependent Children, and to the adult categories of recipients under Old Age Assistance, Aid to the Permanently and Totally Disabled, and Aid to the Blind. Grants are made to States based upon a rate of Federal financial participation of 75% for AFDC and either 75% or 50% for the adult programs.

Accomplishments for 1971: During 1971, 43 States have separation of services from the determination of eligibility to some extent, including 29 with some experience in all categories, and 14 with some experience in only one category. More than 810,000 families and 2,128,000 children are receiving one or more social services under the AFDC program. Some of the major services with respect to AFDC are homemaker, counseling, family planning, family-life education, assistance in child rearing, home and financial management, day care, in-home child care, help in obtaining and utilizing health services, legal, housing, self-support, education, and programs to maximize the educational and social development of children.

It is expected that adult services will be extended to all States and that the quality of services will be improved. The number of adults being provided protective services is expected to increase from 101,000 to 125,000. The number of clients being provided services in helping them to leave institutions and preventing unnecessary institutionalization by helping them to remain in their own home ("in-home" services) is expected to increase from 65,900 to 115,000. New services will be developed for 50,000 adults living in community-based housing and other social care institutions.

Objectives for 1972: During 1972, the number of adults and families and children requiring and provided with needed social services will increase. States will be encouraged to focus expecially upon certain needy groups within this eligible population, thus helping to diminish the incidence or severity of future social problems and their accompanying costs.

Five major goals will be emphasized as follows: self-support; self-care and protection for vulnerable aged and disabled adults; family stability; child and youth development; and child protection.

The major services that will be provided with respect to AFDC are the same as those that are enumerated within "Accomplishments for 1971".

SOCIAL AND REHABILITATION SERVICE

Grants to States for Public Assistance

Program Purpose and Accomplishments

Activity: State and Local Training (Social Security Act, Titles I, IV-A, X, XIV and XVI).

1971 Amount	1972 Authorization	1972 Budget Estimate
$45,070,000	Indefinite	$43,866,000

Purpose: Under the 1962 Amendments to the Social Security Act, Federal financial participation at the 75 percent rate is available to States for costs of training public assistance staff or persons preparing for employment in public assistance agencies. The 1967 Amendments require States to provide for the training and effective use of subprofessionals as community service aides and of volunteers.

Explanation: This program enables State and local public assistance agencies to provide educational leave for employees, stipends for individuals preparing for employment, agency in-service training programs for employees, and educational and training grants or contracts for services.

Accomplishments in 1971: Training focused on orientation to the agency is being provided to persons in new careers as well as persons entering one of the technical or professional areas. In addition, training is provided to enable employees to maintain currency with new developments in the area.

Special training has been provided staff growing out of the policy of separating income maintenance eligibility determination functions from the provision of social services. Special emphasis is being placed on training for new service delivery systems. State and local agencies are expected to make use of a range of personnel such as neighborhood worker, friendly visitor for the aging, homemaker for handicapped or disabled people, employment counselors to help people return to work and technical and professional personnel. All of these areas require special training for staff to have necessary knowledge and skills in this wide range of service delivery systems.

Objectives for 1972: States are finding that they need to increase training for staff who provide social services since in part most staff time was spent on determination of eligibility. With the increased emphasis on employment of the disadvantaged in public service careers different kinds of in-service training programs and opportunities for formal education will be developed.

SOCIAL AND REHABILITATION SERVICE

Grants to States for Public Assistance

Program Purpose and Accomplishments

Activity: Child Welfare Services (Social Security Act, Section 420)

1971 Amount	1972 Authorization	1972 Budget Estimate Amount
$46,000,000	$110,000,000	$46,000,000

Purpose: Child welfare services are authorized under Title IV-B of the 1967 amendments to the Social Security Act. The purpose of this program is to provide essential child welfare services to children in their own homes, or in foster homes or institutions.

Explanation: Children referred for child welfare services by other welfare agencies, courts, schools, police and neighbors to public child welfare agencies are not limited to the poor. These services are extended to children in need of such services without regard to financial need, legal residence, race, or religion. Each State receives a uniform grant of $70,000 and an additional grant which varies directly with child population under 21 and inversely with average per capita income. The basic statute establishes a rate of between 33-1/3 to 66-2/3 percent Federal financial participation. However, due to budget constraints, the Federal financial participation was 8 percent of total costs ($563,000,000) in 1970 with a projected decrease each year thereafter.

Accomplishments in 1971: More than 338,000 families and 611,000 children are receiving services under this program. State welfare departments are continuing their efforts to reorganize and coordinate the family and child welfare services programs as required by the Social Security amendments of 1967. Most have also started the process of separating the staff functions of determining eligibility for financial and medical assistance from the delivery of social services. During 1971, State and local funds will make up approximately 93% of the total funds expended, with Federal financial participation being 7 percent.

Objectives for 1972: States will be encouraged to coordinate child welfare services more closely with the social services program of AFDC, and to use child welfare services to fill in the gaps that cannot be reached through the AFDC social services program. During 1972, State and local funds will make up approximately 94 percent of the total funds expended, with Federal financial participation being 6 percent.

MAINTENANCE ASSISTANCE: Actual Federal Share of State Expenditures, Fiscal Year 1970

States and Territories	Old-age assistance 1/	Aid to the blind 1/	Aid to the permanently and totally disabled 1/	Aid to families with dependent children	Emergency assistance	Total
Alabama	$68,504,507	$1,244,459	$8,443,845	$18,404,434	---	$96,597,245
Alaska 2/	920,526	51,217	412,507	2,135,276	$133,981	3,653,507
Arizona	8,237,018	376,194	4,281,054	14,955,651	---	27,849,917
Arkansas 2/	37,589,976	1,342,412	8,359,901	9,497,454	16,542	56,806,285
California	207,524,126	12,093,575	124,117,223	331,993,369	---	675,728,293
Colorado	24,917,154	132,279	6,529,526	17,672,858	---	49,251,817
Connecticut	4,431,360	136,223	4,322,671	29,533,571	---	38,423,825
Delaware	1,253,324	216,150	777,700	5,295,170	---	7,542,344
District of Columbia	1,564,765	120,788	3,277,731	11,812,251	364,434	17,139,969
Florida 2/	30,334,864	1,313,969	12,712,032	45,110,047	---	89,470,912
Georgia 2/	46,272,632	1,599,202	16,637,290	51,229,404	---	115,738,528
Guam	95,656	2,520	18,628	354,235	---	471,039
Hawaii 2/	1,207,505	46,917	1,257,895	8,101,033	---	10,613,350
Idaho	1,836,298	69,570	1,789,848	6,277,363	---	9,973,079
Illinois 2/	42,074,993	1,271,007	27,800,859	98,577,709	2,498	169,727,066
Indiana	11,727,688	899,294	3,186,490	19,496,202	---	35,309,674
Iowa	17,325,150	911,393	2,627,523	21,668,716	---	42,532,782
Kansas 2/	11,424,175	225,316	5,244,098	18,335,172	26,653	35,255,414
Kentucky 2/	33,733,555	1,139,055	8,937,201	35,382,010	---	79,191,821
Louisiana	73,916,735	1,619,172	11,042,903	40,066,645	---	126,645,455
Maine 2/	10,760,457	195,399	3,361,251	12,688,452	---	27,005,559
Maryland 2/	6,708,016	218,988	9,638,606	35,452,669	745,873	52,764,152
Massachusetts	38,395,309	2,593,845	13,315,821	92,577,281	---	146,882,256
Michigan	26,091,074	856,495	16,256,306	76,691,200	1,090,267	120,985,342
Minnesota	10,738,736	502,322	6,530,993	34,398,815	---	52,170,866

See footnotes at end of table.

MAINTENANCE ASSISTANCE: Actual Federal Share of State Expenditures, Fiscal Year 1970--continued

States and Territories	Old-age assistance 1/	Aid to the blind 1/	Aid to the permanently and totally disabled 1/	Aid to families with dependent children	Emergency assistance	Total
Mississippi	$32,830,317	$1,137,691	$11,460,988	$13,475,177	---	$58,904,173
Missouri	57,409,994	2,150,482	11,338,773	35,358,161	---	106,257,410
Montana	2,457,877	126,876	1,314,436	4,234,894	---	8,134,083
Nebraska 2/	9,408,679	378,272	3,867,052	8,019,993	$75,771	21,749,767
Nevada	1,809,445	105,558	---	3,216,396	---	5,131,399
New Hampshire	3,619,576	195,944	603,102	2,968,624	---	7,387,246
New Jersey	8,243,872	546,614	6,841,766	82,737,149	---	98,369,401
New Mexico 2/	6,294,298	260,000	5,674,993	14,934,897	46,285	27,210,473
New York 2/	53,195,864	2,256,272	33,265,285	391,412,338	1,551,190	481,680,949
North Carolina 2/	23,307,075	3,060,492	17,906,785	34,383,655	---	78,658,007
North Dakota 2/	2,701,355	66,368	1,534,722	4,746,315	---	9,048,760
Ohio	38,767,814	1,733,159	19,081,959	69,397,640	---	128,980,572
Oklahoma 2/	49,874,071	892,258	13,838,442	27,937,819	207,858	92,750,448
Oregon	8,863,997	472,684	5,420,006	21,935,376	514,919	37,206,982
Pennsylvania	29,450,746	6,453,458	15,896,666	156,106,023	13,854	207,920,747
Puerto Rico 2/	1,722,452	58,912	1,142,308	12,534,091	---	15,457,763
Rhode Island 2/	2,357,519	76,481	2,479,107	11,687,979	289,585	16,890,671
South Carolina	8,942,291	1,113,020	5,256,272	9,789,685	---	25,101,268
South Dakota	4,624,931	81,761	1,086,236	6,036,322	---	11,829,250
Tennessee	27,448,996	1,105,169	14,036,336	34,291,064	---	76,881,565
Texas	181,746,763	2,885,558	15,587,330	52,301,923	---	252,521,574
Utah	2,714,726	126,812	3,896,150	11,129,123	8,290	17,875,101
Vermont 2/	4,034,994	84,505	1,470,468	4,978,271	140,466	10,708,704
Virgin Islands	81,611	1,746	16,235	316,572	---	416,164
Virginia	8,346,508	718,769	4,998,469	28,941,261	---	43,005,007

See footnotes at end of table.

MAINTENANCE ASSISTANCE: Actual Federal Share of State Expenditures, Fiscal Year 1970--continued

States and Territories	Old-age assistance 1/	Aid to the blind 1/	Aid to the permanently and totally disabled 1/	Aid to families with dependent children	Emergency assistance	Total
Washington	$12,975,966	$284,618	$9,469,320	$32,634,661	$375,318	$55,739,883
West Virginia	8,060,719	352,227	4,741,983	23,584,646	55,627	36,795,202
Wisconsin	10,878,625	368,753	3,592,206	25,240,792	169,567	40,249,943
Wyoming	1,347,352	24,836	550,907	1,399,824	48,405	3,371,324
Subtotal	$1,321,104,032	$56,297,056	$517,248,204	$2,163,437,658	$5,877,383	$4,063,964,333
State and local administration						286,943,871
Total	$1,321,104,032	$56,297,056	$517,248,204	$2,163,437,658	$5,877,383	$4,350,908,204

1/ Includes funds for payments to intermediate care facilities.
2/ State operates a program under title XVI, Aid to the aged, blind, or disabled.

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, Fiscal Year 1971
(Based on States' November 1970 estimates)

States and Territories	Old-age assistance 1/	Aid to the blind 1/	Aid to the permanently and totally disabled 1/	Aid to families with dependent children	Emergency assistance	Total
Alabama	$78,309,000	$1,354,000	$9,776,000	$25,433,000	---	$114,872,000
Alaska 2/	1,002,000	54,000	480,000	2,715,000	$109,000	4,360,000
Arizona	8,789,000	352,000	5,403,000	17,365,000	---	31,909,000
Arkansas 2/	47,505,000	1,551,000	11,622,000	13,674,000	26,000	74,378,000
California	227,770,000	13,961,000	160,006,000	476,871,000	---	878,608,000
Colorado	22,828,000	140,000	7,433,000	26,641,000	---	57,042,000
Connecticut	4,742,000	157,000	5,287,000	37,470,000	---	47,656,000
Delaware	1,452,000	219,000	900,000	6,717,000	---	9,288,000
District of Columbia	2,950,000	135,000	5,179,000	20,534,000	500,000	29,298,000
Florida 2/	33,392,000	1,445,000	12,971,000	56,243,000	---	104,051,000
Georgia 2/	48,535,000	1,881,000	20,422,000	65,513,000	---	136,351,000
Guam	74,000	3,000	13,000	403,000	2,000	495,000
Hawaii 2/	1,542,000	54,000	1,606,000	11,886,000	---	15,088,000
Idaho	1,761,000	74,000	1,915,000	8,662,000	---	12,412,000
Illinois 2/	42,762,000	1,322,000	34,649,000	152,063,000	4,000	230,800,000
Indiana	22,123,000	1,328,000	7,004,000	27,040,000	---	57,495,000
Iowa	18,701,000	941,000	3,150,000	24,916,000	---	47,708,000
Kansas 2/	12,752,000	258,000	6,368,000	24,247,000	80,000	43,705,000
Kentucky 2/	33,270,000	1,350,000	11,865,000	40,713,000	---	87,198,000
Louisiana	83,393,000	1,654,000	12,768,000	48,554,000	---	146,369,000
Maine 2/	11,686,000	228,000	3,509,000	19,043,000	---	34,466,000
Maryland 2/	9,080,000	240,000	10,581,000	43,208,000	1,167,000	64,276,000
Massachusetts	44,908,000	2,985,000	15,650,000	120,131,000	1,500,000	185,174,000
Michigan	26,069,000	899,000	19,646,000	121,760,000	1,875,000	170,249,000
Minnesota	24,063,000	721,000	18,222,000	54,953,000	---	97,959,000

See footnotes at end of table.

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, Fiscal Year 1971--continued
(Based on States' November 1970 estimates)

States and Territories	Old-age assistance 1/	Aid to the blind 1/	Aid to the permanently and totally disabled 1/	Aid to families with dependent children	Emergency assistance	Total
Mississippi	$39,226,000	$1,288,000	$14,163,000	$16,152,000	---	$70,829,000
Missouri	59,636,000	2,238,000	12,422,000	46,240,000	---	120,536,000
Montana	2,665,000	151,000	1,661,000	5,514,000	---	9,991,000
Nebraska 2/	10,181,000	351,000	4,554,000	10,540,000	$125,000	25,751,000
Nevada	2,076,000	119,000	---	4,390,000	---	6,585,000
New Hampshire	5,702,000	279,000	991,000	8,819,000	---	15,791,000
New Jersey	8,613,000	594,000	8,639,000	138,590,000	---	156,436,000
New Mexico 2/	6,880,000	274,000	6,665,000	18,433,000	13,000	32,265,000
New York 2/	68,228,000	2,721,000	49,976,000	513,944,000	3,122,000	637,991,000
North Carolina 2/	24,403,000	3,108,000	19,920,000	41,931,000	---	89,362,000
North Dakota 2/	2,759,000	74,000	1,713,000	6,022,000	---	10,568,000
Ohio	41,125,000	1,807,000	21,971,000	89,012,000	---	153,915,000
Oklahoma 2/	47,222,000	1,227,000	15,874,000	31,930,000	361,000	96,614,000
Oregon	9,853,000	607,000	9,011,000	28,953,000	298,000	48,722,000
Pennsylvania	33,579,000	6,678,000	21,458,000	230,694,000	---	292,409,000
Puerto Rico 2/	2,569,000	70,000	1,340,000	13,921,000	---	17,900,000
Rhode Island 2/	2,738,000	79,000	2,517,000	16,783,000	525,000	22,642,000
South Carolina	9,621,000	1,211,000	6,281,000	14,603,000	---	31,716,000
South Dakota	5,088,000	92,000	1,302,000	7,027,000	---	13,509,000
Tennessee	46,696,000	1,129,000	18,267,000	50,562,000	---	116,654,000
Texas	217,854,000	2,985,000	20,257,000	87,511,000	---	328,607,000
Utah	3,121,000	146,000	5,067,000	14,410,000	25,000	22,769,000
Vermont 2/	4,765,000	100,000	1,637,000	7,048,000	99,000	13,649,000
Virgin Islands	97,000	2,000	20,000	359,000	---	478,000
Virginia	13,181,000	873,000	6,842,000	43,046,000	---	63,942,000

See footnotes at end of table.

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, Fiscal Year 1971--continued
(Based on States' November 1970 estimates)

States and Territories	Old-age assistance 1/	Aid to the blind 1/	Aid to the permanently and totally disabled 1/	Aid to families with dependent children	Emergency assistance	Total
Washington	$9,090,000	$268,000	$11,167,000	$49,192,000	$209,000	$69,926,000
West Virginia	9,157,000	350,000	4,104,000	25,975,000	94,000	39,680,000
Wisconsin	12,181,000	432,000	4,274,000	31,971,000	---	48,858,000
Wyoming	1,626,000	29,000	675,000	1,790,000	51,000	4,171,000
Subtotal	$1,509,390,000	$62,588,000	$659,193,000	$3,002,117,000	$10,185,000	$5,243,473,000
State and local administration						384,716,000
Total	$1,509,390,000	$62,588,000	$659,193,000	$3,002,117,000	$10,185,000	$5,628,189,000

1/ Includes funds for payments to intermediate care facilities.
2/ State operates a program under title XVI, Aid to the aged, blind, or disabled.

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, Fiscal Year 1972
(Based on States' November 1970 estimates)

States and Territories	Old-age assistance 1/	Aid to the blind 1/	Aid to the permanently and totally disabled 1/	Aid to families with dependent children	Emergency assistance	Total
Alabama	$83,277,000	$1,366,000	$12,992,000	$35,717,000	---	$133,352,000
Alaska 2/	1,064,000	53,000	549,000	3,495,000	$124,000	5,285,000
Arizona	8,753,000	342,000	6,151,000	19,482,000	---	34,728,000
Arkansas 2/	51,573,000	1,680,000	12,527,000	17,113,000	30,000	82,923,000
California	251,630,000	15,545,000	203,342,000	593,860,000	---	1,064,377,000
Colorado	24,845,000	157,000	9,557,000	34,890,000	---	69,449,000
Connecticut	5,633,000	190,000	6,812,000	46,486,000	---	59,121,000
Delaware	1,620,000	219,000	1,086,000	7,901,000	---	10,826,000
District of Columbia	3,969,000	161,000	7,970,000	30,923,000	313,000	43,336,000
Florida 2/	42,128,000	1,547,000	14,497,000	91,518,000	---	149,690,000
Georgia 2/	51,174,000	2,006,000	21,185,000	85,743,000	---	160,108,000
Guam	115,000	3,000	22,000	497,000	3,000	640,000
Hawaii 2/	1,744,000	56,000	1,691,000	16,999,000	---	20,490,000
Idaho	1,866,000	86,000	2,397,000	11,150,000	---	15,499,000
Illinois 2/	50,837,000	1,327,000	45,008,000	204,860,000	6,000	302,038,000
Indiana	25,203,000	1,416,000	9,559,000	34,487,000	---	70,665,000
Iowa	19,580,000	1,207,000	4,032,000	35,245,000	---	60,064,000
Kansas 2/	14,557,000	296,000	7,992,000	36,125,000	125,000	59,095,000
Kentucky 2/	33,700,000	1,354,000	13,180,000	45,448,000	---	93,682,000
Louisiana	88,562,000	1,795,000	13,472,000	59,398,000	---	163,227,000
Maine 2/	13,304,000	228,000	4,404,000	24,603,000	---	42,539,000
Maryland 2/	9,960,000	258,000	11,560,000	47,999,000	1,365,000	71,142,000
Massachusetts	52,083,000	3,217,000	18,350,000	151,952,000	2,000,000	227,602,000
Michigan	27,171,000	944,000	22,269,000	155,220,000	2,250,000	207,854,000
Minnesota	40,991,000	879,000	24,594,000	76,761,000	---	143,225,000

See footnotes at end of table.

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, Fiscal Year 1972--continued
(Based on States' November 1970 estimates)

States and Territories	Old-age assistance 1/	Aid to the blind 1/	Aid to the permanently and totally disabled 1/	Aid to families with dependent children	Emergency assistance	Total
Mississippi	$43,163,000	$1,383,000	$15,985,000	$19,390,000	---	$79,921,000
Missouri	60,381,000	2,269,000	12,795,000	50,380,000	---	125,825,000
Montana	2,653,000	151,000	1,778,000	6,183,000	---	10,765,000
Nebraska 2/	10,728,000	357,000	4,994,000	11,282,000	$130,000	27,491,000
Nevada	2,196,000	122,000	---	4,945,000	---	7,263,000
New Hampshire	6,330,000	294,000	1,163,000	11,994,000	---	19,781,000
New Jersey	11,137,000	659,000	11,008,000	186,608,000	---	209,412,000
New Mexico 2/	7,218,000	221,000	6,787,000	22,023,000	85,000	36,334,000
New York 2/	76,895,000	2,789,000	60,711,000	568,617,000	4,024,000	713,036,000
North Carolina 2/	24,541,000	3,275,000	21,817,000	47,410,000	---	97,043,000
North Dakota 2/.....	2,775,000	75,000	1,818,000	6,525,000	---	11,193,000
Ohio	41,706,000	1,810,000	24,459,000	104,867,000	---	172,842,000
Oklahoma 2/	51,801,000	929,000	16,496,000	33,481,000	480,000	103,187,000
Oregon	12,066,000	807,000	12,333,000	38,003,000	347,000	63,556,000
Pennsylvania	39,059,000	6,006,000	25,362,000	288,742,000	---	359,169,000
Puerto Rico 2/.....	2,916,000	79,000	1,532,000	15,917,000	---	20,444,000
Rhode Island 2/	3,021,000	83,000	2,626,000	20,036,000	525,000	26,291,000
South Carolina	9,999,000	1,247,000	7,002,000	19,244,000	---	37,492,000
South Dakota	5,788,000	126,000	1,579,000	11,451,000	---	18,944,000
Tennessee	50,488,000	1,129,000	21,862,000	67,773,000	---	141,252,000
Texas	235,894,000	2,948,000	23,957,000	119,829,000	---	382,628,000
Utah	3,602,000	170,000	6,382,000	18,715,000	25,000	28,894,000
Vermont 2/	5,235,000	97,000	1,812,000	8,147,000	95,000	15,386,000
Virgin Islands	99,000	2,000	20,000	454,000	---	575,000
Virginia	16,886,000	937,000	8,725,000	56,164,000	---	82,712,000

See footnotes at end of table.

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, Fiscal Year 1972--continued
(Based on States' November 1970 estimates)

States and Territories	Old-age assistance 1/	Aid to the blind 1/	Aid to the permanently and totally disabled 1/	Aid to families with dependent children	Emergency assistance	Total
Washington	$8,336,000	$249,000	$14,027,000	$57,269,000	$146,000	$80,027,000
West Virginia	9,959,000	356,000	6,016,000	27,873,000	136,000	44,340,000
Wisconsin	13,613,000	492,000	4,960,000	39,878,000	---	58,943,000
Wyoming	2,196,000	40,000	843,000	2,871,000	58,000	6,008,000
Subtotal	$1,666,020,000	$65,434,000	$794,047,000	$3,733,943,000	12,267,000	$6,271,711,000
Less savings due to redefinition of unemployed parent				-15,000,000		-15,000,000
	1,666,020,000	65,434,000	794,047,000	3,718,943,000	12,267,000	6,256,711,000
State and local administration						3/ 398,610,000
Total	$1,666,020,000	$65,434,000	$794,047,000	$3,718,943,000	$12,267,000	$6,655,321,000

1/ Includes funds for payments to intermediate care facilities.
2/ State operates a program under title XVI, Aid to the aged, blind, or disabled.
3/ The Federal share for fiscal year 1972 for maintenance administration has been reduced due to the 110% limitation placed on the overall item for administration, social services, and training.

MEDICAL ASSISTANCE: Estimated Total Federal, State and Local Expenditures Including Vendor Payments, Administration and Non-Federal Matching for Fiscal Year 1971

States and Territories	Total	Non-Fed Matching	State Share	Federal Share
Alabama	104,329,000	320,000	23,207,000	80,802,000
Alaska	1/ ---	1/ ---	1/ ---	1/ ---
Arizona	1/ ---	1/ ---	1/ ---	1/ ---
Arkansas	12,830,000	90,000	2,650,000	10,090,000
California	1,212,017,000	12,177,000	597,333,000	602,507,000
Colorado	51,831,000	1,575,000	22,051,000	28,205,000
Connecticut	97,083,000	206,000	48,321,000	48,556,000
Delaware	6,526,000	0	3,262,000	3,264,000
Dist. of Col.	40,386,000	426,000	19,917,000	20,043,000
Florida	90,424,000	0	32,439,000	57,985,000
Georgia	114,737,000	0	33,364,000	81,373,000
Guam	244,000	0	122,000	122,000
Hawaii	19,935,000	1,668,000	9,120,000	9,147,000
Idaho	12,159,000	0	3,784,000	8,375,000
Illinois	249,898,000	0	124,504,000	125,394,000
Indiana	42,928,000	120,000	20,342,000	22,466,000
Iowa	27,107,000	0	12,198,000	14,909,000
Kansas	44,693,000	4,686,000	16,943,000	23,064,000
Kentucky	67,338,000	0	17,939,000	49,399,000
Louisiana	56,262,000	480,000	15,037,000	40,745,000
Maine	12,379,000	23,000	3,950,000	8,406,000
Maryland	110,870,000	16,978,000	46,839,000	47,053,000
Massachusetts	307,156,000	15,022,000	146,045,000	146,089,000
Michigan	242,300,000	0	120,930,000	121,370,000
Minnesota	112,286,000	0	48,712,000	63,574,000
Mississippi	41,175,000	0	8,022,000	33,153,000
Missouri	67,568,000	5,000,000	25,511,000	37,057,000
Montana	10,276,000	0	3,648,000	6,628,000
Nebraska	20,500,000	0	8,738,000	11,762,000
Nevada	8,442,000	0	4,199,000	4,243,000
New Hampshire	7,551,000	0	3,143,000	4,408,000
New Jersey	186,622,000	11,436,000	86,653,000	88,533,000
New Mexico	17,401,000	0	5,128,000	12,273,000
New York	1,540,888,000	208,000,000	665,962,000	666,926,000
North Carolina	97,760,000	1,500,000	26,026,000	70,234,000

See Footnote on next page.

(continued)

MEDICAL ASSISTANCE: Estimated Total Federal, State and Local Expenditures Including Vendor Payments, Administration and Non-Federal Matching for Fiscal Year 1971(cont'd)

States and Territories	Total	Non-Fed Matching	State Share	Federal Share
North Dakota	13,795,000	0	4,102,000	9,693,000
Ohio	123,783,000	0	58,670,000	65,113,000
Oklahoma	100,458,000	0	31,710,000	68,748,000
Oregon	23,215,000	1,078,000	9,583,000	12,554,000
Pennsylvania	381,582,000	79,005,000	137,608,000	164,969,000
Puerto Rico	82,321,000	18,747,000	43,649,000	19,925,000
Rhode Island	41,300,000	0	19,948,000	21,352,000
South Carolina	35,035,000	700,000	7,729,000	26,606,000
South Dakota	8,832,000	0	2,707,000	6,125,000
Tennessee	39,370,000	75,000	10,739,000	28,556,000
Texas	138,277,000	0	46,137,000	92,140,000
Utah	18,150,000	0	5,835,000	12,315,000
Vermont	17,137,000	0	6,120,000	11,017,000
Virgin Islands	1,991,000	481,000	860,000	650,000
Virginia	75,242,000	0	27,263,000	47,979,000
Washington	110,348,000	9,527,000	50,719,000	50,102,000
West Virginia	17,057,000	2,200,000	3,650,000	11,207,000
Wisconsin	166,975,000	250,000	74,824,000	91,901,000
Wyoming	1,707,000	0	672,000	1,035,000
Total	6,430,476,000	391,770,000	2,748,564,000	3,290,142,000
Reduction for Administrative Savings	-128,393,000	0	-58,393,000	-70,000,000
Subtotal excluding Non-Federal Matching	5,910,313,000	-	2,690,171,000	3,220,142,000
Subtotal including Non-Federal Matching	6,302,083,000	391,770,000	2,690,171,000	3,220,142,000
Collections and Adjustments	-4,000,000	0	0	-4,000,000
Supplemental	-106,457,000	0	0	-106,457,000
Total	6,191,626,000	391,770,000	2,690,171,000	3,109,685,000

1/ No State program under title XIX.

MEDICAL ASSISTANCE: Estimated Total Federal, State and Local Expenditures Including Vendor Payments, Administration and Non-Federal Matching for Fiscal Year 1972

States and Territories	Total	Non-Fed Matching	State Share	Federal Share
Alabama	119,978,000	368,000	26,688,000	92,922,000
Alaska	1/ ---	1/ ---	1/ ---	1/ ---
Arizona	1/ ---	1/ ---	1/ ---	1/ ---
Arkansas	15,400,000	100,000	3,237,000	12,063,000
California	1,575,465,000	0	784,260,000	791,205,000
Colorado	61,514,000	1,653,000	25,467,000	34,394,000
Connecticut	120,520,000	260,000	59,920,000	60,340,000
Delaware	7,078,000	0	3,538,000	3,540,000
Dist. of Col.	45,298,000	426,000	22,366,000	22,506,000
Florida	126,001,000	0	49,336,000	76,665,000
Georgia	173,518,000	0	53,856,000	119,662,000
Guam	325,000	0	162,000	163,000
Hawaii	28,395,000	2,849,000	12,703,000	12,843,000
Idaho	16,794,000	0	5,223,000	11,571,000
Illinois	282,240,000	0	140,628,000	141,612,000
Indiana	47,928,000	120,000	22,637,000	25,171,000
Iowa	42,639,000	0	18,014,000	24,625,000
Kansas	52,794,000	5,534,000	20,011,000	27,249,000
Kentucky	81,289,000	0	21,537,000	59,752,000
Louisiana	68,884,000	550,000	18,386,000	49,948,000
Maine	33,836,000	400,000	10,680,000	22,756,000
Maryland	122,062,000	18,676,000	51,573,000	51,813,000
Massachusetts	328,324,000	22,025,000	153,134,000	153,165,000
Michigan	275,300,000	0	137,360,000	137,940,000
Minnesota	110,430,000	0	47,938,000	62,492,000
Mississippi	47,895,000	198,000	9,151,000	38,546,000
Missouri	73,260,000	6,000,000	27,434,000	39,826,000
Montana	11,281,000	0	4,002,000	7,279,000
Nebraska	21,942,000	0	9,352,000	12,590,000
Nevada	9,221,000	0	4,548,000	4,673,000
New Hampshire	8,330,000	0	3,468,000	4,862,000
New Jersey	244,160,000	15,545,000	113,684,000	114,931,000
New Mexico	20,253,000	0	5,958,000	14,295,000
New York	1,731,958,000	226,600,000	752,133,000	753,225,000
North Carolina	110,411,000	1,600,000	31,649,000	77,162,000

See Footnote on next page.

(continued)

MEDICAL ASSISTANCE: Estimated Total Federal, State and Local Expenditures Including Vendor Payments, Administration and Non-Federal Matching for Fiscal Year 1972(cont'd)

States and Territories	Total	Non-Fed Matching	State Share	Federal Share
North Dakota	14,835,000	0	4,412,000	10,423,000
Ohio	141,329,000	0	66,957,000	74,372,000
Oklahoma	101,532,000	0	31,871,000	69,661,000
Oregon	27,924,000	1,295,000	11,252,000	15,377,000
Pennsylvania	513,089,000	115,612,000	178,794,000	218,680,000
Puerto Rico	90,583,000	20,622,000	49,961,000	20,000,000
Rhode Island	46,450,000	0	23,104,000	23,346,000
South Carolina	48,077,000	918,000	10,850,000	36,309,000
South Dakota	12,125,000	0	3,687,000	8,438,000
Tennessee	43,308,000	83,000	11,814,000	31,411,000
Texas	159,024,000	0	55,303,000	103,721,000
Utah	21,800,000	0	6,665,000	15,135,000
Vermont	20,920,000	0	7,503,000	13,417,000
Virgin Islands	1,991,000	481,000	860,000	650,000
Virginia	83,637,000	0	30,254,000	53,383,000
Washington	134,771,000	11,183,000	61,893,000	61,695,000
West Virginia	21,401,000	3,000,000	4,517,000	13,884,000
Wisconsin	186,601,000	255,000	81,652,000	104,694,000
Wyoming	1,997,000	5,000	758,000	1,234,000
Total	7,686,117,000	456,358,000	3,292,140,000	3,937,619,000
Reduction for Administrative Savings	-201,761,000	0	-91,761,000	-110,000,000
Subtotal excluding Non-Federal Matching	7,027,998,000	-	3,200,379,000	3,827,619,000
Total including Non-Federal Matching	7,484,356,000	456,358,000	3,200,379,000	3,827,619,000

1/ No State program under title XIX.

Child Welfare Services

Actual and Estimated Awards 1/
Fiscal Years 1970-72

State	1970 Actual	1971 Estimated	1972 Estimated
Alabama	$ 1,066,599	$ 1,042,086	$ 1,042,086
Alaska	125,858	127,520	127,520
Arizona	494,578	501,292	501,292
Arkansas	616,098	611,752	611,752
California	3,340,360	3,329,752	3,329,752
Colorado	502,001	512,090	512,090
Connecticut	509,013	510,680	510,680
Delaware	164,784	165,573	165,573
District of Columbia	179,792	179,033	179,033
Florida	1,407,695	1,438,525	1,438,525
Georgia	1,263,437	1,266,482	1,266,482
Guam	98,412	106,046	106,046
Hawaii	235,099	235,982	235,982
Idaho	248,513	249,013	249,013
Illinois	1,867,662	1,864,655	1,864,655
Indiana	1,107,426	1,107,375	1,107,375
Iowa	633,738	627,315	627,315
Kansas	542,582	540,757	540,757
Kentucky	893,589	888,087	888,087
Louisiana	1,116,929	1,111,981	1,111,981
Maine	301,149	299,254	299,254
Maryland	795,242	792,074	792,074
Massachusetts	1,013,767	1,012,817	1,012,817
Michigan	1,780,352	1,767,448	1,767,448
Minnesota	867,107	869,806	869,806
Mississippi	819,097	809,440	809,440
Missouri	1,019,896	1,019,927	1,019,927
Montana	236,262	234,473	234,473
Nebraska	370,635	369,432	369,432
Nevada	142,325	153,340	153,340
New Hampshire	218,268	220,322	220,322
New Jersey	1,217,741	1,217,981	1,217,981
New Mexico	365,448	356,715	356,715
New York	2,856,269	2,883,305	2,883,305
North Carolina	1,402,424	1,397,936	1,397,936
North Dakota	230,546	224,406	224,406
Ohio	2,210,335	2,214,146	2,214,146
Oklahoma	639,562	644,015	644,015
Oregon	473,138	471,891	471,891
Pennsylvania	2,305,274	2,281,801	2,281,801
Puerto Rico	1,091,366	1,108,635	1,108,635
Rhode Island	236,373	235,304	235,304
South Carolina	846,702	844,289	844,289
South Dakota	236,744	234,851	234,851
Tennessee	1,072,769	1,063,342	1,063,342

	1970 Actual	1971 Estimated	1972 Estimated
Texas	2,776,151	2,803,702	2,803,702
Utah	358,144	357,992	357,992
Vermont	167,864	169,518	169,518
Virginia	1,130,950	1,134,942	1,134,942
Virgin Islands	92,523	91,300	91,300
Washington	672,006	690,664	690,664
West Virginia	520,382	513,704	513,704
Wisconsin	963,582	953,928	953,928
Wyoming	141,342	141,304	141,304
Total	45,985,900	46,000,000	46,000,000

1/ Each State receives a uniform grant of $70,000 and an additional grant which varies directly with child population under 21 and inversely with average per capita income. The 1972 estimates represent tentative apportionment of the amount requested.

FRIDAY, MAY 14, 1971.

WORK INCENTIVES

WITNESSES

STEPHEN P. SIMONDS, COMMISSIONER, COMMUNITY SERVICES ADMINISTRATION
JOHN D. TWINAME, ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE
W. HOWARD TUCKER, EXECUTIVE OFFICER, COMMUNITY SERVICES ADMINISTRATION
RANDOLPH W. LEE, DIRECTOR, BUDGET DIVISION, SOCIAL AND REHABILITATION SERVICE
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET
PAUL J. FASSER, JR., DEPUTY ASSISTANT SECRETARY FOR MANPOWER AND MANPOWER ADMINISTRATOR
ROBERT J. BROWN, ASSOCIATE MANPOWER ADMINISTRATOR FOR THE U.S. TRAINING AND EMPLOYMENT SERVICE
DON BEATTY, CHIEF, WORK INCENTIVES PROGRAM
JAMES P. ROBERTS, JR., ACTING CHIEF, DIVISION OF BUDGET PLANNING AND DEVELOPMENT
RICHARD E. MILLER, ASSOCIATE MANPOWER ADMINISTRATOR FOR FINANCIAL AND MANAGEMENT SYSTEMS

WORK INCENTIVES—OBJECT CLASSIFICATION

[In thousands of dollars]

	1970 actual	1971 estimate	1972 estimate
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE			
Grants, subsidies, and contributions	15,585	38,000	78,000
ALLOCATION TO DEPARTMENT OF LABOR			
Personnel compensation:			
Permanent positions	2,246	2,479	1,822
Positions other than permanent	.....	13	13
Other personnel compensation	23	3	3
Total personnel compensation	2,269	2,495	1,838
Personnel benefits: Civilian employees	174	187	137
Travel and transportation of persons	157	239	226
Transportation of things	3	11	5
Rent, communications, and utilities	273	115	96
Printing and reproduction	3	55	49
Other services	4,087	7,192	5,766
Supplies and materials	22	52	46
Equipment	23	23	17
Grants, subsidies, and contributions	78,781	49,749	188,820
Total obligations, allocation to Department of Labor	85,792	60,118	197,000
Total obligations	101,377	98,118	275,000

PERSONNEL SUMMARY

ALLOCATION TO DEPARTMENT OF LABOR			
Total number of permanent positions	227	227	153
Full-time equivalent of other positions	1	1	1
Average number of all employees	194	211	140
Average GS grade	9.8	9.8	10.3
Average GS salary	$12,373	$12,732	$14,530

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
1. Training and incentives:			
(a) On-the-job training	604	1,560	10,536
(b) Institutional training	59,715	91,480	127,190
(c) Work experience and orientation	8,268	11,840	30,033
(d) Work projects	283	2,400	3,337
(e) Employability planning, job development and followup	8,838	11,523	19,845
(f) Program direction and evaluation	5,219	7,148	8,000
2. Child care	18,443	40,589	78,000
Total program costs, funded	101,370	166,810	276,941
Change in selected resources [1]	7	−68,692	−1,941
Total obligations	101,377	98,118	275,000
Financing:			
Unobligated balance lapsing	623		
Budget authority	102,000	98,118	275,000
Budget authority:			
Appropriation	120,000	98,000	275,000
Portion withdrawn (Public Law 91-204, sec. 410)	−18,000		
Appropriation (adjusted)	102,000	98,000	275,000
Proposed transfer for civilian pay act increases		118	
Relation of obligations to outlays:			
Obligations incurred, net	101,377	98,118	275,000
Obligated balance, start of year	91,331	106,017	57,673
Obligated balance, end of year	−106,017	−57,673	−102,173
Adjustments in expired accounts	−73		
Outlays, excluding pay increase supplemental	86,618	146,344	231,400
Outlays from civilian pay act supplemental		118	

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1969, $86,520,000 (1970 adjustments, −$73,000); 1970, $86,454,000; 1971, $17,762,000; 1972, $15,821,000.

Mr. NATCHER. The committee will come to order.

We take up at this time the work incentives program of the Social and Rehabilitation Service.

We have before the committee Mr. Simonds.

We shall be pleased to hear from you, Mr. Simonds.

Mr. SIMONDS. Mr. Chairman and gentlemen:

If the chairman will permit, I will make an introductory statement on the WIN program which, as you know, is a jointly administered work incentive program by the Departments of HEW and Labor, continue with just a bit more detail on our end of the responsibility, child care, and then relinquish the floor to my colleague from the Department of Labor, Mr. Paul Fasser.

If it is all right with you, I will read the statement.

Mr. NATCHER. You may proceed.

GENERAL STATEMENT BY COMMISSIONER, COMMUNITY SERVICES ADMINISTRATION

Mr. SIMONDS. The work incentive program was authorized by the 1967 amendments to the Social Security Act and became operable in July 1968. Its purpose is to develop the employment potential of recipients of public assistance and place them into employment. Its organization is such that as a joint DOL/DHEW program the supporting funds appear in the HEW budget but funds required for training are transferred to the DOL while funds required for child care are

retained by HEW. After I have presented an overview of the program, if it is agreeable with the committee, I will discuss the child care features in more detail prior to relinquishing the floor to my colleagues from the Department of Labor who will present the training and employment segment of the program.

The first step in the operation of the WIN program is performed by the State and local welfare agencies. Recipients are assessed to determine if they are appropriate for referral to the manpower agency for work or training under the WIN program. In order to refer these persons to the work incentive program, the welfare agency must provide a medical examination and child care services if needed.

The medical examination is to ascertain if any medical conditions exist which would limit or prevent participation in work or training. Generally, restorative medical services can then be provided under the State's medicaid plan or, if appropriate, the individual is referred to the vocational rehabilitation program. However, providing the pre-referral medical examination has been difficult for many welfare agencies due to the paucity of medical resources in some locations—especially rural ones—and the heavy workloads of available medical resources. In the beginning of the program, referrals were slowed up considerably by the problems of securing the medical examinations, but with experience and the passage of time, welfare agencies are developing medical resources and improving arrangements to secure the examinations and medical reports.

Once an individual is referred to WIN, the manpower agency provides manpower services and the welfare agency continues to provide financial support and social services as needed.

PROBLEMS FACING WIN

The work incentive program has promising features. It also has its problems. Both the Departments of Health, Education, and Welfare and Labor have experienced difficulty in their administration of the program. On the welfare side the three most critical problems are:

1. Lack of State and local funds to match Federal money.
2. Lack of welfare staff at the Federal, State, and local level.
3. The ever increasing caseloads.

May I add, parenthetically, Mr. Chairman, that the training aspects of the program were funded at 80 percent Federal funds through appropriations; that the administrative costs of the welfare side of the program were funded at 75 percent and the welfare agencies of the State governments were expected to come up with their share of new money for cost of administrating both the training and the child care activities. This has been one of the major problems we have encountered in getting the program mounted.

During the last quarter of 1970, the joint DHEW–DOL task force provided on-site technical assistance to 17 State and local WIN localities. Following these visits there has been a noticeable increase in cases assessed and cases referred to WIN. A cumulative total of 2,282,481 had been assessed through December 31, 1970, of which 534,824 were found appropriate for referral and 397,082 were referred. This represents an increase of 386,692 assessments, 139,609 found appropriate for referral, and 101,142 referrals over the period ending June 31, 1970.

In addition, a number of States have begun to take very concrete steps toward correcting many of the problems they were facing in the operation of the program.

COORDINATION BY SRS WITH STATES AND LOCAL AGENCIES

In general, there is better use of the resources of vocational rehabilitation services. Many States and local agencies have made progress in establishing better communications and cooperation between welfare staff and staff of the manpower agency. Some States have been able to work through the problem of developing more medical resources through the use of clinics, hospitals, and groups of private physicians. In New York City, a welfare worker is assigned to each WIN team to serve as a liaison person and a WIN Coordinating Committee has been established.

Both departments, incidentally, have found that this team approach is absolutely essential to successful employability planning in this program. This committee consists of State and local welfare and employment service staff. The purpose of this committee is to resolve problems in the WIN program.

Some of the problems they have focused on include trying to lessen the length of the "holding" period when a person is waiting for training, between training cycles, or waiting for a job to become available after training is completed; establishing better working relationships between welfare staff and the Employment Service staff through joint orientation; and making the necessary child care available to trainees and eligible working mothers.

We have some examples of successfully working out problems that were first encountered. For example, the Denver, Colo., county welfare and employment service have set up joint staff meetings at all levels. In Atlanta, Ga., the welfare agency has made arrangement with a local hospital to do their prereferral medicals, thus cutting down the time lapse between medical examination and return of the medical report to the welfare agency. A number of States have set up special units within the welfare agency to handle WIN referrals. We will be pursuing that objective, particularly cencentrating on this objective, in the year ahead.

Because States are apparently charging WIN child care to services under the Social Services portion of our public assistance program, under Title IV–A, the Social Services portion of our public assistance program, and charges made as maintenance payments under the "income disregard", by netting a person's income before we determine the amount of assistance that he will be eligible for, we expect to obligate only $26,400,000 of the $38 million appropriated for WIN child care in 1971. The balance, or $11,600,000, has been transferred to the Department of Labor to be used for training and incentives activity.

The 1972 requested amount for the work incentives appropriation is $275,136,000, an increase of $176,956,000 over the 1971 appropriation of $98,180,000. This would provide for $197,136,000 for the Department of Labor to administer the training and incentives activity and $78 million for the Department of Health, Education, and Welfare to administer the child care activity.

CHILD CARE SERVICES FOR WIN ENROLLEES

Child care for WIN enrollees may be provided in the child's own home or as day care outside of his own home. In either event the service must be designed to contribute to the development of the child. Care of the child outside his own home is subject to Federal interagency day care requirements. Care must be available on a full-time basis for preschool children and for school-age children during those periods of time when the child is not in school. Child care services continue after the parent has completed training as long as the care is essential to maintenance of employment. The employed parent is required to pay an appropriate portion of the costs of care.

During the first half of fiscal year 1971, the estimated average number of families benefiting from WIN child care was 37,443 with an average enrollment of 93,608 children. This represents an increase of 18,916 families and 47,291 children, or 102 percent over the average numbers benefiting from and receiving child care during the first half of fiscal year 1970. Out-of-home care during the first half of fiscal year 1971 represents 54 percent and in-home care represents 46 percent of the child care provided.

It is sometimes assumed, Mr. Chairman, that the out-of-home care is principally in organized day care centers. That is not the case. Only about 8 percent of the children are actually in what we think of as organized day care centers. The other children cared for outside of their home are generally in somebody else's home, a family day care home.

PROBLEMS IN PROVISION OF CHILD CARE

Providing child care continues to present problems. Although there continues to be a problem in obtaining adequate child care it can no longer be identified as a major deterrent to referrals. At present the States, with few exceptions, are maintaining referral levels consistent with their slot allocations, that is, the WIN slot allocations determined by the Department of Labor. Of course, more mothers could be referred if there were more child care arrangements available. Child care is constrained in some States by the availability of State and local matching funds. A number of States are taking very positive steps in an effort to cope with problems related to child care. The following are examples of what some of the States are doing to help overcome these problems.

Connecticut.—In order to fill a need for more licensed family day care homes and accessible full-time licensed day care centers, the State agency is (a) participating with a State Day Care Council and Task Force to develop day care center standards and develop licensed day care centers; (b) issuing a flyer widely to stimulate development of more licensed day homes; (c) executing a contract with Model Cities for day care services; and (d) contracting for group child care slots in existing day care centers. In addition, the agency is requesting more staff and an open-ended budget. The State is also planning to do a study of the reasons for the breakdown of child care plans.

Georgia.—Day care centers do not exist in many of Georgia's small counties. In Fulton County (Atlanta), many of the day care facilities cannot meet the Federal Interagency Day Care Requirements, which is a limiting factor on the number of facilities available. In order to

make child care more accessible, the State has assigned four day care specialists to the WIN-welfare unit to develop family group care resources.

Ohio.—In order to overcome the poor coordination between public assistance and child welfare staff, the State agency has set up a special unit which is responsible for consulting with mothers relative to needed child care services immediately after she has been determined appropriate for referral to WIN. In addition, the Employment Service and welfare are working on a plan whereby the Employment Service will make provisions for child care in their office while mothers are being seen for an interview or for other short-term contacts.

Texas.—After having reported a lack of matching funds for child care, the State later approved the additional funds necessary to match the Federal share and assigned additional staff, thus overcoming its two major handicaps which were lack of staff and child care funds.

SUMMARY

On December 31, 1970, 97,110 children of WIN enrollees and employed former enrollees were receiving child care. It is estimated that our target of 135,000 children will be receiving care by June 30, 1971, even though obligations did not meet our expectations, and that 235,000 children will be receiving care by June 30, 1972.

The estimate for child care costs in fiscal year 1972 is $78,000,000. This program level would provide child care for an average monthly number of children of 200,000 with an annual unit cost of $520 per child, of which the Federal share would be $390, or 75% of the cost. This represents an increase of $40,000,000 over the 1971 appropriation of $38,000,000 and will provide for an additional 82,838 average number of children receiving care.

Mr. Chairman, this concludes my statement. I will be happy to answer any questions you or any members of the Committee might have.

Mr. NATCHER. Suppose we hear from you at this time, Mr. Fasser.

GENERAL STATEMENT OF MANPOWER ADMINISTRATOR

Mr. FASSER. Mr. Chairman and Members of the Committee, I am pleased to appear before you today to discuss the role of the Department of Labor in administering the manpower part of the work incentives program and to request the necessary resources for program operations in fiscal year 1972.

We are requesting $197,136,000 for the WIN training and incentive activity to finance an average enrollment of 160,000 in 1972. This is an increase of 50,000 average enrollment opportunities over the estimated 110,000 we expect to realize in 1971. It anticipates moving the enrollment level from 127,000 on July 1, 1971, to 191,500 on June 30, 1972. This will be accomplished through refunding of WIN programs in the 49 States and 4 territorial jurisdictions funded for operation in 1971. New Hampshire, the only state not now in the program due to legal impediments, is expected to enter by June 30, 1971.

Cumulative enrollments at the end of fiscal year 1970 totaled 173,300. During the first 8 months of fiscal year 1971, 76,800 additional individuals were enrolled, bringing the total cumulative enroll-

ment since the inception of the program up to 250,100 on February 28, 1971. Of this number, 110,800 individuals left the program prior to completing their employability plan. It should be noted, however, that 75 percent of those leaving early terminated for good cause. Reasons for leaving the program early are as varied as there are human problems. Some of the major reasons include: illness, pregnancy, care for family, transportation problems, enlistment in the armed forces, full-time school and move from the area.

The other 25 percent are considered to have left without good cause and are again, in most cases, outside the control of the employability team. The two biggest reasons are, refusal to continue in the program and the complete disappearance of the enrollee. Only about 1 percent of those terminated are terminated because of administrative reasons resulting from employability teams' decisions. Not all of those terminated from the WIN program are lost. Welfare agencies continue to follow-up on those who are separated and many have found their way back into the program following further supportive services by welfare.

The number of enrollees that have actually remained in the program is 139,300. Of this number, 46,000 had completed training as of February 28, 1971, of which 39,100 had been placed in jobs, for a placement rate of 85 percent. Of the total job placements, 27,500 completed the 90–180 day follow-up period and thus had been terminated from the program. The remainder of 11,600 in wage paying jobs were still counted as WIN enrollees since they were still receiving follow-up services after placement until a minimum of 90 days had elapsed. It should be noted that WIN has a rigorous definition of placement, since it considers the job retention factor as well as entry into a job. The remaining 72 percent of persons who stay with the program, or 100,200, are still in various stages of their individual employability plans and are not yet ready for the placement process. The average length of time in the program is 9 months and it should be remembered that most enrollments are fairly recent since the program has only been fully operational in all States, except New Hampshire, since last summer.

PROBLEMS ENCOUNTERED IN WIN ADMINISTRATION

We feel that at this stage of a relatively new program, given the many problems that have been encountered, these placement figures indicate real program success.

This reward of success, however, does not mean we don't have problems. A national program designed to overcome a growing social and economic problem—dependency—is certain to have start-up problems, many of which are administrative. It also is going to face problems which will be chronic, because they reflect either the basic causes of dependency, or the social and economic traditions which have become barriers to independence. The administrative task is to operate a program, within the legal authorization, which provides the most effective and economical vehicle to economic independence for the employable of the welfare population.

Most of the early problems of the program were basically administrative rather than a result of the concept or design of the program. A difference in interpretation of the law between welfare and employ-

ment agencies during the start-up period sometimes hindered the development of a smooth, efficient enrollment process. The time required to develop educational and vocational training components was often underestimated, resulting in bottlenecks between components. Another major cause of start-up difficulties was the absence of preexisting administrative relationships. For example, differences in interpretation of WIN guidelines at the State level by welfare agencies and the employment service created early administrative problems.

One of the very large problems is that there is often a slip between the referral and the enrollment because many of those referred by the welfare agency do not show up for enrollment. So, there is some discrepancy between the figures that the HEW cited as referrals and those that we cite.

Other issues which required considerable staff attention during the start-up period were: Procedures for payment of enrollee transportation costs; clarification of case worker responsibilities for insuring that those referred to WIN report to the enrollment interview; problems of the welfare department in working out child care arrangements—and other services—after a WIN graduate has been successfully employed; staffing problems in the welfare departments and above all, guidance on building effective relationships to remove bureaucratic obstacles to the enrollment process.

ACTIONS TAKEN TO INCREASE PROGRAM EFFICIENCY

During fiscal year 1970 a joint task force was established by the Deputy Assistant Secretary for Manpower and the Administrator of Social and Rehabilitation Services in HEW. This joint national level group worked with regional, state and local staffs to solve problems and to improve coordination and cooperation between the two agencies at all levels. As a result of the task force's efforts, referrals and enrollments have increased significantly. The group continues to meet regularly to review and resolve problems of mutual concern.

We are now establishing regional task groups. These will function as action groups working to increase the effectiveness and efficiency of the program. As such, they will be able to develop interagency teams capable of on-the-spot resolution of operational and other problems such as lagging enrollments, assessments and referrals.

During the third quarter of fiscal year 1971 our regional manpower administrators developed corrective action plans for each State. These plans described operating problems obstructing the fulfillment of program objectives and identified step by step solutions to these problems. Corrective actions have been initiated and, thus far these actions have resulted in the elimination of some basic statistical reporting problems, extensive revisions of financial management procedures to become effective on July 1, 1971, and a new approach to the use of the WIN–OJT component as a means of increasing job placements.

IMPROVEMENT OF ON-THE-JOB TRAINING PROCEDURES

WIN–OJT expansion has been inhibited for the following reasons: Procedural difficulties within the States which require a time consuming State approval process for local OJT contracts; the failure of

States to provide adequate training to WIN teams in OJT procedures; and organizational structure in many States which separate the OJT function from the WIN team, thereby negating the WIN concept of tailoring the OJT position to the individual's needs. To correct these problems and to insure increased utilization of WIN–OJT, a simplified process has been developed for implementation in fiscal year 1972. This is a three-step process that requires filing a one page Declaration of Intent by employers, preparation of a two page negotiated fixed price contract document, and filing a one page invoice on a monthly basis for reimbursement of OJT provided under the contract. In addition to its brevity, the process is flexible in that the WIN employability team job development specialists can quickly tailor an OJT slot to the needs of individuals in the team caseload. Its simplicity enables both the employer and the WIN employability development team member to easily understand and follow the process necessary for contract development and job placement using the WIN–OJT design.

EXAMPLES OF GOOD INTERAGENCY RELATIONSHIPS

Particularly good results in terms of interagency relationships have been attained in administering WIN in some areas. Minnesota, Ohio, Illinois, Texas, New Mexico, and Utah have different combinations of agency personnel working out of the same office or the same building including welfare, vocational rehabilitation, and the employment service. The Chicago welfare agency is very careful that medical attention is given before referral and it has a good assessment of child care needs and establishment. Attention to these areas avoids many of the problems which cause people referred to drop out after enrollment. In Iowa and Utah, close interagency cooperation has produced very low initial component holding rates—16 and 19 percent respectively. In Waterloo and Cedar Rapids, Iowa, the Social Services Department has a team working full time on work incentives and weekly meetings are held between employment service WIN teams and social service teams to discuss referral and enrollee problems.

LACK OF STATE MATCHING FUNDS AND CHILD CARE

Since the beginning of WIN, the 20 percent State matching requirement to be arranged for by State welfare has been the most restrictive fiscal feature of the program. Some State legislatures have not allocated enough to permit a Federal payment to the level they should have received in terms of need and capacity. The lack of State matching funds severely restricts and limits WIN's capability to allocate program resources to areas of greatest need.

The lack of adequate child care has presented problems affecting some clients' entry into the program completing it and then holding jobs after placement. Major reasons for the shortage of child care arrangements have been the requirement that the State welfare agencies supply 25 percent of the funds and the fact that on Federal funds for the acquisition or construction of facilities were provided. Most State welfare agencies already face a fiscal crisis and find it difficult to incur additional costs required for matching purposes.

EFFECT OF ECONOMIC FLUCTUATIONS ON ENROLLMENT

The recent economic fluctuations have also had an impact upon WIN placements. For example holding for job placements has increased from 2,500 on June 30, 1970 to 6,900 by February 28, 1971. During that time, the percent of enrollees in this category has doubled from 3 percent of current enrollment to 6 percent of current enrollment. The 10 States accounting for 60 percent of holding for job placement have also experienced an increase ranging between 20 and 60 percent in their unemployment rate during the past year. These 10 States are: Louisiana, Michigan, Ohio, California, New Jersey, Oregon, Rhode Island, Alabama, Pennsylvania, and Illinois.

If end of month net enrollment continues to increase at the rate experienced through the first half of fiscal year 1971, an average enrollment of 110,000 will be achieved for the year. This is only 1.3 percent below the planned level of 111,500. Although certain costs, such as for State employee salaries, have increased by more than was planned, we are confident that the actual cost of the average enrollee will not exceed the planned level by more than 2 percent. The total cost of the program for fiscal year 1971 is not expected to deviate from the initially planned cost of $118.8 million excluding Federal administration.

WIN PROGRAM EXPANSION

Adjustments in the child care activity under HEW permitted the recent transfer of $11.6 million to the training and incentives activity. Due to the lead time needed for expansion of the program the additional funds will not significantly affect enrollment before June of this year. However, they should provide a stimulus to enrollment in July and August.

The solutions we have found to many of the problems besetting WIN have set the stage for expansion of the program in fiscal year 1972. We are prepared for a major increase in the size of the program, both in larger enrollments and geographically. The legislation indicates that WIN is to be universally available to all AFDC recipients. The appropriations have so far enabled us to implement the program in about 280 areas covering about 900 counties. In terms of geographic coverage, slightly more than half of the 900 counties are rural. A majority of the new counties entering the program in fiscal year 1972 will also be rural areas. The new areas to which the program will be expanded are being identified and will be shown in fiscal year 1972 State plans now in preparation by State agencies.

In terms of expansion, it is also vitally important to keep in mind the relationship of the work incentive program to the new family assistance plan. WIN clients will be absorbed into the total group of "employable" clients as a nucleus of registrants for training or placement. WIN will therefore provide the institutional base for implementing the new Plan, and that base should be as wide and comprehensive as possible. Sufficient funds should be available to insure maximum flexibility and responsiveness in the WIN program during this continued buildup period and transition to the family assistance plan.

Mr. Chairman, this concludes my statement. I shall be very happy to answer any questions you or the members of your committee may have.

Mr. NATCHER. Thank you, gentlemen.

SUCCESS OF WIN CONSIDERING WELFARE RISE

This program was enacted by Congress in the 1967 social security amendments, with the objective of getting people off the welfare rolls and into jobs.

According to our figures, since the program got started in July of 1968, the number of welfare recipients has risen by 50 percent, and the appropriations for welfare payments have almost doubled.

In the light of this tremendous increase in the welfare rolls, do you think that the work incentive program can be described as a successful experiment?

Mr. FASSER. Are you asking me that, sir?

Mr. NATCHER. Either one of you gentlemen.

Mr. FASSER. Yes, sir; it is a very successful program. In line with the rise in total welfare recipients, the program has developed steadily over the years.

It is a relatively new program and has grown faster than any other new manpower program. It is the largest program that Manpower administers.

To take a cutoff date of February 28, 1969, at that time we had enrolled 46,000. We have cumulatively since that time enrolled 250,000 people as of February 28, 1971.

We have placed on jobs, cumulatively since February 1969, 39,000 program enrollees. This is quite a significant number.

In addition to the 39,000 welfare recipients that we have placed in jobs, we have some 100,000 in the pipeline, within the program in various stages and components of training and employability team development.

It has been a successful program. It is expanding. For the first time we now have all the States on board except New Hampshire, and we can expand the program. We are looking to the areas that have the greatest need and are moving out to expand the program.

This is the reason for our substantial increase in the 1972 budget request.

STATISTICS ON WIN ENROLLEES

Mr. NATCHER. How many people have been enrolled in the program to date?

Mr. FASSER. We have cumulatively enrolled 250,000.

Mr. NATCHER. How many have actually been placed in jobs?

Mr. FASSER. 39,000, Mr. Chairman.

Mr. NATCHER. Of those placed in jobs, how many remain employed for more than 6 months?

Mr. FASSER. We have two phases of those placed in jobs. There are certain services under the program given to people who are placed on jobs for the first 6 months—27,000 of the placements have gone beyond that 6 months' period and are in their jobs. Another 12,000 are on jobs but still receiving some supportive service.

We have tried to determine how many of that 12,000 are likely to stay on the job in that 6 months' period, which gets to your question. That runs about 90 percent, that is, those who stay on after the 6 months' period. That is why we are talking about some 39,000 placed over the term of the program.

AVERAGE COST PER INDIVIDUAL PLACED IN A JOB

Mr. NATCHER. According to your justification, you expect 23,000 job placements in 1971 and 40,000 in 1972. Your total cost for 1971 is $167 million, and for 1972, $277 million. So, the average cost per individual placed in a job is $7,255 for 1971, and $6,926 for 1972.

Do you think that these are reasonable average costs?

Mr. FASSER. They are average costs, Mr. Chairman, if you want to take into account everything that you do for each individual who comes into the program. If you just relate it to those who terminate, then that is your peg and you must take off everything that you have done to anyone who has ever been in the program and anything that you are doing or providing for in terms of people who are in the so-called pipeline along the line towards a job entry.

The $7,000 figure is a bit high. It is not one that we use for purposes of determining total cost based on completers as opposed to people who are in the pipeline.

We are using a figure of around $5,000. This, of course, depends on the program mix and the kinds of supportive services that we must supply to people along the program. The figure does fluctuate from time to time.

Mr. NATCHER. Do you believe the costs can be reduced?

Mr. FASSER. Yes, sir. The costs can be reduced as the system becomes more efficient, as the employability teams become more knowledgeable about the problems of the welfare recipients, and as more jobs and training are developed.

For example, in my statement I talked about the new on-the-job training procedure that we have. This alone will substantially reduce the cost of putting an individual into an on-the-job training slot.

I think the cost of the treatment of each individual enrollee can be brought down as the program matures and evolves into a working program.

REPORT ON THE NEW YORK STATE WIN PROGRAM

Mr. NATCHER. According to an article which appeared in the New York Times on March 23, a special commission of the New York State Legislature which studied the WIN program described it as a failure. Of 17,814 enrollees, mainly mothers of welfare children, in the job training program's first 21 months, through last June, only 17 percent were placed in jobs, and only 4 percent remained employed beyond 6 months, according to the figures set forth in this news article.

Is this a fair criticism of the program?

Mr. FASSER. I do not have the details of that particular study, Mr. Chairman.

Mr. NATCHER. Have you heard about it?

Mr. BROWN. Mr. Chairman, we have heard about that. We can provide a statement for the record in connection with the specifics on that.

Mr. NATCHER. If you would, submit a statement to Mr. Neil, and we will take a look at it.

Mr. BROWN. The Commission has the same difficulty with the program in New York that we have had in terms of the total program of the Nation. If you discount all those individuals who are really in their first year of training or the first few months of training, and then apply the test of placement, it is somewhat inappropriate. One has to look at the program after it has been in operation for a number of months or a number of years so as to determine whether or not the graduates are placed at an acceptable rate.

It is very difficult to measure placement when your average enrollment for an individual is 3 or 4 or 5 months, and the term of the enrollment is a year. In other words, you cannot take a person who has started his high school career and in the first year measure how many graduates have been placed. You must wait until we graduate the individuals before you can have a firm measure on the effectiveness of the placement versus costs.

(The statement follows:)

ANALYSIS OF THE NEW YORK STATE WIN PROGRAM

(Response to New York Times article of March 23 on the Ineffectiveness of the New York WIN Program)

The most severe criticism of the New York WIN Program by the Legislative Commission on Expenditures Review was that "based on the objective of providing employment and self-support for welfare recipients . . . the WIN program is a failure." This crituque is contained in the summary statement of the commission's report. In the full report the commission presents an accurate picture of the many problems which affected both the employment service and welfare agencies during the first 21 months of program operation. Based on these findings, to deem the program a failure is a non-sequitur.

As of June 30, 1970, 2,105 WIN enrollees were in jobs; 771 of them had completed the 90 to 180 days followup period and had been terminated from the program (15.1 percent of all terminations), and 1,334 were still receiving followup services. If those in jobs receiving follow-up services were also considered as program completors, the placement figure relative to terminations would be 33 percent. These placement results are comparable to WIN experience in other States. Based on a cumulative enrollment level of 17,814 as of June 30, 1970, 70 percent of all enrollees were still in the program, 11 percent has been placed in jobs, and 24 percent had been terminated without placement. Only 6 percent had been terminated as dropouts; the remainder had been terminated for good cause such as illness, pregnancy, care of family, moved from area, etc.

At the end of fiscal year 1970, 12,709 people were enrolled in the New York program. The enrollees were participating in the following components:

Component	No. of enrollees	Percent
Holding	4,226	33
Basic education	3,943	31
Other training	2,133	17
Follow-up (job entry)	1,334	10
Orientation	1,073	9
Total	12,709	100

Of those reported in holding, approximately 53 percent or 2,262 are not currently participating in a work experience or training component because of outside problems that have developed since enrollment, such as illness, childcare, transportation, and so forth—problems which are being addressed by the local welfare agency.

*Percentages do not add to 100 percent because enrollees in follow-up are shown as current participants and job placements.

The remaining 1,964 enrollees who were in program-related holding were awaiting the beginning of a training component or job entry and receiving staff support services from the ES. Enrollees who were in holding for a program-related reason represent only 13.6 percent of all program participants.

Almost one-third of the enrollees who were participating in the program were in basic education. The report implied a concern that education had been emphasized at the expense of skill training. The report noted that: "Convinced that an individual cannot participate in meaningful training or employment without the minimum educational levels needed in a tight labor market, WIN administrations have emphasized basic education."

The ES is, however, becoming more flexible in the use of basic education. At the time of the onsite interviews. Commission staff learned that WIN teams were reevaluating the employability plans of those enrollees who had not shown significant improvement after long-term involvement in basic education. Since the audit date, the ES has initiated a study of the basic education component. The results of the study will be utilized to improve the quality of basic education. In addition, State WIN staff have recently begun to design multioccupational tie-ins with prevocational education, such as basic education appropriately related to skill training at the same facility.

These efforts on the part of the ES should result in a basic education component which is more appropriate to the needs of individual enrollees. Many of the problems which were noted by the Commission will be corrected by assuring enrollee progress, reducing the length of time required for basic education and accelerating the enrollee's potential for skill training.

The Commission was also critical of the ES for the small numbers of people involved in OJT or vocational training. Only 17 percent (2,133) of the current enrollment were participating in vocational training, 34 of whom were in OJT. As the basic education design is amended to create direct tie-ins between education and skill training, the numbers of people receiving skill training will increase. While WIN enrollees still need to attain educational levels which will enable them to be competitive, this will be achieved at a faster rate.

In addition, much of the New York City enrollment in the last several months has been Spanish-speaking enrollees. The ES had determined that English as a second language was appropriate for these enrollees. This usually required lengthy classroom participation. However, it was noted at the New York City Coordinating Committee on February 16, 1971, that WIN staffs have concluded that these courses are not always necessary for employment. As this philosophy is applied it, too, will help reduce the numbers of people in education and increase the emphasis on skill training.

The regional staff indentified the under utilization of OJT as a problem area in the New York State Corrective Action Plan. Corrective action will include training of WIN team job developers by OJT specialists, developing procedures to enable teams to execute contracts at the local level, and assuring that WIN enrollees receive priority referral to JOBS and the JOBS optional programs. Regional staff will followup with the State to insure that emphasis on OJT is maintained.

The bulk of New York's effort is concentrated in New York City. The New York City project began operation in December 1968, following a dispute between the ES and Human Resource Administration over sponsorship. The ES was slow in developing project components primarily due to the complex State procedures for subcontracting. At the same time, from December 1968 through December 1969, the city welfare agency had simply failed to provide adequate referrals.

In January 1970, a coordinating committee of Regional DOL and HEW officials and representatives of New York State ES and Welfare was established at the direction of former Assistant Secretary Weber. The committee was mandated to improve the performance of the New York City project. This special effort was necessary because of the historical problems which had prevented effective program implementation.

The New York WIN program did not become effectively operational until June 1970 and did not achieve its maximum enrollment until November 1970. As the average duration of a WIN enrollee is 12 months, the payoff in placements is yet to be achieved.

Since the coordination committee was established, the New York City project has evidenced significant growth both in numbers of enrollees and in the quality of the program. The committee continues to meet on a regular basis to facilitate communication between the ES and Welfare and to deal with ongoing problems.

CONTINUING PROBLEMS WITH CHILD CARE

Mr. NATCHER. One of the problems we have heard a great deal about in the past is the lack of day care facilities and services for children of working mothers. Is there still a serious shortage of day care?

Mr. SIMONDS. Mr. Chairman, arranging for child care and coordinating that planning with the enrollee's training program is still a problem. Arranging for child care slots has increased vastly, as a matter of fact, over the last year, as I mentioned in my earlier testimony. There has been a 104-percent increase in the number of children in child care from fiscal 1970 to fiscal 1971.

We are predicting a substantial increase from 1971 to 1972.

The States have taken this on as a priority in their planning and funding. Despite the severe fiscal problems they have, they have given this a very high priority.

So, it is not the severe problem it was in the early stages. We have seen quite an increase. We do have more work to do on more effectively coordinating the child care arrangements with the mother's planning for training.

For example, we may make arrangements for a mother and her child, assuming that there will be an immediate slot available to her. It may require some time to make that training program available. She may be waiting for 1, 3, or 6 months, possibly longer. In the meantime, the child care arrangement has disappeared.

Under the present level of manpower training and available slots, it is this kind of personal planning with the family that is more of a problem now than the actual number of child care slots available.

Mr. NATCHER. Are you really making every effort now to expand the availability of child day care?

Mr. SIMONDS. Yes, sir. I would say unequivocally we are making every effort, a very strong effort, not only at the Federal level, but the States and counties are making an equally strong effort.

Without any question, the 25 percent local share of funding child care has been a problem, especially with the legislatures that meet biennially and have to come up with that additional amount. They are coming up with as much as they can.

Also, we are trying to find ways of helping the States meet their 20 percent of the shares of the administrative costs of the training side of the program. This is probably an even more difficult problem for the States. We are helping them find ways of doing that with inkind contributions, instead of cash.

RELATION OF WIN COSTS TO APPROPRIATIONS

Mr. NATCHER. According to the table on page 103 of the justifications, your total program costs are going from $166,872,000 in 1971 to

$277,077,000 in 1972. Your appropriation request goes from $98 million in 1971 to $275,136,000 in 1972. You do not need to try to explain this here but, if you will, please, supply a table for the record which relates costs to appropriations for 1968 through 1972.

Mr. SIMONDS. Yes, sir.

(The information follows:)

WORK INCENTIVES PROGRAM—APPROPRIATIONS, COSTS, OBLIGATIONS, AND OUTLAYS 1968–72

[Dollars in thousands]

Fiscal year	Appropriation	Total costs funded	Total obligations	Outlays				
				1969	1970	1971	1972	Total outlay
1968	$10,000	.....	$9,000	$6,479	$2,521	.....	.....	$9,000
1969	117,500	$37,374	114,821	26,084	58,549	$30,188	.....	114,821
1970	102,000	101,370	101,377	.....	25,548	75,829	.....	101,377
1971	98,180	155,272	98,180	.....	.....	38,183	$59,997	98,180
1972	275,136	277,077	275,136	.....	.....	.....	171,403	171,403
Totals	602,816	571,093	598,514	32,563	86,618	144,200	231,400	494,781

DISPOSITION OF D.C. WIN POSITIONS

Mr. NATCHER. Will you also please explain the footnote on page 94 of the justifications? Why are you including the dollars for the District of Columbia in your budget but not the positions? Why the dollars and not the positions? What do you have to say about that?

Mr. RICHARD E. MILLER. The District of Columbia Manpower Administration, for the purpose of this and many other programs, is treated as if it were a State. By virtue of a decision of the Budget Bureau some years ago, we established the practice of showing the District of Columbia Manpower Administration positions as if they were Federal positions.

In the preparation of the 1972 budget, that system changed, and in various parts of the Labor Department budget, positions for the District of Columbia Manpower Administration are now shown along with other State agency positions and are not handled as Federal positions.

Mr. NATCHER. Where do you show that now?

Mr. RICHARD E. MILLER. In the body of the justification where we deal with total State positions. We do not enumerate the specific D.C. positions.

Mr. NATCHER. Will this now appear in the D.C. budget?

Mr. RICHARD E. MILLER. I am not sure, Mr. Chairman. I would have to check that.

Mr. NATCHER. I wonder if you would check that and pass that information along to Mr. Neil.

(The following information was submitted:)

The plan during the preparation of the 1972 budget was to transfer the 74 District of Columbia manpower positions from the Department of Labor to the D.C. Government. Since this was not effected to date, and with the expiration of the President's reorganization powers, we will work with the appropriate agencies to correct this matter as early as possible.

PARTICIPATION OF WELFARE MOTHERS IN WIN

Would you say that the WIN program is primarily a program for welfare mothers?

Mr. FASSER. Yes, Mr. Chairman. Seventy percent of the enrollees in the WIN program are welfare mothers.

Mr. NATCHER. What percentage who have participated to date in the program are women?

Mr. FASSER. Between 67 and 70 percent.

Mr. NATCHER. What percentage of those who have been placed in jobs are women?

Mr. FASSER. We are not exactly sure, Mr. Chairman. It is about 65 percent. We will be glad to supply the precise figure.

(The information follows:)

As of March 31, 1971, 28,960 or 70 percent of those employed through the WIN program are women.

FUTURE EXPANSION OF JOB PLACEMENTS

Mr. NATCHER. According to the justification, you expect to place about 40,000 people in jobs in 1972. Do you expect to be able to increase this in future years?

Mr. FASSER. Yes, sir; as the program matures and as the economy goes up, we expect it to increase.

Mr. NATCHER. You do not guarantee that?

Mr. FASSER. We cannot guarantee that.

Mr. NATCHER. What is your overall target now, Mr. Fasser?

Mr. FASSER. Our overall target in terms of 1972 is to place 40,000 people in jobs. What we can do after that we will have to wait to see what our experience is in 1972, and we will also have to look to see what is happening in terms of the welfare reform. We will then make our judgment on what we will be able to do in this program as those developments occur.

PEOPLE SCREENED BUT NOT REFERRED FOR WIN

Mr. NATCHER. The first line of the table on page 102 of the justifications shows the cumulative number of people found appropriate for referral to the WIN program. How many people were screened and found not appropriate for referral?

Mr. TUCKER. Actually, it would be the difference between the number assessed and cumulative number found appropriate for referral. Through December 31, 1970, we had assessed 2,282,481 AFDC cases. Those found appropriate for referral during the same time were 534,824. The difference between that is something like 1,760,000 who were found to be not appropriate for referral.

Mr. SHRIVER. It would have to be 137,000, would it not?

Mr. TUCKER. 1,700,000.

Mr. SHRIVER. I thought you said 534,824.

Mr. TUCKER. Were found appropriate for referral.

Mr. SHRIVER. And 397,382 were actually referred.

Mr. TUCKER. We are trying to determine the difference between those assessed for referral, which is 2,282,000——

Mr. SHRIVER. What happens then?

Mr. TUCKER. We have always stated that only a very small percentage of the AFDC caseload really have potential for employment. Quite a large percentage of the caseload are mothers with very little children. Quite a large percentage have medical problems, including psychological and emotional problems. Another fairly large percentage are needed in the home to care for a sick relative, and also children.

Mr. SHRIVER. These are what you call inappropriate?

Mr. TUCKER. Inappropriate.

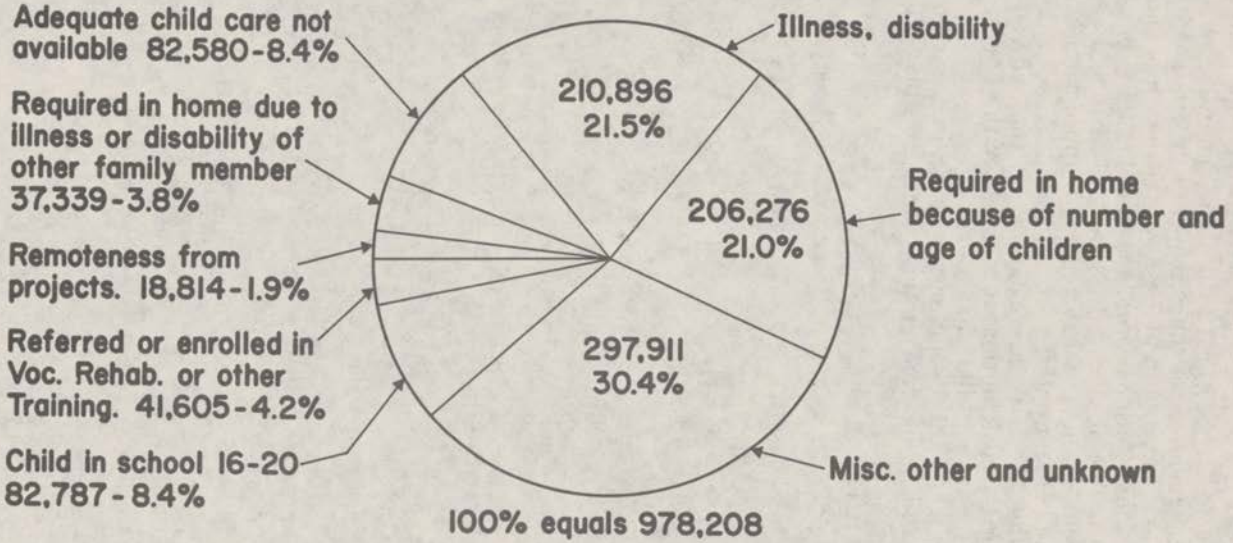
Mr. SIMONDS. We have a breakdown on that, if you wish, a pie chart showing the distribution of reasons for the finding of inappropriateness, if you would like that.

Mr. NATCHER. I think that ought to be in the record. Without objection, it will be inserted at this point. You may submit that to Mr. Neil, please.

(The chart follows:)

RECIPIENTS FOUND INAPPROPRIATE FOR REFERRAL TO WIN

July 1969 - December 1970 Only



Lack of adequate child care arrangements accounted for 22.5% of the assessed individuals found inappropriate for referral during the first fiscal year of the program. During the last 18 months, lack of adequate child care arrangements dropped to 8.4%

EXPLANATION OF CHART

Included in the 30.4% sector (misc., other and unknown) are persons who at the end of the reporting period could not be classified as either "appropriate" or "not appropriate" as classification had not been firmly established. Examples are: youth for whom a plan for return to school is contemplated but not completed; a person claiming illness or disability whose illness or disability has not been substantiated; the unsubstantiated illness or disability of other family member, etc. Furthermore, we believe that where enrollments lag referrals there is a dampening effect on the number found appropriate for referral.

PEOPLE REFERRED BUT NOT ENROLLED

Mr. NATCHER. What accounts for the rather large gap between the number referred—that is on line 1, I believe—and the number actually enrolled, on line 2? How do you account for that difference there?

Mr. FASSER. One of the reasons I mentioned earlier. Mr. Chairman, are referrals who do not show up. Another reason is that there is only so much capacity of the program to take on referrals. We are right on target to with our enrollments, given the amount of money we have.

As a result, we must actually turn some away. They cannot get into the program. That really is one of the big reasons for the difference between the referrals and enrollments.

FOLLOW-UP STATUS

Mr. NATCHER. On the same table, what is the meaning of the term "currently in follow-up status"?

Mr. FASSER. "Currently in follow-up status" represents, Mr. Chairman, an enrollee who has been placed on a job. That person is entitled to receive supportive services under the program for 90 to 180 days. While that individual is receiving those supportive services, he is considered to be in the follow-up status.

AVERAGE EARNINGS OF THOSE PLACED

Mr. NATCHER. Why is there no change in average earnings over the period?

Mr. FASSER. It is a result of a 1970 survey we have made. We have not made a subsequent survey in 1971 nor, of course, do we have one for 1972. So, the same average hourly earnings figure would stand up through that period. It is that or higher.

TYPES OF INSTITUTIONAL TRAINING

Mr. NATCHER. According to the table on page 103, you are spending the bulk of your money for institutional training. What are the most common types of institutional training given to people in this program?

Mr. FASSER. May I defer that question to our program director.

Mr. BROWN. We have information that we can supply for record, Mr. Chairman, which lays that out.

Mr. NATCHER. Suppose you submit that to Mr. Neil.

(The information follows:)

INSTITUTIONAL TRAINING UNDER WIN

Planned for fiscal year 1971 and 1972

	Percent
1. Professional, technical, and managerial:	
Medicine and health	5.0
Social and welfare work	5.2
2. Clerical and sales:	
Secretarial, stenographic, typing, filing and related	27.0
Automatic data processing	3.9
Computing and accounting recording	9.8
3. Service:	
Cooking, large hotels and restaurants	1.7
Beautician services	4.0
Attendants, hospitals and related	17.2
4. Processing: Metal processing	4.1
5. Machine trades: Motor vehicle and equipment repair	3.1
6. Bench work:	
Assembly and repair of electric components	4.2
Machine sewing, nongarment	2.0
7. Structural work:	
Arc welding	2.7
Combination arc and gas welding	1.3
Excavating, grading and related work	1.5
Carpentry and related	3.2
8. Miscellaneous: Heavy truck driving	4.1
	100.0

Mr. NATCHER. Go ahead and briefly tell us about that.

Mr. BROWN. Since the lion's share of the clients are women, a good percentage of the skill training is in the clerical and service occupations, and in stenography. Of course, we begin with basic education, trying to get the individual his GED so he can get into most of the employers' doors.

Following that, of course, is the actual skill occupational training, which is in the main aimed at the female.

Mr. NATCHER. What types appear to be the most successful?

Mr. BROWN. The most successful really is the clerical, sales, and service training, the entry level training for the women.

AMOUNTS SPENT PER TYPE OF TRAINING

Mr. NATCHER. Give us a breakdown for the record at this point, if you can, of the amounts for institutional training for 1971 and 1972, by type of training. Suppose you submit that to Mr. Neil for the record at this point.

(The information follows:)

INSTITUTIONAL TRAINING UNDER WIN PLANNED FOR FISCAL YEAR 1971 AND 1972

	Fiscal year 1971	Fiscal year 1972
1. Professional, technical, and managerial:		
Medicine and health	$1,889,000	$6,192,000
Social and welfare work	1,964,000	6,440,000
2. Clerical and sales:		
Secretarial, stenographic, typing, filing, and related	10,198,000	33,437,000
Automatic data processing	1,473,000	4,830,000
Computing and accounting recording	3,702,000	12,136,000
3. Service:		
Cooking, large hotels and restaurants	642,000	2,105,000
Beautician services	1,511,000	4,953,000
Attendants, hospitals, and related	6,497,000	21,300,000
4. Processing: Metal processing	1,549,000	5,077,000
5. Machine trades: Motor vehicle and equipment repair	1,171,000	3,839,000
6. Bench work:		
Assembly and repair of electric components	1,586,000	5,201,000
Machine sewing, nongarment	755,000	2,477,000
7. Structural work:		
Arc welding	1,020,000	3,344,000
Combination arc and gas welding	491,000	1,610,000
Excavating, grading, and related work	566,000	1,858,000
Carpentry and related	1,209,000	3,963,000
8. Miscellaneous: Heavy truck driving	1,549,000	5,077,000
Total	37,772,000	123,839,000

TYPES OF OCCUPATIONS OF WIN GRADUATES

Mr. NATCHER. What occupations have the people gone into who have been placed in jobs through this program? If you can, give us your most recent statistics for this for the record.

Mr. BROWN. Yes, sir.

(The information follows:)

Total WIN job placements, actual fiscal year 1970, planned for fiscal year 1971

Category	*Percentage*
1. Secretarial, stenographic, typing and filing	14.5
2. Bookkeeping, ADP, sales and miscellaneous clerical	14.0
3. Janitorial, maid, and porter service	7.9
4. Food service	3.6
5. Social and welfare work	2.6
6. Hospital and health services	11.7
7. Beautician, guard, and miscellaneous services	5.2
8. Manufacturing and processing	12.9
9. Construction	13.8
10. Transportation	13.8
Total	100.0

WIN'S RELATIONSHIP WITH OTHER MANPOWER PROGRAMS

Mr. NATCHER. Does the WIN program differ significantly from the other manpower training programs administered by the Labor Department?

Mr. FASSER. The WIN program as a concept, of course, is quite different from many of the other programs. The WIN program is designed to take a potentially employable welfare recipient and put him at the other end of the pipeline for placement in a job. That is true

of a number of other manpower programs, but in each of those programs we do not have all of the components that we have in WIN—the supportive services, the team development, counseling, basic education, training, on-the-job training, ultimately leading to a job. Actually, the other manpower programs are pretty much components that WIN can use.

We have, as a matter of fact, some 5,700 WIN enrollees who are in other manpower programs. The legislation mandates that WIN be tied in with other manpower programs. We do tie it in. We have some 5,700 enrollees currently in other manpower programs. They are receiving their training as part of the overall WIN ball game which will ultimately lead to job placement.

Mr. NATCHER. Mr. Shriver?

CAUSES OF STATE CHILD CARE GRANT REDUCTIONS

Mr. SHRIVER. Thank you, Mr. Chairman.

Mr. Simonds, the tables in pages 113 and 115 of the justifications show that while payments for training and incentives increased significantly during the past 2 years, the child care awards for my State were reduced in fiscal year 1971. Why would that be, lower matching by the State?

Mr. SIMONDS. These are tables based strictly on the State's estimate. There is a natural progression in the training part of it on page 113.

Mr. SHRIVER. But child care awards are progressively reduced.

Mr. SIMONDS. For 1971, and then back up again, estimated, in 1972. I cannot explain what accounts for that in 1971. I will be glad to inquire and place the information in the record.

Mr. LEE. What happens in a case like this is that Kansas requested this amount of funds and was given a grant award. They did not use all of the funds in fiscal year 1970, so they did not request as much in fiscal year 1971. The fiscal year 1970 funds remained available for use in fiscal year 1971.

This happened in a number of States where they overestimated the amount of child care funds they could use.

Mr. SIMONDS. Would you like a further explanation for the record?

Mr. SHRIVER. Yes.

(The information follows:)

Variances in Child Care Awards

The answer given by Mr. Lee essentially explains the reason for the reduction in grant awards to a number of the States in 1971 as compared with 1970. If a State has excess funds on hand from prior years, these funds remain available and are taken into consideration by the States in determining the amount of new funds needed and requested for the current year. This situation applies to the State of Kansas in which less new funds were awarded in 1971 as compared to 1970.

GRADUATES WAITING FOR A JOB

Mr. SHRIVER. At the end of fiscal year 1971, approximately how many were waiting for a job?

Mr. FASSER. I have figures as of February 28, 1971.

We have roughly 6,900, holding in various components along the line—waiting to get into a program, waiting for spots in the program. Some temporary family disruption may temporarily take the individ-

ual out of the program, but they are in a holding status. We have some 29,000 of those in the program. Almost 7,000 of those have finished their training and are waiting for a job.

MALE WIN ENROLLEES

Mr. SHRIVER. A little while ago in response to a question you said about 70 percent of this program are mothers. What about the other 30 percent?

Mr. FASSER. The other 30 percent are mostly unemployed fathers in the home situation who are required to register for the WIN program. There are unemployed youth who are out of school who are over 16, in the home situation, who are also required to register for the program. Those are the two male components of that 30 percent. The women are voluntary.

Mr. SHRIVER. Most of them are the fathers?

Mr. FASSER. Most of them are the fathers.

METHODS OF STATE CHILD CARE PAYMENT

Mr. SHRIVER. On page 4 you say the States are charging WIN child care services under title IV–A, and charges made as maintenance payments under the "income disregard." Will you explain that further?

Mr. SIMONDS. It is a complex matter. States can pay for child care in one of three or four different ways, one directly from the WIN appropriation, and they are expected, as a matter of fact, to use the WIN appropriation for the child care of WIN enrollees.

They can also pay for child care through the title IV–A, which is the public assistance service appropriation for AFDC families.

They can pay that directly to a vendor.

Or they can include it in the assistance grant itself as a part of the assistance grant so the mother pays for it.

Some provide it directly by State-operated child-care programs. Or the other way, if a mother says she is working and earning so much, and we ask her what her expenses are, and she says so much for child care, we simply deduct that from her gross earnings and include as income only the difference.

Those are the different methods by which child care can be paid.

For most State agencies, it apparently is much easier, bookkeeping-wise and otherwise, to continue to pay for child care under this social services program for AFDC families, title IV–A.

Actually, there is a lot more child care paid for that way. It would avoid another kind of bookkeeping operation for the WIN program.

We are going to have to go to the States and tell them that they will have to be more careful about their bookkeeping and charge to the WIN program.

COSTS OF DIFFERENT TYPES OF CHILD CARE

Mr. SHRIVER. Could you tell us the relative unit cost per child of the four types of child care: in home, family day care, group day care, and day-care centers?

You may put that in the record if you want to.

Mr. SIMONDS. We will give you more accurate data for the record.

In general, the organized day-care center program is much more expensive. We have been using the $1,200-per-year figure as an average, but it does go up to $1,600, $2,000, $2,500 or over per year per child in organized day-care centers.

It is much less expensive when the child is cared for in his own home or in another family home. The average cost is somewhat over $800 in in-home care of actual care per child.

Mr. SHRIVER. This has increased in the last year?

Mr. SIMONDS. Yes; the cost is rising rather rapidly in child care, like all other service programs.

(Additional information follows:)

The table below lists the costs of child care by type with the estimated mix of preschool and school age used in deriving the average cost. In deriving these estimates minimum wage scales were used and thus will reflect a conservative estimate.

Type of care:	*Average cost of child care*	*Cost per child/year of care*
In home (average)		$879
Preschool		893
School age		716
Family day care (average)		814
Preschool		866
School age		763
Group day care (average)		858
Preschool		953
School age		763
Day care center (average)		1,163
Preschool		1,594
School age		732

MODEL CITIES INVOLVEMENT IN DAY CARE

Mr. SHRIVER. On page 6 you mention Connecticut has initiated a contract with model cities for day-care services. How does that work? I am well aware of the model cities program.

Mr. SIMONDS. The Model Cities Agency is designed, in part at least, to coordinate services for people. Day care is one of the priority items.

In order to get day care established in that model city area, the State agency will write a contract with the Model Cities Agency to say that you will deliver x number of child-care years for WIN enrolless or other at so much per child, and we will pay thourough this contract arrangement.

It can be done, incidentally, with other agencies, other than model cities. It can be done through child-care corporations set up for this purpose.

A good example of that, by the way, is Memphis, Tenn., whereby a special nonprofit organization was established to coordinate child care in that city. They are using State and Federal funds to contract in a number of these centers.

Mr. SHRIVER. In towns such as those in Connecticut where model cities provides for day-care services, there is reimbursement from the WIN program to the model cities?

Mr. SIMONDS. Yes, sir.

Mr. SHRIVER. You have this all in one package, and not part of it over in HUD? There is some reimbursement?

Mr. SIMONDS. Yes; there is. Usually through the model cities program the HUD people will use their supplementary funds, and they do this to make up the so-called local 25-percent share.

FEDERAL INTERAGENCY DAY-CARE REQUIREMENTS

Mr. SHRIVER. What are the Federal interagency day-care requirements?

Mr. SIMONDS. They are established by a joint Federal agency group. This is coordinated by the Office of Child Development. There are a number of criteria used involving staffing ratios, safety and health standards and requirements, and if you wish we will be glad to place a set in the record for you.

Mr. SHRIVER. On page 3 of your statement you mention a WIN team. Will you explain that in the record? What do you mean by that? Or you could do it now, if you like.

Mr. SIMONDS. One further comment, if I may, on the standards for the record. These are now under review by the interagency group to try to bring the standards more into line with what can be expected realistically and again to facilitate the development of child-care programs.

WIN INTERAGENCY TEAM PLANNING

On your other question, we have discovered in HEW that it just doesn't make sense to have a part of the planning for an enrollee take place across town in a welfare agency and another part of it take place in another part of the town under DOL, the employment service, and do that effectively. So we are convinced that the employment service person, the welfare agency representative, the caseworker, and possibly the vocational rehabilitation counselor, need to be located together, looking at what is a good employability propsect and plan for this individual. This is the effort we are promoting throughout the country, at all levels, I might add, not only here in Washington, but at our regional level as well as State and local levels.

Mr. SHRIVER. On page 6 of Mr. Simonds' statement he said Ohio is working on a plan whereby the employment service will make provisions for child care in their office while mothers are being seen for interviews, or for other short-term contacts. To what extent the coordinating agencies are working on this throughout the country and are you working with them?

Mr. FASSER. That is correct. We are trying everything we can to make the program work.

LEGAL OBSTACLES TO WIN IN NEW HAMPSHIRE

Mr. SHRIVER. What has been the problem relative to New Hampshire?

Mr. FASSER. It is a State constitutional problem. They have a problem with nonracial deferral, recordkeeping, and, in order to suit the guidelines of the WIN program, they need to adapt their system so that they can have nonracial recordkeeping, and they have been extremely reluctant to do that. Finally we have reached an agreement with them so that they will do that, and in fiscal 1971 we will have a WIN program in New Hampshire.

DISAGREEMENTS BETWEEN WELFARE AND EMPLOYMENT AGENCIES

Mr. SHRIVER. On page 3 you mention a difference in interpretation of the law between welfare and employment agencies during the startup period. What was that?

Mr. FASSER. The law was new. The welfare agency was interpreting its responsibilities one way, the employment service was interpreting its responsibilities another way, and these two parties had to be brought together so that they operated in a proper manner.

Mr. SHRIVER. If there are, and I assume there would be, differences between the local agencies that are administering this program, how is that resolved? Who has the final say?

Mr. BROWN. This really requires the team approach we talked about a little earlier. The task force effort, which really occurred about 3 years ago, related at the local level to a misunderstanding in terms of what the program was supposed to do and who was supposed to do it; whether or not a person needing child care should be referred to the employment service or go to child care and then employment service. Once you refer them and they need health services, do you refer them back to the welfare agency? Those technical questions really required resolution first at the Federal level. That is why this task force was formed here at the Federal level.

Mr. SHRIVER. And you have had no more problems along this line?

Mr. BROWN. We have had many, many problems, but we have a mechanism set up to take care of the problems as they come up.

RETRAINING ENROLLMENT OF AEROSPACE WORKERS

Mr. SHRIVER. How did the enrollment proceed relative to aerospace workers in the $42 million program you are administering for retraining?

Mr. FASSER. We took a reading very early. When we started to take the registration on the 19th of April, about 7 or 8 days later we took a reading and we had about 15,000 registered. Since that time we have put the program into place. It is out there. The money is there, the aerospace units are out there.

We had the first report on the initial movement yesterday but I haven't seen it yet. I do have something for you. I got a call from our regional man in Kansas City and he said, "I have five people from Wichita in my office that qualify for the first phase of the program and I want you to know that." At least that is heartening, that something is being done.

VOLUNTARY NATURE OF WIN ENROLLMENT

Mr. HULL. Mr. Simonds, does the work in the program indicate any bitterness on being put to work or do most of the people appreciate the opportunities that are offered?

Mr. SIMONDS. From our observations, we have not found bitterness. In general the desire to be enrolled in a good training program that will lead to a job has been great and if there is any bitterness or disappointment it is only that maybe the training slot is not there; it wasn't available at the right time or that maybe there was no job at the end of the line. But as for bitterness about being required to

register or to enroll, we are not aware of this. The explanation may be in the fact that most States were given and opted for a voluntary approach. We knew there were more volunteers wanting this program than there were training slots available.

That accounts for that picture as we see it.

GEOGRAPHIC SUCCESS RATES

Mr. HULL. Is the program any more successful in one part of the country than another in, for example, in the Midwest, as opposed to to New York City?

Mr. FASSER. I don't think it depends on geography.

Depending on the measurement that you take, there are good States and there are bad States. If you were to take underenrollment you might find New York, West Virginia, Tennessee were not meeting their enrollment levels.

On the other hand, Colorado and Rhode Island do very well with their enrollments and possibly at times they are overenrolled. It is not really a geographical matter.

STATUS OF FIRST YEAR'S TRAINEES

Mr. HULL. Are there any statistics available on the present status of the first year's trainees?

Mr. FASSER. We have not made a study of what has happened to the first year's trainees. Actually this program did not begin to really produce any meaningful volume of people available for jobs until 1970, fiscal 1970, and we have not made a study on what has happened to them although we do know the information we have had as a result of studying some 6,000 people who have completed the program that their rate of earnings were $2.31 an hour and this is a very good rate.

Mr. HULL. Some of the men are working now though?

Mr. FASSER. Yes; they are working now.

NATIONAL WELFARE RIGHTS MEMBERS IN WIN

Mr. HULL. Are there any members of the National Welfare Rights Group in the program?

Mr. FASSER. I would assume, sir, that some of these people who are eligible for WIN are the same people who would be eligible for membership in that organization.

Mr. HULL. If so, are they disruptive?

Mr. FASSER. No, sir, I have learned of no disruptive procedures through our program by any group.

URBAN-RURAL CHILD CARE SERVICE PATTERNS

Mr. HULL. What child care services are provided in the small communities or does the program actually operate outside the large cities?

Mr. SIMONDS. It operates in both small areas and in the large cities. The child care arrangements are probably more apt to be less at the organized day care center programs and more the family, or in-home child care than in the urban areas but I would not want to swear to

that either. I know, as a matter of fact, that there is still a lot of in-home care and family care and a certain amount of no care at all, I might add, in the urban areas.

I am not aware of any significant difference in patterns in rural to urban area.

Mr. HULL. Thank you, sir.

COST OF CHILD CARE

Mr. PATTEN. We are getting a lot of flak in the District about child care. Under incentives, you are limiting the discussion to what you call child care. Child welfare, general support, is some place else in the budget, is that right?

Mr. SIMONDS. Yes, it is.

Mr. PATTEN. You are now only talking about the centers and helping the mothers go to work under the incentives?

Mr. SIMONDS. Yes, sir.

Mr. PATTEN. Apparently we contribute about $7.50 a week. The figure is $520 a year. We pay 75 percent or $360. On a yearly basis we allow $7.50 a week for child care. It would be on a $10 limit. In my experience in New Jersey we are getting shortchanged here.

Mr. SIMONDS. That amount that you see in the budget, $520 total cost, is not necessarily the amount that it actually costs to care for a child in day care.

Mr. PATTEN. In New Jersey we could spend $25 a week, but you give 75 percent, up to $10 a week. I am just wondering, where would you get it for $10 a week?

Mr. SIMONDS. In most cases you can't. This is strictly a statistical phenomenon as far as the budget is concerned. There are a number of children who may get free care. The budget figure and this is derived by dividing the number of children who get care, whether it is free or not, into the total expenditure and you come up with the $520, as a budget item, but real cost of care for a child is in excess of $520.

Mr. PATTEN. We authorized $100 million for child care and last year we appropriated $38 million and I couldn't follow the budget changes but I know our people have spoken to me quite forcibly in my State. I know in a ways and means meeting the other day my colleague made a motion. He had five votes on an oral vote to try to increase the rate, without success.

There is no reason to give you my feelings about this, but we had child care when I was a kid.

To hear this tongue-in-cheek attitude toward child care is what amazes me. I don't think we have hit it on the head at all and this is where we are going to make the case.

You may come in here and charge every family in America about $600 a year, I figure, taking a family of five. It is a lot of money in America.

I was over in Hungary. I want to tell you, they have day nurseries. They have child care.

I know in my town today the biggest impact is among Puerto Ricans. Our plants brought these Puerto Ricans from the islands in the last 10 years and, believe me, they are all right. I can tell you this. They are keeping our plants producing.

The women come along and the women love to work.

Under OEO we had a day nursery up at one of the housing projects and the leader tells me the OEO funds have been cut and they have had to curtail the project.

Now, another little thing about this work, it is no good to have it from 10 a.m. to 3 p.m. In a town like mine, where women usually get work on that third shift, the day nursery should be on a 24-hour basis.

We are going to hear more about child care.

TOTAL EXPENDITURES FOR CHILD CARE

Mr. SIMONDS. Mr. Patten, I think you have a very accurate view of some of our problems.

Let me make one point here again. The amount you see here in the budget obviously does not reflect what is the real cost of care for a child—if it was your child or my child, we would have to pay and would be paying more than what this budget figure shows. This is strictly a statistical phenomenon here. Also, there is no limit on the amount that can be charged, at the moment, through the WIN program for child care. We will pay 75 percent of whatever the State determines is necessary to get good child care. Good child care, by the way, I agree with you, is expensive.

Our records show that in New Jersey the average annual cost that is paid for now through our title IV–A program is not the figure you see, the average budget amount here, but it is $2,000.

Mr. PATTEN. I know that of my own knowledge, but do you get the point I make? When I was young this was done by the churches on a so-called volunteer basis. There is always work for the women.

Mr. SIMONDS. If I could comment, this committee, through appropriations, and through the social services program is sponsoring and supporting the vast bulk of the child care, the day care provided in this country and it is growing rapidly.

EXPANSION OF STATE CHILD CARE MATCHING

Mr. PATTEN. I forget your exact words, but you indicated the program isn't even operating in many States because there is no matching.

Mr. SIMONDS. It's operating, but they can't get the motor going as fast as they would like to have it because of the local matching requirement. But the new development—and maybe history is repeating itself a little bit in some of the things you were saying, Mr. Patten, it is not only Government appropriations involved here, but now private firms, industry, business, as well as nonprofit firms are beginning to say, "What can we do? Can we contribute the 25 percent share, and how do we do this?"

We expect that $26 million will be expended through the WIN program for child care in fiscal 1971.We estimate that about $100 million in Federal matching funds is expended for employment-related day care through our regular social services program.

Mr. PATTEN. This puts the brakes on OEO. My money, in our housing program, came out of OEO and our people are afraid they will be wiped off the books. We had about 40 children in there every day.

Of course, many of those mothers and children we found do qualify under the programs we are talking about here and are being helped through this program now. It is being picked up this way.

EXPANDING PART-TIME WORK FOR THE AGED

Don't you think a man 70 years old, however capable under your incentives, receives a job collecting quarters on our parkway—we have a project for our senior citizens—I think there is a tendency to keep quiet and not say much.

Mr. SIMONDS. As far as income is concerned?

Mr. PATTEN. Advertised and installed a telephone number if you need help there was a good response.

Mr. SIMONDS. It is a part of private enterprise we probably don't want to dampen.

Mr. PATTEN. A man and woman going off to work in New York like to have someone in the house. They just like to have someone around the house.

I think the number who have picked up a little work as a result of our publicity is far greater than figured.

Mr. SIMONDS. I think most of the proposals acknowledge that this is a fact; it is not to be discouraged, and you have to build in some automatic disregard.

Mr. PATTEN. You know Ways and Means yesterday increased how much you can make a year without losing your social security.

Mr. TWINAME. You would appreciate a story that came to me in our weekly report a couple of weeks ago that an 84-year-old man in Fargo, N. Dak., came into the welfare office and gave them $262 back that he had just won in a poker game.

Mr. NATCHER. Mrs. Reid?

STATISTICS ON DHEW CHILD CARE EXPENDITURES

Mrs. REID. What is the total amount spent by the Department of Health, Education, and Welfare for child care?

Do you find it more efficient and less costly to provide child care in the home or in centers outside the home?

Mr. SIMONDS. For fiscal year 1971 we estimate total Federal expenditures for child care—care of children in their own home or outside of their home for a part of the 24-hour day—within HEW to be approximately $620,886,000. This includes the work incentive program, $26,400,000; title IV–A social services child care, $205,199,000; title IV–A income disregard, $59,400,000; Headstart, $329,887,000 and title IV–B child welfare, $1,400,000.

The child care supplementation involves expenditures of IV–A maintenance assistance funds rather than social service funds.

In response to the second part of your question, in-home care and family day care currently cost less than center care. If child care is expanded greatly the cost of in-home and family day care will increase considerably as the least expensive resources, such as care by relatives and neighborhood mothers, become less available in regard to the need. Also, States are working toward improving the quality of in-home and family day care which will increase the costs.

Efficient child care must meet the needs of the child. Center care cannot be used for children under 2 years of age. Some children would benefit from center care while others would fare better in an in-home or family day care situation. Child care must be geared to what is

best for the needs of the individual child, thus center care would be more efficient for some children while in-home and family day care would be more efficient for others.

Recent nationwide studies point to a preference of in-home care for children. The most important factors in order of preference would be: First, that the care be provided in the child's home or nearby; second, that the care be inexpensive; third, that the hours coincide with the hours the parent is absent; and fourth, that safe care is provided the child.

AVERAGE DURATION OF CHILD CARE NEED

Mrs. REID. How long is child care needed in the average case of those training under the WIN program?

Mr. SIMONDS. Child care is required for about 9 months while the mother is in WIN training. Most of the mothers will continue to need some financial assistance for child care for the first 2 years of employment due to low starting salary rates. Some mothers will require child care assistance indefinitely, especially those with more than one child who requires care.

DAY CARE IN THE D.C. AREA

Mrs. REID. What is the situation in regard to child care or day care centers in the Washington, D.C., area—particularly in an area where there are a relatively few low income families living in a high income area such as Montgomery County, Md?

Mr. SIMONDS. The State Department of Social Services in Maryland has a growing program of publicly operated centers. In fiscal 1970 there were at least 25 centers operated by county welfare departments for children in AFDC, WIN, and CWS programs. One of these centers operates in Montgomery County and the county also purchases care from other existing centers, both private and independent, for children as well as family day care for small children too young for center care. Prince George's County has at least three public day care centers and also purchases care in other family and group care facilities.

Montgomery County has an active Day Care Association seeking to develop new facilities and improvement of existing facilities. Maryland State requirements for its centers are very high and the centers offer excellent quality of care.

In the District of Columbia there is a National Capital Area Child Care Association which operates at least 17 centers for poor children under a combination of OEO, United Fund money, plus purchase of care from the District Department of Public Welfare for children in its WIN program and AFDC and CWS. Recently, the Urban Coalition gave a new organization, the District of Columbia Community Day Care Coalition, a grant for $10,000. This will be matched by $30,000 by the Department of Public Welfare for planning day care in poor neighborhoods to be operated by indigenous groups. Eventually over $1 million will be generated for this program. In addition, the Department of Public Welfare purchases care in family day care homes and centers. Family and Child Service in the District has contracted with the Department of Public Welfare for provisions of

family day care and uses low-income mothers for many children. Mothers and other persons from the low-income neighborhoods also used as staff in the centers under the National Capital Child Care Association.

The standards required by the District Health Department are not high enough to assure universally high quality of care and the staff for licensing and monitoring consists of only one person.

WIN VERSUS MANPOWER DEVELOPMENT AND TRAINING ACT

Mrs. REID. What are the major differences between the work incentive program and Manpower Development and Training Act?

Mr. FASSER. We have an analysis comparing the two programs which I would like to provide for the record, if I may.

(The information follows:)

COMPARISON OF PROGRAMS UNDER WIN (SOCIAL SECURITY ACT) AND THE MANPOWER DEVELOPMENT AND TRAINING ACT

Factor	WIN	MDTA
I. Program purpose and description.	The work incentive program (WIN was enacted under title IV, Social Security Act, as amended in 1967. This program is a comprehensive manpower program designed to break the cycle of poverty for public welfare recipients. It has as a national goal the restoration to economic independence of all employable persons 16 years of age and over in families receiving Aid to Families with Dependent Children (AFDC and AFDC/UP). A full complement of manpower services is to be set up in every State and political subdivision having significant numbers of persons eligible to participate. Participants will be referred to local ES offices by the public welfare agencies which will also supply supportive social and medical services. The program stresses the development of immediate and meaningful employment opportunities for public assistance recipients. In addition to counseling and testing, the program will provide, in sequence or in combination, job orientation, basic education, training in communications and employability skills, work experience, skill training either in classroom or on the job and special job development and placement services. The program also provides for subsidized public or private nonprofit employment for those who cannot be trained or placed in competitive employment. Special work projects will be developed for individuals not immediately responsive to training or education and unable to enter the competitive job market. It is felt that the majority of participants can be brought to the point of employability by a combination of manpower and social services. The program is administered by the Department of Labor, Manpower Administration, U.S. Training and Employment Service in cooperation with the Department of Health, Education, and Welfare.	The Manpower Development and Training Act of 1962 provides training and skill development for the unemployed and the underemployed. As originally enacted, the program was intended primarily to provide retraining to experienced adults who had been displaced by technological developments and the shifting demand for labor. However, recently through administrative procedures and amendments to the act, the focus of the program has been increasingly directed to the problems of the disadvantaged and it has become one of the major tools in the current effort to alleviate poverty. Amendments to the act provide for basic education and other related services necessary to provide an opportunity for employment and to make the act more relevant to the problems of the disadvantaged. Approximately 65 percent of the available resources are now directed to the disadvantaged. There are two major aspects to the MDTA: on-the-job training and institutional training. There are also provisions for part-time training of employed workers to upgrade skills and meet skill shortages and other than skill training to overcome sundry personal barriers to employment. Administration of the program is generally by contract between the employer and the Department of Labor. Considerable training is also provided through agreement administered through national trade associations.
II. Eligibility requirements	Men, women and out-of-school youth age 16 and over, AFDC and AFDC/UP recipients.	Men, women and out-of-school youth age 16 and over who are unemployed or underutilized or with obsolete skills; or are rural with educational or economic situation which makes it difficult to develop skills; or are willing to be trained in a skill-shortage occupation. Sixty-five percent of enrollees must be "disadvantaged" (meet OEO poverty-level income criteria) and be minority group member with cultural, emotional, social or other handicap.
III. Program sponsor	State employment service.	State employment service.
IV. Funding	Joint DOL (training)—HEW (social services). Matching—80/20 percent Federal/State for DOL services. Seventy-five/twenty-five percent most of HEW services HEW gets full appropriation and transfers costs of training and incentives to DOL.	Joint DOL (training allowances)—HEW (education and training costs). Matching: Allowances—100 percent Federal education and institutional training: 90 percent Federal. DOL gets full appropriation and transfers cost of education and training to HEW (about 50 percent).
V. Incentives for enrollees	Welfare payment plus $30 per month transportation including work or training related expenses. Relocation allowance if necessary.	Transportation and subsistence for remote training site; relocation allowance if necessary; for those over age 18—training allowance equivalent to average State UI payment plus $5 per week for dependents above 2 up to 4.
VI. Services	DOL: Orientation, counseling, employability plan development, testing, coaching during enrollment, job development and guidance, placement, followup, basic education, GED preparation, work experience, OJT, institutional training. HEW: Medical exams and treatment, child care, personal and family counseling.	DOL: Testing, orientation, counseling, bonding. HEW: Counseling, education, training (institutional and OJT).

THE ILLINOIS WIN PROGRAM

Mrs. REID. How is the WIN program operating in my State of Illinois? Are trainees under the WIN program being taught skills that will reasonably assure that individuals will remain permanently employed?

Mr. FASSER. The Illinois WIN program has seven projects covering two rural and 11 urban counties. It has a Federal budget of $5,224,567 to sustain a 5,800 authorized slot program. Enrollments as of March 31, 1971, were 6,167. Because of the high enrollment level, an additional 1,500 slots are being allocated to the State. A total of 826 enrollees had completed their employability plans, been placed on jobs and successfully terminated from the program after 3 or more months on the job by the end of March. An additional 496 individuals have been placed in jobs but are still receiving WIN services for a period of 3 to 6 months.

In response to the second part of your question, reports on follow through contacts began May 1970. Data available for the period July 1, 1970, through December 31, 1970, shows that 82 percent of those contacted 90 days after termination from the program were still employed and 77 percent contacted 180 days after termination were still employed. Termination from the program does not occur until the individual has been employed for least 3 to 6 months. Thus, the retention rates indicated applied to persons still employed 9 months to a year following job placement.

I will furnish for the record, if I may, a breakout of the major occupational categories, percent of distribution, and average hourly wage.

(The information follows:)

Occupational headings	Percent distribution	Average hourly wage
Professional, technical, and managerial	6.2	$2.50
Clerical and sales	20.9	2.14
Services	19.3	1.89
Processing	5.1	2.45
Machine trades	5.8	2.43
Benchwork	7.5	2.10
Structural work	13.9	2.74
Miscellaneous	14.0	2.53
Occupation not reported	5.0	2.15

PRIVATE PARTICIPATION IN WIN

Mrs. REID. How has the private sector been brought into the WIN program?

Mr. FASSER. Through on-the-job training component WIN enrollees are being trained by private employers. Beyond this we have contracted with private training institutions to furnish training services to the WIN program in many communities. WIN enrollees are receiving priority for referral to NAB/JOBS openings which further involves the private sector.

WIN RELOCATION SERVICES

Mrs. REID. Is there any provision for relocation assistance in finding employment for those who complete training under the WIN program?

Mr. FASSER. Yes. Since the start of the program, WIN has provided the necessary supportive services and covered the expenses of relocation for employment for 658 enrollees.

Mr. NATCHER. Mr. Simonds, we want to thank you and Mr. Fasser, together with your associates, for appearing before our committee at this time in behalf of your budget request for fiscal year 1972.

IMPORTANCE OF THE FISCAL YEAR 1972 DHEW REQUEST

Mr. TWINAME. I have remained silent on this appropriation but I would just like to say from the standpoint of the Department of Health, Education, and Welfare, I would urge the committee to give special consideration to supporting this appropriation request this year more than ever before for a couple of reasons. One is that if this welfare reform bill is passed, as we hope it will be, it foresees a large role for the Labor Department in the training of people, and the only way this Federal Government is going to position itself to deliver on that is if the Labor Department is given every possible encouragement now to build capacity in training slots and training programs around the country. We are in a position where their problem is, in expanding that capacity, they have to get good people, good training people to make commitments with their careers to set aside time and plan to be teachers, to be trainers, and to work in this program. You know, people don't do that unless they know the money is there; that there is a commitment there, that the Government stands behind it and they can make these kinds of career plans well enough in advance to set up these training programs.

There are 900 counties now in the program and they want to expand that. So, as you look at the figures and the costs versus appropriations, and so forth, I would hope the committee would keep this goal in mind because we don't—at least from HEW's part—want to have any drag on this program because of the large number of women that really want jobs, that want to work. If we could just take care of the people who want to work you could think what that might do to some of the welfare costs. I think it is a good investment to keep pushing.

Mr. NATCHER. Thank you very much.

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Work Incentives

Amounts Available for Obligation

	1971	1972
Appropriation	$98,000,000	$275,136,000
Real transfer from:		
"Higher education facilities loan fund" (Proposed transfer for increased pay costs)	180,400	---
Total, obligations	98,180,400	275,136,000

Obligations by Activity

Page Ref.		1971 Estimate Pos.	1971 Estimate Amount	1972 Estimate Pos.	1972 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
104	Training and incentives	153	$60,180,400	153	$197,136,000	---	$+136,955,600
107	Child care	---	38,000,000	---	78,000,000		+40,000,000
	Total obligations...	1/153	98,180,400	153	275,136,000	---	+176,955,600

1/ Excluded are 74 positions for the District of Columbia previously shown in the President's Budget. However, dollar amounts for D. C. operations are included in these estimates.

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Total number of permanent positions	1/153	153	---
Full-time equivalent of all other positions	1	1	---
Average number of all employees	2/140	140	---
Personnel compensation:			
Permanent positions	$1,815,200	$1,932,700	$+117,500
Positions other than permanent	13,000	13,000	---
Other personnel compensation	3,000	3,000	---
Subtotal, personnel compensation	1,831,200	1,948,700	+117,500
Personnel benefits	137,500	147,000	+9,500
Travel and transportation of persons	225,900	225,900	---
Transportation of things	5,000	5,000	---
Rent, communications and utilities	95,600	95,600	---
Printing and reproduction	48,800	48,800	---
Other services	2,673,100	2,682,100	+9,000
Project contracts	3,100,000	3,100,000	---
Supplies and materials	46,500	46,500	---
Equipment	16,800	16,800	---
Grants, subsidies and contributions	90,000,000	266,819,600	+176,819,600
Total obligations by object	98,180,400	275,136,000	+176,955,600

1/ Excluded are 74 positions for the District of Columbia previously shown in the President's Budget; however, dollar amounts for D. C. are included.
2/ Excluded are 71 average employees for the District of Columbia previously shown in the President's Budget

Summary of Changes

1971 estimated obligations	$ 98,180,400
1972 estimated obligations	275,136,000
Net change	+176,955,600

	Base Amount	Change from base Amount
Increases:		
A. Built-in:		
1. Annualization of pay increase costs from PL-916-6	---	+74,000
2. To provide for one extra day of pay for current year staff	---	+10,000
3. Annualization of within-grade pay increases funded for part of 1971	---	+23,000
4. Within-grade pay increases effective in 1972	---	+29,000
B. Program:		
1. Training and incentives	52,000,000	+136,819,600
2. Child care	38,000,000	+40,000,000
Total, increases	---	176,955,600
Total, Net change	---	176,955,600

Explanation of Changes

Increases:

Program:

1. Training and incentives: The increase of $136,819,600 for this activity would provide for an additional 110,000 average enrollments.

2. Child care: The increase of $40,000,000 would provide for an additional 82,838 average number of children receiving child care.

Authorizing Legislation

Legislation	1972 Authorized	1972 Appropriation requested
Social Security Act as amended		
Section 431--Work Incentive Program for Recipients of Aid to Families with Dependent Children	Indefinite	$197,136,000
Section 401--Child Care (Related to Work Incentive Program)	Indefinite	78,000,000

SOCIAL SECURITY ACT

Title IV--Grants to States for Aid and Services to Needy Families with Children and for Child Welfare Services

Part C.--Work Incentive Program for Recipients of Aid under State Plan Approved under Part A

Appropriation

Section 431. There is hereby authorized to be appropriated to the Secretary of Health, Education, and Welfare for each fiscal year a sum sufficient to carry out the purposes of this part. The Secretary of Health, Education, and Welfare shall transfer to the Secretary of Labor from time to time sufficient amounts, out of the moneys appropriated pursuant to this section, to enable him to carry out such purposes.

Title IV--Grants to States for Aid and Services to Needy Families with Children and for Child Welfare Services

Part A.--Aid to Families with Dependent Children

Appropriation

Section 401. For the purpose of encouraging the care of dependent children in their own homes or in the homes of relatives by enabling each State to furnish financial assistance and rehabilitation and other services, as far as practicable under the conditions in such State, to needy dependent children and the parents or relatives with whom they are living to help maintain and strengthen family life and to help such parents or relatives to attain or retain capability for the maximum self-support and personal independence consistent with the maintenance of continuing parental care and protection, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this part.

Explanation of Transfers

	1971 Estimate	Purpose
Real transfer from:		
Higher education facilities loan fund	$180,400	Increased pay costs for the training and incentives activity.

Work Incentives

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1968	$40,000,000	$10,000,000	$10,000,000	$10,000,000
1969	135,000,000	135,000,000	100,000,000	117,500,000
1970	129,640,000	129,640,000	100,000,000	120,000,000
1971	170,000,000	120,000,000	98,000,000	98,000,000
1971 proposed transfer for increased pay costs	180,400			
1972	275,136,000			

Justification

Work Incentives

	1971 Estimate		1972 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Work incentives ..	153	$98,180,400	153	$275,136,000	---	$+176,955,600

General Statement

The Work Incentive Program as authorized by the 1967 Social Security Amendments is designed to establish programs utilizing manpower services to insure that individuals receiving welfare payments will be furnished incentives, work experience opportunities and necessary supportive services to eventually obtain permanent employment.

The first phase in meeting this objective starts in the local welfare agency where the Aid to Families with Dependent Children caseload is screened to determine those cases that are referrable. The local welfare agency makes an assessment of the individual's needs and refers to the manpower agency those persons found appropriate. The welfare agency also arranges child care services for those persons placed in employment or enrolled in training if such services are needed.

The second phase is carried out by the local manpower agency. It determines whether the person should be enrolled and provides all necessary manpower services including development of an individual employability plan. In order to meet the objective, the Work Incentive Program's manpower operational design has been divided into the following program components: (1) on-the-job training; (2) institutional training; (3) work experience and orientation; (4) the special work projects program and (5) employability planning, job development and follow-up.

The Work Incentive Program is designed to place welfare recipients through a series of work-experience programs specifically prescribed to meet their needs. Complementary to this intensive training the recipients will receive supportive services such as orientation, counseling, and employment assistance from the manpower agency. Child care, funded by this appropriation, is provided to all WIN participants who need such services. Intensive social services such as legal assistance, homemaker service, consumer education, and family counseling will be provided by the welfare agency and funded by the appropriation "Grants to States for Public Assistance". These individuals and their families will continue to receive needed services after placement in productive employment to help insure permanent employment.

Cumulative enrollments in the Work Incentive Program from July 1968 through December 31, 1970 were 228,802. Of this number, 35,995 have been placed on jobs including current enrollment of 12,304 in follow-up status; 24,479 dropped out of the program; and 71,490 terminated for other reasons such as illness, moved from area, pregnancy, and lack of supportive services.

As of December 31, 1970, 109,142 enrollees were still in the program, including 73,131 in training components of which 12,304 were on jobs but receiving manpower supportive services during a 90 to 180-day follow-up period before being terminated from the program (see Work Incentives Program Data table).

In the last 6-months of 1971 an additional enrollment of 69,000 individuals is planned with 14,000 additional individuals being placed in jobs.

During 1972, cumulative enrollment is expected to increase from 297,800 on June 30, 1971 to 484,800 by June 30, 1972, and placements are expected to increase from a cumulative of 50,000 on June 30, 1971 to 90,000 by June 30, 1972. The budget authority requested anticipates the ability of the States to provide the 20% state matching.

The following tables show program data and program costs funded for the Work Incentives appropriation.

Work Incentives Program Data

	1970 Actual	As of Dec. 31, 1970	1971 Estimate	% Change over 1970	1972 Estimate	% Change over 1971
Training and incentives						
Cumulative found appropriate for referral	395,215	534,824	669,000	+69.3	989,000	+47.8
Cumulative enrollments to date	173,300	228,802	297,800	+71.8	484,800	+62.8
New enrollments	92,400	55,502	124,500	+34.7	187,000	+50.2
End-of-period enrollment	94,500	109,142	127,000	+34.4	191,500	+50.8
Average enrollment	80,000	---	111,500	+39.4	160,000	+43.5
Terminations:						
Cumulative	78,800	119,660	170,800	+116.8	293,300	+71.7
During year	64,000	40,915	92,000	+43.7	122,500	+33.1
Cumulative placements	27,000	35,995	50,000	+85.2	90,000	+80.0
Cumulative terminations to jobs	(15,000)	(23,691)	(37,000)	(+146.6)	(65,000)	(+75.7)
Currently in follow-up status	(12,000)	(12,304)	(13,000)	(+8.3)	(25,000)	(+92.3)
Average earnings	$4,000	$4,000	$4,000	0.0	$4,000	0.0
Child care						
Child care end-of-period enrollment	84,900	97,110	135,000	+59.0	235,000	+74.1
Child care average enrollment	57,500	---	117,162	+103.8	200,000	+70.7

Work Incentives

Program Costs Funded

Activity	1971 Average Enrollment	1971 Unit Cost	1971 Total Cost	1972 Average Enrollment	1972 Unit Cost	1972 Total Cost
On-the-job training	1,200	$1,300	$ 1,560,000	8,000	$1,300	$ 10,536,000
Institutional training	50,800	1,800	91,480,000	70,000	1,800	127,190,000
Work experience and orientation	7,400	1,600	11,840,000	19,000	1,600	30,033,000
Special work projects	6,000	400	2,400,000	8,000	400	3,336,600
Employability planning, job development and follow-up	46,100	250	11,523,000	55,000	400	19,845,000
Program direction and evaluation	---	---	7,480,000	---	---	8,136,400
Subtotal, training and incentives	111,500	---	126,283,000	160,000	---	199,077,000
Preschool child care	69,126	1/ 395	27,304,000	144,000	1/ 430	61,900,000
School-age child care	48,036	1/ 277	13,285,000	56,000	1/ 283	16,100,000
Subtotal, child care	117,162	---	40,589,000	200,000	---	78,000,000
Total, program costs	---	---	166,872,000	---	---	277,077,000

1/ Based on States' estimates.

1. Training and Incentives

	1971 Estimate		1972 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Training and Incentives ...	153	$60,180,400	153	$197,136,000	---	$+136,955,600

Accomplishments, 1970

The program was initially implemented in those local areas with the greatest concentration of Aid to Families with Dependent Children clients and those that had significant numbers of clients enrolled in training programs which were being replaced by the Work Incentive program. To a great extent initial program implementation took place in the urban areas.

In 1970, National and regional office staff implemented the Work Incentive program in the 15 additional States entering the program and assisted the Employment Service agencies in expanding Work Incentive program operations into additional counties and in increasing their programs in ongoing areas. Emphasis was placed on designing program models for rural areas, Indian reservations and developing methods of job development, job restructuring, and job engineering.

By the end of fiscal year 1970, 15 of the 16 remaining legal barrier States had entered the program and all States and jurisdictions, with the exception of New Hampshire, had operating WIN programs. New Hampshire did not participate due to continued legal problems regarding the Federal-State relationship. Various legal problems delayed the start of the program in Nevada, Indiana and Nebraska until April 1970 and these States are yet in the initial stages of program implementation.

The enrollment level increased from 66,100 at the beginning of the year to 94,500 by June 30 for an average of 80,000 enrollees, an increase of 50,900 or 175% over the fiscal year 1969 average enrollment of 29,100. Of the total of 173,300 coming into the program since its inception, 78,800 have left the program. Of this number 15,000 terminated to jobs and 63,800 were early terminations (drop-outs and other) leaving 94,500 in the program. Of the 94,500 still in the program on June 30, 65,400 or 69% were in training or follow-up status; 5% were receiving training in other manpower programs and 26% were receiving supportive services while awaiting assignment to a training component.

As of June 30, 1970, the 27,000 total placements amounted to 30% of the 90,800 persons terminated and in follow-up status. Included in this amount are 12,000 who had completed training and been placed in jobs but were still enrolled in the program and receiving follow-up services. The annual earnings of these persons is estimated at $108,000,000. Data for over 6,000 employed terminees of the WIN program indicate overall hourly earnings of $2.31 at placement, with average hours worked per week of 39.7. A breakdown by major occupational category shows that close to half (43 percent) of the enrollees were in the categories of clerical and sales, and service. There were also high frequencies of employment (13 percent each) in structural work and miscellaneous activities (with the latter including such activities as motor freight transportation, packing and materials handling, certain transportation

activities, occupations in the production and distribution of utilities, etc.). The professional, technical and managerial, and bench work categories each accounted for 7 percent of the total while the machine trades and processing each provided employment for 5 percent. Less than 2 percent were employed in farming, fishing and forestry. One in twenty did not report their occupation. Average hourly wages in major categories ranged from a low of $1.94 in service work to a high of $2.75 in structural work.

Total Federal costs in 1970 amounted to $82,926,850, utilizing both prior and current funds. Training and incentive costs totaled $77,708,009 and program direction and evaluation costs were $5,218,841.

Specific program accomplishments in 1970 were as follows:

Objective	Planned	Accomplished
Number of States and jurisdictions WIN operational	54	53
Number of local areas WIN operational	450	500
Number of legal barriers removed	2	1
Number of States trained in team concept	16	15
End-of-year enrollment	100,000	94,500
Average enrollment	80,000	80,000

Plans for 1971

National and Regional office staff are working with the State Employment Service agencies in reprogramming resources within States to assure maximum utilization and improve program operations, training of job placement personnel and improving the quality of technical assistance provided. Fiscal year 1971 is the first full-year of operation for all 53 States and jurisdictions participating in the program (New Hampshire is continuing to have legal barrier problems).

In the first six months of fiscal year 1971, an additional 55,502 individuals were enrolled as compared with 41,200 during the same period in fiscal year 1970, an increase of 35%. End-of-month enrollments increased by 14,642 to 109,142 from the June 30 level of 94,500, an increase of 14% over the same period in 1970. The number of individuals placed in jobs during the first six months of fiscal year 1971 totaled 8,995 as compared with 9,800 placed during the first six months of fiscal year 1970, a decrease of 8%. One of the reasons for this lag is that the number of trainees who have been determined to be "job ready" but are holding for the job entry period due to lack of job opportunities has increased from 2,600 on June 30, 1970 to 6,400 on December 31, 1970. The number of individuals placed in jobs during the last six months of fiscal year 1971 is expected to increase by 14,005 for a total cumulative placement of 50,000, of which 23,000 will have been placed during the year. In order to accomplish this plan, the Department of Labor is encouraging more private employers to participate in the Work Incentives program by simplifying the on-the-job contracting procedures and increased effort is being directed toward creating public sector jobs. Relocation techniques are being emphasized, particularly in rural areas with few job openings. The Employment Service is planning extensive use of computer-generated job listings in an effort to produce more openings for participants and to achieve substantial increases in placements for Work Incentives enrollees.

During the last six months of fiscal year 1971, the Department of Labor plans to enroll an additional 69,000 individuals to move the end-of-year enrollment from 109,142 on December 31, 1970 to 127,000 on June 30, 1971, resulting in an average enrollment of 111,500. To accomplish this goal the Department of Labor will incur costs of $126,283,000, utilizing both prior and current year budget authority.

Plans for 1972

The Aid to Families with Dependent Children (AFDC) population is a rapidly increasing group in our society. It is to be expected that sharp increases in this client group will continue to occur throughout the foreseeable future. Where present in a family unit, the father is a mandatory referral as are juveniles over the age of 16 who are not in school full time. The law states that AFDC recipients who volunteer must be accepted into the program. Experience since the program started shows that large numbers of AFDC mothers are interested in becoming self-supporting and have volunteered. There is reason to suppose this trend will continue. It is also anticipated that with more private employer participation, the establishment of additional jobs in the public sector and increased emphasis on relocation, substantially more enrollees will receive on-the-job training and work experience training than in prior year start-up operations. The major training effort of WIN field staff begun in 1971 to simplify on-the-job training contracting procedures will be expanded in 1972 to help overcome the reluctance of private employers to participate.

The Department of Labor is cooperating closely with the Department of Health, Education and Welfare to expand supportive services to participants. The enlarged child care program is expected to produce significant improvements in training operations, reduce the number of drop-outs and increase the number of mothers who can participate.

In fiscal year 1972, The Department of Labor plans to expand the average enrollment level to 160,000 individuals by increasing enrollments from 127,000 on June 30, 1971 to 191,500 by June 30, 1972. This represents an increase of 48,500 average enrollment opportunities over fiscal year 1971. Total placements are expected to increase from 50,000 on June 30, 1971 to 90,000 on June 30, 1972. For this purpose, $197,136,000 is requested in budget authority, and costs of $199,077,000 will be incurred for this enrollment level.

2. Child Care

	1971 Estimate	1972 Estimate	Increase or Decrease
Child Care	$38,000,000	$78,000,000	+$40,000,000

Background

The 1967 amendments to the Social Security Act require that child care services be provided to all WIN participants who need such services. Services will typically begin at the time the Employment Service is prepared to enroll the parent in an orientation or diagnostic program. The services continue through the entire period of the parent's training and after the parent is employed, until other satisfactory arrangements can be made. After the parent is employed, depending on her income, she is expected to pay a portion of the costs of day care.

Child care is provided on a full-time basis for preschool children and on an after-school and summer basis for older children. This service may take the form of (a) care within the child's own home, (b) day care in a family day care situation, or (c) day care in a group situation. States are free to select, in consultation with the parent, that form of care which seems most appropriate to the needs of the child. The State may elect to provide the service through its own staff, or through a contract with any competent public or private organization, or it may contract with individuals. The Federal Government reimburses the State for 75% of the costs.

General

In September 1970, 94,000 children were receiving either "in-home", or "out-of-home" care. This represents an increase of 100% over the 46,900 receiving such care a year earlier.

A child receiving "in-home" care is cared for by a relative, child care worker, homemaker or other responsible person in the child's own home. The local welfare agency is responsible for seeing that the home meets the physical needs of the child and that the care situation will foster the child's personal and intellectual development.

Out-of home care consists of family day care homes, group day care homes and day care centers. Family day care is generally provided in the home of a neighbor, friend or relative. Limitations are placed upon the number of children, including the caretaker's children, by age of the children involved. In no case can more than 6 children be cared for in a family day care home. Group day care varies in that up to 12 children may be taken care of in the home but the child-staff ratio shall not exceed 5 to 1. Placement of children under 3 years of age in a group day care home is not encouraged. Larger numbers of children may be taken care of in day care centers but rigid limitations are placed on the number of children that can be placed in a group and the child-staff ratio. For example, the group size is limited to 15 with a child-staff ratio of 5 to 1 for children between 3 and 4 years of age. For children

4 through 6 years of age the group limitation is 20 with a staff ratio of 7 to 1. Children under 3 years of age cannot be placed in a day care center unless there are State licensing regulations for such placement.

As of June 30, 1969 approximately 50 percent of the children provided out-of-home care were in family day care homes, 30 percent in group day care homes and 20 percent in day care centers. All children receiving "out-of-home" care must be placed in facilities that will meet Inter-Agency Day Care Requirements and State licensing requirements. Like in-home care, the welfare agency is charged with responsibility for seeing that the care fosters the physical, personal and intellectual development of the child.

The following table shows the estimated average number of children in care by type of facility based on data received through December 31, 1970.

Type of Facility	1970	1971	1972
In-home	32,200	65,700	112,100
Out-of-home (total)	25,300	51,462	87,900
Family day care	(13,200)	(25,700)	(43,100)
Group day care	(6,800)	(14,400)	(24,600)
Day care center	(5,300)	(11,362)	(20,200)
Total	57,500	117,162	200,000

Fiscal year 1971 Program

Child care obligations in fiscal year 1971 are estimated at $38,000,000. The FY-1971 program level of $40,589,000 reflects (a) the cost of continuing services to families enrolled in fiscal years 1969 and 1970 who still require such services, plus (b) the cost of services to families enrolled in WIN during fiscal year 1971. It is estimated that by June 30, 1971, the numbers receiving child care services will be 88,400 preschool children and 46,600 school-age children. The average numbers expected to receive care during fiscal year 1971 are 69,126 preschool and 48,036 school-age children.

Fiscal Year 1972 Program

Child care obligations in fiscal year 1972 are estimated at $78,000,000, an increase of $40,000,000. The fiscal year 1972 program level of $78,000,000 reflects (a) the cost of continuing services to families enrolled in fiscal years 1969, 1970 and 1971 who still require such services, plus (b) the cost of services to families enrolled in WIN during the fiscal year 1972. It is estimated that on June 30, 1972 the numbers receiving child care services will be 176,200 preschool children and 58,800 school age children. The average numbers expected to receive child care during fiscal year 1972 are 144,000 preschool and 56,000 school-age children.

During 1972, special efforts will be made to increase the number of child care slots and improve the quality of child care for WIN participants. Licensing standards of the States will be surveyed and a drive made to modify unduly restrictive or inadequate codes. Although use of child care centers is slowly increasing, most WIN trainees use in-home or family day care. In order to build in quality for this kind of care, an on-site monitoring system has been developed in which the State and Regional office personnel examine the quality of care and work with the local authorities in overcoming deficiencies. This system is now being tested in three Regions. Another monitoring system which is based on the CB-9 (a statistical and financial report)

has been developed to identify States that are lagging in the provision of child care and those reporting unreasonable unit costs. This tool will assist in spotting States that require immediate on-site monitoring.

Guidelines are currently under development to provide States and localities with information on public and private resources which can be utilized to increase the quality as well as the quantity of child care available to WIN enrollees and employed former WIN enrollees. Realignment of priorities within the Central office is expected to release staff time for providing additional technical assistance to the States.

Community resources of all sorts - public, private, and voluntary agencies, and business and industry, among others - will be looked to as possible providers of child care. In addition, emphasis will be placed on developing a variety of child care resources in neighborhoods where WIN trainees live, especially looking to training and using AFDC mothers as child care workers for others in work or training. It is expected that present cooperation with Model Cities child care resources will be augmented. In 1971, twenty-one States plan to utilize $5,900,000 of Model Cities funds for State matching in providing child care for AFDC mothers. In 1972, twenty-three States plan to utilize $8,900,000 for this purpose. Increased slots resulting from this endeavor will be utilized by both WIN and non-WIN recipients.

Child Care Requirements Program Data

	Fiscal Year 1971	Fiscal Year 1972
Average monthly number of children requiring child care:		
Preschool children		
--of enrollees	62,400	129,600
--of working mothers -- 1969 WIN	500	250
1970 WIN	1,000	500
1971 WIN	5,226	2,600
1972 WIN	---	11,050
Subtotal, preschool children	69,126	144,000
School age children		
--of enrollees	43,362	50,400
--of working mothers -- 1969 WIN	300	150
1970 WIN	700	350
1971 WIN	3,674	1,900
1972 WIN	---	3,200
Subtotal, school age children	48,036	56,000
Total, average monthly number of children	117,162	200,000

The number of preschool children is expected to increase much more rapidly than school-age children due primarily to two factors: (1) care of preschool children is generally full-time care for which arrangements are much easier to make than for part-time school-age children, and (2) a large proportion of the women volunteering for WIN training are young mothers with small children and a higher proportion of those mothers are found appropriate for training and accepted for enrollment.

$78,000,000 is requested for this activity in 1972.

SOCIAL AND REHABILITATION SERVICE

Work Incentives

Program Purpose and Accomplishments

Activity: Training and incentives (Social Security Act, Section 431)

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
153	$60,180,400	Indefinite	153	$197,136,000

Purpose: The 1967 amendments to the Social Security Act authorized a work incentives program designed to encourage and promote the employment, work experience, and training of public assistance recipients receiving support from the Aid to Families with Dependent Children program. This training and incentives activity of the program is funded by HEW and administered by the Department of Labor.

Explanation: The grants go to State agencies to provide individuals with concentrated amounts of manpower and training services essential to insure that they are eventually placed in full-time employment. Grants are made to manpower agencies based upon an 80-20% matching basis--the Federal share being 80% and the State giving 20%.

Accomplishments in 1971: National and Regional office staff are working with the State Employment Service agencies in reprogramming resources within States to assure maximum utilization and improving program operations, training of job placement personnel and improving the quality of technical assistance provided.

Total efforts in 1971 will stress enlarging and improving the program; increases are planned for all components. From a base of 94,500 enrollees on June 30, 1970, the enrollment level is expected to increase to 127,000 by June 30, 1971, for an average enrollment of 111,500 individuals. Total placements are expected to increase from 27,000 in 1970 to 50,000 by June 30, 1971.

Objectives for 1972: It is anticipated that with more private employer participation, the establishment of additional jobs in the public sector and increased emphasis on relocation, substantially more enrollees will receive on-the-job training and work experience training than in prior year start-up operations. Staff resources will continue to be used to improve and expand program operations. Priority will be given to the evaluation and correction of those aspects of the program which it has been determined are the most serious obstacles to the movement of the program.

From a base of 127,000 on June 30, 1971, the enrollment level is expected to increase to 191,500 by June 30, 1972, for an average enrollment of 160,000 individuals. Total placements are expected to increase from 50,000 on June 30, 1971 to 90,000 on June 30, 1972.

SOCIAL AND REHABILITATION SERVICE

Work Incentives

Program Purpose and Accomplishments

Activity: Child care (Social Security Act, Section 401)

1971 Amount	1972 Authorization	1972 Budget Estimate Amount
$38,000,000	Indefinite	$78,000,000

Purpose: The 1967 amendments to the Social Security Act require that child care services be provided to all WIN participants who need such services. These services begin at the time the Employment Service is prepared to enroll the parent, until other satisfactory arrangements can be made.

Explanation: Child care is provided on a full-time basis for preschool children and on an after-school basis for older children. This is designed to permit WIN participants to take full advantage of the programs offered. Grants are made to States based upon a 75-25% matching rate--the Federal share being 75% and the State giving 25%.

Accomplishments in 1971: In 1971 the average number of children expected to receive care is 117,162. Approximately 92% of care provided will be "In-home", "Family Day Care", and "Group Day Care" with the remaining 8% being in "Day Care Center Facilities."

Objectives for 1972: Technical and monitoring assistance from Federal personnel together with the States' commitments to raise all child care to conformance with Federal Interagency Day Care Standards and State licensing standards will result in improved quality of child care during 1972. Special emphasis will be placed on coordinating the WIN child care program with other child care programs for the maximum utilization of existing slots and the development of new slots. The average number expected to receive child care during this period is 200,000 children. It is expected that approximately 84% of care provided would be "In-home", "Family Day Care", or "Group Day Care" and the remaining 16% would be in "Day Care Center Facilities."

Table A

Work Incentives

Actual and Estimated Awards for Training and Incentives
Fiscal Years 1970 - 72

State	1970 Actual	1971 Estimate	1972 Estimate
Alabama	930,748	291,600	1,492,900
Alaska	399,336	0	623,600
Arizona	1,066,239	83,200	2,796,800
Arkansas	170,000	413,300	1,039,300
California	18,299,708	10,250,200	32,780,800
Colorado	18,744	1,418,200	3,779,400
Connecticut	874,187	548,200	2,059,800
Delaware	306,497	95,800	585,800
District of Columbia	1,752,153	1,483,200	2,796,800
Florida	0	1,757,300	3,911,700
Georgia	0	569,900	1,795,200
Guam	62,047	0	472,400
Hawaii	378,783	0	113,400
Idaho	277,324	95,800	661,400
Illinois	658,321	3,093,000	8,031,300
Indiana	53,124	93,300	1,039,300
Iowa	1,224,623	0	1,474,000
Kansas	357,000	891,600	1,492,900
Kentucky	3,219,769	696,500	3,496,000
Louisiana	500,000	291,600	1,530,700
Maine	510,645	0	774,800
Maryland	0	1,518,100	3,703,800
Massachusetts	2,342,770	2,583,900	6,273,800
Michigan	3,531,914	3,349,600	8,636,000
Minnesota	882,094	704,900	2,645,600
Mississippi	0	0	529,100
Missouri	2,289,966	0	2,381,000
Montana	357,013	95,800	604,700
Nebraska	0	256,600	566,900
Nevada	91,000	0	132,300
New Hampshire	0	153,100	200,000
New Jersey	3,647,817	1,004,800	4,308,500
New Mexico	310,000	56,600	585,800
New York	9,089,806	6,710,300	29,190,500
North Carolina	0	0	1,039,300
North Dakota	344,301	56,600	453,500
Ohio	0	2,958,000	7,218,700
Oklahoma	280,000	56,600	680,300
Oregon	1,600,490	183,200	2,494,400
Pennsylvania	2,367,887	4,354,800	10,960,300
Puerto Rico	2,970,000	735,600	4,214,000
Rhode Island	1,085,055	0	1,228,300
South Carolina	0	97,500	359,000
South Dakota	754,442	74,100	907,100
Tennessee	2,570,192	300,700	2,834,600
Texas	240,000	826,600	2,343,200
Utah	1,734,156	0	2,740,100
Vermont	429,598	0	472,400
Virginia	2,246,784	204,900	2,229,900
Virgin Islands	63,443	59,200	94,500
Washington	2,545,401	153,100	4,535,300
West Virginia	5,528,336	2,714,600	7,842,300
Wisconsin	2,107,828	839,800	3,477,100
Wyoming	62,531	78,300	189,000
Total	80,532,072	52,000,000	188,819,600

Work Incentives

Table B

Actual and Estimated Awards for Child Care 1/
Fiscal Years 1970-72

State	1970 Actual	1971 Estimate	1972 Estimate
Alabama	255,000	602,000	1,170,000
Alaska	152,000	250,000	468,000
Arizona	119,804	365,000	780,000
Arkansas	274,500	256,000	546,000
California	2,541,000	3,397,000	7,020,000
Colorado	203,400	1,210,000	2,496,000
Connecticut	360,000	373,000	780,000
Delaware	67,480	190,000	351,000
District of Columbia	517,300	784,000	1,599,000
Florida	256,800	2,094,000	3,900,000
Georgia	188,900	1,183,000	2,418,000
Guam	7,600	49,000	858,000
Hawaii	15,400	28,000	78,000
Idaho	108,128	122,000	234,000
Illinois	43,200	616,000	1,560,000
Indiana	53,000	146,000	390,000
Iowa	224,900	506,000	1,014,000
Kansas	321,000	179,000	390,000
Kentucky	827,400	1,062,000	1,950,000
Louisiana	520,500	1,001,000	2,028,000
Maine	195,064	200,000	546,000
Maryland	631,100	1,285,000	2,496,000
Massachusetts	757,100	1,416,000	2,730,000
Michigan	295,000	1,575,000	3,315,000
Minnesota	399,400	448,000	936,000
Mississippi	37,900	178,000	390,000
Missouri	1,033,941	1,674,000	3,432,000
Montana	112,000	562,000	1,092,000
Nebraska	101,600	285,000	585,000
Nevada	0	20,000	39,000
New Hampshire	0	913,000	780,000
New Jersey	953,000	2,633,000	5,460,000
New Mexico	64,668	280,000	468,000
New York	13,700	2,972,000	6,318,000
North Carolina	110,200	416,000	780,000
North Dakota	48,119	67,000	218,000
Ohio	2,000	736,000	1,560,000
Oklahoma	12,187	361,000	780,000
Oregon	189,200	405,000	858,000
Pennsylvania	12,500	1,181,000	2,418,000
Puerto Rico	127,700	25,000	1,560,000
Rhode Island	203,200	234,000	468,000
South Carolina	29,800	98,000	156,000
South Dakota	148,000	118,000	234,000
Tennesee	695,500	1,225,000	2,340,000
Texas	208,100	553,000	1,131,000
Utah	250,900	482,000	936,000
Vermont	48,400	73,000	156,000
Virginia	827,700	1,010,000	1,560,000
Virgin Islands	32,500	10,000	16,000
Washington	418,400	1,022,000	2,106,000
West Virginia	74,000	258,000	546,000
Wisconsin	451,628	837,000	1,482,000
Wyoming	43,181	35,000	78,000
Total	$15,585,000	$38,000,000	$78,000,000

1/ The 1971 and 1972 estimates of grants to States for child care are based upon anticipated program level of the Work Incentive program adjusted by funds carried over from prior year.

Work Incentives
Cumulative Enrollees, Terminations and End-of-Month
Enrollment by State, Actual June 30, 1970 and
December 31, 1970 and Estimated June 30, 1971 and 1972

State or Possession	As of June 30, 1970			As of December 31, 1970			As of June 30, 1971			As of June 30, 1972		
	Cumulative Enrollees	Cumulative Terminations	End of Month Enrollment	Cumulative Enrollees	Cumulative Terminations	End of Month Enrollment	Cumulative Enrollees	Cumulative Terminations	End of Month Enrollment	Cumulative Enrollees	Cumulative Terminations	End-of Month Enrollment
Alabama	1,544	752	792	1,958	1,122	836	2,600	1,700	900	4,200	2,800	1,400
Alaska	620	319	301	752	449	303	900	500	400	1,500	900	600
Arizona	2,118	1,066	1,052	2,646	1,585	1,061	3,400	2,200	1,200	5,500	3,700	1,800
Arkansas	764	228	536	1,203	458	745	1,600	700	900	2,600	1,200	1,400
California ..	39,372	22,931	16,441	48,141	29,952	18,189	62,600	41,700	20,900	101,900	70,500	31,400
Colorado	3,600	1,363	2,237	5,066	2,488	2,578	6,600	3,700	2,900	10,700	6,300	4,400
Connecticut..	3,035	1,766	1,269	3,863	2,424	1,439	5,000	3,400	1,600	8,100	5,700	2,400
Delaware	357	72	285	451	117	334	600	200	400	1,000	400	600
Dist. of Col.	2,111	984	1,127 1/	2,508	1,566	942	3,300	2,100	1,200	5,400	3,600	1,800
Florida	2,453	710	1,743	3,833	1,359	2,474	5,200	2,100	3,100	8,500	3,800	4,700
Georgia	1,380	190	1,190	1,866	601	1,265	2,500	1,200	1,300	4,100	2,100	2,000
Hawaii	555	310	245	795	450	345	1,000	600	400	1,600	1,000	600
Idaho	937	439	498 1/	1,220	744	476	1,600	1,000	600	2,600	1,700	900
Illinois	4,138	1,772	2,366	7,471	2,785	4,686 2/	10,800	3,800	7,000	17,600	7,000	10,600
Indiana	111	1	110	735	101	634	1,300	500	800	2,100	900	1,200
Iowa	1,391	526	865	1,751	866	885	2,300	1,300	1,000	3,700	2,200	1,500
Kansas	1,326	734	592	1,773	1,060	713	2,300	1,500	800	3,700	2,500	1,200
Kentucky.....	3,027	1,183	1,844	3,666	1,975	1,691	4,400	2,600	1,800	7,200	4,500	2,700
Louisiana ...	1,667	521	1,146	2,164	885	1,279	2,900	1,600	1,300	4,700	2,700	2,000
Maine	593	246	347	860	404	456	1,200	600	600	2,000	1,100	900
Maryland.....	3,535	1,064	2,471	4,425	1,854	2,571 2/	5,500	2,800	2,700	8,900	4,800	4,100
Massachusetts	6,473	3,528	2,945	9,304	5,262	4,042	12,100	7,100	5,000	19,700	12,200	7,500
Michigan.....	8,451	3,425	5,026	11,019	5,316	5,703	14,100	7,700	6,400	23,000	13,300	9,700
Minnesota....	1,573	455	1,118	2,307	862	1,445	3,000	1,300	1,700	4,900	2,300	2,600
Mississippi..	597	309	288	680	345	335	900	400	500	1,500	700	800

WORK INCENTIVES - CONTINUED

State or Possession	As of June 30, 1970 Cumulative Enrollees	Cumulative Terminations	End of Month Enrollment	As of December 31, 1970 Cumulative Enrollees	Cumulative Terminations	End of Month Enrollment	As of June 30, 1971 Cumulative Enrollees	Cumulative Terminations	End of Month Enrollment	As of June 30, 1972 Cumulative Enrollees	Cumulative Terminations	End of Month Enrollment
Missouri.....	2,337	1,125	1,212	2,962	1,606	1,356	3,700	2,200	1,500	6,000	3,700	2,300
Montana.....	792	442	350	1,017	643	374	1,400	900	500	2,300	1,500	800
Nebraska.....	---	---	---	498	155	343	700	300	400	1,100	500	600
Nevada.....	20	---	20	99	14	85	150	50	100	400	200	200
New Hampshire	---	---	---	---	---	---	150	50	100	400	200	200
New Jersey...	5,650	3,082	2,568	6,913	4,164	2,749	8,700	5,800	2,900	14,200	9,800	4,400
New Mexico...	614	190	424	823	389	434	1,000	500	500	1,600	800	800
New York.....	16,737	4,495	12,242 1/	24,370	9,749	14,621	31,700	14,800	16,900	51,600	26,100	25,500
North Carolina	538	78	460	828	225	603	1,100	400	700	1,800	700	1,100
North Dakota..	590	308	282	741	464	277	900	600	300	1,500	1,000	500
Ohio.....	6,701	2,919	3,782	8,660	4,637	4,023	11,300	6,900	4,400	18,400	11,800	6,600
Oklahoma.....	431	98	333	618	276	342	800	400	400	1,300	700	600
Oregon.....	2,897	839	2,058	3,624	1,891	1,733	4,700	2,700	2,000	7,600	5,000	2,600
Pennsylvania..	10,612	4,396	6,216	14,079	6,905	7,174	18,400	10,400	8,000	29,900	17,800	12,100
Rhode Island	1,533	917	616	2,041	1,321	720	2,600	1,700	900	4,200	2,800	1,400
South Carolina	138	34	104	248	134	114	400	200	200	600	300	300
South Dakota..	694	254	440	982	462	520	1,300	700	600	2,100	1,200	900
Tennessee.....	2,453	910	1,543	2,744	1,609	1,135	3,500	2,200	1,300	5,700	3,700	2,000
Texas.....	721	192	529	1,773	551	1,222	2,700	1,300	1,400	4,400	2,300	2,100
Utah.....	3,154	1,381	1,773	3,758	2,096	1,662	4,800	2,900	1,900	7,800	5,200	2,600
Vermont.....	601	320	281	894	490	404	1,200	600	600	2,000	1,100	900
Virginia.....	1,438	375	1,063	1,960	642	1,318	2,600	1,000	1,600	4,200	1,800	2,400
Washington....	5,577	2,861	2,716	7,455	4,113	3,342	9,800	5,900	3,900	15,900	10,100	5,800
West Virginia.	8,615	5,337	3,278	10,150	6,894	3,256	12,200	8,500	3,700	19,900	14,300	5,600
Wisconsin.....	2,936	1,159	1,777	3,863	1,821	2,042	5,100	2,700	2,400	8,300	4,700	3,600
Wyoming.....	278	160	118	371	231	140	500	300	200	800	500	300
Guam.....	159	52	107	229	107	122	300	150	150	500	200	300
Puerto Rico...	5,277	1,941	3,336 1/	6,519	2,955	3,564 2/	8,240	4,240	4,000	13,300	7,200	6,100
Virgin Islands	79	41	38	126	86	40	160	110	50	300	200	100
Totals	173,300	78,800	94,500	228,802	119,660	109,142	297,800	170,800	127,000	484,800	293,300	191,500

1/ June data not available: Illinois - May and June not available

2/ November and December figures not available

DISTRIBUTION OF FIELD STAFF
(Department of Labor)

Supervising Offices	1971			1972		
	Profes-sional	Clerical	Total	Profes-sional	Clerical	Total
Atlanta, Georgia.....	10	4	14	10	4	14
Boston, Massachusetts	7	3	10	7	3	10
Chicago, Illinois.....	9	3	12	9	3	12
Dallas, Texas.....	6	2	8	6	2	8
Denver, Colorado.....	6	2	8	6	2	8
Kansas City, Missouri.....	4	2	6	4	2	6
New York City, New York...	6	2	8	6	2	8
Philadelphia, Pa.....	7	3	10	7	3	10
San Francisco, Calif.....	7	3	10	7	3	10
Seattle, Washington.....	4	2	6	4	2	6
Total, Field Staff.....	66	26	92	66	26	92

FRIDAY, MAY 14, 1971.

REHABILITATION SERVICES AND FACILITIES

WITNESSES

DR. EDWARD NEWMAN, COMMISSIONER, REHABILITATION SERVICES ADMINISTRATION
JOHN D. TWINAME, ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE
FRANCIS X. LYNCH, DIRECTOR, DIVISION OF DEVELOPMENTAL DISABILITIES, REHABILITATION SERVICES ADMINISTRATION
FREDERICK SACHS, CHIEF, DIVISION OF STATE PLANS, PROJECTS, AND GRANTS, REHABILITATION SERVICES ADMINISTRATION
JOHN A. LAVAN, EXECUTIVE OFFICER, REHABILITATION SERVICES ADMINISTRATION
WOODROW E. TOWNSEND, CHIEF, DIVISION OF BUDGET, REHATION SERVICES ADMINISTRATION
RANDOLPH W. LEE, DIRECTOR, BUDGET DIVISION, SOCIAL AND REHABILITATION SERVICE
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

REHABILITATION SERVICES AND FACILITIES

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Other services	1,045	1,200	1,200
Grants, subsidies, and contributions	501,802	584,570	603,800
Total obligations	502,847	585,770	605,000

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
(1) Basic State grants	435,999	503,000	518,000
(2) Innovation	3,200	3,200	
(3) Rehabilitation service projects	21,699	29,971	52,210
(4) Vocational rehabilitation facilities	1,435	3,590	
(5) Formula grants for the developmentally disabled		11,215	11,215
(6) Services for the developmentally disabled	23,644	23,575	23,575
(7) Facilities for the mentally retarded	16,870	11,219	
Total obligations	502,847	585,770	605,000
Financing:			
Recovery of prior year obligations	−1,274		
Unobligated balance available, start of year	−14,841	−15,412	−32
Unobligated balance transferred from other accounts	−4,917		
Unobligated balance available, end of year	15,412	32	32
Unobligated balance lapsing	41		
Budget authority	497,268	570,390	605,000
Budget authority:			
Appropriation	501,783	570,390	605,000
Portion withdrawn (Public Law 91-204 sec. 410)	−4,515		
Appropriation (adjusted)	497,268	570,390	605,000
Distribution of budget authority by account:			
Grants for rehabilitation services and facilities	463,398		
Mental retardation	33,870		
Rehabilitation services and facilities		570,390	605,000
Relation of obligations to outlays:			
Obligations incurred, net	501,573	585,770	605,000
Obligated balance, start of year	102,759	154,010	195,285
Obligated balance, end of year	−154,010	−195,285	−246,285
Adjustments in expired accounts	−8,957		
Outlays	441,365	544,495	554,000
Distribution of outlays by account:			
Grants for rehabilitation services and facilities	428,337		
Mental retardation	13,028		
Rehabilitation services and facilities		544,495	554,000

Mr. NATCHER. The next appropriation is "Rehabilitation services and facilities." You may proceed with your statement, Mr. Newman, following your biographical sketch.

(The sketch follows:)

BIOGRAPHICAL SKETCH

Name: Edward Newman, Ph. D.

Position: Commissioner, Rehabilitation Services Administration.

Birthplace and date: New York, N.Y., March 13, 1934.

Education: Drew University, 1956, B.A.; Western Reserve University, 1958, M.S.; Brandeis University, 1968, Ph. D.

Experience: Present, Commissioner, Rehabilitation Services Administration; 1968–69, Assistant for Program Planning and Coordination, Human Resources Program Division, Bureau of the Budget; 1966–68, Executive Director, Vocational Rehabilitation Planning Commission, Commonwealth of Massachusetts; 1965–68, Lecturer, Boston University School of Social Work; 1964–66, Coordinator, Massachusetts Mental Retardation Planning Project.

Association memberships: National Rehabilitation Association; National Association of Social Workers; American Public Health Association.

Publications: "Helping All the Handicapped," a Report of the Massachusetts Vocational Rehabilitation Planning Commission, 1966; *Journal of Rehabilitation*, May–June 1969, "A Federal Program for Neighborhood Services"; *Journal of Health and Social Behavior*, June 1969, "A New Look at Public Planning for Human Services"; *Mental Hygiene*, January 1969, "A Comprehensive Retardation Plan for Massachusetts"; *Journal of Rehabilitation*, NRA, September–October 1970, "Changing Rehabilitation Manpower Utilization."

GENERAL STATEMENT

Mr. NEWMAN. Mr. Chairman and members of the committee, I consider it an honor and privilege to appear before this committee to present the fiscal year 1972 appropriation request for "Rehabilitation services and facilities." The total request for 1972 is $605 million, a net increase of $34,610,000 over the 1971 level of $570,390,000.

The mission of the Rehabilitation Services Administration is to provide the Nation's physically and mentally disabled citizens with services to assist them to achieve a fully meaningful and productive life. This we do in conjunction with other human service providers. Our programs include not only rehabilitation for persons who have become handicapped, but habilitation of persons who have always been handicapped. Services provided assure that each handicapped person accepted can move from where he is to where he can function at this optimal level.

VOCATIONAL REHABILITATION

I am pleased to report that amendments to the Vocational Rehabilitation Act were enacted on December 31, 1970, extending the appropriation authorizations at the fiscal year 1971 level through fiscal year 1972.

Continual congressional concern for handicapped individuals has been evidenced since the first authorizing legislation for vocational rehabilitation in 1920. The Congress has always offered strong bipartisan support for amendments to improve and expand the scope and availability of services, and, in consideration of the overall economy, for substantial appropriations for services. A full range of services may be provided to handicapped individuals to assist them in overcoming their disabling conditions. This outstanding support

has brought about a substantial decrease in the number of persons relegated to either custodial care or welfare dependency, and an increase in the number of handicapped persons who receive treatment, education, habilitation, and rehabilitation services in their community. Rehabilitated persons become participants in the enrichment of our society and contributors to our economy as wage earners, taxpayers and producers of goods and services. Rehabilitation programs provide services to approximately one million handicapped people a year. Unquestionably, rehabilitation has the lead role as advocate for the severely disabled.

REDUCTION IN DEPENDENCY

The rehabilitation of individuals is not a Federal effort alone; rather it is a combined Federal, State and local partnership which draws heavily on the private sector to provide programs of comprehensive rehabilitation services which enable handicapped individuals to lead more rewarding and gainful lives requiring less public support, cash assistance, or costly institutional and custodial care. At the State level, a majority of agencies are now placing heavy emphasis on developing and expanding services for handicapped individuals in priority service groupings, such as, public assistance recipients; those living in rural or urban pockets of poverty; public offenders; individuals with sensory disorders; mentally ill; mentally retarded; alcoholics, and drug addicts.

DECREASING PUBLIC ASSISTANCE

Under the basic support program, State agencies have mounted a concerted effort to reduce the rising public assistance caseload. This is an objective we all share. In a recent letter to the Governor of each State, Secretary Richardson has called attention to the joint action programs now being conducted by public welfare and vocational rehabilitation agencies for disabled public assistance recipients and has enlisted their support in moving the program forward. These special efforts by State agencies are continuing and will be reinforced and supplemented in fiscal year 1972 by special projects for which we are requesting $26,360,000 under Rehabilitation Service Projects for Expansion Grants.

The projects will expand vocational rehabilitation and placement services for disabled welfare recipients. (The nondisabled are provided services through the Work Incentives Program.) Through these special rehabilitation projects the State vocational rehabilitation agencies will be able to gather support of other public and private agencies and organizations who can effectively contribitue to this task.

IMPLEMENTING THE DEVELOPMENTAL DISABILITIES ACT

Since last appearing before this committee, I am pleased to report that in addition to our traditional role of advocate and provider of services for the physically and mentally disabled, and the mentally retarded, we have been given expanded responsibility. RSA has been designated to implement the Developmental Disabilities Services and Facilities Construction Act signed by the President on October 30,

1970. This act authorizes the organization of an improved comprehensive service system for the mentally retarded and opens the way for service to individuals suffering from epilepsy, cerebral palsy and other neurological conditions defined under the act.

The act represents a significant departure from the project grant approach of the former mental retardation program. The formula grant program of the Developmental Disabilities Act provides for the establishment of State planning and advisory councils and designated State agencies for determination of service and construction priorities. A strengthened long-range planning capacity for State agencies will result from this direct influence upon Federal moneys expended under approved State plans. Local communities will be given a strong voice in determining needs, establishing priorities, and developing a system for delivering services.

I take particular interest in these benefits and even though they are posed in economic terms, Mr. Chairman, I think they should be of interest to the committee.

SERVICE PROGRAM BENEFITS

Vocational rehabilitation plays a major role in preventing dependency as well as in serving those who have already exhausted their resources. Preliminary indications are that very nearly 50 percent of the rehabilitants in fiscal year 1970, excluding those drawing public assistance, came from families with annual incomes of less than $3,600. Were it not for the public program of vocational rehabilitation, a substantial number of these poverty-line cases would probably be driven onto the public assistance rolls and an incalculable number above the poverty-line would soon be depressed to the poverty level.

The total increase in lifetime earnings of rehabilitated individuals are from six to 20 times the dollars spent for their rehabilitation, according to recent studies. In addition, a host of intangible though nonetheless real benefits accrue to the individual and to society.

Preliminary results from a study on the economics of mental retardation indicated that with appropriate training and supportive help, *mildly* retarded men (people with an IQ of 50–70) entering the work force in 1968 at age 18 may expect aggregate future earnings of a half million dollars per individual. In contrast, it costs about $5,000 per year to maintain a retarded person in a public institution. If a retarded person is maintained in an institution for most of his life, the aggregate cost will be over a quarter of a million dollars.

HIGHLIGHTS OF APPROPRIATION REQUEST

The appropriation request for fiscal year 1972 to provide services and other support for handicapped individuals is $605,000,000 comprised of the following programs and activities.

STATE BASIC SUPPORT PROGRAM

Under the basic support program the Federal Government shares the costs for rehabilitation services with the States. Services such as diagnosis, comprehensive evaluation, counseling, physical restoration, training, reader services for the blind, interpreter services for the deaf, employment placement, and follow-up services are provided as required to a physically or mentally disabled person to equip the individual for employment and for a productive life. Services are

also provided to the families of handicapped individuals when such services will contribute substantially to the rehabilitation of such individuals.

The State-Federal vocational rehabilitation program offers a comprehensive range of services. Services are obtained, often by purchase, from a full span of community resources, depending on individual needs. Services are provided through private physicians, public and private hospitals. specialized clinics, rehabilitation centers, workshops, public and private educational institutions, and employers in effecting rehabilitations.

The Federal funds requested for fiscal year 1972 will match State funds of $134,683,463 under an allotment base of $530,000,000. Estimates of State funds available continue to reflect the enthusiastic support the States give to vocational rehabilitation.

In fiscal year 1972, 980,000 disabled individuals will be served by the State programs, and 288,000 will be rehabilitated.

REHABILITATION SERVICE PROJECTS

Rehabilitation services projects provide the Federal Government with a ready mechanism for initiating new activities designed to expand services for handicapped individuals. The project grant approach permits rapid implementation of new initiatives in areas of national concern. Included in the total request is $26,360,000 to fund rehabilitation service projects specifically directed to increasing rehabilitations of disabled public assistance recipients. Projects funded will permit a rapid expansion of existing service capabilities.

And I would add parenthetically, as Mr. Twiname did at the end of your hearings on WIN, that we see tremendous importance in expanding these capabilities because of the role envisioned, at least at this point, in the welfare reform proposals.

Through these special rehabilitation projects the State vocational agencies will be able to gather support of other public and private agencies and organizations who can effectively contribute in this task. The projects will permit an expansion of services to reach larger numbers of the disabled whose rehabilitations will help reduce the public assistance load. Activities supported by the special rehabilitation projects are expected to provide services for 45,000 disabled public assistance recipients. On a full year basis, about 14,000 will be rehabilitated. These are in addition to the 130,000 public assistance recipients to be served and 37,000 to be rehabilitated by the State vocational rehabilitation agencies under the basic support program.

The balance of the funds requested will provide continuation support for projects for expansion of rehabilitation services in the private and public sectors, new career opportunities for the handicapped, training and employment in industrial settings, and rehabilitation facility and workshop staffing and improvements.

FORMULA GRANTS FOR THE DEVELOPMENTALLY DISABLED

Under the formula grant program, each State is entitled to an allotment based on a statutory formula which includes population, extent of need for services and facilities and per capita income, with a minimum allotment of $100,000.

The construction and operation of facilities is authorized under the new Developmental Disabilities Services and Facilities Construction Act. States may use up to 50 percent of their allotments for construction purposes. We anticipate that within the funds requested for the formula grants for fiscal year 1972, 15 construction projects will be initiated.

We are requesting $11,215,000 for this program, the same amount that was appropriated in 1971. This program was inaugurated late in 1971 and the 1972 request will provide for the continuing development of a strong base upon which orderly growth of comprehensive program coverage for the developmentally disabled can occur.

SERVICES FOR THE DEVELOPMENTALLY DISABLED

Our fiscal year 1972 appropriation request includes $23,575,000 to provide support for projects which provide services, training of personnel, and initial staffing of community services facilities. Projects supported will permit the introduction of new methods of care for the institutionalized part of our popualtion. New approaches in the development of residential care programs stress participation in community living and work programs. An increase in the level of funding of the rehabilitation service projects in fiscal year 1972 will support efforts to change the emphasis from institutional to community care, fill gaps in community services, and provide training for personnel.

RESEARCH AND TRAINING SUPPORT

The research and training program funded under section 4 of the Vocational Rehabilitation Act has proven valuable to the vocational rehabilitation program as it has developed new resources to meet the needs of the disabled. More will be said later in detail about research and training by Mr. Longmire and Dr. Garrett in presenting the appropriation request for these programs.

SUMMATION

In summary, we are requesting $605 million for "Rehabilitation Services and Facilities," an increase of $34,610,000 over the fiscal year 1971 appropriation. Included in the request are $518 million for the State basic support program; $52,210,000 for rehabilitation service projects; and $11,215,000 for formula grants and $23,575,000 for services for the developmentally disabled.

In conclusion, I wish to reaffirm that monies spent on services for handicapped individuals continue to be one of the best investments of public funds in both the short and the long term.

Mr. Chairman, I would be pleased to answer any questions you or members of the committee may have regarding this appropriation request.

THE 1972 ALLOTMENT AUTHORIZATION

Mr. NATCHER. Thank you, Dr. Newman. You are proposing an allotment base of $530 million for basic State grants for fiscal year 1972 and an appropriation of $518 million. What allotment for 1972 would be provided by the authorizing legislation if we did not limit it through appropriation language?

If there is no appropriation language, what allotment for 1972 would be provided?

Mr. SACHS. Mr. Natcher, we have information from the States. This is the way we derive our estimates, that, given no allotment restrictions which the States have available something in the neighborhood of $168 million—considering that the matching ratio is, in the act, at an 80/20 rate, it would be four times that amount which would be something in the neighborhood of about $672 million.

Mr. NATCHER. What appropriation would be required if there were no allotment limitation on the appropriation bill? Is it the same figure?

Mr. SACHS. Under an authorization of $700 million, we would need a $626 million appropriation for basic State grants.

Mr. NATCHER. Mr. Sachs, on page 16 of your justifications, in answer to the first question, shouldn't the answer have been $700 million?

Mr. SACHS. The allotment base, the authorization level in the act is $700 million.

Mr. NATCHER. That should have been $700 million as set forth in the justifications.

Mr. NEWMAN. The authorization is $700 million, Mr. Chairman.

RATIONALE FOR $530,000,000 ALLOTMENT BASE

Mr. NATCHER. How did you decide on the allotment base of $530 million? How did you reach this figure?

Mr. SACHS. There are, as you well know, a number of constraints that are operating within both the States and the Federal establishment. The States have gone through a period of rather substantial growth since passage of the 1968 amendments and it was our considered judgment that a period of time whereby the States could consolidate this rapid growth, take stock of where they are, reorient priorities, would not be too destructive to the program.

Mr. NATCHER. Could you use the figure $525 million or $535 million just as easily?

Mr. SACHS. We have tried to build in an element of growth, recognizing there are certain imponderables like the increased cost of providing services which face the economy in all areas.

Mr. NEWMAN. Mr. Chairman, let me see if I can supplement this answer by saying that the decision was made this year to provide or to try to make a special effort in the special project areas with the emphasis toward the people who were on, or close to the welfare rolls. Therefore, you will note the $26-million plus figure for special project grants for this purpose.

Another way of approaching a response to this question is to look at the number of States, which, because of the operation of the formula, for determining what the allotment is to be, will be receiving less moneys in the coming year, than in the present year, and 12 States will be receiving less moneys because of changes in population and in income.

DETERMINATION OF $518 MILLION STATE GRANT LEVEL

Mr. TWINAME. Mr. Chairman, I think what you are trying to get at is, once you determine you have a budget amount of $518 million

of service money, the question is how do you come up with the allotment to correspond to that. You come up first with how much money do you think we should have available for the services and then figure out how to determine what allotment goes with it. I wonder if you could speak to that?

Mr. SACHS. When you start from this direction we are, of course, operating within an act which provides that each State is entitled to 80 percent of the expenditures they make under the act. We know from the information we receive from the States that they have funds in excess of the amount needed to match the $518 million. In a kind of reverse process, we tried to build an allotment base which provides enough room for movement so that if a particular State in its estimate was a little high, that there is somebody else who is perhaps a little low so that we can use effectively all the money the Congress appropriates for the program.

In reality within the $530 million allotment base, based on States funds available, it appears as though the amount needed might be somewhat higher than the $518 million. I think it was $524 million, but we also know that States, in doing their estimates, frequently build in for futures that don't develop and our relationship is such that we are able to kind of play this almost as you play a musical instrument, so at the end of the year we come out with the effective utilization of available money so we feel quite comfortable that the $518 million will not impose any obligation on the Federal Government and yet will be used effectively.

BASE REQUIRED TO MAINTAIN 1971 STATE LEVELS

Mr. NATCHER. It is true, is it not, that some States will receive less money in basic grants in fiscal year 1972 than they did in 1971, even though there is an increase in the total appropriation?

Mr. SACHS. That is correct, sir.

Mr. NATCHER. What appropriation and what allotment base would be required to assure that all States receive at least as much in 1972 as they did in 1971?

Mr. NEWMAN. $552 million. That would be under an allotment base of 562 million.

RATIONALE FOR ELIMINATING INNOVATION GRANTS

Mr. NATCHER. Tell us your reasons for entirely eliminating innovation grants. Why do you eliminate them entirely, Dr. Newman?

Mr. NEWMAN. We are not intending to eliminate the purposes for which the innovation grants were developed in the first instance. Actually we are doing quite a bit of innovation under our expansion grant program. New legislation under consideration for this year there will probably request authority very similar to the innovation authority which we have now under a different funding arrangement. The level of the grants has not been substantial. We feel that many of the purposes of the grant can be carried out under our section 2 and section 4 authority, therefore we decided this year to have continuations for innovation grants without proposing any new starts in this grant program.

WELFARE ROLLS REDUCED BY REHABILITATION

Mr. NATCHER. According to your justification, 32,345 public assistance recipients were rehabilitated in fiscal year 1970; and in fiscal year 1971 you expect to rehabilitate 37,500. Does this mean that these people are no longer on the welfare rolls?

Mr. NEWMAN. This means that a substantial number of these people are no longer on the welfare rolls.

Mr. NATCHER. When you say "substantial," give the committee some idea.

Mr. NEWMAN. Of the more than 24,000 public assistance recipients rehabilitated in 1969, 13,000 receiving assistance at acceptance were not receiving assistance at closure, or approximately 54 percent.

Mr. NATCHER. That is right high; isn't it?

Mr. NEWMAN. I believe that would be substantial.

I would like to add, if I may, that a substantial number of reductions in welfare benefits will have accrued from those who remain on welfare.

Mr. TWINAME. All of them could result in a reduction in welfare costs—100 percent as far as I can tell. I stand to be corrected, but the question is, they may not get enough of an employment to completely satisfy the need standard in a State so there may be some residual supplemental from the welfare department, but in all cases the amount of money gained from employment will tend to reduce that welfare cost.

Mr. SACHS. I was going to make the comment that traditionally the program has focused on getting people to work but we have not neglected another element of our population, namely, people whose major activity is maintaining a home, and within much of the welfare load, States are working with several disabled homemakers who may be on aid to families with dependent children and may be providing a significant service and the goal may not be competitive employment in the traditional sense and those people might remain on public assistance.

Mr. NATCHER. How can you be sure now that they do not go back on welfare after 6 months or a year?

Mr. NEWMAN. We have a number of ways of looking at this and we are studying this from the point of view of people who are retained in their job, and just a recent response from a State which did a study in this area indicates that people in this category have been retained in work at a level of about 75 percent of those in the sample which was drawn.

Now, obviously, people who are handicapped as well as who have little income are more vulnerable than others in the population. I think we can say with some confidence that the program is successful in this respect.

REHABILITANT PARTICIPATION IN WIN

Mr. NATCHER. Are any of the people counted as rehabilitants also participating in the work-incentive program?

Mr. NEWMAN. Yes, Mr. Chairman. Unfortunately the vocational rehabilitation program was not written into the statute which launched the work-incentive program, but through the application of administrative directives and through the persuasion of our people in many

States we have been drawn into the WIN program, providing such services as minor medical services, evaluation services, and work evaluation and work adjustment services.

EXPANSION GRANTS FOR REHABILITATING WELFARE RECIPIENTS

Mr. NATCHER. You are requesting an increase of $23,538,947 for expansion grants to give increased attention to rehabilitation of public-assistance recipients. Tell us how you plan to use these funds.

Mr. NEWMAN. Mr. Chairman, we tend to very carefully look at those areas, States, which have a high incidence of people who are or might be eligible for these services. We concentrate on families with dependent children as well as the other categories, the adult categories on welfare. We intend to use the facilities, and the private sector to a great extent, and it will be probably a combination, as we are doing our planning now, a combination of looking at those people who desperately need these services, and also to use these moneys to provide some incentives to those who do not have sufficient capacity at this point for utilizing these funds. It is in these areas we intend to provide technical assistance so the capacity building could be built up.

Mr. NATCHER. Dr. Newman, if the committee decided to just delete the $23,538,947, would you be seriously affected? The entire amount? This increase?

Mr. NEWMAN. Without question, sir.

Mr. TWINAME. I feel very strongly about this, Mr. Chairman. This particular part of the appropriation is crucial to the rehabilitation program's future. It is crucial to the success of the whole welfare reform movement. The bill that Mr. Mills reported on yesterday presumes for the vocational rehabilitation agency in each State a major role to rehabilitate those people who would be receiving some income maintenance grant in the future, and if the vocational rehabilitation agencies are not positioned so as to take that load they would be, in effect, unable to respond and perform this mission.

Now, we are talking here about "incapacitated" as it says in that bill, or disabled people, handicapped people who also happen to be on public assistance, or receiving an income maintenance grant.

As you know, people talk about the difference between hard cases and some easier cases and in many instances, as this committee knows, those on public assistance may be not only physically disabled or mentally handicapped, but have other compounding problems which make them difficult rehabilitation cases.

With this particular money we would intend to develop the capacity in those States and in those State programs where they especially need this, so they can be prepared to fulfill this mission. In effect, we would expand the rehabilitation agencies' ability to perform on a broader section of handicapped people in this country. I think it is worthy of discussing this in that context.

Mr. NEWMAN. The public rehabilitation agency must continue to play its part in eliminating the problem of dependency especially with the multiple handicapped who are economically dependent. Unless we can position our State agencies to be ready for a substantial increase in their responsibility for the welfare reform program, we may not be able to handle that responsibility. I would hope the committee would look upon this particular request as an opportunity for positioning the State agencies for this newly expanded responsibility.

USE OF EXPANSION GRANTS

Mr. NATCHER. Will the funds be used exclusively for rehabilitation of people who are on welfare?

Mr. NEWMAN. It will be by and large—almost all the people will be on welfare. Obviously if you have a project in a depressed neighborhood, some of the people who could benefit may not at one point in time be on welfare. We don't think that the program should be so categorical in its eligibility requirements under this project grant so as to exclude a person who has a situation which is similar to a person who may be receiving one of the categorical programs but may not be at that point in time actually receiving benefits.

Mr. NATCHER. Dr. Newman, why is it necessary to provide 90 percent Federal funding for rehabilitation of public-assistance recipients? Why won't the States rehabilitate them under the basic grant program which I believe is 80 percent Federal? Isn't that correct?

Mr. NEWMAN. Yes.

Mr. NATCHER. Since welfare costs are such a heavy burden on State and local resources. How do you answer that, Dr. Newman? Why is it necessary for the Federal Government to provide 90 percent Federal funding for rehabilitation of public-assistance recipients?

Mr. NEWMAN. There has been a continual increase, especially with our priority effort, toward increasing the rehabilitation of welfare recipients on the 80/20 basis, as you have noted from our justification and from the testimony. We use expansion grants to make a special push, though, to increase the numbers and the percent of people in special categories—and this approach has been successful over the years. We started with the retarded and then the mentally ill and with other special categories of people. We increased the incentives to the States to commit themselves to a special category of disabled people through an addition in the Federal matching rate.

What we are saying to the States is that they are to not in any way diminish their responsibility under the regular program for the public welfare recipients, but that, because of the special priority now, and in anticipation of welfare reform we want, over and above this incentive, to provide this 90/10 program.

Mr. MILLER. I think your comment is correct and I think if the States could, within their budgets, match at the level that you describe, it would prove in the end an economy for them, but even if they don't, I think to the degree the Federal Government can through this program rehabilitate welfare recipients, the Federal Government is going to save money. So that even if there is a responsibility on the State that we would hope the State would assume, I still think the Federal Government makes out better by providing this additional incentive because ultimately it is an economy for the taxpayer.

TREND IN AVERAGE COST OF REHABILITATION

Mr. NATCHER. According to the justification in fiscal 1972, there will be $518 million in Federal funds for vocational rehabilitation to be matched by $135 million in State funds for a total of $653 million.

You also tell us that 288,000 people will be rehabilitated. That is an average cost of about $2,270 per rehabilitant. What has been your experience over the past several years as to the average cost of a

rehabilitation? Has it been increasing and, if so, what is the rate of increase?

Mr. NEWMAN. It has been increasing. I can give you some figures beginning in 1968.

In fiscal year 1968 the figure was $1,816; 1969, $1,888; 1970, $2,089; 1971, $2,204; estimated 1972, $2,263.

This breaks down by Federal and State share so that in fiscal 1970, for example, the Federal share is $1,617 and the State's share $472, bringing it up to the $2,089.

Mr. TWINAME. Mr. Chairman, isn't that a good record in rehabilitating people to gainful employment at a $2,000 cost?

Mr. NATCHER. It sounds very good to me.

Mr. TWINAME. That is over a quarter of a million people last year, and 37,000 public assistance recipients alone.

Mr. NATCHER. The subcommittee will adjourn until 2 o'clock on Monday, May 17, 1971.

AVERAGE COST FOR VARIOUS TYPES OF REHABILITANT

Mr. NATCHER. The committee will come to order.

Dr. Newman, on page 136 of your justification there is a table breaking down the rehabilitants into various categories. Can you give us the average cost of the rehabilitation in each of these categories? For example, Dr. Newman, what is the average cost for rehabilitating a public assistance recipient?

Mr. NEWMAN. We will try to get that for you.

Mr. NATCHER. If you want to put the rest of them in the record at this point, that will be fine. I wonder if you could give us some information now as far as the public assistance recipient? Can you give us any information on that?

Mr. NEWMAN. If you remember, Mr. Chairman, when we were in session on Friday we gave an average cost for the last few fiscal years and said that in fiscal year 1970 the average cost was $2,089. We do not have today our estimate, and it will have to be an estimate, of the average cost for the public assistance recipient. We assume that the cost that we gave you for the average recipient is pretty much in line, and perhaps the public assistance recipient, because we are not only including the AFDC recipient, as you know--approximately, I think, 57 percent of those who are served on public welfare are from that category, but we estimate that the costs are not very much higher than the average cost which we gave you on Friday.

Mr. NATCHER. What is that, Dr. Newman?

Mr. NEWMAN. We do have the costs by disability but we do not have the public assistance category specifically broken out.

Mr. NATCHER. Suppose you work that out and submit it for the record.

Mr. NEWMAN. Be very happy to do that.

(The information follows:)

AVERAGE COST OF SELECTED CATEGORIES OF REHABILITANTS

The costs of services for rehabilitating clients that are purchased outside the State vocational rehabilitation agency are accumulated by selected disability and target group categories. Other costs (administration, couseling, guidance, and placement) are not. The following costs are based on purchased costs accumulated plus average "other" costs (1970, $1,453; 1971, $1,521; 1972, $1,513).

Target groups	Average cost		
	1970	1971	1972
Public assistance recipients	$2,133	$2,251	$2,293
Social Security disability insurance beneficiaries	2,425	2,571	2,647
Correctional rehabilitation	2,080	2,198	2,244
Alcoholics	1,870	1,971	1,999
Narcotics addicts	2,425	2,571	2,647
Selected disability categories:			
Mentally ill	2,080	2,198	2,244
Mentally retarded	2,185	2,312	2,367
Blind and visually impaired	2,255	2,387	2,448
Deaf, hard of hearing, and speech impaired	2,084	2,202	2,248
Heart disease, cancer and stroke	2,361	2,502	2,572

REHABILITATION OF ALCOHOLICS

Mr. NATCHER. Mr. Newman, tell us a little more about your programs for rehabilitation of alcoholics.

Mr. NEWMAN. We have embarked now on a serious effort across the country to try to increase our services for many of the categories which are included amongst those people who are at the lower end of the income scale and we are trying to increase our effort with respect to alcoholics. The percentage of alcoholics who are served as a percentage of the total group is approximately 5.8 percent. Now, this may appear to be insignificant in terms of the total numbers. However, this is a tremendous increase just over the last few years. Increasingly, we are into special cooperative programs with the State departments of public health and alcoholism commissions and are attempting to provide the vocational rehabilitation services in addition to the usual medical drying out and other types of programs which are provided by these other agencies.

Mr. NATCHER. Mr. Newman, can you give us some idea as to the cost? How much are you spending on programs concerning the rehabilitation of alcoholics? Give us some idea as to money.

Mr. NEWMAN. Yes. In fiscal 1971 through the basic program we estimate obligations in alcoholism at $25,653,000, and if you include the additional programs in innovation, expansion, training, and facility improvement, we go up a little bit to $26,732,000.

NEW PROGRAMS TO REHABILITATE THE RETARDED

Mr. NATCHER. Are there any new developments in the rehabilitation of the mentally retarded?

Mr. NEWMAN. The new development about which I imagine you are going to have some questions for us is the new bill with which we have responsibility for the Developmental Disability Services and Facilities Construction Act of 1970. One of the great expansion stories in rehabilitation has been the dramatic increase in rehabilitations in the vocational rehabilitation program of the mentally retarded. One of the features of that program which has enhanced our work there is the so-called extended evaluation where we don't just over a period of a day or a few weeks make an evaluation of the work potential of a retarded individual, but we can try, in training and in various vocational readiness and various other kinds of skill-development programs, for a period of up to a year and a half to assess whether or not there is employability potential. This has been one of the real success stories, as I said, of the rehabilitation program.

So with the combination of the new bill and the responsibilities of the vocational rehabilitation agencies in the States as they relate to the comprehensive plan for the retarded which will be developed in each State, I see nothing but increased progress in this area.

BENEFITS VERSUS COSTS OF REHABILITATION

Mr. NATCHER. Have there been any good analyses of the costs versus the benefits of the vocational rehabilitation program? What can you say to the committee about that, Dr. Newman?

Mr. NEWMAN. Yes. We are in the constant process of refining the estimates which have been made in this area, Mr. Chairman. I think that, if you remember, a few years ago this committee asked this very same question, and with the help of Dr. Ron Conley who has just joined our staff, who is an economist with a particular concern for the economics of social programs and rehabilitation, a study was done and there have been refinements made. We estimate that the benefit to an individual runs anywhere from $18 to $26 for a projection of the lifetime earnings of an individual as compared to the $1 which is spent on service costs. For any 1 year, if we were to just look at the earnings of an individual on the basis of his completion and being successfully rehabilitated and his prior earnings, just for that year we estimate a 2-to-1 ratio over cost. We have breakdowns in the various categories.

For example, in our disability insurance program we estimate that the benefit-cost ratio is approximately 3-to-1, so you might say, taking into account different techniques for making these estimates, the program, as was pointed out by Mr. Miller on Friday, more than pays for itself.

Mr. NATCHER. Have there been any other evaluations of this particular matter outside of your Department?

Mr. NEWMAN. Yes. Dr. Conley, who has just joined our Department, was outside the Department and really can be looked upon as an independent source. Interestingly, when he was not with us his benefits were higher than some in-house estimates, which were more conservative, which were made by people who are attached to the program.

Mr. NATCHER. Now, other than Dr. Conley is there anyone else that you know of that has made any evaluation as far as the program is concerned?

Mr. NEWMAN. The Social Security Administration with respect specifically to the——

Mr. NATCHER. Generally, what do they give from the standpoint of the evaluation?

Mr. NEWMAN. Well, they would give this 3-to-1 ratio that I just spoke to you about. During the last 4 fiscal years over $45.2 million in benefits have been saved, according to these trust fund accountants, because of the rehabilitation of 25,045 beneficiaries.

CARRYOVER FUNDS FOR THE DEVELOPMENTALLY DISABLED

Mr. NATCHER. I note that you are not requesting additional funds for programs for the developmentally disabled. I believe that Mr. Twiname has informed us that this will actually provide an increase since States will be allowed to carry over unused funds from 1971 to 1972.

Mr. NEWMAN. Yes.

Mr. NATCHER. Is that correct, Doctor?

Mr. NEWMAN. Yes. We have just received the internal ruling by our general counsel to the effect that funds which are obligated in fiscal year 1971 will be able now to be carried over as a result of appropriation language in the last appropriation bill. Legal counsel interpretation of that language is that the States are not going to have to obligate these moneys before the end of this fiscal year, and because of the lateness of the time in their being able to get these moneys obligated we are certainly relieved to know that good planning which can go on without having to obligate moneys within the period of just a few weeks. May I add, Mr. Chairman, that we do not foresee that this carryover money should necessarily be available in ensuing years, and I feel that except for this first year start-up that the 1 year appropriation should be obligated during the year for which it is intended.

Mr. NATCHER. What would a good definition be for developmentally disabled, Dr. Newman? What would you give us as just a brief definition?

Mr. NEWMAN. By the developmentally disabled we mean people who have a neurologically involved deficit, the onset of which is in the childhood period and which constitutes a substantial handicap to the individual being able to function in a normal way with respect to his social and emotional and health and vocational adjustment.

FISCAL YEARS 1971 AND 1972 PROGRAM LEVELS FOR DEVELOPMENTALLY DISABLED

Mr. NATCHER. What will be the actual program level for 1971 and 1972, taking into account carryover funds? What do you have now from the standpoint of the actual program?

Mr. NEWMAN. Mr. Lavan, our executive officer, will give you those figures.

Mr. NATCHER. Yes.

Mr. LAVAN. We will obligate all of the funds in 1971 that were appropriated in 1971.

Mr. NATCHER. Dr. Newman, the request for 1972 is the same as the amount appropriated for 1971. But you tell us that the States will be spending their 1971 funds in 1972. We are trying to get an accounting of the amounts which will be spent at the State level in each of the 2 years.

Mr. LAVAN. I believe the estimation is that the figures will be obligated federally but will not be fully expended by the States in fiscal year 1971.

Mr. NATCHER. What about the States? Can you give us some idea as far as the expenditure is concerned?

Mr. LAVAN. I believe I can give this information. Mr. Lynch can give you some additional information. There are about 25 States that have State plans which are in the regional offices now which are waiting for approval pending the dissemination of the regulations and the clearance of those in HEW, and there are some 17 additional States who have State plans in the preparation stage right now. I believe they are expected to be in the central office within the next 30 days.

Mr. NATCHER. You might want to amplify this just a little bit now in the transcript.

(The information follows:)

FORMULA GRANTS FOR THE DEVELOPMENTALLY DISABLED—
EXPENDITURES 1971–72

The State plans are expected to be approved in early June. All of the funds will be allocated at that time. It is anticipated that the States will use $500,000 in 1971 and the balance in 1972. In addition all of the funds appropriated in 1972 will be used by the States in 1972.

Mr. NEWMAN. May I ask you, what is the thrust of the concern of the committee with respect to this question?

Mr. NATCHER. Well, Dr. Newman, here is what we have in mind. You are not requesting any increase in appropriations for the Developmental Disabilities Act. However, if there will be an increase from the standpoint of the States, if there is any increase at all in the program from 1972 over 1971, we would like to know it because we are sure to get requests to increase the appropriation.

Mr. NEWMAN. Yes.

Mr. NATCHER. That is the problem we have in mind.

Mr. NEWMAN. I see.

Mr. NATCHER. If there is an increase tell us about it.

Mr. NEWMAN. Yes. Well, obviously the amount of money which is intended to be spent for this new program if the bill had passed earlier would have been obligated in advance of the end of this fiscal year. Now, the problem we have had, and I think this may be of interest to you, is that there were a number of issues in the substantive legislation, such as "who are the developmentally disabled?" which had to be resolved before we could give the kind of instructions to the States which made it possible for them to send in plans and for the moneys to be immediately obligated.

Now, with any new formula grant program, especially one which is as complex as this, we want to make sure that the States are not going to be obligating their moneys for hardware or for things which they are going to be spending money on merely so that the moneys would not revert back to the Treasury. It is our intention, Mr. Chairman, that these moneys be obligated in the States quickly but not to put them under the gun of a June 30 deadline. So we don't see these moneys being spent for a long period of time in a sustained way over the whole next fiscal year. We see these basically as moneys which can be obligated at the beginning of the next fiscal year, in addition to whatever moneys can be obligated during this fiscal year.

Mr. NATCHER. Dr. Newman, the main matter that we are concerned about is that in 1971 $11,215,000 was appropriated. You are requesting the same aount for fiscal year 1972, which is considerably below the authorization.

Mr. NEWMAN. Yes.

Mr. NATCHER. There might be some effort made when we take this bill to the floor to increase this amount substantially. Will there be the same program as far as the amount of money is concerned? Will there be any increase in the program? Will you use this money? Is it all needed?

Mr. NEWMAN. Yes.

Mr. NATCHER. Why so much below the authorization, because there may be some effort to increase this amount substantially?

Mr. NEWMAN. I understand.

Mr. NATCHER. So where are we now from the standpoint of the program?

Mr. NEWMAN. I understand. This program is a formula grant program in which the States take into account all of the needs that they have with respect to this population and all of the resources which are available, both public and private. Within this bill, for example, there is an obligation for nine State-agency programs in each State to basically ask themselves the question: What will be our contribution to providing services to the developmentally disabled, the retarded, the epileptics, and the cerebral palsied who have substantial handicaps.

There is no question on the first assessment that we are going to find there are an awful lot of unmet needs and that there are going to be some bona fide proposals which will be coming into the State planning agencies in order to have these needs taken care of. So it isn't the question of just our capability within-house here. It is a question of the States' priorities with respect to using these moneys. The administration has felt because of fiscal constraints that this is all the money that might be available at this time, but in answer to your question about the State capabilities for expending these moneys for the purposes for which they were intended, I would say that the States will have, a thoughtful list of projects to which they could address these resources.

STATE EXPENDITURES IN FISCAL YEAR 1972 OF THE 1971 APPROPRIATION

Mr. MILLER. Mr. Chairman, may I add a thought to that?

Mr. NATCHER. Go ahead, Mr. Miller.

Mr. MILLER. Because I think if there are a number of candidates that the Congress has to take a look at for adding money to this bill, this should not be among them. I think what you have essentially here is almost a doubling up in 1971 and 1972 of State use of money. The bill was passed last October. The regulations on the bill will be issued in the near future. The money, as Dr. Newman has described, will be obligated at the Federal level but will be obligated in the fourth quarter of fiscal year 1971 and the States will really begin to put that money to use at the beginning of fiscal year 1972. I believe also with the program having gained that much momentum they will also be able to put to good use the appropriation in fiscal year 1972, so essentially the States will be using the 1971 appropriation and the 1972 appropriation in fiscal year 1972. I think we ought to take a look and see how they do and then decide in 1973 what the program level should be.

Mr. NATCHER. Thank you, Mr. Miller. Does the carryover apply to all grant funds or just to the portion set aside for construction?

Mr. NEWMAN. They will apply to all formula grant funds, those which are set aside for both services and construction.

Mr. NATCHER. Mr. Michel?

VOCATIONAL REHABILITATION STATE GRANT FORMULA

Mr. MICHEL. Dr. Newman, the State basic support program under section 2, $518 million, goes out to the States under what kind of a formula?

Mr. NEWMAN. It goes out on the basis of population times per capita income squared.

Mr. MICHEL. Do we have in the record what each State will get in the 1972 budget of this allowance?

Mr. NEWMAN. Yes, sir.

Mr. MICHEL. Do we have the amount that the State contribution will be?

Mr. NEWMAN. Yes, sir. It starts on page 168, Mr. Michel.

FACTORS CAUSING STATES TO RECEIVE LESS IN 1972

Mr. MICHEL. What explanation do you have for the fact that some of these States will be getting less in 1972 than they got in 1971?

Mr. NEWMAN. Basically, because of changes in their share under the formula; that is, either their population has gone up or down or their income has gone up or down, so that 12 States will be receiving less because of these factors.

Mr. MICHEL. Twelve States will be receiving less?

Mr. NEWMAN. Yes.

Mr. MICHEL. And those States will be receiving less, principally, why? Because of their population drop? They didn't keep up with the national average?

Mr. NEWMAN. Mr. Sachs.

Mr. SACHS. Yes; it is generally because the per capita income shifts appreciably in relation to the national per capita income.

Mr. MICHEL. In other words, their per capita income went up?

Mr. SACHS. If it goes up that means they get a smaller share.

Mr. MICHEL. If these 12 are getting a smaller share, then their per capita income must have risen more than the national average.

Mr. SACHS. Right.

REHABILITATION SERVICE BENEFICIARIES AND REHABILITANTS

Mr. MICHEL. You say in your testimony that 980,000 disabled individuals will be served by the State programs, and 288,000 will be rehabilitated. You base that upon kind of an experience table in the past, I presume.

Mr. NEWMAN. Yes. Unlike some of the other programs, we do have an information retrieval system in which we are able on the basis of each individual who is served and who is rehabilitated to know within a short period of time whether or not they are part of the program and are able to project on the basis of the pipeline and the moneys which are made available pretty accurately how many we will be serving.

Mr. MICHEL. What is the most recent year for which you have some hard, cold statistics? Could you give me a breakdown if I asked for it?

Mr. NEWMAN. Fiscal 1970.

Mr. MICHEL. Fiscal 1970. Just generally, these 980,000 that you are talking about in 1972 will be in what classification?

Mr. NEWMAN. On page 136 of our justification we have a breakdown.

Mr. MICHEL. How does that read?

Mr. NEWMAN. For public assistance recipients are you asking for fiscal 1970 now, sir?

Mr. MICHEL. All right; what do you have for 1970? Those are hard and cold and fast figures; right?

Mr. NEWMAN. Yes, sir.

REHABILITATION OF PUBLIC ASSISTANCE RECIPIENTS

Mr. MICHEL. When you speak of public assistance recipients, are these considered to be disabled people?

Mr. NEWMAN. They are considered people who are eligible for the program under its statutory eligibility requirements; yes, sir.

Mr. MICHEL. When you say they have to be eligible under the statute and they are public assistance recipients, they are disabled how, in addition to just being in an economic strata where they really need some help?

Mr. NEWMAN. They must have a physical or mental disability which proves to cause a substantial handicap to their employment and there must be an estimate that rehabilitation services will help them to either become gainfully employed or to maintain their status in a gainful occupation.

Mr. MICHEL. In this table I am reading from on page 136, does that mean that 32,300 in 1970 were actually rehabilitated or just got into the program?

Mr. NEWMAN. Those are the rehabilitants.

Mr. MICHEL. Does that mean they are on the work rolls?

Mr. NEWMAN. That means that they are an the work roll or that they are——

Mr. MICHEL. But not necessarily off public assistance?

Mr. NEWMAN. Not necessarily off public assistance but will have in almost all cases a decrease in their assistance as a result of their participation in the program.

Mr. MICHEL. If we write work incentive requirements into the new welfare reform legislation and you say they are rehabilitated, I would have to assume, then, that those individuals who have been so declared are eligible for work if we say, "You have to work or forfeit your benefit?"

Mr. NEWMAN. Would you please restate that?

Mr. MICHEL. Well, I want to know for sure if they are really rehabilitated. When you say they are rehabilitated does that mean they are eligible for work? Now, they either are or are not. We are going to get some real critical legislation coming up here where we are going to say, "If you are able to work you are going to work. You may not like it, but we just spent so much money on rehabilitating you and they say you are able to work."

Mr. NEWMAN. When they say they are rehabilitated that means they are in a gainful occupation and that they have been, on the basis of the Federal standard, for at least 30 days. Some States will give a longer period of time. This is at the State's discretion but the minimum is 30 days in a gainful occupation.

Mr. MILLER. Mr. Michel, our figures show that for every public assistance recipient that we rehabilitate we save $850 a year in public assistance payments.

Mr. NEWMAN. I was going to add that increasingly as we get into this priority area of trying to rehabilitate public assistance recipients we are getting into the harder cases and, unlike some of the Labor

Department programs, we classify as gainful occupation, in addition to just competitive employment—the bulk are competitive employment, but we classify homemaking or freeing up a breadwinner to be able to get to work or getting a person into a sheltered subsidized work situation where he obviously could not get into a competitive situation—these to us, especially for some of our severely disabled people, are people who are just as proud as the more able-bodied who are able to get into competitive work jobs.

ESTIMATED NUMBER OF 1972 REHABILITANTS

Mr. MICHEL. Looking again at these figures for 1972, you predict that approximately a third of those who will be served will actually be rehabilitated. Is that kind of a ball park figure that has been static over the years?

Mr. NEWMAN. Yes, within that year period. With respect to the pipeline effect, that is, waiting for each individual to complete his rehabilitation program, here we are more in the ball park of aboutt hree-quarters and we think—we are not sure; we don't have that much confidence in our figures for public assistance recipients yet, but we would estimate that anywhere between two-thirds and that average figure of about 75 percent would be the applicable figure for the public assistance recipients. We recognize that we are working with some harder cases here.

VARIABLE TIME SPENT IN REHABILITATION

Mr. MICHEL. What are the cases that take the longest period of rehabilitation?

Mr. NEWMAN. I think that your special interest in the spinal cord case is a good example of the kind of serious multiple involved individual who may take a considerable length of time.

Mr. MICHEL. Is there a maximum period of time under which one individual can qualify for benefits under this program?

Mr NEWMAN. Not to my knowledge; no.

Mr. MICHEL. What are some of the longer cases we have on record? Could a fellow be in the process of being rehabilitated for 5 years under this program?

Mr. NEWMAN. Six or seven years is not uncommon, but that would be an extreme.

Mr. MICHEL. Would those be conceivably some of those cases we were just taking about?

Mr. NEWMAN. Yes, sir, very much so.

Mr. MICHEL. Spinal cord injuries, something of that nature?

Mr. NEWMAN. Very much so; yes, sir.

Mr. MICHEL. What are the shortest? Give me a couple examples of some of the shortest periods of rehabilitation that may have proved effective.

Mr. ESHELMAN. We have a number of cases where the only substantial service that our agency is called upon to provide our counseling, guidance and placement. An individual has been unable to find appropriate employment and is referred to the rehabilitation program where a diagnostic examination may reveal the need for relatively minor medical services, such as dentures. A person may be completely

dentureless and they provide dentures, or he may have a visual limitation that prevents him from participating in a training program because he can't read the training materials. It would be up to our agency to purchase glasses on a prescription that would solve that particular problem. Such cases conceivably could be closed as rehabilitated 60–90 days after initial referral to the VR program. But this involves substantial working together of appropriate programs such as the employment service, welfare program, and many others as well.

RECIDIVISM AMONG REHABILITANTS

Mr. MICHEL. Your overall figure for the number of individuals served wouldn't make a distinction between an individual who maybe was served several times during 1 year? That individual gets counted a couple of times if he makes it several times?

Mr. NEWMAN. We have at least one study of recidivism which I can recall and there was a study of a number of substudies and the percentage of cases for that sample did not exceed 10 percent of the total.

FORMULA FOR DEVELOPMENTALLY DISABLED GRANTS

Mr. MICHEL. Down here now in the formula grants for the developmentally disabled you have $11,215,000. How does this formula grant program differ from the large one we were talking about a moment ago?

Mr. NEWMAN. Well, are you asking about the formula for that?

Mr. MICHEL. Yes. There is a minimum of $100,000 per State. Then does the balance go by population and what other factors?

Mr. NEWMAN. It is basically population and——

FUNDS FOR REHABILITATION OF ALCOHOLICS

Mr. MICHEL. That isn't so terribly important, but let me ask you would it be under this particular program that you would deal with the problem of alcoholism? In answer to a question by the chairman, I think you indicated that in the field of alcoholism there was something like $26 million, and I am reminded that when I was asked to make some arguments on the floor against those who might want to add some money to our bill on alcoholism, this past seek, I assured my colleagues that there was $35 million in formula grants under the Social and Rehabilitation Service specifically earmarked for this program.

Mr. NEWMAN. For alcoholism?

Mr. MICHEL. Right. Where did I get that information?

Mr. NEWMAN. I have no idea, sir.

Mr. MILLER. I think, Mr. Michel, but I am not sure, there is $35 million earmarked for project grants under the National Institute of Mental Health and I think his figure for this formula grants in SRS is probably correct, but we would have to check it. However, we have more money for alcoholism in the National Institute of Mental Health than we have in this.

Mr. NEWMAN. I am not so sure.

Mr. MILLER. I know the $35 million is right. I testified to it.

Mr. NEWMAN. That is the NIMH?

Mr. MILLER. Yes.

Mr. NEWMAN. OK. Well, we estimate in fiscal 1972 as a proportion of the total formula grants—we are now back to vocational rehabilitation—that under the formula grants $32,686,000 will go for rehabilitation of the alcoholic, so that may have been where you got it. It wasn't a specifically earmarked amount but it was the amount which was generated through the basic formula grant program.

Mr. MICHEL. I have a table here which shows under the heading of alcoholism, SRS programs in 1971 amounting to $27.4 million, whereas 1972 is $34.5 million.

Mr. NEWMAN. It is off about a couple of million each way. It may have been an earlier estimate. It does sound in the right ball park.

Mr. MICHEL. Those figures do change very rapidly because I think that was on the basis of figures of April 23. We are living in a pretty fast age.

AIM OF THE DEVELOPMENTALLY DISABLED GRANTS

Mr. MICHEL. What does take place under this formula grant program now, the $11,215,000? What do we do with that?

Mr. NEWMAN. It is an unusual program. I am not sure that I am aware of any other similar formula grant program set up quite in the same way.

Mr. MICHEL. I hope it is not so unusual it can't be explained.

Mr. NEWMAN. We will try. Ordinarily a formula grant program goes to a single State agency. In this program there are a combination of agencies which are involved. The prime agency—we will call it the A Agency—is intended to be at the level of State government in which it is going to be able to make an assessment of all of the relevant agencies and the voluntary sector, but let's just stick to the State agencies for the moment which have responsibilities for these neurologically impaired people, for the retarded, and people with cerebral palsy and the epileptic. The various State agencies must come together in order to be provided some of the benefits of this gap-filling money, and participate with other consumer leadership in development of a plan. This plan is aimed not at a specific agency but at a target group of these severely impaired people.

Once the plan is set and in order, then the various constituent agencies, according to the theory, are to then carry out the responsibilities that they agreed to carry out and receive that portion of the formula grant which is consistent with their agreed-upon role in the plan.

Mr. MICHEL. This thing was authorized by what piece of legislation?

Mr. NEWMAN. This was authorized by the Developmental Disabilities Services and Facilities Construction Act, Public Law 91–517, which was signed by the President on October 30, 1970.

STATE DEVELOPMENTALLY DISABLED PLANS

Mr. MICHEL. Do you have to have applications from the States for these formula grants?

Mr. NEWMAN. You must have an approvable plan.

Mr. MICHEL. Are there any approvable plans in hand yet?

Mr. NEWMAN. Yes. Mr. Lynch.

Mr. MICHEL. From whom?

Mr. LYNCH. We don't have the approval plans in our office. There are 23 final versions that have been submitted to the regional HEW office for approval. There are four drafts and there are 17 in process at the State level.

Mr. MICHEL. When you say plans, does that mean State plans?

Mr. LYNCH. Yes, sir.

Mr. MICHEL. Well, we can have those. Do you want to put those in the record, the ones that have been approved?

Mr. LYNCH. I don't have a list of them here but I can put it in the record, sir.

(The information follows:)

STATES THAT HAVE SUBMITTED STATE PLANS FOR FORMULA GRANTS FOR THE DEVELOPMENTALLY DISABLED

Twenty-three States that submitted final plans: Alabama, Colorado, Connecticut, Florida, Georgia, Iowa, Kansas, Kentucky, Maine, Missouri, Montana, Nebraska, Nevada, New York, North Carolina, North Dakota, South Dakota, Tennessee, Texas, Utah, Virginia, Wyoming, and Puerto Rico.

Four States that have submitted draft plans: Alaska, Louisiana, Maryland, and Washington.

Seventeen States that have plans in process: California, Idaho, Illinois, Indiana, Massachusetts, Minnesota, Mississippi, New Hampshire, New Jersey, Oklahoma, Oregon, Rhode Island, Vermont, West Virginia, Wisconsin, Virgin Islands, and Somoa.

Mr. MICHEL. Will they be in the amount of this flat $100,000, or are they going to be more than that?

Mr. LYNCH. Depending upon the State's projected allotment, they will meet that, I am sure. They will be at least $100,000.

SPECIFIC USES OF DEVELOPMENTALLY DISABLED FUNDS

Mr. MICHEL. Can you tell me anything more than what you told me heretofore as to exactly what they are going to use this for, other than you are just giving a great sum of money to the State? I mean specifically. It sounds pretty darned nebulous at this point. I haven't been convinced. It authorizes that but on the strength of what I heard I wouldn't give you a dime for it.

Mr. NEWMAN. The grant moneys can be used for a variety of purposes.

Mr. MICHEL. What?

Mr. NEWMAN. They can be used for services.

Mr. MICHEL. We are providing services, aren't we? We are providing all kinds of services with this $500 million. Over and above what we are doing now, what are we getting out of this? What do we hope to accomplish with this $11 million item?

Mr. NEWMAN. Actually, what you are doing is—you are changing what has been a very small Federal effort in giving us specifically earmarked project grants to, in many instances, small struggling voluntary agencies which may have a day care center for retarded people or a personal adjustment program for the cerebral palsied, and what we are doing is telling the States in this new program that they have to get their statehouse in order and to really look at their priorities with respect to services within the State. So we are phasing out what was beginning to develop as a potentially sizable project

grant program and we are asking the States to do what we had done directly from up here down to the local level. These services are not duplicative of those which are the normal mandates of the State agencies. It is over and above. It is gap filling, which means that State law doesn't permit and Federal law doesn't permit.

Mr. SHRIVER. Like what?

Mr. NEWMAN. Such as personal care and day care, training, sheltered employment of an extended nature, certain kinds of recreation programs. Certain kinds of special protective and socio-legal programs, and transportation, for example.

Mr. SHRIVER. If you will yield——

Mr. MICHEL. Go ahead.

Mr. SHRIVER. As I understand it, our State, Kansas, would receive $137,000 of this $11.2 million. That wouldn't go very far.

Mr. NEWMAN. That is correct.

Mr. SHRIVER. So going back to the previous question, what are we going to accomplish with these small amounts going to the States, with every State and territory receiving at least $100,000? What will be accomplished?

Mr. NEWMAN. Our guidance at the outset is that these small amounts of money be used basically to get the State house in order through setting up a planning mechanism, knowing what their needs and resources are, beginning to provide sweeteners or incentives for some of the other State agencies who should, for example, have some home help nursing or some kind of services for this population group, but because of their own priorities have been ignoring them in the past. So basically, at the very outset, with this small amount of money we are asking that the States position themselves to really know what their needs and resources and potential resources are for serving this long neglected population.

RATIONALE FOR ADDING A NEW PROGRAM TO EXISTING ONES

Mr. SHRIVER. What other sources are there for the same purpose? What sources of funding are there for these projects?

Mr. LYNCH. There are, among the other resources in the Federal Government and the State Government, vocational rehabilitation, public assistance, some social services, crippled children's services, education for the handicapped, services, for example, through the State and Federal Government, maternal and child health, and comprehensive health planning and mental health services.

Mr. SHRIVER. All those services for 1971? How much money is involved there? What I am saying is, this is a rather small allocation of sums and I agree with Mr. Michel.

Mr. MICHEL. The point is that this whole big budget you have here of a half billion dollars or more is for things that have been going on for a long time. It is only now that we are getting around to giving a little bit of seed money to each State to find out now what they really ought to have been doing for the last 30 years? What is really going to be new coming out of this $11 million that we aren't doing now? I still haven't got it through my head. It is still hard for me to understand. I can't see one thing brand spanking new now that you are going to do that we haven't done before except somebody dreamed up this great piece of legislation to give a flat grant to each State of

$100,000 for some highfalutin sounding thing about innovating and getting updated and doing something, but what specifically?

Mr. NEWMAN. Let me try it out this way: One of my positions before I came to Washington was as the State-wide planner in mental retardation in Massachusetts. What struck me was the fact that there was no sense of how to help retarded people in their communities to take advantage of those resources which should be available to everyone in the community as well as the kind of specialized help and services that they needed. Much of the State program was geared to the institutional care as a result of some legislation in the early sixties, Public Law 88–156, Comprehensive Mental Retardation Planning. What was lacking with respect to that approach, even though it went across the board and looked at the institutions, and looked at the Public Health Service and looked at the Vocational Rehabilitation program and at special education programs and all the rest, was you wound up with a paper plan and everybody said that is very interesting. As a matter of fact, there was considerable support and good things happened as a result of it, but what was lacking was some kind of tie-in with continuing resources which could be used in order to beef up the programs which usually concentrated on the other populations while retarded people didn't get their fair share.

So what is really new about it is you have the Federal Government providing States an incentive for doing this. If you look upon it as a bill which is going to provide increased resources over the years, then the State will be at least in position to do what it should be doing in developing a plan for dealing with the population, most of whom will be, in some respects, wards of the States for their whole lifetime.

SRS EVALUATION OF STATE GRANT UTILIZATION

Mr. MICHEL. What method do we really have to check that the $100,000 we give to the States is really going to be used for something productive? Let's say 2 years run by and State X hasn't filed their plan. All of a sudden somebody has a dream and says, "There is $100,000 of Federal dough available down there under that Act and we are the last State in the Union which hasn't asked for it. I will bet you if we just dream up this doggone program they will give it to us. They are just looking for ways of getting rid of it in Washington." So they shoot in an application and I wonder how close you look at it, if you go back after 3 years and say, "Look, you haven't come up with anything new. We can't give you that money, as cheap as it might appear to be and easy to get."

Mr. NEWMAN. We hope we don't make it too easy on them. We don't want to interfere with their priority setting but we want to make sure——

Mr. MICHEL. You have the right of review after you have once given them the $100,000 and they have gone to work spending it some way? Do you have a way of coming back now, if I am still around here——

Mr. LYNCH. Yes, sir.

Mr. MICHEL (continuing). two, three, four years from now, and I say, "Remember back there in 1971 we were really kicking this thing around and I might have been appearing to give you a hard time, but now is the day of judgment." What are we getting for that $100,000 from State X?

Mr. LYNCH. Part of the plan is that one percent of the money will be used for program evaluation to determine first a base level and an annual evaluation of the Developmental Disabilities program in all of the States that are reporting. This will consist in the first year of identification of base line data on the DD population and the status of the DD population and programs. This will be a staff responsibility of the Division of Developmental Disabilities and is to be utilized for program evaluation and we will in that way through the Rehabilitation Services Administration conduct in depth investigations of the DD program through monitoring of programs in five States under a contract that we will arrange.

Mr. MICHEL. Do I understand that that evaluation, then, will not be an in-house evaluation but one done by contract?

Mr. LYNCH. Yes, sir; there will be an in-house evaluation of the State plans, every one of the State plans, in terms of how they meet the criterion of delivering the service in their State, as the legislation requires. There will be an outside evaluation based on an in depth study of five States to see how the service is delivered to the grass roots level.

Mr. MICHEL. Let's get on another subject here now.

Mr. NEWMAN. Mr. Michel, I just wanted to add that in our regulations we are developing both the standards and the scope and the quality of services as provided in the act.

CONSTRUCTION PROJECTS

Mr. MICHEL. Now, in this construction and operation of facilities you say 15 construction projects will be initiated. Do we have those spread out in the record here yet? You say in your testimony:

> We anticipate that within the funds requested for the formula grants for fiscal year 1972, 15 construction projects will be initiated.

What and where will those projects be?

Mr. NEWMAN. We will produce that information for the record.

(The information follows:)

CONSTRUCTION PROJECTS FOR THE DEVELOPMENTALLY DISABLED FORMULA GRANT

The formula grants for the developmentally disabled program provide grants to assist public or nonprofit agencies in the construction of facilities for the provision of services to persons with developmental disabilities. The Secretary may authorize up to 50 percent of the total State allotment for construction.

There are no specific projects assigned for 1972. The 15 construction projects was an estimation based on State capabilities with relation to Federal fiscal constraints. Only those States with larger Federal allotments, as computed by the authorized formula, can accrue sufficient funds over 3 years to provide for a meaningful facility. The number of these States in 1972 is estimated to be 15.

Mr. MICHEL. Well, so I don't have to wait for another month to find out what that is all about, there has to be somebody here who can give us some idea what we are talking about.

STATE DISCRETION IN USE OF THE MONEY

Mr. TOWNSEND. They can use half of their allotment for construction. This is just a projection based on experience. It is not individual projects.

Mr. MICHEL. There is really nothing positive in the works as yet?

Mr. TOWNSEND. Right.

Mr. NEWMAN. Up to 50 percent of the allotment to each State can be used for construction purposes.

Mr. MICHEL. Is this part of this $11 million item we are talking about?

Mr. NEWMAN. That is right.

Mr. MICHEL. Does that mean if a State only got $100,000, $50,000 could be used for construction?

Mr. NEWMAN. Up to $50,000 could be used for construction at the discretion of the State.

Mr. MICHEL. What would somebody build for $50,000?

Will this be a continuing thing year after year at that level?

Mr. NEWMAN. Yes, at this level. This is up to this committee and the Congress.

Mr. MICHEL. As you look down the road.

Mr. NEWMAN. I see these moneys, frankly, not used primarily for construction purposes. I see these moneys used in order to beef up the State's capability for providing services which are not available through any other source for this target population.

Mr. MICHEL. If the State were given some kind of feeling that this was going to be funded for any length of time and they knew they weren't going to get any less than $100,000 for three years and half could go now for construction, might they not say "Well, $50,000, $50,000, $50,000. We can put up $150,000 worth of some kind of construction."

Mr. NEWMAN. They could do that. I would suggest any State that is just getting $100,000 use it to get its house in order, and supporting an assessment of what the State's problems are in the area could eat up that $100,000 very quickly.

Mr. TOWNSEND. 50 percent is the maximum. It can be set lower by the Secretary.

THE REHABILITATION INSTITUTE OF CHICAGO

Mr. MICHEL. While we are on construction, do we have any money in here at all for any kind of construction? I have in mind our Chicago Rehabilitation Center out there.

What is the situation?

Mr. NEWMAN. It was my understanding that the funds appropriated in fiscal 1971 were to cover the funding needs for this intitute, Rehabilitation Institute of Chicago, for fiscal year 1972 and funds needed in early fiscal 1972 were included in the 1971 appropriation. There may have been some changes in their needs after the 1972 budget was prepared.

Mrs. REID. Would you yield at this point?

Mr. MICHEL. Yes.

Mrs. REID. Has any money been earmarked in the 1972 request for the Institute?

Mr. MICHEL. No; I remember that we did have a problem of the critical nature and timing of this particular bill and when some of the money would have to be available to meet the current construction schedule, but I would like to have you expound in the record. If you will, exactly how are the moneys expended and what is the

Department's position with respect to that particular project so we don't have any slippage here?

Mr. NEWMAN. All right.

(The information follows:)

REHABILITATION INSTITUTE OF CHICAGO

The Rehabilitation Institute of Chicago's new building will be located on the grounds of Northwestern University. It is planned as a 22-story building and will accommodate approximately 150 inpatients and 125 outpatients plus modern quarters and equipment for the specialized programs in research and professional training.

The Institute provides a comprehensive range of medical, surgical and other services to severely disabled people.

The Institute also conducts research into disabling conditions and provides professional training programs to prepare young people for careers in rehabilitation medicine and in the related professions. It has been designated as a Rehabilitation Research and Training Center by the Social and Rehabilation Service.

The building will cost approximately $24 million, $16 million is expected from private contributions and approximately $8 million is sought from Federal sources. Ground breaking is scheduled for July 1971 and the estimated completion date is late calendar 1973.

The funds appropriated in 1970 and 1971 should take care of obligations through 1971–72. The project needs funding early in fiscal year 1973 (first quarter). Estimated Federal obligations fiscal year 1973 are $3,100,000. This is the Institute's estimate for 1973. Our latest information is that the Institute would require the bulk of such funds in the first half of the fiscal year.

Estimated Federal obligations.—Appropriation: Rehiabilitation services and facilities construction—section 12:

1968—$182,170 project development grant to plan the facility.
1969—
1970—$975,556 construction funds out of $2 million earmarked for this project.
1971—($1,500,000 from 1971 appropriation plus $1,025,000 balance of 1970 appropriation.)
1972—
1973—$3,100,000 (estimate). The balance of approximately $1.3 million will come from Hill-Burton.

The following funds have been obligated from the appropriation for Research and training: 1968, $50,000; 1969, $103,400; 1970, $208,860; 1971, $200,000 (estimated); and 1972, $200,000 (estimated).

NEW METHODS OF CARE FOR THE RETARDED

Mr. MICHEL. What are you talking about here on page 8und er Services for the Developmentally Disabled of $23,575,000 when you say ". . . the introduction of new methods of care for the institutionalized part of our population."? What are we talking about?

Mr. NEWMAN. Mr. Lynch, who is the head of the Division of Developmental Disabilities, will answer that.

Mr. LYNCH. Would you repeat that?

Mr. MICHEL. I read that sentence here that—

"Projects supported will permit the introduction of new methods of care for the institutionalized part of our population."

We must have some idea of what these new methods are. What are we talking about in general terms?

Mr. LYNCH. In general terms, we are talking about moving the programs for the people who are institutionalized more into the community, trying to bring them into the community resource rather than isolating them.

Mr. MICHEL. Does that mean out of the institutions or does it still mean in the institutions?

Mr. LYNCH. No, sir; it means in some cases community programs are moved into the insitituion where at this point in history, fortunately, the cities are starting to move around the institutions that used to be quite far away. Therefore, some of the resources of the communities can be used in the institution, such as the Community Recreation Department can move in and get the people who are somewhat isolated into community recreation programs, not only baseball or playground types of things but bowling and church activities and making the institution more of a normalized living situation, getting people back into the mainstream rather than being restricted into the institution itself.

PROPOSED PHASEOUT OF INNOVATION GRANTS

Mr. MICHEL. Now, you are planning to phase out innovation grants in the amount of some $3,200,000. Is this the entire program?

Mr. NEWMAN. Well, this is a particular grant program which is called innovation grants.

Mr. MICHEL. How long have those been going on?

Mr. NEWMAN. Since the 1965 amendments.

Mr. MICHEL. At what level?

Mr. NEWMAN. At approximately a $3 million level.

Mr. MICHEL. $3 million a year since 1965?

Mr. NEWMAN. That is why we are phasing it out.

Mr. MICHEL. Was that because of the amendments in 1965?

Mr. NEWMAN. That was the result of the 1965 amendments.

Mr. MICHEL. Was it actually funded in fiscal year 1965?

Mr. NEWMAN. The first year of funding was 1966. They have been funded every year subsequently, as well.

Mr. MICHEL. What I am trying to figure out is you had 1970, 1969, 1968, and 1967—there should have been a minimum of 5 years with $3 million-and-some-odd a year. What did we get for that $15 million or more over the period of the last 5 years? You may say, "Nothing. That is why we are phasing it out." If so, I want you to say it for the record so I can point to it. I have predicted that sort of thing any number of times, and some of these things we have blindly gone along and appropriated with no accounting and no evaluation afterward. What did we get for this $15 million or more?

Mr. NEWMAN. I did answer this question on Friday.

Mr. MICHEL. I regret I was not here on Friday, and it will be some time before we get the record, but it probably was not as good a response as I would expect to get at this point.

Let us try it again.

25 PERCENT STATE MATCHING REQUIRED UNDER INNOVATION GRANTS

Mr. NEWMAN. Actually, this program has been a program in which we tried to experiment with new methods both for the catastrophically disabled as well as to try for new techniques. It seems we have had success and we ought to indicate what the successes are because many of the State agencies in the regular formula grant program have taken these programs over as their own and they get incorporated into the

regular program. It had an unfortunate financing feature to it since the section 2 program was moved up to 80–20 matching. This program in the last 2 years was 75–25 percent matching. This provided an incentive in reverse to those programs which were successful back into section 2.

Also, there has been a tremendous increase in the use of the expansion grant authority under section 4, the innovation program being under section 3. So we feel the program has done well in what it was intended to do and there are other ways in which we are carrying forward our innovation responsibilities under both our section 2 and section 4 authority.

NUMBER AND AMOUNTS OF INNOVATION GRANTS

Mr. MICHEL. Do you recall how many grants were made in 1970 in this item?

Mr. NEWMAN. Yes, we can find that in a moment.

Mr. MICHEL. I see in the justification there are 22 new ones in 1971. Am I correct?

Mr. NEWMAN. There are some 50 continuations which will be provided. There were 22 new ones in fiscal 1971.

Mr. MICHEL. Does anybody know how many there were in 1970?

Mr. SACHS. It is running about the same level.

Mr. MICHEL. Am I correct that there are now 74 new grants, or that you are really proposing to continue about 58?

Mr. SACHS. About 50 will be continued.

Mr. MICHEL. What happens to the others? Are they phased out, or what?

Mr. NEWMAN. The ones that are successful will get absorbed into the regular formula grant section 2 program.

Mr. MICHEL. Is that good?

Mr. NEWMAN. That is good. If they are good, that is good.

Mr. MICHEL. In roughly what amounts are these 58 that are still going?

Mr. SACHS. The average is about 35,000 to 40,000 per project. The grants can be made only to State vocational rehabilitation agencies. It also is a formula grant program based only on population.

REPROGRAMING FUNDS AMONG STATES

Mr. MICHEL. Since the number that are continuing exceeds the number of States, is each State represented in those 58 remaining ones?

Mr. SACHS. Each State has an amount under a formula that they can draw on. Part of the problem with the program is that the funding has always been so low. There is a minimum of $25,000, but that is much less than $100,000. Many States through the years have opted not to use it. During the early years of the program we had no authority for reprograming money that a State did not use. So we were always lapsing money and had a difficult time rationalizing why a program funded at this level ended up with money being turned back.

Mr. MICHEL. How did you get the reprograming authority?

Mr. SACHS. It was in the 1968 amendment.

Mr. BRINKLEY. In five States money was spent to help develop home hemodialysis programs for persons with the disease in Minnesota, Oregon, Vermont, Oklahoma, and Indiana. Primarily that was to purchase the machine so the person could be trained under the program to receive this therapy at home. Our experience has been that roughly 80 percent of these people do work a 40-hour week.

Mr. MICHEL. That is a good example and if you have any others put them in the record.

FUNDING GOOD PROJECTS UNDER OTHER AUTHORIZATIONS

Mr. TWINAME. Excuse me, Mr. Michel, I was just going to add, I guess it has been clarified here that whatever we did under innovations we can do under section 4 and in effect our expansion grant and grant programs would enable us in one pocket now to do the same things we were doing with innovation grants, only just give the committee and us one place to look for these special project grants used to advance the program.

Mr. NEWMAN. This is part of the consolidation effort.

Mr. TWINAME. That is simply to clean things up and do the things that are good and put them in one place.

Mr. MICHEL. That is all, Mr. Chairman.

Mr. SMITH. Mr. Patten.

THE NEED FOR CORRECTIONAL REHABILITATION

Mr. PATTEN. Mr. Newman, I worked in the State 8 years as secretary of state. I was county clerk at the county level 15 years. I am happy to see you conclude your statement by saying that the money spent on services for handicapped individuals continues to be one of the best investments of public funds in both the short and long term. This you really mean.

Mr. NEWMAN. I really mean that, yes, sir.

Mr. PATTEN. Let us take for instance. We have a county work house. Twenty-five municipalities have magistrates and every Monday morning is a heavy caseload. The judge will bang the gavel and give the fellow 90 days in the workhouse. We just show him the door. He doesn't have carfare. They don't know whether he has a home to go to. They won't give him an overcoat and there may be snow and ice on the ground and he will walk out with the same shirt that he came in with in the summer time. Many of them came to my office and borrowed money. For our people who are sentenced by police courts for these small misdemeanors, in my county, they are released with no place to live or a job.

At the State level it is a little different. He gets a little credit. He might have a few dollars coming that he earned. I belong to the Morrow Foundation, named after Senator Morrow, and for many years under the leadership of a fine man who formerly was head of public institutions and agencies, which includes our prisons.

Mr. NEWMAN. Institutions for the retarded and mentally ill.

Mr. PATTEN. His name escapes me for the minute but he was fabulous and contributed many things. I was always under the impression that we did little or nothing for the fellow who was sentenced to State prison.

I was wondering what is different about your correctional rehabilitation. This year you hope to touch 18,700. I cannot see how many dollars you are going to spend. Will someone in the last 3 months that he is in prison be asked if he can work at a trade? What do you do with this rehabilitation of 18,700 people you are going to reach. What is the rehabilitation?

REHABILITATION OF SHORT-TERM PRISONERS

Mr. NEWMAN. Let me speak first to your concern about the misdemeanor at the local level. From the point of view of getting people when they are down, but at least knowing where they are, knowing they are at a place where they have certain kinds of serious problems, here is an opportunity not only for the agencies which we speak about in the States, the State rehabilitation agencies, but for other community agencies to take some great interest in. Frankly, the State rehabilitation programs have not put their emphasis upon the short-termer or the misdemeanor and have not felt that the person is going to be there long enough to be able to do anything with them.

Mr. PATTEN. I have been out of State government 8 years, but when I left I feel safe in saying that little was done.

Mr. NEWMAN. I think this is the case all over the country for the individual that you spoke about.

Mr. PATTEN. Our Morrow Foundation confined its help to the fellows coming out of the State prison.

Mr. NEWMAN. There are some county prisons in Massachusetts, for example, in which especially with the younger people that the county sheriff and the state rehabilitation agency got together on and were trying to see that a program—and this is in answer to the second part of your comments—a program got developed at an early time during a person's incarceration. So basically an evaluation could be made. This is what is being done with these moneys all over the country now. Evaluations are made, estimates of vocational potential are made in a cooperative program between the State Rehabilitation Agency and the Federal Agency.

Mr. PATTEN. While they are still in prison?

GOOD STATE CORRECTIONAL REHABILITATION PROGRAMS

Mr. NEWMAN. Yes. Some State agencies, I am thinking particularly of South Carolina, North Carolina, Kansas, and Tennessee, have pretty extensive programs. In some of these States they actually have cooperative training programs within the institution. In some places the State agency will help the prison authorities in the classification, and then pickup individuals who become eligible for the program. The idea here is the continuity. In other words, the evaluation and the continuity, where you have someone from the outside interested waiting for the time he is going to be coming out. In some of our State agencies, and the better ones in this regard—I am speaking now basically of the State prison systems—you have a counselor who has established that contact with the inmate while he is in the institution. The idea is that the counselor is going to be helping the person to find a job. He has been trained. He has been assessed. In some instances the counselor will help the person to establish some

kind of temporary residence in his home community. This is a first step to finding a job and providing some maintenance money.

So basically I have explained the program in these terms because I think that with all of the emphasis on controlling crime today, there is not enough attention being paid to the public rehabilitation emphasis, trying to get the personal contact with the individual, provide training and not just be his overseer to see that he does not get in trouble, but try to get him to get set and get him a job.

REVOCATION OF DRIVERS LICENSES

Mr. PATTEN. Let us be specific, in Massachusetts, does the person lose his driver's license once they are convicted to State prison or a mental institution, once they are known to be blind or have epilepsy. In New Jersey if you have a seizure in the hospital the doctor has the duty to notify the Motor Vehicle Department and you lose your driver's license. If you are committed for a serious crime, you lose your driver's license.

In one case, 9 months after a fellow was out and working steadily, he could not get his driver's license back and it was necessary to hold the job. I felt restoring the driver's license was a big factor. Certainly a felon convicted of highway robbery and murder or a narcotic addict will need a car to commit the crime again and the whole philosophy is don't let him drive the car. I have watched thousands of people sentenced by the court, and you have the impression that lack of brains is a big factor in a large percentage of these convictions. You are dealing with the type of people who will have trouble all their lives because they do not have the mentality. So when you say you are rehabilitating a lot under the correctional rehabilitation, I am wondering how effective the program is.

FOLLOW-THROUGH ON CORRECTIONAL REHABILITATION

Mr. NEWMAN. I think that the approach that we have is one which municipalities, in their programs, and states in their programs, might emulate. And that is that we feel responsible when we get into one of these institutions for doing a complete evaluation or participating in a complete evaluation toward the end of getting the person placed in a job. Then we have a counselor, an individual who tries to establish from the outside, or in some instances who may be stationed——

Mr. PATTEN. You mean the State has the counselor?

Mr. NEWMAN. That is right.

Mr. PATTEN. With the help of the money we grant to the State.

Mr. NEWMAN. That is right.

EVALUATION OF CORRECTIONAL REHABILITATION'S SUCCESS

Mr. PATTEN. How knowledgeable are you of what the States do under the correctional rehabilitation?

Do you feel that from the position you are in you are knowledgeable?

Mr. NEWMAN. I do not think I am as knowledgeable as I would like to be.

Mr. PATTEN. Let us say the State prison in New Jersey will release 30 prisoners this month——

Mr. NEWMAN. Would I know whether they are helped by a program, is that your question?

Mr. PATTEN. Would you know if we are doing anything much?

Mr. NEWMAN. No, I could not speak to the New Jersey situation.

Mr. PATTEN. I think you know my attitude. I might add we felt the poverty program in this regard, and the State Home for Boys, did a world of good with the OEO money. That was not necessarily for vocational rehabilitation, but one athletic director building up a program in cooperation with others brought about some healthy activity for the boys. One athletic director I know was better than 50 doctors for the work he did. He had real enthusiasm, he had all the Lions Clubs cooperate with him, and he generated a lot of activity and competitive physical training for the boys at the State home. I thought it was all good. You could measure it. I am wondering if the OEO money that is now gone will leave the State institutions without any help.

Mr. NEWMAN. This I cannot answer. I do know in New Jersey especially the State Rehabilitation Agency has very early in the game worked out joint programs with the OEO agencies and with some of the Neighborhood Centers. When some of the moneys were taken away, the State agency has stayed in and has been very helpful. I think New Jersey is a good example of a State that has gone as far as most of our States in really getting down into some of the hardest pressed areas in the northeast as well as in the Trenton area.

THE PRIORITY OF CORRECTIONAL REHABILITATION

Mr. PATTEN. Just to close, I am still under the impression, despite the tremendous sums of money you have, which do represent more than a doubling of the amount in the last 2 years—you went from $100 million to $500 million—I personally have never been made to feel that we do the job with the State prisons and county institutions that we should do.

Mr. NEWMAN. I think the fact that we have had this increase is an indication of an increased interest generally. One of the reasons why this population has not been hit is because there is no real effective constituency pushing to see that funds are spent for them. I think the fact that many of our directors of our State agencies are now beginning to get into this in a substantial way is an indication that they personally have become aware of this tremendous need and feel a responsibility, even if there is not anybody pushing them into it.

Mr. PATTEN. We used to say at the State level as we watched the action of the States legislatures, despite our pleas, prisoners do not vote. The mental patients do not have a vote. Let some fellow come in and say we will have a million dollars for a new road, there will be more cocktail parties, and meetings and everybody will get into the act. I never aroused many by talking over a 10-year period, about the plight of our people who leave our county prisons and county workhouses after serving 90 days. It never generates any enthusisam.

Mr. NEWMAN. I know the feeling.

Mr. PATTEN. Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Shriver.

DEVELOPMENTAL DISABILITIES ACT AUTHORIZATION AMOUNT

Mr. SHRIVER. Thank you, Mr. Chairman.

A little while ago we were talking about the Developmental Disabilities Services Construction Act for which you are requesting $11.2 million. I had a letter from the Director of a nonprofit concern at home stating his concern of adequately funding the Developmental Disabilities Services and Facilities Act.

The word that I have received in my office from various sources indicates that the actual appropriation is far less than what has been budgeted.

I presume he is talking about what has been authorized.

Mr. NEWMAN. What has been authorized?

Mr. SHRIVER. I notice on page 164 that there is an authorization of $105 million when you have asked for $11,215,000.

Mr. NEWMAN. That is right.

DISPARITY BETWEEN AUTHORIZATION AND REQUEST

Mr. SHRIVER. This is what bothers members of Congress, particularly the members of the Appropriation Committee, and we hear a lot about full funding. If you pass an act and authorize $105 million, why don't you put more than $11 million into the program? How do we answer people who write to us? Did you folks testify before the authorizing committees as to the amount that would be needed under the Disabilities Services and Facilities Construction Act?

Mr. NEWMAN. Before the substantive committees?

Mr. SHRIVER. Yes.

Mr. NEWMAN. Yes, we did.

Mr. SHRIVER. I suppose the substantive committees decided on $105 million based on your testimony?

Mr. NEWMAN. No.

Mr. SHRIVER. And then you come up and ask for $11 million.

Mr. NEWMAN. As I recall we were authorized to request for the total program approximately $40 million as a department authorization level. I would say from a program point of view that one way of answering this is that if the program has any merits for putting the State's house in order you have to start somewhere. In view of all of the other priorities which we have, if we can get the State in a position so it is able to take a more rational look as to its needs and priorities, and they are able to give its resources and services in areas of high need, for example——

Mr. SHRIVER. That is primarily the purpose, for the States to put their houses in order in connection with this whole problem.

Mr. NEWMAN. Yes, anticipating the development of moneys which might become available to fulfill some of the needs which the States uncover along the way.

Mr. SHRIVER. Let me ask this further question: This was not reduced down the line. You asked for $11 million in the beginning?

Mr. NEWMAN. What was our Department request to the Office of Management and Budget?

Mr. SHRIVER. This is the same amount available last year.

Mr. MILLER. I will get it, but while we are looking for it, Mr. Shriver, I will repeat what I had said earlier while you were not in the

room, but the regulations for this program will be issued in the near future. The legislation was not passed until last October. In a sense the States won't begin to use this fiscal 1971 money until 1972. They will also use the 1972 money in 1972. There is a lot of substantial program.

Mr. SHRIVER. Hopes and expectations are built up when $105 million is authorized.

Mr. NEWMAN. The Departmental request, sir, was $18 million.

Mr. TWINAME. I agree, Mr. Shriver. I think if we added up all the authorizations promised by all the categorical bills, of course, there is not that much money in the country and it is unfortunate that people's hopes get raised by this device. Perhaps it would be better to put in language "such sums as would be necessary."

Mr. SHRIVER. Then this committee would not have anything to do.

Mr. TWINAME. Then you would appropriate each year.

Mr. MILLER. Mr. Shriver, I think when we evaluate the $40 million that Mr. Newman was talking about, we include in that the project grants. In a sense we are not so far below the amount we testified on last year. If you put the formula grants and project grants together, we are at a level of $35 million. The difference is about what OMB cut out of our request.

PROPORTION OF THE DISABLED REACHED BY REHABILITATION PROGRAMS

Mr. SHRIVER. You say the money you are requesting will enable you to reach 980,000 disabled individuals. What percentage is this of all the persons who could benefit from these programs?

Mr. NEWMAN. Once again we are at the mercy of our estimators.

Mr. SHRIVER. What would be a guess?

Mr. NEWMAN. I would say a guess would be anywhere between 6 million and 8,500,000.

Mr. SHRIVER. So we have a long way to go.

Mr. NEWMAN. Yes.

Mr. SHRIVER. Thank you.

Mr. NATCHER. Mr. Conte.

SUCCESSFUL REHABILITANTS OVER 10 YEARS

Mr. CONTE. Over the last 10 years how great a decrease has there been in the number of handicapped persons relegated to custodial care or welfare dependency?

Mr. NEWMAN. We should have that, should we not?

Mr. CONTE. That is right.

Mr. NEWMAN. Basically we would add the number of people who have been successfully rehabilitated over the last 10 years, and I think as a fair guess here—and it is not too difficult to make this guess—in every criteria, from income, from ability to work, from ability to adjust in terms of their physical or mental functioning, these are the people who have been substantially helped to the extent that they would not otherwise have been.

That figure we can give you.

Mr. CONTE. You can give it for the record.

(The information follows:)

NUMBER OF PEOPLE REHABILITATED BY THE VOCATIONAL REHABILITATION PROGRAM

There have been 2,835,368 rehabilitations since the program started in 1920. This represents approximately 2.5 million individuals. Approximately 300,000 rehabilitants involves individuals requiring added help over a period of years. During the past 10 years there have been 1,603,737 rehabilitations.

EPILEPSY AND CEREBRAL PALSY

Mr. CONTE. On page 3, the Disabilities Services and Facilities Construction Act, what improved services do you plan to offer to persons suffering from epilepsy and cerebral palsy?

Mr. NEWMAN. In this instance, for the first time people who are substantially handicapped by epilepsy and cerebral palsy are going to be included with the retarded as people who are going to be eligible under the State formula.

We have not yet seen what types of specific services will be requested by the people involved in giving services to the cerebral palsy and the epilepsy group. It is the responsibility of the State now to take them into account in their planning under this new Act.

We have never done a good job in this area and now we are telling the States they have not only to think about the mentally ill or just the mentally retarded—in Massachusetts we have the Office of Retardation in the Governor's Office and that office name will be changed to the Office of Developmental Disabilities and they now have to concern themselves as they look upon the whole State with the needs of some of these multiply involved people; many people who are cerebral palsied are also epileptic or have problems in hearing and so on.

DEVELOPMENT AND DISABILITY GRANTS TO MASSACHUSETTS

Mr. CONTE. Last week we were blasted for giving more to Harvard for research in mental health than we do to the State for mental health. They gave $2 million.

Mr. NEWMAN. You have a very generous program.

Mr. CONTE. I thought we did. How about the Developmental Disabilities program?

Mr. NEWMAN. That would be programs connected with Harvard and the Department of Mental Health.

Mr. CONTE. I am not thinking about Harvard. I am thinking of the State. Can you get somebody to give me something a little further on what we spend in Massachusetts?

(The information follows:)

OBLIGATIONS IN MASSACHUSETTS FOR MENTAL RETARDATION

Name	Location	Approval date	Federal share
Worcester School for Retarded	Shrewsbury	June 30, 1969	$264, 394
MH-MR Treatment, Training, and Research Center	Boston	June 12, 1968	334, 056
New School for MR Harthorne State School	Danvers	June 5, 1967	217, 114
St. Coletta Day School	Braintree	June 30, 1970	263, 504
New England Villages, Inc., School	St. Pembroke	Dec. 14, 1970	216, 271
Self-Help, Inc	Brockton	Sept. 1, 1970	47, 653
South Middlesex Association for Retarded Children, Inc	Framingham	July 1, 1970	1, 899
Hathorne Regional Center	Hathorne	July 1, 1969	9, 898
Walter E. Fernald State School	Waverley	Jan. 1, 1970	22, 500
Belchertown State School	Belchertown	July 1, 1970	22, 865
Paul A. Dever State School	Taunton	Dec. 1, 1969	94, 773
Walter E. Fernald State School	Waverley	Sept. 1, 1969	57, 083
Belchertown State School	Belchertown	Jan. 1, 1970	52, 512
Wrentham State School	Wrentham	Sept. 1, 1969	64, 013
Total			1, 668, 535

DELIVERY SYSTEM GUIDANCE TO COMMUNITIES

Mr. CONTE. On page 4 what kind of guidance do you plan to give communities is establishing priorities in developing a system of delivery services?

Mr. NEWMAN. On page what?

Mr. CONTE. Page 4.

Mr. LUNCH. We expect through the regional offices to provide consultation help as well as our State personnel in reviewing their plans.

SERVICES FOR FAMILIES OF THE HANDICAPPED

Mr. CONTE. On page 5 what kind of services are available to families of handicapped individuals?

Mr. NEWMAN. In the general program of vocational rehabilitation?

Mr. CONTE. Yes.

Mr. NEWMAN. The basic rule of thumb here is that we provide services to family members if such services are going to help a bread winner or other person in the family to become employed. This would also help the mother to become an independently functioning homemaker so that other kinds of community services may not have to be necessary anymore and the mother can function in the home. Basically the program is geared toward vocational rehabilitation, so that our services to the family are geared to trying to help the whole family basically helping get that bread winner to work.

If this means helping others in the family that may be a factor in the individual having difficulty getting a job, then we provide the necessary services.

INNOVATION IN REHABILITATION SERVICES

Mr. CONTE. What are some of the new initiatives in the rehabilitation area that have been rapidly implemented as the result of the project grant approach?

Mr. NEWMAN. We mentioned a few already. We mentioned the spinal cord area. We mentioned the kidney dialysis effort. We mentioned the tremendous growth in the mental retardation program and the other areas in services to mentally ill, and prisoner rehabilitation.

Now our latest emphasis is trying our best to try our approach to the public aid recipient. This is our big push now, to try to help all people who qualify for services, who are either family AFDC recipients or in the adult category.

CONSTRUCTION GRANT CRITERIA

Mr. CONTE. What criteria do you use to decide what construction programs to approve under the formula grant?

Mr. NEWMAN. This is basically a Hill-Burton formula which is applied. The specific criteria are spelled out in some detail in the act.

DIFFICULTIES IN FINDING THE HANDICAPPED JOBS

Mr. CONTE. My biggest problem when I go home, as with Congressman Patten, we have a lot of these people who but for the grace of God, there go I, and you try to help them. The ones I find I have the

most difficult time with are incapacitated either mentally or physically. I find Good Will Industry does a good job.

Mr. NEWMAN. That is its home base.

Mr. CONTE. I know in Springfield——

Mr. NEWMAN. I think it is Boston.

Mr. CONTE. They will help somewhat. There is a saturation point there. You almost feel in desperation at times that you cannot help these people. They are sincere and are willing to go to work and want a job badly but unfortunately because of the handicaps people won't hire them.

Mr. NEWMAN. We have been doing more and more of our work as a kind of backup resources with these facilities. What we are trying to do is to beef up the facilities so that they are not just a dumping ground. I think we have been pretty successful. If you go into that Good Will facility you will see they have both the general industry, the surplus work that they do in reconditioning of both clothes and furniture and these types of things, going on. In addition they have a rehabilitation setup. We provide incentive allowances to the people who are in there to keep them going. We try to help the facilities to see that they are not just a place where, when the individual is able to work, he can find some work in which an exception has been given by the Department of Labor to get a less than minimum wage job.

Increasingly we are using facilities to help people make the transition to the world of work. As we think of the pending welfare reform legislation with its requirements for the vocational rehabilitation program for both the certification of people who are incapacitated and the evaluation that they are going to have to have, and the assessment of what their work potential is, we see a tremendous role here for these facilities, a role which we want to bring before the Congress as alternatives to setting up public offices to do this job. We have thousands of voluntary facilities which, if we can make sure we set up the right standard and provide the right kind of supervision, we have a tremendous untapped resource for that purpose.

REVENUE SHARING'S EFFECT ON REHABILITATION

Mr. CONTE. How is revenue-sharing going to affect you?

Mr. NEWMAN. We were excluded from the special revenue-sharing category. Evidently a decision was made that our program seems to be able to deliver the goods; therefore, there was a decision made not to disassemble the program and to have it reassembled under some general purpose Government umbrella.

Mr. MILLER. Mr. Conte, I think as far as special purpose revenue sharing is concerned only education among HEW was concerned in this round. I do not think we have come to grips yet with the possible applications for either health or welfare, because education is only the thing under consideration.

Mr. NEWMAN. Weren't manpower programs of the Department of Labor included in special revenue sharing?

Mr. MILLER. Yes.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. NATCHER. Mrs. Reid.

Mrs. REID. Thank you, Mr. Chairman.

THE AVERAGE LENGTH OF REHABILITATION

Just how long is the average case under rehabilitation training before the person is ready for employment? Is there an average?

Mr. NEWMAN. I would think it goes from 12 to 15 months.

Mrs. REID. You said you have a few long cases, but they are unusual.

Mr. NEWMAN. Yes, they are unusual.

JOB RETENTION AMONG REHABILITANTS

Mrs. REID. How long does the average trainee remain employed after rehabilitation? In other words, is the job retention record of the individual who has been rehabilitated better or worse than that for the population in general?

Mr. NEWMAN. It is hard to make that estimate because of the difficulty of getting control groups in order to know whether it was our program or something else which was responsible for either a good or bad retention rate.

We do have a follow-up study in which evaluation results are being awaited, which will give us more definite and more competent answers to this question.

It is a good question. We feel on the basis of experience that the retention rate is very good. In answer to our inquiry, a State director has told us that in his own study he found about 75 percent retention rate, which we think was pretty good.

ANTICIPATED LIFE-TIME EARNINGS OF MENTALLY RETARDED

Mr. SHRIVER. You had some very good information on page 5 of your statement relating to mental retardation, entering the work force in 1968, they expect aggregate future earnings of a half million dollars per individual.

Mr. NEWMAN. Yes.

Mr. SHRIVER. Thirty years at $15,000 a year would be $450 thousand. Your figure is a little high. Where did you get it?

Mr. NEWMAN. These figures were given to us on the basis of a recently completed study on cost benefit analysis of retarded people.

Mr. SHRIVER. Why don't you put a summary in the record on that because those are very interesting figures you quoted in your statement.

(The information follows:)

PROJECTED EARNINGS OF MILDLY RETARDED MEN ENTERING THE WORK FORCE IN 1968

Preliminary results from a study on the economics of mental retardation indicated that with appropriate training and supportive help, a *mildly* retarded man who entered the work force in 1968 at age 18 and working continuously until age 65 may expect lifetime earnings of a half a million dollars. This calculation was based on initial earnings of $2,500 annually and a continuation of the post World War annual rate of productivity growth per worker of 2.5 percent. Of course this would represent one extreme whereby the individual would remain continuously in the work force until age 65. The other extreme would involve being institutionalized at an annual cost of $5,000.

Mrs. REID. I will be interested as time goes on to hear the results of the study to find out the average as compared to the rest of the population. You say they are carrying on some kind of evaluation of this.

Mr. NEWMAN. Yes. The evaluation will be in very soon.

STIPENDS FOR TRAINEES

Mrs. REID. Is any kind of stipend provided for those who enroll in your rehabilitation programs?

Mr. NEWMAN. No, except for a special project program in which the stipend now is $25 a month for people who are multiple disabled. We do not have a standard stipend. In the bill which seems now to be ready to come out of the Ways and Means Committee, I think that the stipend level for people who are provided rehabilitation services will be exactly parallel to those who are able bodied and are referred to the Department of Labor. That will be our first large scale experience with a standardized stipend. Right now there is money which can be available and which is made available for incentive maintenance purposes.

We try to encourage the inclusion of income disregards, by welfare departments, to keep the person motivated. The actual provisions for this array of services is worked out, between the counselor and the client, on the basis of the resources available. The so-called stipend is used as one piece of incentive and it is used variably, if a person needs more or less, or if in the counselor's estimate that some maintenance money for a particular period of time will get him over the hump and will get him into a training situation, or during a period of time in which some medical restoration may be necessary, this kind of need is essential for his rehabilitation. One of the issues which I think will be coming to a head is the very issue on which you raise the question, whether or not a standardized stipend versus maintenance moneys used for incentive purposes seem to help in the motivation of the client. We just do not know for sure yet.

REHABILITATION OF DRUG ADDICTS

Mrs. REID. What progress is being made in regard to rehabilitation of drug addicts?

Mr. NEWMAN. I would say that we are having the same kind of difficulty that most other Federal agencies have when they attempt to get into this problem.

Mrs. REID. Just how deeply are you involved in this problem?

Mr. NEWMAN. We are in, to the extent of an estimated 1200 successful rehabilitants, we project, for fiscal 1972. We only successfully rehabilitated in the general program 800 in '70.

Mrs. REID. Out of how many?

Mr. NEWMAN. Out of approximately 1,600 to 2,000 people. So we have not, in direct answer to your question, been in this area as deeply as we should. We have embarked on a number of cooperative programs in which the element which we are going to address ourselves to is something which we think is missing an awful lot of the drug rehabilitation program, and that is the setting up the possibility in an individual's mind that he might be able to see himself in a job or work situation.

Mr. CONTE. 1,200 out of 1,600, is this just an experimental program that you have?

Mr. NEWMAN. No, it is an expression of the fact that the state agencies have not had, as we look at all of the groups which they are

trying to help, have not invested heavily in attempting to rehabilitate this particular disability category.

Mrs. REID. This is such a tremendous problem and becoming more so all the time. I should think this would be an area in which you would have a very deep involvement.

TOTAL DHEW EFFORT TO REHABILITATE ADDICTS

Mr. NEWMAN. I could not agree with you more. We have a combined effort in the Department in which are a partner, and I see this year our developing a plan which hopefully will be presented in terms of its budget proposal before this committee and I hope we have a more adequate answer for you next year.

Mr. CONTE. That is really discouraging to hear this. Is your shop the only one that has jurisdiction over this?

Mr. NEWMAN. No. Our program constitutes one piece of the central strategy of the Department.

Mr. TWINAME. The National Institute of Mental Health is the lead agency, but Office of Education, and Rehabilitation are all in it.

Mr. CONTE. Maybe there are too many.

Mr. TWINAME. Each has a different role to play and I think it is the comprehensive approach to it that is going to make a difference. If I may say so, Rehabilitation has the unique contribution which will be made in concert with physical and mental restoration efforts NIMH will be concentrating on. I think there is nothing worse than methadone maintenance when you do not add this component of rehabilitation which gives somebody a future rather than just try to get them off drugs. Getting them off drugs is nothing if you do not tie the rehabilitation in. This is a part of the team effort in the Department, which we have hardly really gotten to the momentum we expect.

COORDINATION OF DHEW EFFORTS

Mrs. REID. Do you plan to work with the other agencies?

Mr. NEWMAN. Yes.

Mr. MILLER. The Secretary's special adviser on drug addiction coordinates this whole effort.

Mrs. REID. I think that your remark is very true, Mr. Twiname. It is very important to have some kind of goal and some hope for the future in order to maintain a cure. In other words, so many are not rehabilitated, they go right back. I think treatment and rehabilitation must be coordinated and it seems to me that this would be the place where you could play a vital role.

Mr. NEWMAN. We want to find the right way to get into this area. We think that our approach, both in terms of the counseling approach and the evaluation approach, as well as the attempt to have the individual work toward a vocational objective, may be a missing ingredient in the drug programs now. Right here in District of Columbia, we have a work evaluation and work adjustment center run by the District of Columbia Vocational Rehabilitation Agency, and with the advent of that agency being part of the total agency, they brought in the narcotic authority into that center. There is also a day-care center as well. Here is a chance to link up and bring the addict in and

to provide some work assessment potential and perhaps we will see some results right here in the District of Columbia which will give us an indication of the best way of going forward in this area.

Mrs. REID. I would hope that you could develop this.

I think it is very necessary. Thank you, Mr. Chairman.

THE NEED TO CLOSE GAPS IN THE PROGRAM

Mr. PATTEN. To give a specific, Mr. Chairman, I had an engineer about 40 years old lose his eyesight, his son in the second year in college, and here is a fellow knocked out of his work. Our blind commission sent him to a computer school, and he is working as a computer operator.

Mr. NEWMAN. You have one of the best blind agencies in the country in New Jersey.

Mr. PATTEN. My father was blind when I was in the last year of high school. I did not want to leave the impression that I am not well aware of the tremendous amount of wonderful work done not only by those who are aided directly but through many civic organizations. Take a Catholic priest or a Lutheran minister; he cannot go to the workhouse routinely and meet people without taking an interest. This interest sometimes gets him into trouble.

I have seen where many individuals have done many things along the line we are talking about, and they were not on any payroll. And the effort our State people made is wonderful. That is why I like your last sentence, that you felt this was a good investment. What I had to say in several respects is that I think there are a lot of gaps in this program and I am not at all satisfied with what we do with a fellow who comes out after 90 days in the county workhouse for a minor offense. I am not satisfied with what we do at the State level. I think we had a budget of about $23 to clothe them as they leave the State prison. It is the most ridiculous thing. The details never pleased me at all. I was always highly critical of the program. I am not downgrading our people with the epileptic work or the blind commission or the other people in the State. We have some wonderful and dedicated people doing a tremendous job which you cannot measure in terms of dollars.

Mr. NATCHER. Dr. Newman, we want to thank you and your associates for presenting your budget request for fiscal year 1972.

Mr. NEWMAN. Thank you, Mr. Chairman.

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Social and Rehabilitation Service

Rehabilitation Services and Facilities

Amounts Available for Obligation

	1971	1972
Appropriation	$570,390,000	$605,000,000
Unobligated balance, start of year	15,412,039	31,381
Unobligated balance, end of year	-31,381	-31,381
Total, obligations	585,770,658	605,000,000

Obligations by Activity

Page Ref.	Activity	1971 Estimate Amount	1972 Estimate Amount	Increase or Decrease Amount
138	1. Basic State Grants	$503,000,000	$518,000,000	+$15,000,000
145	2. Innovation	3,200,000	---	-3,200,000
146	3. Rehabilitation service projects	29,971,053	52,210,000	+22,238,947
154	4. Vocational rehabilitation facilities	3,590,010	---	-3,590,010
155	5. Formula grants for the developmentally disabled	11,215,000	11,215,000	---
156	6. Services for the developmentally disabled	23,575,000	23,575,000	---
159	7. Facilities for the mentally retarded	11,219,595	---	-11,219,595
Total, obligations		585,770,658	605,000,000	+19,229,342

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Other services	$200,000	$200,000	---
Project contracts	1,000,000	1,000,000	---
Grants, subsidies, and contributions	584,570,658	603,800,000	+$19,229,342
Total obligations by object	585,770,658	605,000,000	+19,229,342

Summary of Changes

1971 estimated obligations	$585,770,658
1972 estimated obligations	605,000,000
Net change	+19,229,342

	Base	Change from Base
Increases:		
A. Built-in:		
1. Rehabilitation service projects	$20,502,000	+$5,348,000
B. Program:		
1. Basic State grants	503,000,000	+15,000,000
2. Rehabilitation service projects	---	+16,890,947
Total, increases	---	+37,238,947
Decreases:		
A. Program:		
1. Innovation	3,200,000	-3,200,000
2. Vocational Rehabilitation Facilities	3,590,010	-3,590,010
3. Facilities for the mentally retarded	11,219,595	-11,219,595
Total, decreases	---	-18,009,605
Total, net change	---	+19,229,342

Summary of Changes

1971 Budget authority	$570,390,000
1972 Budget authority	605,000,000
Net change	+34,610,000

	Base	Change from Base
Increases:		
A. Built-in:		
1. Rehabilitation service projects	$20,502,000	+$5,348,000
B. Program:		
1. Basic State grants	503,000,000	+15,000,000
2. Rehabilitation service projects	---	+19,212,000
Total, increases	---	+39,560,000
Decreases:		
A. Program:		
1. Innovation	3,200,000	-3,200,000
2. Vocational Rehabilitation Facilities	1,750,000	-1,750,000
Total, decreases	---	-4,950,000
Total, net change	---	+34,610,000

Explanation of Changes

Increases:

A. Built-in: Rehabilitation service projects.--An increase of $5,348,000 is requested for the increased level of continuation grants in 1972. This includes $2,200,000 for projects formerly funded under the Innovation grant program.

B. Program:

1. Basic State grants. An increase of $15,000,000 is requested over the $503,000,000 appropriated in 1971, or a total of $518,000,000. The $518,000,000 is the full amount needed to match the total of State funds estimated to be available under the $530,000,000 authorization proposed in the General Provisions of the Appropriation Act.

2. Rehabilitation service projects. An increase of $16,890,947 ($19,212,000 in budget authority) over the 1971 level is requested. The 1972 total includes $26,360,000 for a major effort, in conjunction with the basic support program (Sec. 2), to rehabilitate an increased number of handicapped poor people who are receiving or who are potential recipients of public assistance payments.

Decreases:

A. Program:

1. Innovation. A decrease of $3,200,000, the entire program, is requested in 1972. Projects under this program initiated in 1971 and prior years that are not completed will be funded under the activity "Rehabilitation service projects". An estimated 58 continuation projects will be funded at a level of $2,200,000. Projects under this activity may be funded for a period of five years.

2. Vocational rehabilitation facilities. No obligational or budget authority has been requested for this program in 1972. This results in a decrease of $3,590,010 in obligations and $1,750,000 in budget authority.

3. Facilities for the mentally retarded. The authority for the construction of community service facilities expired at the end of 1970. Therefore, funds are not requested for this activity in 1972. This results in a decrease in obligations of $11,219,595. No budget authority was provided in 1971 nor requested in 1972. This program has been replaced by a formula grant by enactment of the Developmental Disabilities Act that includes construction and service. Funds for use for construction may not exceed 50% of the formula grant. Thus the funding level for construction has been decreased and the level for services increased.

Authorizing Legislation

Legislation	1972 Authorization	1972 Appropriation requested
Vocational Rehabilitation Act, as amended:		
Section 2 - Vocational Rehabilitation Services	$700,000,000	$518,000,000
Section 3 - Innovation	10,000,000	---
Section 4 - Special Projects	140,000,000	48,660,000
Section 12 - Construction and Staffing	30,000,000	550,000
Section 13 - Facility Improvement	30,000,000	10,000,000
Section 15 - Vocational Evaluation and Work Adjustment	100,000,000	---
Section 17 - Migratory Agricultural Workers	Such sums as may be necessary	---
Developmental Disabilities Services and Facilities Construction Act		
Section 121 - Construction of University-Affiliated Facilities	20,000,000	---
Section 122 - Demonstration and training grants	17,000,000	---
Section 131 - Planning, provision of services, and construction and operation of Facilities for Persons with Developmental Disabilities	105,000,000	11,215,000
Section 145 - Initial Staffing	Such sums as may be necessary for continuation grants	10,075,000
Public Health Service Act		
Sections 301 and 303 - Hospital Improvement	Such sums as may be necessary	6,500,000
Total requested		605,000,000

VOCATIONAL REHABILITATION ACT

Section 2--Grants to States for Vocational Rehabilitation Services

Appropriation

Section 1(b)(1). For the purpose of making grants to States under section 2, to assist them in meeting the costs of vocational rehabilitation services, there is authorized to be appropriated for the fiscal year ending June 30, 1966, the sum of $300,000,000, for the fiscal year ending June 30, 1967, the sum of $350,000,000, for the fiscal year ending June 30, 1968, the sum of $400,000,000, for the fiscal year ending June 30, 1969, the sum of $500,000,000, for the fiscal year ending June 30, 1970, the sum of $600,000,000, for the fiscal year ending June 30, 1971, the sum of $700,000,000, and for the fiscal year ending June 30, 1972, the sum of $700,000,000.

Section 3--Grants to States for Innovation of Vocational Rehabilitation Services

Appropriation

Section 1(b)(2). For the purpose of making grants under section 3, relating to grants to States to assist them in meeting the costs of projects for innovation of vocational rehabilitation services, there is authorized to be appropriated for the fiscal year ending June 30, 1966, the sum of $5,000,000, for the fiscal year ending June 30, 1967, the sum of $7,000,000, for the fiscal year ending June 30, 1968, the sum of $9,000,000, for the fiscal year ending June 30, 1969, the sum of $3,200,000, for the fiscal year ending June 30, 1970, the sum of $6,000,000, for the fiscal year ending June 30, 1971, the sum of $10,000,000, and for the fiscal year ending June 30, 1972, the sum of $10,000,000.

Section 4--Grants for Special Projects

Appropriation

Section 1(b)(3). For the purpose of (A) making grants under section 4(a)(1) for research, demonstrations, training, and traineeships; (B) making grants under clause (2)(A) of section 4(a) for planning, preparing for, and initiating special programs to expand State vocational rehabilitation services; (C) making contracts and jointly financed cooperative arrangements under clause (2)(B) of section 4(a) for projects for providing jobs to handicapped individuals; and (D) making grants under clauses (2)(C) and (D) of section 4(a) to develop new programs to recruit and train individuals for new career opportunities, there is authorized to be appropriated for fiscal year ending June 30, 1966, the sum of $80,000,000, for the fiscal year ending June 30, 1967, the sum of $104,000,000, for the fiscal year ending June 30, 1968, the sum of $117,000,000, for the fiscal year ending June 30, 1969, the sum of $80,000,000, for the fiscal year ending June 30, 1970, the sum of $115,000,000, for the fiscal year ending June 30, 1971, the sum of $140,000,000, and for the fiscal year ending June 30, 1972, the sum of $140,000,000.

Section 12--Grants for Construction and Staffing of Rehabilitation Facilities

Appropriation

Section 12(i). There is authorized to be appropriated for carrying out this section $1,500,000 for the fiscal year ending June 30, 1966, $7,000,000 for the fiscal year ending June 30, 1967, $9,000,000 for the fiscal year ending June 30, 1968, $10,000,000 for the fiscal year ending June 30, 1969, $20,000,000 for the fiscal year ending June 30, 1970, $30,000,000 for the fiscal year ending June 30, 1971, and $30,000,000 for the fiscal year ending June 30, 1972; and for each of the two succeeding fiscal years only such sums may be appropriated for carrying out this section as the Congress may hereinafter authorize by law. Sums so appropriated shall remain available for payment with respect to construction projects approved or initial staffing grants made under this section prior to July 1, 1974.

Section 13--Rehabilitation Facility Improvement

Appropriation

Section 13(f). There is authorized to be appropriated for making grants under subsection (a), subsection (b), and subsection (c), of this section $1,500,000 for the fiscal year ending June 30, 1966, $9,000,000 for the fiscal year ending June 30, 1967, $14,000,000 for the fiscal year ending June 30, 1968, $10,000,000 for the fiscal year ending June 30, 1969, $20,000,000 for the fiscal year ending June 30, 1970, $30,000,000 for the fiscal year ending June 30, 1971, and $30,000,000 for the fiscal year ending June 30, 1972, and for each of the three succeeding fiscal years only such sums may be appropriated for making grants under subsection (a), subsection (b), and subsection (c) of this section as the Congress may hereafter authorize by law.

Section 15--Vocational Evaluation and Work Adjustment Program

Appropriation

Section 15(a)(2). There is authorized to be appropriated for carrying out this section $50,000,000 for the fiscal year ending June 30, 1969, $75,000,000 for the fiscal year ending June 30, 1970, $100,000,000 for the fiscal year ending June 30, 1971, $100,000,000 for the fiscal year ending June 30, 1972, and for each succeeding fiscal year only such sums may be appropriated as the Congress may hereafter authorize by law.

Section 17--Project Grants for Migratory Agricultural Workers

Appropriation

Section 17(a). The Secretary is authorized to make grants to any State agency designated pursuant to a State plan approved under section 5, or to any local agency participating in the administration of such a plan, for not to exceed 90 per centum of the cost of pilot or demonstration projects for the provision of vocational rehabilitation services to handicapped individuals who, as determined in accordance with rules prescribed by the Secretary of Labor, are migratory agricultural workers, and to members of their families (whether or not handicapped) who are with them, including maintenance and transportation of such individuals and members of their families where necessary to the rehabilitation of that individual. Maintenance payments under this section shall be consistent with any maintenance payments made to other handicapped individuals in the State under the Vocational Rehabilitation Act. Such grants shall be conditioned upon satisfactory assurance that in the provision of such services there will be appropriate cooperation between the grantee and other public and private nonprofit agencies having special skills and experience in the provision of services to migratory agricultural workers or their families. This section shall be administered in coordination with other provisions of law dealing specifically with migrant agricultural workers, including title I of the Elementary and Secondary Education Act of 1965, section 311 of the Economic Opportunity Act of 1964, and the Farm Labor Contractor Registration Act of 1963.

62-917 O - 71 - pt. 4 ---19

Title I--Developmental Disabilities Services and Facilities Construction Act

Part B--Construction, Demonstration, and Training Grants for University-Affiliated Facilities for Persons With Developmental Disabilities

Section 121--Construction of University-Affiliated Facilities

Appropriation

Section 121(a). For the purpose of assisting in the construction (and the planning for the construction) of facilities which will aid in demonstrating provision of specialized services for the diagnosis and treatment, education, training, or care of the mentally retarded or in the interdisciplinary training of physicians and other specialized personnel needed for research, diagnosis and treatment, education, training, or care of the mentally retarded, including research incidental or related to any of the foregoing activities, there are authorized to be appropriated $5,000,000 for the fiscal year ending June 30, 1964, $7,500,000 for the fiscal year ending June 30, 1965, $10,000,000 each for the fiscal year ending June 30, 1966, the fiscal year ending June 30, 1967, and the fiscal year ending June 30, 1968, and $20,000,000 for each of the next five fiscal years through the fiscal year ending June 30, 1973. Except as provided in subsection (b), the sums so appropriated shall be used for project grants for construction of public and other non profit facilities for the mentally retarded which are associated with a college or university.

Section 122--Demonstration and Training Grants

Appropriation

Section 122(b). For the purpose of making grants under this section, there are authorized to be appropriated $15,000,000 for the fiscal year ending June 30, 1971; $17,000,000 for the fiscal year ending June 30, 1972; and $20,000,000 for the fiscal year ending June 30, 1973.

Part C--Grants for Planning, Provision of Services, and Construction and Operation of Facilities for Persons With Developmental Disabilities

Section 131--Formula Grants

Appropriation

Section 131. In order to make the grants to carry out the purposes of section 130, there are authorized to be appropriated $60,000,000 for the fiscal year ending June 30, 1971, $105,000,000 for the fiscal year ending June 30, 1972, and $130,000,000 for the fiscal year ending June 30, 1973.

PART D - GRANTS FOR THE COST OF PROFESSIONAL AND TECHNICAL PERSONNEL OF COMMUNITY MENTAL RETARDATION FACILITIES

Authorization of Grants

Section 141. (a) For the purpose of assisting in the establishment and initial operation of facilities for the mentally retarded providing all or part of a program of comprehensive services for the mentally retarded principally designed to serve the needs of the particular community or communities in or near which the facility is situated, the Secretary may, in accordance with the provisions of this part, make grants to meet, for the temporary periods specified in this section, a portion of the costs (determined pursuant to regulations under Section 144) of compensation of professional and technical personnel for the initial operation of new facilities for the mentally retarded or of new services in facilities for the mentally retarded.

(b) Grants for such costs for any facility for the mentally retarded under this part may be made only for the period beginning with the first day of the first month for which such a grant is made and ending with the close of four years and three months after such first day; and such grants with respect to any such facility may not exceed 75 per centum of such costs for the period ending with the close of the fifteenth month following such first day, 60 per centum of such costs for the first year thereafter, 45 per centum of such costs for the second year thereafter, and 30 per centum of such costs for the third year thereafter.

(c) In making such grants, the Secretary shall take into account the relative needs of the several States for services for the mentally retarded, their relative financial needs, and their populations.

Authorization of Appropriations

Section 145. There are authorized to be appropriated $7,000,000 for the fiscal year ending June 30, 1968, $10,000,000 for the fiscal year ending June 30, 1969, and $14,000,000 for the fiscal year ending June 30, 1970, to enable the Secretary to make initial grants to facilities for the mentally retarded under the provisions of this part. For the fiscal year ending June 30, 1969, and each of the next five years, there are authorized to be appropriated such sums as may be necessary to make grants to such facilities which have previously received a grant under this part and are eligible for such facilities which have previously received a grant under this part and are eligible for such a grant for the year for which sums are being appropriated under this sentence.

PUBLIC HEALTH SERVICE ACT

Title III--General Powers and Duties of Public Health Service

PART A--RESEARCH AND INVESTIGATION

In General 42 USC 241

Sec. 301. The Surgeon General shall conduct in the Service, and encourage, cooperate with, and render assistance to other appropriate public authorities, scientific institutions, and scientists in the conduct of, and promote the coordination of, research, investigations, experiments, demonstrations, and studies relating to the causes, diagnosis, treatment, control, and prevention of physical and mental diseases and impairment of man, including water purification, sewage treatment, and pollution of lakes and streams. In carrying out the foregoing the Surgeon General is authorized to--....

(a) Collect and make available through publications and other appropriate means, information as to, and the practical application of, such research and other activities;

Appropriation

Section 303(a). In carrying out the purposes of section 301 with respect to mental health, the Surgeon General is authorized--

(1) to provide training and instruction and to establish and maintain traineeships, in accordance with the provisions of section 433(a);

(2) to make grants to State or local agencies, laboratories, and other public or nonprofit agencies and institutions, and to individuals for investigation, experiments, demonstrations, studies, and research projects with respect to the development of improved methods of diagnosing mental illness, and of care, treatment, and rehabilitation of the mentally ill, including grants to State agencies responsible for administration of State institutions for care, or care and treatment, of mentally ill persons for developing and establishing improved methods of operation and administration of such institutions.

(b) Grants under paragraph (2) of subsection (a) may be made only upon recommendation of the National Advisory Mental Health Council. Such grants may be paid in advance or by way of reimbursement, as may be determined by the Surgeon General; and shall be made on such conditions as the Surgeon General finds necessary.

REHABILITATION SERVICES AND FACILITIES

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1962	$64,450,000	$64,450,000	$64,450,000	$64,450,000
1963	72,940,000	72,940,000	72,940,000	72,940,000
1964	99,172,000	99,172,000	99,172,000	99,172,000
1965	123,744,000	123,744,000	123,744,000	123,744,000
1966	205,505,000	197,195,000	205,505,000	205,505,000
1967	295,835,000	295,835,000	295,335,000	295,335,000
1968	364,888,000	335,648,000	346,648,000	338,648,000
1969	405,546,000	375,956,000	408,046,000	401,546,000
1970	533,412,000	536,783,000	503,783,000	501,783,000
1971	571,640,000	566,640,000	579,140,000	570,390,000
1972	605,000,000			

Note: In 1971, the "Mental Retardation" and "Grants for Rehabilitation Services and Facilities" accounts are combined into one appropriation "Rehabilitation Services and Facilities". Comparatively, these accounts have been combined beginning with 1964.

Rehabilitation Services and Facilities

General Statement

Introduction

For the purpose of conducting the program activities under the Vocational Rehabilitation Act and the Developmental Disabilities Act an appropriation of $605,000,000 is requested for 1972.

Appropriation estimates for Federal grants of $518,000,000 for the Federal-State basic support program under Section 2 of the Vocational Rehabilitation Act are based on estimates of numbers of persons to be served submitted by State vocational rehabilitation agencies. Forty-five States have reported that they will have sufficient State funds to earn their full allotment under a $530,000,000 allotment base.

In the past two years special emphasis on vocational rehabilitation of public assistance recipients has proven vocational rehabilitation can be effective in returning many welfare recipients to productive roles. The 1972 Budget requests $26,360,000 for projects under Section 4(a)(2)(A) specifically designed to expand service to the disabled disadvantaged public assistance recipients. Increased work with disabled welfare recipients is part of the strategy of the Social and Rehabilitation Service to deliver comprehensive services to those in greatest need.

The Developmental Disabilities Act became Public Law 91-517 on October 30, 1970, and encompasses the services and facilities heretofore funded under Title I, Parts C and D of the Mental Retardation Community Facilities Construction Act. This new legislation makes available a wide range of strategies to meet the problems not only of the mentally retarded but also persons suffering from other serious developmental disabilities originating in childhood including cerebral palsy, epilepsy, and other neurological handicapping conditions.

The Developmental Disabilities Act authorizes formula grants to States for planning, services, and construction. Grants for projects of national significance, interdisciplinary training programs in institutions of higher learning and for university-affiliated facilities are authorized.

Program Objectives

The major Federal objectives of the programs of the Rehabilitation Services Administration are the stimulation of public and private resources to aid the disabled to become more self-sufficient and productive, and to provide program development and guidance.

An increased focus on prevention of dependency is also becoming a prime objective of the State programs with more attention being given to provision of services as soon after the onset of disability as possible.

The Fiscal Year 1972 agency objective is to serve 980,000 individuals, and rehabilitate 288,000. In Fiscal Year 1970, over 875,000 individuals were served, and 266,975 rehabilitated. The success of this program in terms of generating increased earning power among handicapped people, and turning tax users into tax payers has been documented.[1/] There are also intangible effects

1/ Ronald W. Conley, "A Costs Benefit Analysis of the Vocational Rehabilitation Program," Journal of Human Resources, Volume IV, No. 2.

of rehabilitation such as reduced suffering and pain, increased family security, participation in society, and individual self-esteem.

Presented below are two tables which present our total rehabilitants in two groupings -- by selected target group and by disability category. These are not mutually exclusive groupings as each target group includes individuals having various disabling conditions. The narrative, beginning on page 139, follows this same order in presenting a discussion of program performance.

Work Load Characteristics - Vocational Rehabilitation Program

Target Groups	1970 Actual	1971 Est.	1972 Est.
Public Assistance recipients	32,300	37,500	51,000
Social Security Disability Insurance Beneficiaries	17,200	20,000	21,200
Correctional Rehabilitation	11,700	15,200	18,700
Alcoholics	11,300	14,400	16,700
Narcotic Addicts	800	1,000	1,200
Selected Disability Categories			
Mentally Ill	64,900	77,100	83,800
Mentally Retarded	32,700	37,800	40,300
Blind and Visually Impaired	22,100	23,900	24,300
Deaf, Hard of Hearing, and Speech Impaired	16,800	17,500	17,500
Heart Disease, Cancer and Stroke	11,200	11,800	11,800
Spinal Cord Injuries	300	300	300
Other	118,975	119,600	110,000 1/
Total rehabilitated	266,975	288,000	288,000
Total receiving services	875,911	972,000	980,000

Another objective is to increase services for the 8,700,000 children and adults -- or one out of every 24 individuals in the Nation -- estimated to suffer from developmental disabilities to various extents. Of this number, approximately 6,000,000 are mentally retarded; 1,000,000 are epileptics; 700,000 suffer from cerebral palsy; and 1,000,000 from other neurological handicaps originating in childhood (other than blindness and deafness). The more severe the disability, the greater the likelihood that the individual will be multiply handicapped. The needs of the developmentally disabled continue to vastly surpass available programs and facilities. Demands for services and facilities will not be met for many years to come. However, the new legislation will do much to maximize existing resources and open up new approaches to the problem of meeting these needs.

Progress has been made in providing a broad spectrum of services to the mentally retarded through the variety of special resources administered by the Rehabilitation Services Administration. Service programs are authorized under the Developmental Disabilities Services and Facilities Construction Act, the Vocational Rehabilitation Act, and the Public Health Service Act. In 1972 there will be a continued shift in emphasis from construction to increased services to individuals.

1/ Two of the largest disability categories included here are 35,000 orthopedic impairments and amputations and 23,100 digestive system disorders.

Interagency Relationships

Vocational Rehabilitation continues its involvement in planning activities under the Cooperative Area Manpower Planning System (CAMPS). RSA programs have participating relationships in the following: Concentrated Employment Program, Neighborhood Services Centers, Work Incentive Program, Model Cities, Manpower Development and Training Act (MDTA), Neighborhood Youth Corps, Job Corps, Operation Mainstream, and Public Service Careers. Minor medical services were also provided by State agencies to MDTA applicants and trainees.

Upon passage of the Federal Coal Mine Health and Safety Act of 1969, the Rehabilitation Services Administration engaged in measures to facilitate rehabilitation services to miners with disabilities imposed by coal worker's pneumoconiosis. Revisions to existing arrangements with the Veterans Administration were initiated to enhance coordinative rehabilitation efforts for disabled veterans. Rehabilitation Services Administration continued to develop service-oriented agreements and working relationships with voluntary agencies on numerous special projects.

Basic State Grants

	1971 Amount	1972 Amount	Increase Amount
Basic State Grants (Sec. 2)	$502,000,000	$517,000,000	$15,000,000
Program evaluation	1,000,000	1,000,000	---
Total	503,000,000	518,000,000	15,000,000
Allotment base	515,000,000	530,000,000	15,000,000

Method of Allotment (Support Program)

The Vocational Rehabilitation Act provides for allotment of Federal funds among the States on the basis of need as measured by a State's population and its per capita income.

These allotment factors equalize rehabilitation services among the States as much as possible so as to serve handicapped persons whether they reside in a State with high or low per capita income, in a heavily industrialized and populated State or in a rural, sparsely populated State.

State Federal Basic Support Program (Section 2)
Description

Vocational Rehabilitation is a State-Federal program which provides services to disabled persons to prepare and place them in gainful occupations. This section of the VR Act is the basic program. A comprehensive range of rehabilitation services is offered to persons suffering from physical or mental conditions which present substantial handicaps to vocational adjustment. The initial step of the process is always diagnosis and counseling to help clients choose a suitable rehabilitation goal and to outline the services needed to attain it. Any reasonable vocational goal may be selected, including self-employment and sheltered employment. The major services offered to clients include physical restoration, vocational training, and vocational placement. If necessary, an allowance for maintenance and transportation is provided and needed equipment and occupational licenses are purchased.

Services are also provided to the families of handicapped individuals when such services will contribute substantially to the rehabilitation of such individuals.

Federal funds requested for Fiscal Year 1972 will match State funds of $134,683,463. Information received from the States indicate there will be adequate funds available to match Federal dollars recommended.

Estimates of State funds available for Fiscal Year 1972 reflect the enthusiastic support being given by the States to vocational rehabilitation and to the possibilities for program expansion and improvement of services available under the Vocational Rehabilitation Act.

Target groups
Rehabilitation of Public Assistance Clients and Recipients

Estimated Rehabilitants: FY 1970: 32,300 FY 1971: 37,500 FY 1972:51,000

In 1970, approximately 32,300 of the 266,975 persons rehabilitated were on public assistance at some point in their rehabilitation process. Of the 32,300 public assistance cases rehabilitated, 18,500 were on AFDC.

In 1971, an estimated 130,000 public assistance recipients will be provided vocational rehabilitation services and of this number approximately 37,500 will be rehabilitated during that year. It is estimated that for each public assistance recipient removed from the welfare rolls that the resultant annual savings to welfare will amount to approximately $850, not counting the humanitarian benefits, productive contribution to society in earnings and finished products, and taxes. Approximately 300,000 persons now on the welfare rolls are estimated to have a disability and rehabilitation potential.

Virtually every State has indicated deep concern over the ever increasing welfare rolls and concurs with the Administration in its overall objective to make a realistic effort to reduce the rolls. During 1972, SRS and the States will work much more closely in coordinating their overall efforts to provide whatever services are needed to move public assistance recipients into gainful occupations. SRS will encourage and assist in (1) the development of models for special joint projects and cooperative funding arrangements; (2) the assessment of welfare-VR joint action plans which include joint referral procedures, evaluation of rehabilitation potential, income incentives and joint staff housing and training and (3) involving other Federal, State and local government agencies.

In summary, it is the joint goal of both the States and the Federal government to make a concerted effort to provide vocational rehabilitation services within funds available in this budget to at least 130,000 public assistance recipients in 1972. An additional 45,000 public assistance recipients will be served under special Expansion projects.

Rehabilitation of Social Security Disability Insurance Beneficiaries

Estimated Rehabilitants: FY 1970: 17,200 FY 1971: 20,000 FY 1972: 21,200

Among the most seriously disabled persons served by VR agencies, those referred under provisions of Title II, Section 222 of the Social Security Act constitute a significant percentage. The cost of disability insurance beneficiaries served by VR agencies are paid 100% by trust fund money when they will be put into jobs which will take them off the DI rolls. Many others are served by the Section 2 program because they can be rehabilitated, but into lesser paying jobs or because trust funds are not available to serve all the beneficiaries who might qualify.

During Fiscal Year 1970, there were 9,300 beneficiaries, having all or part of their rehabilitation costs paid with trust funds, reported rehabilitated for a 16.3% increase over the corresponding figure for the previous year. There were an additional 7,900 beneficiaries rehabilitated totally under Section 2 funds.

With the trust funds available for Fiscal Year 1972 increasing to around $28,700,000, projections show 12,300 beneficiary rehabilitations. In addition, 8,900 beneficiaries will be rehabilitated under the regular rehabilitation program for a total of 21,200 rehabilitated beneficiaries.

One of the major problems facing the States during the coming years will be a shortage of trust funds to provide the necessary rehabilitation services to the ever increasing number of beneficiaries eligible for services paid with trust funds. During Fiscal Year 1970, a total of 879,657 applications were made for disability benefits. This is an 11.1% increase over the 791,706 applications made during Fiscal Year 1969. Approximately 350,000 applicants were found eligible for disability benefits, many of whom may also be eligible for vocational rehabilitation services provided with trust funds.

Correctional Rehabilitation

Estimated Rehabilitants: FY 1970: 11,700 FY 1971: 15,200 FY 1972: 18,700

Correctional rehabilitation remains one of the most impressively and dynamically expanding rehabilitation activities in the public vocational rehabilitation program. This trend reflects a change in public philosophy from emphasis on confinement and punishment to one of rehabilitation and restoration of the public offender into a productive role in society.

Most of the correctional rehabilitation activities undertaken under vocational rehabilitation (including those started under Expansion grants) are absorbed within the ongoing programs of the State vocational rehabilitation agencies. This is one of the fundamental strengths of the involvement of the rehabilitation program in corrections. Service continuity is assured since they are not dependent on a special project grant period.

In addition to the basic support program, the use of Expansion grants has contributed greatly to the expansion of rehabilitation services to the offender.

The most effective program for juvenile delinquents should be of a preventative nature. Thus the program should reach out to youth and should be located in the school setting. Cooperative special education-vocational rehabilitation programs within the junior and senior high school have demonstrated significant success in working with school drop-outs and potential delinquents.

Alcoholics

Estimated Rehabilitants: FY 1970: 11,300 FY 1971: 14,400 FY 1972: 16,700

An increasing number of State agencies are including rehabilitation services to alcoholics among their priority service target groups.

California continues to have the largest Statewide program under vocational rehabilitation which involves 11 treatment and rehabilitation centers throughout the State.

Other States are continuing their efforts to develop methods through which a greater number of alcoholics can be rehabilitated or can be referred to the rehabilitation agency. In Louisiana, a major objective is to increase communications between rehabilitation and referral sources such as outpatient alcoholic treatment centers. In Montana, the problem of how to provide more and better services to Indians who are alcoholics is receiving concerted attention. In the Salt Lake City, Utah, area, a judge refers alcoholics to the caseload of a rehabilitation counselor who specializes in this handicap.

Narcotic Addicts

Estimated Rehabilitants: FY 1970: 800 FY 1971: 1,000 FY 1972: 1,200

Encouraging progress continues to be made in the rehabilitation of the narcotic addict by State vocational rehabilitation agencies. Those States in the densely populated areas having well established programs are moving ahead. In 1969, 564 narcotic addicts were rehabilitated, and it is estimated that 800 were rehabilitated in 1970. The projection for 1971 is about 1,000. New York and California still maintain the most comprehensive programs to combat the drug problem.

In New Jersey, an innovative project for the rehabilitation of drug addicts has been established in three counties which is designed to develop methods and techniques that may be effective in vocational rehabilitation of addicts. New York has added a vocational component in the Evaluation Unit of the Nassau County Drug Abuse and Addiction Commission in addition to the existing special program that the New York Division of Rehabilitation has in conjunction with the Department of Mental Hygiene.

A major problem limiting services to narcotic addicts is the critical shortage of counselors with specialized training necessary to serve this disability group as well as the difficulty of the problem. As public and Congressional interest in the problem of narcotic addition intensifies, it is expected that State rehabilitation agencies will provide services to a steadily increasing number of drug addicts.

Disability Groups

Mentally Ill

Estimated Rehabilitants: FY 1970: 64,900 FY 1971: 77,100 FY 1972: 83,800

State vocational rehabilitation agencies continue to demonstrate dramatic progress in the development of programs to assist mentally ill persons to prepare for and find suitable employment. A total of 64,900 persons (or about 25 percent) of all those rehabilitated in Fiscal Year 1970 were persons handicapped by mental illness. This number is expected to increase to 77,100 in Fiscal Year 1971.

Many of the State vocational rehabilitation agencies operate halfway houses and also utilize sheltered workshops within the community. Most of the State agencies also employ counselors who have had special training in psychiatric rehabilitation. In an effort to better serve the needs of the mentally ill, State agencies have placed emphasis on the improvement of referral techniques with mental hospitals, community organizations concerned with the mentally ill, and the employment of professional staff with specialized training to serve this population group.

Mental Retardation

Estimated Rehabilitants: FY 1970: 32,700 FY 1971: 37,800 FY 1972: 40,300

Significant progress continues to be made in the provision of vocational rehabilitation services to greater numbers of mentally retarded persons.

A major factor in program development for this disability group has been the steady expansion of cooperative arrangements between vocational rehabilitation and special education designed to facilitate the retardate's transition from school to work. Emphasis in serving the mentally retarded client has shifted to a great degree from institutional settings to community-based settings.

Services for the retarded are provided in sheltered workshops, evaluation centers, occupational training centers and halfway houses. In most States, rehabilitation units have been established on the grounds of State schools for the mentally retarded to more effectively serve the institutionalized retardate and make possible his eventual independent living within the community.

The program of Federal employment of the retarded had placed approximately 6,500 retarded persons at Federal installations throughout the country by the close of 1970. State vocational rehabilitation agencies are responsible, under a cooperative agreement with the Civil Service Commission, for certifying retarded job applicants as suitable for specific job vacancies.

As programs under the Developmental Disability Act become organized, including efforts to identify and serve mentally retarded in urban slums and ghettos, vocational rehabilitation agencies anticipate an expanding role as a referral resource and a growing participation in resolving the problems of those who are more severely disabled.

Blind and Visually Impaired

Estimated Rehabilitants: FY 1970: 22,100 FY 1971: 23,900 FY 1972: 24,300

In Fiscal Year 1970, more than 7,000 blind persons were vocationally rehabilitated. More than 15,000 severely visually impaired persons were also rehabilitated into gainful employment.

Of the blind persons rehabilitated during the fiscal year, 25% were public assistance recipients at the time of acceptance for services.

Placements were made in an increasing number of occupations, ranging from supportive positions in the service industries to highly sophisticated positions in the professions such as computer programming. The number of blind persons entering colleges and business schools continues to increase.

An effective measure of the impact of vocational rehabilitation services can be seen in the continued growth of the Randolph-Sheppard vending stand program. In Fiscal Year 1970, approximately 3,400 operators at 3,000 vending stands earned $19,400,000 on total gross business of $93,000,000. The average annual earnings per operator is estimated at $6,200. All evidence indicates a growth rate of at least 10% annually for Fiscal Years 1971 and 1972.

The Deaf, the Hard of Hearing and the Speech Impaired

Estimated Rehabilitants: FY 1970: 16,800 FY 1971: 17,500 FY 1972: 17,500

In Fiscal Year 1970, an estimated 16,800 persons whose major disability was deafness, hearing or speech impairment were rehabilitated. Of particular importance was the continued expansion of vocational rehabilitation-special education cooperative programs, and the improvement of recruitment and training techniques to increase the supply of rehabilitation personnel qualified to serve this clientele.

The 1968 cooperative agreement between the Rehabilitation Services Administration and the National Hearing Aid Society substantially increased the number of hard of hearing rehabilitants in Fiscal Year 1969 and in Fiscal Year 1970. New techniques of speech therapy for socially and economically disadvantaged persons will increase the number of rehabilitants with speech impairments.

Heart Disease, Cancer and Stroke

Estimated Rehabilitants: FY 1970: 11,200 FY 1971: 11,800 FY 1972: 11,800

Heart disease, cancer, and stroke are among the most severe disabilities with which rehabilitation works. In addition to Section 2 activities, State agencies have had projects which have contributed substantially to the number of heart disease, cancer, and stroke victims rehabilitated. For example, cardio-pulmonary work-classification units have been established in the county hospitals at Casper and Lander, Wyoming, the University Medical Center in Mississippi, the Western Montana Clinic in Missoula, and the New England Medical Center Hospitals in Boston, Massachusetts.

Spinal Cord Injuries

Estimated Rehabilitants: FY 1970: 300 FY 1971: 300 FY 1972: 300

It is estimated that there are over 100,000 persons in the United States with spinal cord injury, and an additional 7,000 to 10,000 injured each year. Some 8,000 were served by vocational rehabilitation agencies in 1968, many of whom had been injured years before and had not previously had adequate treatment. It is evident that there are many still in need of vocational rehabilitation services from former accidents as well as the ongoing increasing numbers from current causes.

An injury to the spinal cord may leave a residual impairment ranging from a mildly weakened muscle to total paralysis from the neck down. The more severe involvements causing paraplegia or quadriplegia are of particular concern to vocational rehabilitation agencies.

The majority of persons with spinal cord injury are injured in automobile and motorcycle accidents and contact sports. Some, especially older persons, may be injured in industrial accidents such as in lumbering, mining, and heavy construction industries. Most of the injured persons are between 18 and 25 years of age.

Since these clients have multiple needs, they are usually treated at medical centers which provide comprehensive services. Within recent years, two Spinal Cord Injury Centers have been established with help from SRS. Treatment is also given at several Special Research and Training centers.

Chronic Hemodialysis

Patients with end-stage renal disease without other major illnesses are excellent candidates for vocational rehabilitation services and in many facilities, 85-90% of such patients return to full-time employment. There are about 10,000 of these new cases per year in the United States. Another 10,000 could benefit by chronic dialysis with the probability of a 50% return to gainful employment.

Kidney disease is one of the major causes of chronic illness and leads to a chronic renal failure. Two effective forms of therapy are available in the later stages of failure--chronic hemodialysis and kidney transplantation. Because of the high cost of treatment and a shortage of facilities only 5-10% of those medically eligible are able to obtain treatment. It is estimated that about 3,000 are currently on an artificial kidney machine, of whom 1,000 are involved with vocational rehabilitation agencies.

The cost of these procedures is very high. In-hospital dialysis costs up to $15,000 per patient per year. Home dialysis may cost nearly as much the first year because of the initial hospitalization for diagnosis and stabilizing the patient on an artificial kidney, plus the cost of the machine and its installation at home plus training of the patient and a family member to run the machine. In subsequent years the cost falls to $3,000 to $6,000 depending on the number and severity of intercurrent problems.

Already some 40 States have provided assistance to patients in need of chronic hemodialysis. Most of the uninvolved States are unable to participate in this program because of the high cost of treatment and the need for continued assistance in many cases.

Work with this disability group is relatively recent and consequently is not as yet reflected in our data collection system. A canvass of State agencies concerning performance and progress with this disability group indicates that about 500 individuals with Chronic Hemodialysis are expected to be rehabilitated this year.

Innovation Grants

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
New grants	22	$700,000	---	---	-22	-$700,000
Continuations	52	2,500,000	---	---	-52	-2,500,000
Total	74	3,200,000	---	---	-74	-3,200,000

This program was designed to provide grants to States for projects to develop new methods or techniques for providing State vocational rehabilitation services for handicapped individuals as well as to develop new or expanded vocational rehabilitation services for groups of severely handicapped individuals.

In 1971, 74 grants will be made in the amount of $3,200,000. In 1972 this program will be phased out. We have found that States can perform these activities under their regular program and through expansion grants. In order to provide for the orderly termination of ongoing innovation projects 58 of the 74 projects for continuation will be supported under the Expansion Grants program (Section 4(a)(2)(A)).

Rehabilitation Service Projects

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
New	110	$9,469,053	60	$26,360,000	-50	+$16,890,947
Continuation	330	20,502,000	425	25,850,000	+95	+5,348,000
Total	440	29,971,053	485	52,210,000	+45	+22,238,947

Projects supported under this activity provide part of the cost of projects designed to expand and provide services to disabled individuals. This is accomplished under three sections of the Vocational Rehabilitation Act as follows:

1. Grants for Special Projects (Section 4(a)(2))
2. Initial Staffing of Rehabilitation Facilities (Section 12(f))
3. Facility Improvement Grants (Section 13)

The 60 new projects in 1972 provide funds for a major effort to rehabilitate recipients of public assistance.

Subactivities:

Expansion grants	194	$15,121,053	279	$38,660,000	+85	+$23,538,947
Projects with industry	6	1,000,000	6	1,000,000	---	---
New career opportunities	18	2,000,000	18	2,000,000	---	---
Initial staffing	21	550,000	21	550,000	---	---
Facility improvement	201	11,300,000	161	10,000,000	-40	+1,300,000
Total	440	29,971,053	485	52,210,000	+45	+22,238,947

Expansion Grants - Section 4(a)(2)(A)

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
New	58	$6,669,053	60	$26,360,000	+2	+$19,690,947
Continuations	136	8,452,000	219	12,300,000	+83	+3,848,000
Total	194	15,121,053	279	38,660,000	+85	+23,538,947

The 1965 amendments to the Vocational Rehabilitation Act authorized the Expansion Grant program. Federal grants are made to State vocational rehabilitation, other public, or private, non-profit agencies of up to 90% of the cost of projects to expand beyond normal growth the number of disabled persons being rehabilitated. This flexible program has served as a vehicle for stimulating and expediting shifts in program directions to reflect Federal priorities. It

has also allowed States to address problems of service resource inadequacy which have interfered with the achievement of State priorities and program objectives. It is widely utilized to expand services to the severely disabled and also the disabled disadvantaged. Projects are operated in concert with Model Cities programs. Increased attention is also being given to the rural poor, public assistance recipients, drug addicts, alcoholics, and public offenders.

In 1970, 49 States participated in the expansion grant program. The number of projects serving public assistance recipients and other disabled disadvantaged increased from 40 in 1969 to 59 in 1970. Twenty-seven were exclusively concerned with the rehabilitation of public assistance recipients.

Public Assistance Recipients

There are approximately 1,450,000 handicapped individuals in the United States receiving public assistance. Of this number 300,000 could be rehabilitated into gainful employment. Each public assistance recipient rehabilitated saves an estimated $850 per year in reduced welfare payments.

State welfare and rehabilitation agencies have developed joint action programs in response to an SRS call in 1969 for intensified effort to substantially increase rehabilitations of disabled public assistance recipients. In Fiscal Year 1970, 32,345 public assistance recipients were rehabilitated. In Fiscal Year 1971 our goal is to rehabilitate an additional 37,500. In March of this year the Secretary wrote to each Governor about the program achievement and goal for his State in this special program effort, and to enlist the Governor's support to move the joint action program along in his State as rapidly and efficiently as possible.

Accomplishments to date by the State VR agencies and the results demonstrated through almost 30 Research and Demonstration projects show that VR can be highly successful in serving and rehabilitating the disabled public assistance client.

In order to make a quantum increase above the 37,500 public assistance recipients who we expect to be rehabilitated in Fiscal Year 1972 under the Basic Support Program (Section 2), we have elected to request funds and to use the expansion grant authority to initiate a major effort directed at increasing the number of public assistance recipients served and rehabilitated in Fiscal Year 1972.

The $26,360,000 requested for Fiscal Year 1972 will support special expansion projects in which States will serve an additional 45,000 public assistance recipients and of this number rehabilitate approximately 14,000 within the first full year.

The expansion project authority has been selected to support the special push because it permits a greater degree of flexibility to States and Federal Administrators in accomplishing special program purposes. The favorable matching rate in the funding of these projects will encourage States to expand their efforts developing projects to more effectively serve this target group. States which have shied away from serving appreciable numbers of public assistance recipients for lack of established capabilities to serve this difficult group can develop such resources; States exerting considerable effort can utilize a range of different techniques which will significantly increase the number of public assistance recipients rehabilitated.

The expansion grant authority, by regulations and guidelines, provides an assurance that activities carried out under this authority will be supplementary to the State's regular program. Specifically, the expansion activities initiated must be based on the expectations that they will increase the extent, number, or scope of vocational rehabilitations or the services to achieve them; the

62-917 O - 71 - pt. 4 ---20

expansion project must provide an addition to the service previously available and in no way substitute for existing services. Further, the increases predicated are expected to be measurably substantial in relation to the applicant's usual activities.

The disabled public assistance client is often more difficult to work with although not necessarily more costly. The public assistance client is usually depressed; has less, (if any) prior labor force attachment; and has little motivation for work. The lack of work motivation can be attributed in part to dependence on welfare for subsistence and in part a fear that employment which will terminate welfare payments will be short-lived. The public assistance client has very little formal education; is normally in poor health; and is full of crises and emergencies. Nonetheless State VR agencies have demonstrated a capability to move individuals in this target group from welfare caseloads into productive employment. To increase the State VR agencies capacity to deal more effectively with this target group additional resources are essential.

The actual number of projects to be funded is difficult to estimate since an approvable project proposal must be submitted by applicants. Every State will have an opportunity to submit one or more project proposals. A State may elect to submit one project for the entire State or multiple projects for different parts of the State (i.e. one for rural areas and one for a Standard Metropolitan Statistical Area). Usually the Regional office and the State representative enter into preliminary discussions as to the extent, purpose, and coverage, after which a more precise picture of number of projects and purposes will arise.

Grants will be made to those States whose applications reflect the use of a service delivery system that offers the promise of significantly increasing the number of public assistance rehabilitations. Every effort will be made to have each project serve as a focal point for coordinated and consolidated effort by both the public and private resources in the State.

The $26,360,000 request for Fiscal Year 1972 will support projects which will provide rehabilitation services to an estimated 45,000 additional public assistance recipients of whom approximately 14,000 will be rehabilitated over the first full year. We estimate, at an average annual savings in welfare payments of approximately $850 for each of these individuals, that welfare payments will be reduced by $13,000,000 annually.

Model Cities

The use of Expansion Grant funds has been extensively utilized by the States in the support of vocational rehabilitation efforts in Model Cities. Vocational rehabilitation services are being increasingly recognized by community development agencies as an important ingredient in the total provision of needed services in the Model Neighborhood. Currently, there are 59 active projects within Model Cities. These projects are varied in terms of service to target groups as well as specific disabilities. In Newark, New Jersey, a mobile unit operates within the Model Neighborhood to screen and treat eye disorders among disabled clients. Within the same State there is extensive use of indigenous aides to extend services to blind clients in nine Model Cities to reach the estimated 60% of clients not previously reached.

In Seattle, Washington, the grant provides support for the vocational rehabilitation component of a coordinated delivery of major social and rehabilitation services to disabled residents in the Model Cities Neighborhood. Other projects emphasize service to Model Cities residents who are public assistance recipients or public offenders. There are 27 projects specifically serving public assistance recipients with an additional 10 that are in Model Cities.

Rural Areas

The rural disabled are being served through special out-station projects planned for the rural States of Alaska, Wyoming, and Nevada. A project of the Texas Rehabilitation Commission is serving migrant workers in four counties. Other projects serving the disadvantaged in rural counties are in such States as Mississippi, Georgia, Nevada, Arizona and Vermont.

Public Offenders

A major and relatively recent program of vocational rehabilitation is that of providing services to those classified as public offenders. Agreements with the courts, correctional institutions, probations and parole boards have proven to be of great value. In 1970, 16 projects provided services to this client group. These projects will serve 1,400 public offenders and rehabilitate approximately one-third of them in 1971. The Missouri expansion project, "Magdala," is serving those female offenders who are on probation, parole or pre-release status and those who have served their full sentence. The Federal Reformatory in Petersburg, Virginia, and the Federal Youth Center in Ashland, Kentucky, are making use of expansion grant funds in providing service to public offenders.

Alcoholics and Drug Addicts

In Fiscal Year 1970, there were expansion grant funds allocated to the Bangor Halfway House in Brewer, Maine, for the rehabilitation of the chronic drinker. The District of Columbia received expansion grant funds for the development of a cooperative program with the Rehabilitation Center in Lorton, Virginia, for serving the alcoholic. The Nassau County Drug Abuse and Addiction Commission in Garden City, New York, also received an expansion grant for the rehabilitation of the drug addict.

Projects with Industry - Sec. 4(a)(2)(B)

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
New grants	3	$500,000	---	---	- 3	-$500,000
Continuation grants	3	500,000	6	1,000,000	+ 3	+500,000
Total	6	1,000,000	6	1,000,000	---	---

The Projects with Industry program funds projects designed to develop new opportunities for industry and handicapped persons to benefit each other. Direct employment of successful trainees is assured and the process is oriented to serving the disadvantaged-disabled who can profit from realistic work settings. In addition to the specific employment of qualified disabled persons, employer education is programmed to improve understanding of handicapped workers by industrial managers.

In addition to the services provided under this authority all trainees are simultaneously served, if necessary, by the State VR agency under the basic support program.

This program was initiated late in FY 1970 with three awards averaging $150,000. Projects are located in Milwaukee, Cleveland, and Long Island, where a total of 25 firms are involved ranging from large industry to small entrepreneurs.

It is estimated that during FY 1971 three projects will be initiated and the original 3 will be continued. All projects are designed to run from 3 to 5 years.

New Career Opportunities - Sec. 4(a)(2)(C) and (D)

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
New grants	9	$1,000,000	---	---	-9	-$1,000,000
Continuation grants	9	1,000,000	18	$2,000,000	+9	+ 1,000,000
Total	18	2,000,000	18	2,000,000	---	---

The Vocational Rehabilitation New Careers programs are designed to enable State vocational rehabilitation and related agencies to recruit and train individuals for New Career opportunities in programs serving the handicapped. Handicapped individuals themselves may be provided New Career opportunities in the fields of rehabilitation, health, welfare, public safety and law enforcement and other appropriate public service employment under these provisions.

The Vocational Rehabilitation New Careers program is a means by which services to the handicapped can be expanded and enriched at the same time that employment opportunities for the disadvantaged are developed. The third year of the program will see continuing focus being placed on eliminating barriers to full-time employment of disadvantaged and disabled persons. It is expected that new training techniques will be developed and curriculum modifications, both in on-the-job training settings and in academic programs of instruction, will be established in order to smooth the way for increasing numbers of New Careerists to enter human and social service employment in both the public and private sectors.

Special emphasis is placed on including and serving a greater number of disadvantaged disabled persons. For example, the New Jersey Division of Vocational Rehabilitation New Careers program employs Public Assistance recipients to assist in providing vocational rehabilitation services to the handicapped clients. New careerists are being prepared for entry level employment in State agencies, Model Cities, and Community Action agencies' anti-poverty programs in nine different areas of New Jersey. These positions are permanent; established under State Civil Service with opportunities for advancement up the career ladder.

Another emphasis of the Vocational Rehabilitation New Careers program has been directed towards providing New Career opportunities to individuals with particularly severe employment handicaps. In cooperation with the Maryland Drug Abuse Authority, for example, a program is being implemented in Baltimore to provide New Careers employment for former drug addicts in agency programs serving drug addicts.

Initial Staffing - Sec. 12

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
Continuation grants	21	$550,000	21	$550,000	---	---

Initial staffing grants cover part of the cost of compensating professional and technical personnel employed during the initial period following construction of facilities (construction includes acquisition, renovation and remodeling). These grants are available to insure that facilities, once constructed, will be adequately staffed to provide quality social and rehabilitation services.

In 1971, 21 grants were awarded for a total of $550,000. These grants supported 117 new positions including such personnel as vocational evaluators, vocational counselors, workshop directors and foremen, nurses and contract procurement and placement specialists. At least 1,000 clients are now receiving social and rehabilitation services as a direct result of this financial support during the emerging stages of newly created or expanded facilities.

Facility Improvement - Sec. 13

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
New grants	40	$1,300,000	---	---	-40	$1,300,000
Continuation grants	161	9,800,000	161	$9,800,000	---	---
Technical assistance	---	200,000	---	200,000	---	---
Total	201	11,300,000	161	10,000,000	-40	-1,300,000

Training Services - Section 13(a)

The primary purpose is to develop projects in facilities which prepare handicapped persons for placement in employment. Specific occupational skills and individual services are provided to clients who would not ordinarily enter regular training programs. An increasing percentage (now 25%) are public assistance clients; many have emotional handicaps added to their physical disabilities. A substantial number have had no previous work history. The payment of training allowances is authorized during the training period. Allowances may not be paid to any individual for any period in excess of two years, and for any week may not exceed $25, plus $10 for each of the individual's dependents, or $65, whichever is less.

Grants are made to public and other non-profit agencies to pay 90% of the costs to provide these services in non-profit rehabilitation facilities. The services include training in occupational skills, evaluation, testing, tools, and job tryouts. Rehabilitation facilities provide the full range of services required by each individual client. In order to qualify for a training services grant, the rehabilitation facility must give evidence of its ability to achieve

a high quality of service, and must meet standards established by the Secretary of Health, Education, and Welfare.

The 1972 request of $7,100,000 is to allow for continuation of the 41 projects and the increased capacity of the projects to serve additional clients who become eligible for the training allowances.

In 1971, 41 Training Services Grant Projects were awarded funds totaling $7,100,000. These projects are located in 26 States, many in Model Cities, serving 4,000 clients per year. Over 55 different kinds of training are offered in 211 courses ranging from service occupations such as custodial work to highly skilled work in electronics.

The program has demonstrated its effectiveness in serving individuals with no previous training or work experience. It is estimated that in 1971, 1,800 persons will be placed into jobs. These projects have proven to be successful in the rehabilitation of disabled public assistance recipients, consequently welfare recipients have been assigned the highest priority for services in these projects.

Facility Improvement - Improvement Grants - Section 13(b)

This program authorizes grants to rehabilitation facilities for up to 90% of the costs of projects to improve and increase their professional services to the handicapped, their business management, or any other part of their operation affecting their capacity to provide employment and services for the handicapped. These grants, with a three year limit, are designed to meet the needs of currently operating rehabilitation facilities serving handicapped throughout the country. The demand for services from facilities, on the other hand, has been increasing steadily as more severely physically disabled clients, the mentally ill, the mentally retarded, and the victims of heart disease, stroke and cancer are served by the State agencies.

Reports to the Social and Rehabilitation Service clearly indicate that many of these facilities are inadequately staffed and equipped. The quality of training, evaluation, and employment frequently does not measure up to the standards set by the State vocational rehabilitation agencies. Many facilities currently in operation are too small to be efficient and are so poorly financed that they are unable to employ the staff necessary to provide desirable social and rehabilitation services. Frequently, State vocational rehabilitation agencies are unwilling to utilize a facility because one or more key professional rehabilitation disciplines are unavailable. An especially pressing need is the employment of competent business management staff. Some facilities today are not awarded industrial contracts simply because they are unable to maintain necessary accounts and records.

Many facilities are ill-prepared to serve as work evaluation and work adjustment centers for which there is a growing community need in many parts of the country.

The 1971 grants will be used to improve effectiveness of facilities to meet the criteria and standards of the National Policy and Performance Council. These grants will primarily involve assistance in hiring additional personnel necessary to provide a full complement of services or to extend existing services. Salary grants will be made only when there have been assurances that the facility has made maximum use of its present personnel. Equipment purchase and rental will often be necessary to assist those facilities which are primarily workshops to compete for industrial subcontracts, to perform contract work efficiently, and to train the handicapped on the type of equipment they will find in competitive employment.

During 1971, facility improvement grants were made for a total expenditure of $4,000,000, the entire sum available for this purpose. Grants were made to facilities most urgently in need of staff and equipment. Personnel services account for 65% of the funds; 26% of the available funds were badly needed for specialized equipment and the remaining 9% for consultant services, staff development, and other expenses necessary for the improvement of facility operations. These grants served approximately 2,500 clients annually. The 1972 request for $2,700,000 is for continuation of 120 grants, and they will serve approximately 1,600 clients annually.

Technical Assistance - Section 13(c)

The technical assistance program provides skilled professional consultant services on a short-term basis to rehabilitation facilities. Technical Assistance cost is 100% paid by Federal funds. Consultants are limited by law to $100 a day. Approximately 125 consultants are currently under contract and are specialists in such fields as rehabilitation facility administration, accounting, safety engineering, plant layout, contract procurement, time study, architecture, materials handling, work evaluation and all other phases of industrial engineering.

The $200,000 for 1972 will permit much needed improvement in the rehabilitation efforts of approximately 400 facilities throughout the nation, many of which are located in Model Cities neighborhoods.

Of the consultations performed in 1971, 1/3 were in the area of program development, 1/3 in industrial engineering and safety, and 1/3 in the area of administration, management services and accounting. This unique program has the capacity, through the assistance of experts from private industry and at a a relatively modest cost, to achieve dramatic results in improving private and public rehabilitation facilities.

Vocational Rehabilitation Facilities (Sec. 12)

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
Construction grants	1	$3,590,010	---	---	-1	-$3,590,010

Project Development and Construction Grants

Grants are authorized in Section 12 of the Act, as amended, to assist public and other non-profit organizations in the cost of constructing rehabilitation facilities. Grants are for the construction of new buildings and the acquisition, expansion remodeling, alteration, renovation of existing buildings, and for initial equipment. Projects must comply with regulations relating to minimum standards of construction and fair labor practices. The matching rate ranges between 33-1/3 - 66-2/3 (the same as in the Medical Facilities Survey and Construction Act).

Services to the disabled, the aged, welfare clients, and the disadvantaged are frequently housed in facilities that are makeshift in nature, and originally designed for other purposes. Often they are structurally unsound, with safety hazards, architectural barriers and other impediments that impose restrictions on the availability and implementation of services. Funds available under this activity are used to correct such deficiencies.

In 1971, grants totaling $3,590,010 will be awarded for construction. No new funds are proposed in 1972.

Formula Grants for the Developmentally Disabled

	1971 Amount	1972 Amount	Increase or Decrease Amount
Formula grants	$11,215,000	$11,215,000	---

The Developmental Disabilities Services and Facilities Construction Amendments of 1970 (P.L. 91-517) amended and replaced the MR Facilities Act of 1963. The new law authorizes formula grants for planning, provision of services and construction and operations of facilities for persons with developmental disabilities. Thus, the new law broadens the purposes for which available funds may be used as well as extends such services to persons with epilepsy, cerebral palsy and other neurological conditions, in addition to mental retardation.

The new Act is being implemented during the last half of Fiscal Year 1971. In order to expedite implementation, existing plans covering planning and construction of facilities for the mentally retarded have provided the basis for extending services to the developmentally disabled. These plans are subject to adjustment to conform with changes in regulations and policies promulgated to efficiently execute future program concepts. Special emphasis has been given to planning of programs for the delivery of services. Additionally, approximately 18 construction projects will be approved.

It is expected that in Fiscal Year 1972, promulgation of regulations, policies and procedures for full implementation of the Developmental Disabilities program will be completed. State plans are expected to identify needs, solutions and priorities.

The requested funds will permit administration of the program, increased planning activities, and the channeling of a larger portion of funds into services at the local community level. Additionally, approximately 15 construction projects will be approved.

Services for the Developmentally Disabled

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
New grants	135	$ 5,611,000	60	$ 2,500,000	-75	-$3,111,000
Continuation grants	560	17,964,000	650	21,075,000	+90	+ 3,111,000
Total	695	23,575,000	710	23,575,000	+15	---
Subactivities:						
Hospital improve.	182	8,300,000	130	6,500,000	-52	- 1,800,000
Rehabilitation service projects	154	5,500,000	160	7,000,000	+ 6	+ 1,500,000
Initial staffing community service facilities	359	9,775,000	420	10,075,000	+61	+ 300,000
Total	695	23,575,000	710	23,575,000	+15	---

Introduction

Almost all public institutions for the developmentally disabled are overcrowded, many seriously, under staffed and administered under outdated theories. Yet, nearly every State has a long list of individuals waiting for admission to such residential facilities. As public officials, administrators, professional workers, and the lay public all come to understand that the developmentally disabled can be helped by training, education, and rehabilitation, such conditions in our institutions will be corrected.

The goal of adequate community-based programs for the care, training, habilitation, and education of the developmentally disabled is difficult to reach because communities are not prepared to provide the necessary array of services needed by these handicapped persons. Greater emphasis must be placed on closing the gap between residential facilities and community service programs, in order to develop a full range of comprehensive services, especially in providing services currently not available.

These service programs are key elements in the Federal effort to stimulate and assist States and communities in modernizing their services to the mentally retarded and other developmentally disabled persons. The highest priority of these programs is to re-orient and restructure the patterns of services to be more individualized and therapeutic and to design community oriented approaches to help reduce the dependency of the developmentally disabled. Continuation of residential care improvement activities coordinated with support of needed community-based service programs should accelerate a reduction of the institutionalization.

Service and training are provided through the Hospital Improvement Program, Rehabilitation Service Projects and Initial Staffing of Community Service Facilities.

Hospital Improvement

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
New grants	63	$3,168,000	--	--	-63	-$3,168,000
Continuation grants	119	5,132,000	130	$6,500,000	+11	+1,368,000
Total	182	8,300,000	130	6,500,000	-52	-1,800,000

Funds are provided for projects designed to improve care, treatment, and habilitation of the mentally retarded and multi-handicapped in State residential institutions. Funds may be used for in-service training of institutional personnel providing services. In FY 1970, 53 new projects and 117 continuation projects were approved at a cost of $8,390,000.

The 1971 program allows for the approval of approximately 63 new projects and continuation of 119 projects previously approved and funded. The total cost of these projects is $8,300,000, serving 32,476 individuals and providing training to 14,220 staff members in residential facilities.

Program plans for 1972 include residential care programs designed to habilitate the developmentally disabled to the fullest possible participation in community living. The funds requested will continue the projects previously approved and will provide services to 25,416 retardates and provide training to approximately 9,006 staff members to provide improved quality of service.

Rehabilitation Service Projects
For the Mentally Retarded

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
New grants	72	$2,443,000	60	$2,500,000	-12	+$57,000
Continuation grants	82	3,057,000	100	4,500,000	+18	+1,443,000
Total	154	5,500,000	160	7,000,000	+ 6	+1,500,000

The Vocational Rehabilitation Amendments of 1968, Section 4(a)(1), provided for the rehabilitation of the mentally retarded. Projects supported under this activity provide part of the cost to improve care in mental retardation institutions; to initiate and expand community programs; for the habilitation and rehabilitation of the mentally retarded and other handicapped individuals; and for concomitant specialized training.

With the emphasis changing from institutional to community care, some of the mentally retarded will require continuous support in the community throughout

their lives. The resources required to meet their needs will vary with age, diagnosis, treatment, evaluation, followed by special schooling and vocational training, sheltered employment, special living arrangements and protective services. A flexible and comprehensive program must be developed to cover these diverse needs for the full life span. There is an urgent need to develop resources and improve the level of services at the community level.

Rehabilitation services in the community are required both for persons who have never been in an institution and, as a step toward resettlement, for those who have been discharged from residential facilities.

The increasing importance of community programs for the mentally retarded have made the State's role difficult although more important. The administrative burdens in such areas as State planning, review of State and local programs, and cooperation between public and private agencies have greatly taxed the personnel of State agencies. The increased responsibilities of States have put a high priority on trained and experienced individuals. Therefore, emphasis will be devoted to staff development and in-service training of current personnel needed to provide direct services, day care facilities, a variety of respite care services, diagnostic evaluation clinics, and training facilities.

In Fiscal Year 1971, 72 new projects were awarded providing services to 1,460 retarded and training 696. Continuation grants amounted to 82 providing services to 6,660 and training to 389 individuals.

In Fiscal Year 1972,it is estimated that 60 new projects will be approved providing services for 3,600 retarded individuals and training for 384. An additional 100 projects previously approved will be continued serving 5,850 mentally retarded individuals and training 704.

Initial Staffing of Community Service Facilities

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
Continuation grants	359	$9,775,000	420	$10,075,000	+61	+$300,000

These grants are available to assist in the initial staffing of new community mental retardation facilities and the addition of new services in existing facilities.

Funds are awarded on a declining percentage rate for a 51-month period to create new or expanded direct services at the community level. Through this program many additional services are initiated or expanded to assist in closing gaps in needed services at the community level.

In Fiscal Year 1971, funds allow for the continuation of projects previously awarded providing services to approximately 93,340 retardates.

In Fiscal Year 1972, the funds requested will allow for the award of continuation projects serving approximately 109,200 retardates. No new projects will be approved since it is the intent of the Developmental Disabilities Services and Facilities Construction Act that this service will ultimately be incorporated into the States' program under the formula grant. The increase in the number of continuation projects to be supported in 1972 is the result of a number of projects funded late in Fiscal Year 1970 for which continuation funds were not required in Fiscal Year 1971.

Facilities for the Mentally Retarded

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
Construction of Community Service Facilities	43	$9,628,114	---	---	-43	-$9,628,114
Construction of University-affiliated facilities	1	1,591,481	---	---	-1	- 1,591,481
Total	44	11,219,595	---	---	-44	-11,219,595

Construction of Community Service Facilities

The legislation for the construction of community facilities expired at the end of fiscal year 1970. The extending legislation (PL 91-517) broadened the scope of the program to include planning, provision of services, and operations as well as construction. The funds for 1971 and 1972 are included under the activity "Formula grants for the developmentally disabled." Funds appropriated in 1970 but remaining unobligated on June 30, 1970 will fund approximately 43 projects in 1971 at a cost of $9,628,114. A total of $71,626,000 was appropriated for this program from 1965 through 1970. In addition $13,232,593 was transferred from the appropriation "Mental Health." These funds have funded 418 projects that will make possible, when completed, the provision of services to approximately 43,300 retarded persons who had not previously received the benefit of such services, and an additional 60,925 will have been benefited by improved and updated services.

Construction of University-affiliated facilities

One grant was awarded in 1971 to the University of Cincinnati in the amount of $1,591,481 from funds appropriated in 1969. The estimated total cost of the facility is $2,121,974, of which the University will provide $530,493, to provide a facility which will serve approximately 600 when completed. No Federal funds are proposed for additional university-affiliated facilities in 1972.

SOCIAL AND REHABILITATION SERVICE

Rehabilitation Services and Facilities

Program Purpose and Accomplishments

Activity: Basic State Grants (Vocational Rehabilitation Act, Section 2)

1971 Amount	1972 Authorization	1972 Budget Estimate
$503,000,000	$530,000,000 (700,000,000)	$518,000,000

Purpose: The purpose of the vocational rehabilitation programs is to support State programs designed to return disabled men and women to productive, gainful employment. Under the basic support provision, the Federal government shares the cost for rehabilitation services with the States. These services include: diagnosis; comprehensive evaluation; counseling training; reader services for the blind; interpreter services for the deaf; and employment placement. Services to families of handicapped individuals when such services will contribute substantially to the rehabilitation of such individuals also are being provided.

Explanation: Federal allotments as authorized in the VR Act are distributed among States on a formula based on population weighted by per capita income. Grants are made to the State vocational rehabilitation agencies on a 80-20 matching basis - the Federal share being 80 percent and the State share 20 percent.

Accomplishments in 1971: In 1971, about 972,000 individuals will be served and 288,000 will be rehabilitated into gainful employment. This will be achieved through a Federal grant of $502,000,000 and State matching funds of $132,815,747. In addition, $1,000,000 will be obligated to evaluate the Vocational Rehabilitation Programs.

Objectives for 1972: The estimate for 1972 is that 980,000 individuals would be served and that 288,000 will be rehabilitated into gainful employment. This will be accomplished with $517,000,000 in Federal grants, State matching funds of $134,683,463 and $26,360,000 of expansion grant funds. In addition, $1,000,000 will be expended to evaluate the program.

SOCIAL AND REHABILITATION SERVICE

Rehabilitation Services and Facilities

Program Purpose and Accomplishments

Activity: Innovation (Vocational Rehabilitation Act, Section 3)

1971 Amount	1972 Authorization	1972 Budget Estimate
$3,200,000	$10,000,000	---

Purpose: This program provides grants to States for innovation projects to develop new methods or techniques for providing State vocational rehabilitation services for handicapped individuals. The program also provides grants for developing new or expanded vocational rehabilitation services for groups of severely handicapped individuals. Federal grants with respect to any single innovation project may be made for a period not exceeding five years.

Explanation: These funds are distributed by formula to States based on population. The States then issue individual project grants within their allotment. Projects may be supported for a period not to exceed five years. The Federal share of the cost of the projects is 90 percent for the first three years of a project and 75 percent for the last two years. Beginning in fiscal year 1970, any funds not used by one State may be re-allotted to other States.

Accomplishments in 1971: About 74 projects will be sponsored during 1971 and the full allotment of $3,200,000 will be utilized. All resources not already committed are to be used to increase the number of public assistance recipients to be rehabilitated. Greater emphasis will be directed to providing services to the handicapped disadvantaged individuals living in ghetto areas.

Objectives for 1972: No funds are requested in 1972 for this program. However, projects initiated in 1971 and prior years will be funded as a project grant on a merit basis from the activity "Rehabilitation service projects". It is estimated that 58 projects at a cost of $2,200,000 will be funded in 1972.

SOCIAL AND REHABILITATION SERVICE

Rehabilitation Services and Facilities

Program Purpose and Accomplishments

Activity: Rehabilitation Service Projects (Section 4(a)(2) of the Vocational Rehabilitation Act) (Section 12 of the Vocational Rehabilitation Act) (Section 13 of the Vocational Rehabilitation Act)

1971 Amount	1972 Authorization	1972 Budget Estimate
$27,650,000	$200,000,000	$52,210,000 1/

Purpose: Projects supported under this activity provide part of the cost of projects designed to create or expand services to disabled individuals.

Explanation: This activity is accomplished under three sections of the VR Act as follows:

1. Grants for special projects (Section 4(a)(2));
2. Initial staffing grants (Section 12(f));
3. Facility improvement grants (Section 13).

Accomplishments in 1971: In 1971, 194 expansion grants will be supported providing service to disabled individuals. Six projects with industry will be awarded to provide training for 150 persons and 18 grants in new career opportunities will provide training to approximately 400 individuals. Twenty-one initial staffing grants will be awarded to staff facilities serving 1,000 clients. In addition, 201 facility improvement grants will be awarded to provide service to individuals.

Objectives for 1972: The program for Fiscal Year 1972 is designed to expand the service projects to provide for a total of 52 new projects and continue 425 projects started in prior years. This represents a net increase of 37 projects over the 440 funded in 1971. This program will provide support for a total of approximately 477 projects, including a major effort in conjunction with the basic support program to rehabilitate an increased number of handicapped people who are receiving public assistance payments. A total amount of $26,360,000 will be used for this purpose to serve approximately 45,000 and rehabilitate 14,000 public assistance recipients, on a full year basis. This is in addition to the 130,000 served and 37,000 expected to be rehabilitated under the basic support program.

1/ In addition, $44,662,000 is included under other activities and appropriations.

SOCIAL AND REHABILITATION SERVICE

Rehabilitation Services and Facilities

Program Purpose and Accomplishments

Activity: Vocational Rehabilitation Facilities (Vocational Rehabilitation Act, Section 12)

1971 Amount	1972 Authorization	1972 Budget Estimate
$1,750,000	$30,000,000	---

Purpose: Grants are made for the construction of new buildings, acquisition, expansion, remodeling, alteration, and renovation of existing buildings, and for initial equipment. The cost of construction may include the cost of architectural fees and acquisition of land.

Explanation: These grants are made to public or other non-profit rehabilitation facilities. The Federal matching rate ranges between 33 1/3% and 66 2/3%.

Accomplishments in 1971: In 1971, one grant will be issued to the Rehabilitation Institute of Chicago for the next phase of the project. The total Federal share of this project is estimated to be $8,000,000, of which $3,750,000 has been appropriated through 1971.

Objectives for 1972: No additional funds are requested in 1972 and it is expected that all funds remaining available from prior years will have been obligated.

SOCIAL AND REHABILITATION SERVICE

Rehabilitation Services and Facilities

Program Purpose and Accomplishments

Activity: Formula grants for the developmentally disabled (Part C, Developmental Disabilities Services and Facilities Construction Act)

1971 Amount	1972 Authorization	1972 Budget Estimate
$11,215,000	$105,000,000	$11,215,000

Purpose: Federal funds are available to assist the States in developing and administering a State plan for services, including funds for construction of facilities, to persons with mental retardation, epilepsy, cerebral palsy and other neurological conditions. Public Law 91-517, the Developmental Disabilities Construction Act of 1970, was enacted on October 31, 1970. This replaced the Construction Formula grant program under PL 88-164 which expired on June 30, 1970.

Explanation: Grants are made to designated State agencies submitting an approved plan in accordance with a statutory formula which includes (1) population, (2) extent of need for services and facilities, and (3) per capita income. A minimum allotment of $100,000 is established for each State. An amount not to exceed 50% of the allotment may be used for construction.

Accomplishments in 1971: The Developmental Disabilities Services and Facilities Construction Act will be initially implemented during the last half of fiscal year 1971. Existing plans covering comprehensive planning and construction of facilities for the mentally retarded formed the basis for providing services to the developmentally disabled in conformity with regulations and policies prescribed for carrying out the program.

During this period emphasis is being placed on development of the plan and the initial establishment of programs for the delivery of services. It is estimated that 18 construction projects will be approved.

Objectives for 1972: Regulations, policies, and procedures to implement fully the Developmental Disabilities program will be promulgated and issued to all appropriate State, local and nonprofit agencies. The role of the State advisory council will be developed from which the State program for services and facilities will be formulated. It is anticipated States will focus their attention on the target groups by means of flexible planning efforts by including all agencies having a responsibility for services toward the developmentally disabled. State plans are expected to expand and identify the State's own needs, solutions, and priorities.

The requested funds will provide the base from which the Developmental Disabilities program may progress in an orderly fashion. The funds will permit an expansion of administration of the program, increased planning activities and channeling a larger portion of funds into serving at the local community level. Within the funds requested, construction of 15 community facilities are contemplated.

62-917 O - 71 - pt. 4 ---21

SOCIAL AND REHABILITATION SERVICE

Rehabilitation Services and Facilities

Program Purpose and Accomplishments

Activity: Services for the developmentally disabled (Developmental Disabilities Services and Facilities Construction Act, Section 145; Vocational Rehabilitation Act, Section 4(a)(1); and Public Health Service Act, Sections 301 and 303)

1971 Amount	1972 Authorization	1972 Budget Estimate
$23,575,000	As Necessary	$23,575,000 1/

Purpose: Projects supported under this activity provides part of the cost to improve care in mental retardation institutions; to initiate and expand community programs; for the habilitation and rehabilitation of the mentally retarded and other handicapped individuals; and for concomitant specialized training.

Explanation: Initiation of services and projects is facilitated by Federal project grants made to States, public and other nonprofit agencies and organizations, universities and to local communities. Matching rate varies with different types of grants.

Accomplishments in 1971:

Hospital Improvement - The 1971 program will support 63 new projects and 119 projects previously approved. These projects provide service to 32,476 individuals, and training for 14,220 individuals at a cost of $8,300,000.

Rehabilitation Services - Funds available in 1971 will support 72 new projects and 82 projects previously approved. These projects provide service to 6,660 and training for 389 individuals at a cost of $5,500,000.

Initial Staffing - Funds available in 1971 will support continuation of 359 projects previously approved. These projects make possible the provision of services to 93,340 individuals at a cost of $9,775,000.

Objectives for 1972:

Hospital Improvement - The 1972 funding request will support the continuation of 130 projects previously approved providing services to 25,416 retardates and staff training for 9,006 members at a cost of $6,500,000.

Rehabilitation Services - In 1972, it is planned that 60 new projects will be approved supporting services for 3,600 retarded and staff training for 384. Additionally, 100 continuation grants will be awarded supporting services for 5,850 retarded individuals and staff training for 704. The funding request is for $7,000,000.

Initial Staffing - The $10,075,000 cost in 1972 will support 420 previously approved projects providing services to 109,200 mentally retarded persons. New projects will not be approved since it is the intent of the Developmental Disabilities Services and Facilities Construction Act that this service be incorporated into the States' program under the formula grant.

1/ Includes $7,000,000 under Section 4 of the Vocational Act. Total authorization $140,000,000. Other amounts included under activity "Rehabilitation Service projects" and appropriation "Research and Training".

SOCIAL AND REHABILITATION SERVICE

Rehabilitation Services and Facilities

Program Purpose and Accomplishments

Activity: Facilities for the Mentally Retarded (Developmental Disabilities Services and Facilities Construction Act, Section 121 - Construction of University-Affiliated Facilities, and Construction of Facilities for the Mentally Retarded, Section 131)

1971 Amount	1972 Authorization	1972 Budget Estimate
---	$20,000,000	---

Purpose: Grants are authorized to assist in the construction (and planning for construction) of facilities which will aid in demonstrating provision of specialized services for the diagnosis and treatment, education, training, or care of the mentally retarded or in the interdisciplinary training of physicians and other specialized personnel needed for research, diagnosis and treatment, education, training, or care of the mentally retarded. Grants are made to facilities associated with a University.

Grants were authorized to States for construction of facilities to serve the mentally retarded, particularly in their home communities. This part of the legislation expired on June 30, 1970 and was replaced by a more comprehensive law that includes services as well as facilities. Funds for this activity in 1971 and 1972 are included under the activity "Formula grants for the developmentally disabled".

Explanation: These funds are distributed by formula to States based on population. The States then issue individual project grants within their allotment. Through the construction of modern efficient and economical facilities, the Rehabilitation Services and Facilities agency assists communities in bringing the benefits of modern techniques of diagnosis, evaluation, education, rehabilitation, health care, and training to the developmentally disabled.

Accomplishments in 1971: One grant was issued to the University of Cincinnati to construct a University-affiliated facility. These funds were appropriated in 1969. Approximately 43 grants will be issued in 1971 for construction of community facilities from funds appropriated in 1970.

Objectives for 1972: No funds are requested under this activity for 1972. The construction of community facilities will be funded under a broader section of the law as authorized by PL 91-517. No funds are requested for construction of University-Affiliated facilities under the $20,000,000 authorization.

Federal Allotments and State Funds Required to Match Such Allotments for the Basic State Grants Program Under Section 2 of the Vocational Rehabilitation Act

State or Territory	1970 Actual		1971 Estimate		1972 Estimate	
	Federal Allotment	State Funds Required	Federal Allotment	State Funds Required	Federal Allotment	State Funds Required
Total	$500,000,000	$133,856,122[1/]	$515,000,000	$136,085,747[1/]	$530,000,000	$138,122,464[1/]
Alabama	14,305,624	3,789,807	14,452,224	3,789,807	14,387,594	3,789,807
Alaska	1,000,000	250,000	1,000,000	250,000	1,000,000	250,000
Arizona	5,044,159	1,261,040	5,217,239	1,304,310	5,358,465	1,339,616
Arkansas	8,318,187	2,488,922	8,415,019	2,488,922	8,242,313	2,488,922
California	31,052,035	7,796,093	32,047,115	8,011,779	34,141,345	8,535,336
Colorado	4,926,964	1,571,530	5,151,909	1,571,530	5,755,380	1,571,530
Connecticut	3,860,833	1,107,686	3,993,639	1,107,686	4,111,495	1,107,686
Delaware	1,000,000	342,244	1,000,000	342,244	1,048,671	342,244
Dist. of Columbia	4,259,360	1,064,840	4,286,573	1,071,643	4,185,964	1,055,749
Florida	17,660,419	4,415,105	18,585,704	4,646,426	18,879,236	4,719,809
Georgia	15,562,698	4,689,915	16,061,443	4,689,915	15,571,437	4,689,915
Guam	494,907	123,727	537,165	134,291	488,175	122,044
Hawaii	1,655,935	458,776	1,724,232	458,776	1,702,787	458,776
Idaho	2,253,477	563,369	2,341,531	585,383	2,527,529	631,882
Illinois	16,773,529	4,833,333	17,227,226	4,833,333	18,912,533	4,833,333
Indiana	11,301,816	2,825,454	11,646,867	2,911,717	12,841,374	3,210,344
Iowa	6,468,864	1,926,003	6,679,190	1,926,003	7,450,522	1,926,003
Kansas	5,731,728	1,432,932	5,893,568	1,473,392	6,064,490	1,516,123
Kentucky	11,699,424	2,924,856	11,947,563	2,986,891	11,972,897	2,993,224
Louisiana	13,287,872	3,321,968	13,604,329	3,401,082	13,499,337	3,374,834
Maine	3,088,977	772,244	3,148,346	787,086	3,368,235	842,059
Maryland	7,310,868	2,603,801	7,474,881	2,603,801	7,854,699	2,603,801
Massachusetts	10,020,244	2,505,061	10,279,680	2,569,920	10,609,001	2,652,250
Michigan	16,827,478	4,206,870	17,219,501	4,304,875	18,554,988	4,638,747
Minnesota	8,910,392	3,020,854	9,225,574	3,020,854	9,784,062	3,020,854
Mississippi	10,855,275	2,713,819	11,160,340	2,790,085	10,523,016	2,630,754
Missouri	11,909,827	2,977,457	12,214,166	3,053,542	12,762,295	3,190,574
Montana	2,014,689	503,672	2,058,476	514,619	2,232,157	558,039
Nebraska	3,534,724	883,681	3,636,458	909,114	3,955,349	988,837
Nevada	1,000,000	269,460	1,000,000	269,460	1,000,000	269,460

Federal Allotments and State Funds Required to Match Such Allotments for the Basic State Grants Program Under Section 2 of the Vocational Rehabilitation Act

State or Territory	1970 Actual		1971 Estimate		1972 Estimate	
	Federal Allotment	State Funds Required	Federal Allotment	State Funds Required	Federal Allotment	State Funds Required
New Hampshire	$ 1,802,995	$ 450,749	$ 1,878,833	$ 469,708	$ 1,986,261	$ 496,565
New Jersey	11,467,821	3,106,804	11,815,889	3,106,804	12,559,214	3,139,803
New Mexico	3,442,925	860,731	3,440,007	860,002	3,705,451	926,363
New York	27,939,645	8,069,260	28,833,090	8,069,260	28,274,410	8,069,260
North Carolina	18,451,508	4,612,877	19,081,989	4,770,497	18,529,820	4,632,455
North Dakota	2,070,888	517,722	2,079,042	519,760	2,202,073	550,518
Ohio	23,394,958	5,848,740	24,204,777	6,051,194	25,522,718	6,380,680
Oklahoma	8,034,448	2,291,667	8,360,010	2,291,667	8,529,694	2,291,667
Oregon	4,843,412	1,378,795	5,000,609	1,378,795	5,406,331	1,378,795
Pennsylvania	27,164,746	7,732,058	27,930,487	7,732,058	29,394,520	7,732,058
Puerto Rico	14,199,621	3,549,905	14,626,990	3,656,748	15,094,160	3,773,540
Rhode Island	1,985,149	564,845	2,020,935	564,845	2,069,415	564,845
South Carolina	10,839,737	2,891,151	11,059,367	2,891,151	10,646,130	2,891,151
South Dakota	2,149,244	537,311	2,199,467	549,867	2,278,134	569,534
Tennessee	14,513,905	3,628,476	14,841,498	3,710,374	14,839,660	3,709,915
Texas	33,315,009	8,328,753	34,656,068	8,664,017	34,416,157	8,604,039
Utah	3,254,773	813,693	3,356,046	839,012	3,664,579	916,145
Vermont	1,233,553	366,594	1,309,246	366,594	1,356,656	366,594
Virginia	13,459,054	3,364,764	13,946,827	3,486,707	13,858,440	3,464,610
Virgin Islands	294,838	73,710	300,812	75,203	353,506	88,377
Washington	6,341,146	1,837,152	6,718,459	1,837,152	7,315,036	1,837,152
West Virginia	6,764,638	2,016,620	6,955,231	2,016,620	7,003,541	2,016,620
Wisconsin	9,905,682	3,116,332	10,154,363	3,116,332	11,208,748	3,116,332
Wyoming	1,000,000	252,894	1,000,000	252,894	1,000,000	252,894

1/ Adjusted for 1969 Maintenance of effort provision. Actual matching funds may vary as a result of the earnable matching rate applicable to construction expenditures.

Federal Grants and State Funds Available for Basic State Grants Program
Under Section 2 of the Vocational Rehabilitation Act

State or Territory	1970 Actual		1971 Estimate		1972 Estimate	
	Federal Grants	State Funds	Federal Grants	State Funds	Federal Grants	State Funds
Total	$436,000,000[1]	$119,498,672[2]	$503,000,000[1]	$132,815,747[2]	$518,000,000[1]	$134,683,463[2]
Alabama	14,305,624	3,789,807	14,452,224	3,789,807	14,387,594	3,789,807
Alaska	984,812	246,203	1,000,000	250,000	1,000,000	250,000
Arizona	3,935,000	1,097,544	5,217,239	1,304,310	5,358,465	1,339,616
Arkansas	8,318,187	2,488,922	8,415,019	2,488,922	8,242,313	2,488,922
California	28,762,926	7,796,093	32,047,115	8,011,779	32,141,345	8,035,336
Colorado	4,926,964	1,571,530	5,151,909	1,571,530	5,755,380	1,571,530
Connecticut	3,854,833	1,107,686	3,993,639	1,107,686	4,111,495	1,107,686
Delaware	1,000,000	342,244	1,000,000	342,244	1,048,671	342,244
Dist. of Columbia	4,248,752	1,062,188	4,286,573	1,071,643	4,185,964	1,055,749
Florida	17,660,419	4,415,105	18,585,704	4,646,426	18,879,236	4,719,809
Georgia	15,412,698	4,689,915	16,061,443	4,689,915	15,571,437	4,689,915
Guam	349,979	87,495	537,165	134,291	488,175	122,044
Hawaii	1,630,935	458,776	1,724,232	458,776	1,702,787	458,776
Idaho	1,609,414	402,354	2,341,531	585,383	2,527,529	631,882
Illinois	15,284,953	4,833,333	17,227,226	4,833,333	18,912,533	4,833,333
Indiana	3,486,880	871,720	10,059,391	2,514,847	10,841,374	2,710,344
Iowa	6,448,864	1,926,003	6,679,190	1,926,003	7,450,522	1,926,003
Kansas	3,020,699	755,175	5,893,568	1,473,392	6,064,490	1,516,123
Kentucky	7,684,719	1,921,180	11,947,563	2,986,891	11,912,000	2,789,000
Louisiana	10,455,915	2,613,978	13,403,520	3,350,880	13,499,337	3,374,834
Maine	1,629,260	407,315	1,844,558	461,139	2,832,018	708,004
Maryland	7,310,868	2,603,801	7,474,881	2,603,801	7,854,699	2,603,801
Massachusetts	8,572,001	2,283,329	10,279,680	2,569,920	10,609,001	2,652,250
Michigan	16,662,233	4,165,558	17,060,744	4,265,186	18,554,988	4,638,747
Minnesota	8,910,392	3,020,854	9,225,574	3,020,854	9,784,062	3,020,854
Mississippi	10,007,912	2,501,978	10,715,452	2,678,863	10,523,016	2,630,754
Missouri	9,084,112	2,379,339	12,214,166	3,053,542	12,762,295	3,190,574
Montana	1,721,143	430,285	2,058,476	514,619	2,232,157	558,039
Nebraska	2,065,314	638,854	3,636,458	909,114	3,838,720	959,680
Nevada	1,000,000	269,460	1,000,000	269,460	1,000,000	269,460

Federal Grants and State Funds Available for Basic Grants Program
Under Section 2 of the Vocational Rehabilitation Act

State or Territory	1970 Actual		1971 Estimate		1972 Estimate	
	Federal Grants	State Funds	Federal Grants	State Funds	Federal Grants	State Funds
New Hampshire	$ 1,260,311	$ 315,077	$ 1,750,608	$ 437,652	$ 1,986,261	$ 496,565
New Jersey	10,567,821	3,106,804	11,815,889	3,106,804	12,559,214	3,139,803
New Mexico	2,004,653	501,163	3,066,624	766,656	3,398,520	849,630
New York	27,939,645	8,069,260	28,833,090	8,069,260	28,274,410	8,069,260
North Carolina	16,364,902	4,091,225	18,329,872	4,582,468	18,529,820	4,632,455
North Dakota	2,070,888	517,722	2,079,042	519,760	2,202,073	550,518
Ohio	17,426,005	4,356,501	21,549,064	5,387,266	22,522,718	5,630,680
Oklahoma	8,034,448	2,291,667	8,360,010	2,291,667	8,529,694	2,291,667
Oregon	4,843,412	1,378,795	5,000,609	1,378,795	5,406,331	1,378,795
Pennsylvania	26,852,847	7,732,058	27,930,487	7,732,058	29,394,520	7,732,058
Puerto Rico	5,648,309	1,412,077	12,368,916	3,092,229	12,988,000	3,247,000
Rhode Island	1,983,549	564,845	2,020,935	564,845	2,069,415	564,845
South Carolina	10,541,844	2,891,151	11,059,367	2,891,151	10,646,130	2,891,151
South Dakota	1,516,311	379,077	2,199,467	549,867	2,278,134	569,534
Tennessee	9,518,052	2,379,513	11,717,540	2,929,385	12,020,000	3,005,000
Texas	26,086,420	6,521,605	34,656,068	8,644,017	34,416,157	8,604,039
Utah	3,254,152	813,538	3,356,046	839,012	3,664,579	916,145
Vermont	1,093,244	366,594	1,309,246	366,594	1,356,656	366,594
Virginia	13,459,054	3,364,763	13,946,827	3,486,707	13,858,440	3,464,610
Virgin Islands	176,859	44,215	288,000	72,000	300,000	75,000
Washington	6,341,146	1,837,152	6,718,459	1,837,152	7,315,036	1,837,152
West Virginia	6,764,638	2,016,620	6,955,231	2,016,620	7,003,541	2,016,620
Wisconsin	9,905,682	3,116,332	10,154,363	3,116,332	11,208,748	3,116,332
Wyoming	1,000,000	252,894	1,000,000	252,894	1,000,000	252,894

1/ Includes $1,000,000 for Evaluation of Vocational Rehabilitation Program.
2/ Adjusted for Maintenance of effort provision. Actual matching funds may vary as a result of the earnable matching rate applicable to construction expenditures.

Federal Grants and Federal Allotments for Innovation of Vocational Rehabilitation Services Under Section 3 of the Vocational Rehabilitation Act

State or Territory	1970 Actual	1971 Estimate* 1/
Total	$3,200,000	$3,200,000
Alabama	71,768	51,068
Alaska	24,750	25,000
Arizona	25,000	25,000
Arkansas	28,812	28,812
California	274,500	275,256
Colorado	20,169	29,342
Connecticut	54,947	42,374
Delaware	25,000	25,000
Dist. of Columbia	24,750	25,000
Florida	108,490	88,215
Georgia	85,403	65,703
Guam	-0-	25,000
Hawaii	-0-	25,000
Idaho	25,000	25,000
Illinois	157,153	157,153
Indiana	72,562	72,562
Iowa	39,353	39,353
Kansas	32,733	32,981
Kentucky	46,242	46,242
Louisiana	53,444	53,444
Maine	-0-	25,000
Maryland	276,257	53,802
Massachusetts	18,000	77,861
Michigan	125,162	125,162
Minnesota	52,213	52,213
Mississippi	33,539	33,539
Missouri	57,750	66,262
Montana	25,000	25,000
Nebraska	-0-	25,000
Nevada	25,000	25,000
New Hampshire	-0-	25,000
New Jersey	94,649	101,361
New Mexico	25,000	25,000
New York	392,271	259,388
North Carolina	15,000	73,536

Federal Grants and Federal Allotments for Innovation of Vocational Rehabilitation Services Under Section 3 of the Vocational Rehabilitation Act

State or Territory	1970 Actual	1971 Estimate* 1/
North Dakota	$ 25,000	$ 25,000
Ohio	151,669	151,669
Oklahoma	36,060	36,060
Oregon	28,755	28,755
Pennsylvania	128,739	167,723
Puerto Rico	-0-	38,622
Rhode Island	7,500	25,000
South Carolina	38,551	38,552
South Dakota	16,000	25,000
Tennessee	38,387	56,938
Texas	157,125	157,125
Utah	25,000	25,000
Vermont	12,500	25,000
Virginia	18,000	65,832
Virgin Islands	-0-	25,000
Washington	95,616	46,914
West Virginia	25,849	25,849
Wisconsin	60,332	60,332
Wyoming	25,000	25,000

* The 1965 Amendments to the Vocational Rehabilitation Act specify that Federal funds within the States' allotments can be available for 90% of the cost of approved projects for the first three years of a project and for 75% of the cost for the remaining two years of a project. Projects approved prior to the passage of the 1965 Amendments may be continued for the period approved and at the rate of Federal participation in the cost in effect at the time of approval (75%).

1/Based on July 1, 1969 population from "Current Population Reports" Bureau of Census, Series P-25 No. 423, May 28, 1969.

Note: No funds requested for 1972.

ALLOCATIONS TO STATES
FOR THE DEVELOPMENTAL DISABILITIES SERVICES
AND FACILITIES CONSTRUCTION ACT OF 1970 AND FOR CONSTRUCTION
OF COMMUNITY SERVICE FACILITIES FOR THE MENTALLY RETARDED

	CONSTRUCTION OF COMMUNITY SERVICE FACILITIES	DEVELOPMENTAL DISABILITIES SERVICES AND FACILITIES CONSTRUCTION ACT	
	1970 Actual	1971 Estimate	1972 Estimate
	$10,226,000	$11,215,000	$11,215,000
Alabama	201,937	216,720	216,720
Alaska	100,000	100,000	100,000
Arizona	100,000	100,000	100,000
Arkansas	113,235	122,630	122,630
California	747,286	861,301	861,301
Colorado	100,000	107,436	107,436
Connecticut	110,409	124,488	124,488
Delaware	100,000	100,000	100,000
District of Columbia	100,000	100,000	100,000
Florida	284,788	329,671	329,671
Georgia	235,588	256,657	256,657
Hawaii	100,000	100,000	100,000
Idaho	100,000	100,000	100,000
Illinois	426,303	482,925	482,925
Indiana	220,411	251,770	251,770
Iowa	121,829	137,813	137,813
Kansas	101,961	111,971	111,971
Kentucky	168,403	185,397	185,397
Louisiana	199,928	217,797	217,797
Maine	100,000	100,000	100,000
Maryland	156,214	177,770	177,770
Massachusetts	216,271	246,124	246,124
Michigan	366,570	413,414	413,414
Minnesota	164,219	187,165	187,165
Mississippi	150,743	157,995	157,995
Missouri	204,716	230,239	230,239
Montana	100,000	100,000	100,000
Nebraska	100,000	100,000	100,000
Nevada	100,000	100,000	100,000
New Hampshire	100,000	100,000	100,000
New Jersey	276,891	308,963	308,963
New Mexico	100,000	100,000	100,000
New York	679,060	760,628	760,628
North Carolina	269,908	292,144	292,144
North Dakota	100,000	100,000	100,000

ALLOCATIONS TO STATES
FOR THE DEVELOPMENTAL DISABILITIES SERVICES
AND FACILITIES CONSTRUCTION ACT OF 1970 AND FOR CONSTRUCTION
OF COMMUNITY SERVICE FACILITIES FOR THE MENTALLY RETARDED

	CONSTRUCTION OF COMMUNITY SERVICE FACILITIES	DEVELOPMENTAL DISABILITIES SERVICES AND FACILITIES CONSTRUCTION ACT	
	1970 Actual	1971 Estimate	1972 Estimate
Ohio	455,300	512,735	512,735
Oklahoma	122,716	136,560	136,560
Oregon	100,000	100,000	100,000
Pennsylvania	492,898	557,857	557,857
Rhode Island	100,000	100,000	100,000
South Carolina	154,260	163,622	163,622
South Dakota	100,000	100,000	100,000
Tennessee	209,280	227,629	227,629
Texas	534,792	595,979	595,979
Utah	100,000	100,000	100,000
Vermont	100,000	100,000	100,000
Virginia	219,478	240,761	240,761
Washington	138,093	155,770	155,770
West Virginia	100,000	104,581	104,581
Wisconsin	185,698	214,141	214,141
Wyoming	100,000	100,000	100,000
American Samoa	2,455	2,274	2,274
Guam	7,091	6,783	6,783
Puerto Rico	183,409	202,983	202,983
Trust Territory	---	7,799	7,799
Virgin Islands	3,860	4,508	4,508

NOTE: Basis of allocations, per requirements of P.L. 91-517, Title I, Part C:

a. Total population, as estimated by the Bureau of the Census:
   (1) Provisional estimated population of the United States, October 1, 1970, PC(p1)-1;
   (2) American Samoa, Guam, Puerto Rico, Trust Territory of the Pacific, and Virgin Islands, provisional estimates as of July 1, 1969, (Unpublished data).

b. Facility need, as represented by provisionally estimated population under age 18 as of July 1, 1969 (Series P-25, No. 437, January 16, 1970.

c. Financial need, as represented by average per capita income 1967-69 published in August 1970 issue of Survey of Current Business, Department of Commerce.

d. The 1971 and 1972 allocations to States are tentative subject to decisions to be made by the Secretary.

MONDAY, MAY 17, 1971.

SPECIAL PROGRAMS FOR THE AGING

WITNESSES

JOHN B. MARTIN, COMMISSIONER ON AGING
JOHN D. TWINAME, ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE
DONALD D. SMITH, EXECUTIVE OFFICER, ADMINISTRATION ON AGING
FRED T. TEAL, JR., BUDGET OFFICER, ADMINISTRATION ON AGING
RANDOLPH W. LEE, DIRECTOR, BUDGET DIVISION, SOCIAL AND REHABILITATION SERVICE
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

SPECIAL PROGRAMS FOR THE AGING
OBJECT CLASSIFICATION (in thousands of dollars)

	1970 actual	1971 estimate	1972 estimate
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE			
Personnel compensation:			
Permanent positions	25		
Positions other than permanent		60	12
Total personnel compensation	25	60	12
Personnel benefits: Civilian employees	1	3	
Travel and transportation of persons	7	5	
Rent, communications, and utilities		1	
Printing and reproduction	2	12	
Other services	114	103	100
Equipment	9	2	
Grants, subsidies, and contributions	27,586	32,379	25,928
Total, Department of Health, Education, and Welfare	27,744	32,565	26,040
ALLOCATION TO GENERAL SERVICES ADMINISTRATION			
Personnel compensation: Permanent positions		221	269
Personnel benefits: Civilian employees		17	20
Travel and transportation of persons		72	78
Transportation of things		2	2
Rent, communications, and utilities		25	25
Printing and reproduction		80	51
Other services		10	10
Supplies and materials		3	3
Equipment		5	2
Total allocation to General Services Administration		435	460
Total obligations	27,744	33,000	26,500

PERSONNEL SUMMARY

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE			
Total number of permanent positions	10		
Full-time equivalent of other positions		6	1
Average number of all employees	2	6	1
Average salary of ungraded positions	$10,519		
ALLOCATION TO GENERAL SERVICES ADMINISTATION			
Total number of permanent positions		25	25
Average number of all employees		17	22
Average salary of ungraded positions		$12,757	$12,757

PROGRAM AND FINANCE (in thousands of dollars)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
1. State planning and service grants:			
(a) Community programs	9,000	9,000	5,350
(b) Areawide projects		2,200	4,000
(c) Planning and operations	4,000	4,000	4,000
2. Foster grandparents	8,817	10,500	7,500
3. Retired senior volunteer program		500	5,000
4. White House Conference on Aging	238	1,000	650
5. Research and training	5,689	5,800	
Total obligations	27,744	33,000	26,500
Financing:			
Unobligated balance available, start of year			−650
Unobligated balance available, end of year		650	
Unobligated balance lapsing	15		
Budget authority	27,759	33,650	25,850
Budget authority:			
Appropriation	28,360	33,650	25,850
Portion withdrawn (Public Law 91-204, sec. 410)	−601		
Appropriation (adjusted)	27,759	33,650	25,850
Relation of obligation to outlays:			
Obligations incurred, net	27,744	33,000	26,500
Obligated balance, start of year	20,188	20,310	22,660
Obligated balance, end of year	−20,310	−22,660	−17,160
Adjustments in expired accounts	−303		
Outlays	27,319	30,650	32,000

Note: Excludes $3,650,000 in 1972 for activities transferred to research and training; 1970, $5,689,000; 1971, $5,800,000.

Mr. NATCHER. We take up next the special programs for the aging and we have before the committee John B. Martin, the Commissioner on Aging along with certain other gentlemen who will present this request to the committee.

Mr. NATCHER. You may proceed with your statement, Mr. Martin.

GENERAL STATEMENT

Mr. MARTIN. Mr. Chairman and members of the sub-committee:

I am glad to have the opportunity to appear before you today to discuss the appropriation request for the Administration on Aging. There are today in our country about 20 million persons aged 65 and over. They represent 10 percent of our total population. The problems which persons in this age group face, although not completely unique, are significantly different in both their character and severity to require separate programs for their solution.

The Administration on Aging and the programs it administers under the Older Americans Act represent one approach to meeting some of the problems of the elderly. These programs are focused upon the goals of fostering independent living, lessening isolation and withdrawal from life, and creating the necessary environment for a life of dignity for all older Americans.

PROPOSED FISCAL YEAR 1972 BUDGET AMENDMENT

The original 1972 request was for $25,850,000. As Mr. Twiname mentioned in his statement, a proposed budget amendment would add $7,850,000 to the request bringing the total to $33,700,000. This

is an increase of $7,500,000 over a comparable 1971 figure of $26,000,000. The proposed amendment also requests an increase of $2,150,000 in research and training funds which will restore these activities to their 1971 level of $5,800,000. These funds are contained in the SRS account entitled "Research and Training," which Mr. Longmire will testify to when he discusses the total SRS request for research and training funds.

With respect to special programs for the aging, the amendment will provide for the continuation of title III community programs and the foster grandparent program at their current levels of operation, of $9,000,000 and $10,500,000 respectively. In addition, the amendment will increase areawide projects by $1,200,000 above the amount originally requested for 1972.

The administration has initiated the amendment for several reasons. Additional time is required to make an adequate determination of the best disposition of title III community programs and time is required to fully assess the impact of the new areawide program on title III functions.

The restoration of funds for the foster grandparent program was prompted by the announcement of the new agency, ACTION. This agency offers a potential for expanded services and we think that a fair test of that potential demands that it assume the operation of that program with its funding available in an amount equal to what it had before.

PRIORITIES IN THE FISCAL YEAR 1972 BUDGET

The 1972 amended request reflects several areas of major program increase designed to help us achieve our program goals in a more effective manner. First, the areawide projects program has an increase of $3,000,000 over 1971, from $2,200,000 to $5,200,000. This increase reflects a new emphasis and approach to help local communities solve major problems in high priority areas. This should make it possible for more older persons to take maximum advantage of existing services while encouraging the joint utilization of resources from other programs. This would provide additional needed services through joint funding provisions with other agencies and increase the focus of and commitment to the many problems of older citizens.

Second, the new retired senior volunteer program increases from $500,000 in 1971 to $5 million in 1972. This change indicates our desire to open up a broader range of service opportunities to greater numbers of older persons. In 1972 about 30,000 older persons will be able to contribute their time and talents in service to their communities through R.S.V.P. Both this program and foster grandparents will become significant older person's programs within the new ACTION Agency. The funds requested will permit each to begin its operation with the new agency on a sound footing.

STATE PLANNING AND ADMINISTRATION FUNDS

The request for title III State planning and administration funds remains at $4 million. Each State will receive $75,000 on a 75–25 percent matching basis. This year, much of the effort of State agencies on aging will be devoted to the gathering of data for the development

of State policy on aging and the holding of State conference on aging in the spring. In 1972, participation in the National White House Conference on Aging this fall and development of State goals, policy, and priorities based on the results from both conferences will be a major task. These aging units within each State provide a focal point for a wide range of activities dealing with the needs of the elderly. Each State agency is dedicated to actively speaking out for the needs of its older citizens in order to help create the environment necessary for a full and active life for each of them.

WHITE HOUSE CONFERENCE ON AGING

No funds have been requested for support of the White House Conference on Aging this year as the full authorized amount of $1,900,000 was appropriated in 1970 and 1971 with fund availability through 1972. I feel that significant progress has been made in conference planning toward holding a truly representative and meaningful conference later this year.

SUMMARY

In summary, the amended request for 1972 is $33,700,000. This is an increase of $7,500,000 over a comparable 1971 figure of $26,200,000. This request emphasizes a new approach to solving the most pressing problems in high priority areas as defined by local communities through areawide programs and increasing volunteer service opportunities through the new retired senior volunteer program.

Through these activities, we hope to better promote our objectives of helping the elderly remain independent for as long as possible, lessening isolation and withdrawal from life by providing meaningful opportunities for social contact and community service, and work toward creating the environment necessary for a full and active life for all older Americans. Mr. Chairman, I welcome any questions that you or the members of your committee may have.

TIMETABLE FOR THE PROPOSED AMENDMENTS

Mr. NATCHER. Thank you very much, Mr. Martin, for your statement.

The Department's budget for fiscal year 1972, which was sent to Congress on January 29 proposed a reduction of $3,650,000 in community programs for the aging and a reduction of $3 million in the foster grandparent program. Now you are telling us a budget amendment of $7,850,000 is coming which will restore these reductions and add another $1,200,000.

Mr. MARTIN. That is right.

Mr. NATCHER. The President has not sent this amendment to Congress. Do you have any firm information as to when he will do so?

Mr. MARTIN. I understand within a week.

Mr. MILLER. That is the way I testified when Mr. Twiname testified, Mr. Chairman. I have checked on it every day and I know it is going to come up but they are not able to give us a firm estimate.

Mr. NATCHER. When was the announcement made that the budget would be amended?

Mr. MARTIN. It was made when Secretary Richardson testified before the Senate Special Committee on Aging.

Mr. MILLER. April 27, I understand.

Mr. NATCHER. Why has it taken so long to send this amendment to Congress?

Mr. MILLER. There is no good answer to that question. It is just a question of a lot of business on too few people's desks.

RATIONALE FOR THE ORIGINALLY PROPOSED DECREASES

Mr. NATCHER. We do not wish to embarrass anyone but can you explain to us briefly, first, the reasoning underlying the proposed reductions in the January budget, and second, the reasons why it was decided to change the January budget?

What is the answer to that question, Mr. Martin?

Mr. MARTIN. I am glad to answer, Mr. Chairman. The community projects budget was reduced from $9 million in 1971 to $5,350,000 at the same time the areawide program was increased from $2.2 million to $4 million. The thought there was that because the Community Projects were small in character and to that extent not perhaps as efficient as a larger project might be that the areawide projects might well be a substitute or a tradeoff for the Community Projects. The areawide project program has moved along a little slowly and we are just getting in motion right now. We had also expected to be able to utilize funding from new social services legislation to help compensate for the reduction. With both programs moving more slowly than anticipated it was felt that the best thing to do was to restore the community program request to the 1971 level. In the current year, we are funding 10 areawide projects across the country. These projects will be on the basis of about $200,000 or $220,000 each.

The community projects run about $17,000 or $18,000. The idea behind the areawide program, which was authorized by the 1969 amendments is that projects where we did a thorough analysis of the community would be more efficient.

If we determine what the needs of an area are, whether it is in a city or county, or group of counties or cities, we determine the needs, and the resources both public or private and determine how best we can put those together using our money as, so to speak, the "glue money" to fill in gaps and meet needs that aren't being met by other agencies then we can develop a total program which will meet the needs of the aging in that entire community. This might also fold in certain of the smaller community projects as a part of the larger areawide project.

We were slow in getting that underway, and it was felt that this ought to be restored to about the level of 1971, the $9 million level, and that is the explanation on that part of the budget reduction and proposed increase.

The foster grandparent program reduction was made on the theory that the program could be picked up in part by an enlargement of the retired senior volunteer program which was increased from $500,000 to $5 million.

The reduction in the foster grandparent program was about $3 million. Since that proposal was made, the President has proposed that a new ACTION agency be formed which would include, among

other things, the foster grandparent program and the retired senior volunteer program. It was our feeling that when that was done it would probably be wise to transfer, if the transfer is approved by the Congress, the foster grandparent program at the existing level of funding rather than at a reduced level. Also, the retired senior volunteer program is just coming into operation and we have not had a great deal of experience with that. Those are the reasons why the reductions were made and the restoration was requested.

LARGE INCREASE FOR RETIRED SENIOR VOLUNTEER PROGRAM

Mr. NATCHER. Now, Mr. Martin, the largest increase in your budget is $4,500,000 for the retired senior volunteer program. Tell us why you think this program deserves such high priority.

Mr. MARTIN. Well, we think it deserves high priority because we can involve more older people in it than any other program that we have anything to do with. As you know, the retired senior volunteer program does not pay a stipend, but it does provide out-of-pocket expenses for volunteers who would work with public or private nonprofit agencies to do various community services on a volunteer basis and at a very low cost. It is estimated that the cost on a man-year basis would not be in excess of about $900 per year. The foster grandparent program runs about three times that, I believe. We would expect under the funding proposed, that in 1972 we would have as many as 30,000 volunteers working in this program and that would be quite a shot in the arm toward meeting various public service needs at a very minimum cost.

The President is enthusiastic about pushing the use of volunteers and has put a great deal of his emphasis and encouragement behind this new ACTION agency. We believe it will work and we know it is in great demand because of the number of preapplications that we have had for it.

DISCONTINUATION OF NUTRITION PROJECTS

Mr. NATCHER. We have received a great many inquiries about some research and demonstration projects on nutrition of older people for which Federal funds are being discontinued.

Mr. MARTIN. Yes.

Mr. NATCHER. Tell us about these projects and why they are being discontinued.

Mr. MARTIN. Mr. Chairman, those projects, 18 or 20 of them, were developed as the result of appropriations made during the past 3 years to test the need and the value of nutrition programs where hot meals were furnished in a group setting. The group setting is rather important to the whole thing. The hot meals were furnished in a group setting at a minimum cost to people who otherwise would be lonely and isolated and withdrawn, and in many cases so withdrawn that it is difficult to get them into the program in the first place, but they blossom out when they have been in for a short time.

The program has been a very popular program. We think it has done a great deal of good.

We are presently funding a much larger program, in the neighborhood of about $2,400,000, to test this on a larger scale because we believe that there are economies of scale that could be achieved. The 18 or 20 projects were demonstration projects and they were funded on the basis that they would be funded for a 3-year period. At the end of that time it was expected, they would be picked up by the community if they proved worthwhile. I think they have proved worthwhile because the communities all would like to see them continue, but we are at the end of the 3-year period and we felt that the next test of this on a larger scale needed to be put into operation. At the end of that time we would presume, if the larger test proved what we think it will prove, we would have to come back with a major request for funding.

SHORT-TERM NATURE OF DEMONSTRATION PROJECTS

Mr. TWINAME. If I may comment, I think we have to see this in the light of a thing which happens with all of our demonstration projects, Mr. Chairman, and it is a difficult thing to face that is, most of our demonstration projects involve services to people and they are not intended to be programs or long extended services. They are expected to be demonstratons leading to the pickup of that program or project by the community under other auspices, under ongoing programs from other funding sources.

We have run into this problem, for instance, in child welfare where a 3-year project goes on and on and on, leaving no money for demonstrating or for doing research projects for other deserving citizens, in this case, aged people, in other States and localities, I think the thing we have to face in this is when we do research and demonstrations do we really want to stay with the concept and find either other legislation or other sources, or whatever, to carry them out.

We could easily be trapped into institutionalizing what was meant to be a short term project. I just wanted to cast it in that light because it is a difficult situation. It looks like the Government is pulling out of a service to people which, of course, when it started it said it wasn't going to do more than 3 years, anyway.

AVAILABILITY OF LOCAL FUNDS

Mr. NATCHER. Do you think that local communities are going to be able to find the funds to continue these projects after Federal support ceases?

Mr. MARTIN. In some cases and in some degree, I think that will be possible but I don't think the majority of them will continue without some Federal assistance.

Mr. NATCHER. Mr. Patten.

EVALUATION OF THE NUTRITION DEMONSTRATION PROJECTS

Mr. PATTEN. I just wondered if at this point in the record we could have anyone's observations on the 3-year demonstration projects, if somebody could sum it up.

Mr. NATCHER. Fine.

Mr. MARTIN. Yes.

Mr. PATTEN. You said there were about 18.

Mr. MARTIN. Yes; there are.

Mr. PATTEN. I am not personally familiar with any of them and I just wondered what you thought of the demonstration projects. Should we in our community urge civic groups or someone else to carry on this work? Was it worthwhile? Is there a summary somewhere?

Mr. MARTIN. We are in the very process of evaluating these projects now and pulling the results together. The projects have varied a great deal from project to project because they have been tailored to the particular communities so that the cost per meal, cost per participant, varies very widely, but we are putting together our own estimate of the value of the projects.

I would say just as a personal reaction or comment that I have been much impressed with the kind of response that we have had to them and the effect which they have had on people. It is not only a matter of food. It is a matter of the effect of being able at least once a day to associate with other people and not to be totally alone in the world and totally withdrawn from it. There are therapeutic values as well as nutritional values involved. So that our action in not refunding these projects does not indicate any disfavor or any dislike of the projects. It is simply a financial problem as to whether we ought to continue demonstration projects which were scheduled for a 3-year period.

Mr. PATTEN. It isn't a question of not having money, but if you have an old widower living by himself, depressed—he may have the money but you have to watch him because he won't eat right.

Mr. MARTIN. That is right.

CONTINUATION OF PROJECTS WITH LOCAL FUNDS

Mr. NATCHER. Under the community grant program local communities must provide 25 percent of the cost of a project for the first year, 40 percent for the second year, 50 percent for the third and any subsequent years. Do you find that local communities are actually willing and able to put up more money for these projects or do they simply drop them when Federal funds are reduced?

Mr. MARTIN. Well, it varies a good deal, Mr. Chairman. Of about 660 projects which have been completed and which are no longer getting Federal funds, about 256 of them have been totally discontinued; 418 of them have been continued at some level, a few of them, about 80 of them, at more than the existing level, and the balance at the same or lesser level, so I would say about 83 percent have continued at some level or other.

COMMUNITY PROGRAM GRANTS

Mr. NATCHER. Under your amended budget request of $9 million for community programs how many projects will be supported? What is the answer to that?

Mr. MARTIN. We believe that we will have a continuation of about 532, and the possible new starts about 190.

AREAWIDE MODEL PROJECTS

Mr. NATCHER. You are requesting $5,200,000, an increase of $3 million, for areawide model projects. Will there be any new projects in fiscal 1972 or is the entire amount required for continuation costs?

Mr. MARTIN. No; there will be new projects.

Mr. NATCHER. How many would you have?

Mr. MARTIN. We estimate that there will be 10 projects out of 1971 moneys and 16 additional projects for 1972. Those will, of course, turn into actual operating projects in 1973, if the plans are sound.

Mr. NATCHER. Where are the 10 projects which are being funded in 1971?

Mr. MARTIN. Those sites haven't been selected yet. We are in the process of selecting them right now.

Mr. NATCHER. As soon as you have them will you furnish them to Mr. Neil, please?

Mr. MARTIN. Yes.

DESCRIPTION OF AN AREAWIDE MODEL PROJECT

Mr. NATCHER. Please describe just one of the projects.

Mr. MARTIN. Well, the funding is to a State agency on aging which can operate the project itself or contract it, and in most cases we think this will be contracted to local sources.

The project will operate with a task force both at the regional level and at the local level, involving all the State agencies and local public and private nonprofit agencies who might contribute to it. It will have probably one person in actual operating charge at the local level and one person at the State level who has that as a major responsibility. The projects will seek to pull together, as I indicated a while ago, all of the existing resources of the community that can bear on it, whether they are public or private, and such money as we put into it will be used as glue money. It will be used to fill the gaps in the services that we find, particularly aging services and other services of that kind.

Mr. NATCHER. How long will these projects be continued?

Mr. MARTIN. Well, there is no life specified. We assume if they are successful that Congress will from year to year provide additional funds and we would expect that local communities as they see how these projects operate would, in turn, pick them up and we would be able to give them help.

Mr. NATCHER. Give us a little better description of it for the record.

Mr. MARTIN. I will be glad to.

(The information follows:)

EXAMPLE OF AN AREA WIDE PROJECT

A State Agency on Aging finding that development of alternatives to institutional care was a pressing problem for elderly people within a certain area, might propose a comprehensive variety of in-home services to be provided in a coordinated way by several agencies. These services might include: (1) an extensive home-delivered meals program initiated under the auspices of several church groups donating their facilities and helping provide volunteers to operate it; (2) expansion by a welfare agency of its "homemaker" and in-home social counseling services; (3) initiation of an areawide information and referral service; (4) implementation of a telephone reassurance service to provide a means of checking regularly on the well-being of older people living alone; (5) provi-

sion of special transportation services to get older people to and from needed services; (6) establishment of a volunteer program of visitation to individuals; (7) development of a training program for administrators and personnel in nursing homes relative to the special needs of the elderly; and (8) a geriatric screening program to help avoid institutionalization.

The foregoing example, although typical, by no means exhausts the range of possibilities open to a community. Other examples of problems which an areawide program might choose to attack include preventive health programs related to both physical and mental health, development of creative roles for retirees, and better utilization of available area services.

In every instance, a task force will perform a careful survey of the project area to determine the specific needs of the elderly within that area. The nature and extent of the resulting service programs and project evaluation will be directly related to the unique circumstances in the area and the magnitude of available resources. For this reason, each project will vary from all others as it will be tailor made for each individual situation.

FUTURE FUNDING OF AN AREAWIDE MODEL PROJECT

Mr. NATCHER. Do the projects involve a commitment for increased Federal funds in future years?

Mr. MARTIN. They involve a commitment for Federal funds on a moral basis only, there is no specific statutory commitment.

Mr. TWINAME. If I may add, I think the object of the game will be to bring together funding sources and get them functioning together in a way that would presume the displacement of this initial money later on by these other sources.

Mr. NATCHER. Are we deceiving ourselves by describing these various programs and projects as models and demonstrations? Further, isn't it very unlikely given the present financial plight of local governments that once the Federal Government starts funding a project, it will ever be able to stop?

Mr. MARTIN. The reference to models is a statutory reference and so stated in the act. I think we have the same problem with these projects that we have with other projects which are started. The projects call for a 25 percent matching. In a larger project that is quite a lot of money. Whether they can be continued or not, whether they would ultimately look to the Federal Government for full funding, I am unable to say. We expect that they will be good enough so that communities, particularly if they have revenue sharing, will want to pick them up and will want to use some of that money for the development of projects of this kind.

We think that if they are good enough that is the way the money would be used.

WHITE HOUSE CONFERENCE ON AGING

Mr. NATCHER. Tell us briefly, Mr. Martin, about the plans for the White House Conference on Aging.

Mr. MARTIN. The White House Conference on Aging is moving right along. It is scheduled for late November or early December. We had about 6,000 forums where older people did the talking. Those are all completed. There have been several hundred community conferences which are completed now. The State conferences are also being held. Out of those 50 odd State conferences will come recommendations which will go to the national conference, and they will be added to by the recommendations of about 20 task forces of some 250 national organizations which are also considering the same subject

matters as the State conferences. These recommendations will flow together and will also have added to them the recommendations, or rather the conclusions of about 10 regional hearings which we have held around the country.

That flow of information and recommendations coming to the national conference will be the gist on which the national conference will deliberate. We expect that out of that is going to come some recommendations that will be submitted to Congress and the President for implementation. We are putting a great deal of emphasis on recommendations that are solid enough so they can be implemented and so there will be some action that will follow this conference. We know that there are many areas where older people today do not have the kind of treatment or opportunities they would like to have. We think that this conference will be a landmark, and out of it will come some recommendations which can be carried into action and will make a great deal of difference to our older people.

Mr. NATCHER. Mr. Michel.

FUNDING THE CONFERENCE ON AGING

Mr. MICHEL. Following close on that, Mr. Martin, you are not asking for any money in the 1972 budget for the White House Conference on Aging?

Mr. MARTIN. No.

Mr. MICHEL. It has been funded?

Mr. MARTIN. Yes.

Mr. MICHEL. Do you anticipate any problem money-wise?

Mr. MARTIN. We have been proceeding on the theory that we could do it on what was authorized. If any problems of that kind did arise we would have to come back to Congress and discuss it. But we are not anticipating doing that at the moment.

FUNDS FOR TRAVEL EXPENSES

Mr. MICHEL. How much of that White House Conference money would be for travel?

Mr. MARTIN. You mean travel of the staff or travel of the delegates?

Mr. MICHEL. I think I would be more concerned with the travel of delegates.

Mr. MARTIN. $650,000 was appropriated for that purpose and that is the way it will have to be used. So there will be well over 2,000 delegates who will rely upon those resources.

PUBLIC PARTICIPATION IN THE CONFERENCE

Mr. MICHEL. Do we have a good broad base of lay participation in this conference?

Mr. MARTIN. Yes. It will all be lay participation. There will be no Federal Government participation except as resource people in organizing this and helping the delegates to deliberate.

Mr. MICHEL. There is always the apprehension in some of these conferences that they get so heavily weighted in favor of the pros that

the people you are trying to hear from and get involved get kind of lost in the shuffle.

Mr. MARTIN. We are very well aware of that.

Mr. MICHEL. I hope as you proceed and develop this conference that those persons who ought to be heard and have a story to tell and have a valuable contribution to make will have that opportunity.

Mr. MARTIN. One of the criteria is that not more than one out of four should be professionally involved.

RETIRED SENIOR VOLUNTEER PROGRAM

Mr. MICHEL. I have just a couple of quick questions. I think the chairman has pretty well gone over most of the things I had in mind. In this retired senior volunteer program, what kind of staff people are going to be involved there?

Mr. MARTIN. We are running that program with about three people right now, but that does not mean we will not have to have some support from the regional offices; and, of course, a great deal of involvement of the State agencies on aging. We are not responsible directly for their salaries although we do help finance them, as you know.

My estimate is that we will be able to manage or handle this program with a comparatively limited staff but this will depend on how fast the program grows.

Mr. MICHEL. The funds you have requested will provide for the initiation of 80 new programs.

Mr. MARTIN. Yes.

Mr. MICHEL. How are these really going to be developed?

Mr. MARTIN. They are going to be developed through working with the State agencies and regional offices on the basis of applications that will be made to the State agencies and forwarded to us by local applicants.

It might be a hospital, it might be a local public agency of some kind, it might be a local nonprofit agency, which sees ways in which volunteers could be advantageously used. There will have to be standards and limitations so the use of volunteers is not abused. It is specifically provided that they shall not displace regular workers or anything of that sort.

TITLE IV DEMONSTRATION PROJECTS

Mr. MICHEL. What have been the results of the title IV program and what changes will be made in fiscal 1972?

Mr. MARTIN. In title IV program, funding has been maintained at the 1971 level under the amended budget request. We are satisfied.

Mr. MICHEL. Haven't some of the projects been phased out?

Mr. MARTIN. As we move forward some of these projects come to the end of a 3-year period, and are then phased out as demonstration projects, as a general policy. Then, you have the question of what you do. Do you develop out of that project some major initiative on the basis of what you have proven.

Mr. MICHEL. Thank you, Mr. Martin, I appreciate your response to the question.

Mr. NATCHER. Mrs. Reid?

SELECTION OF FOSTER GRANDPARENTS

Mrs. REID. Mr. Martin, how are people selected for the foster grandparent program—and just what are they expected to do?

Mr. MARTIN. Local foster grandparent projects recruit, screen, and select applicants to serve as foster grandparents. The criteria for selection require that a man or woman applicant be age 60 or above, have a total income not in excess of the applicable poverty guidelines, be considerate and understanding of children and have an active desire to help their individual growth and development, be physically and mentally able to serve, and be able to accept supervision as required. Since the program is directed toward low income older persons, eligible applicants with the greatest income needs are generally given first consideration for foster grandparent position vacancies. The selection process is subject to the Civil Rights Act of 1964, precluding discrimination against foster grandparent applicants because of their race, creed, or national origin.

Foster grandparents are generally assigned two children and work on an individual basis with each child. They engage in activities which facilitate constructive person-to-person relationships. They provide the warm friendship, interest, understanding, individualized attention, unhurried help, and personal care required by the child. This is accomplished through the kind of interaction a visiting parent might normally provide such as talking, reading, playing, singing, listening, cuddling an infant, arranging social contact and interaction with other children, or lending support and assistance to a child in learning or therapy activities.

This activity contributes significantly to the behavioral development of the child. Foster grandparents act in harmony with institutional objectives and regulations and with programs scheduled for their assigned children. They don't substitute for staff at program settings, nor do they relieve staff of their routine duties. Foster grandparents do not serve as babysitters or function as group workers caring for groups of children.

RETIRED SENIOR VOLUNTEER PROGRAM

Mrs. REID. What type of activities are carried out under the retired senior volunteer program?

Mr. MARTIN. The retired senior volunteer program is not yet in operation, but it is expected that activity will begin before June 30, 1971. Under the 1971 appropriation of $500,000, approximately 10 grants will be made to private nonprofit organizations or public agencies to either establish or expand voluntary activity in local communities by older persons. Under these grants, senior volunteers will be assigned to a variety of organizations within their communities, or a nearby community, to perform various kinds of services. Examples of such organizations are hospitals, social agencies, municipal offices, courts, schools, day-care centers, and so forth. Assignments will be developed on the basis of needs in the community and the interests, abilities, and physical condition of the older persons. Such assignments might include: Tutoring children in school settings; assisting staff in day-care centers; providing visiting and services to disabled persons of

all ages in their homes or in hospitals and nursing homes; counseling juvenile delinquents; assisting local planning commissions in the resolution of physical problems of the environment and other similar tasks.

GOALS OF WHITE HOUSE CONFERENCE ON AGING

Mrs. REID. Briefly, what are the major goals which you hope to achieve through the White House Conference on Aging?

Mr. MARTIN. In calling the White House Conference on Aging, the President directed that it move toward a national policy on aging and develop precise recommendations for government at all levels and for voluntary organizations. In addition to this goal, the Conference plan was directed toward a broader public awareness of older people and their circumstances, a realistic national policy regarding the older population in each of nine needs areas and five needs meeting areas, and a greater commitment to serving older people by voluntary organizations. We envision also clearer and stronger roles for the Administration on Aging, with stronger and more effective State agencies on aging, more systematic planning and programing at the community level, the assumption by older people of more responsibility for meeting their needs and for contributing to community life, and new legislation at Federal and State levels.

STATE AGENCIES ON AGING

Mrs. REID. What are some of the specific actions taken by State agencies on aging in providing a focal point for activities dealing with the needs of the elderly?

Mr. MARTIN. Data collection activities being undertaken by all State agencies will help make them the most knowledgeable sources for information on all aspects of concerns related to aging.

Advisory committees have been set up in all States which are composed of elderly representatives and representatives of major public and private organizations in the State concerned with the interests of older persons. These groups work with the State agencies to plan program policy and development.

State agencies have carried out extensive activities related to the White House Conference on Aging. Community forums and community conferences have built up the image of State agencies at the local level. State White House Conferences on Aging sponsored by State agencies are bringing together representatives from agencies and organizations throughout the State.

Mrs. REID. Thank you, Mr. Martin. I have no further questions.

Mr. NATCHER. Mr. Conte?

FOSTERING INDEPENDENT LIVING

Mr. CONTE. Mr. Martin, what programs are designed to foster independent living and how successful have they been in achieving this goal?

Mr. MARTIN. Studies have shown that foster grandparents are more active in community affairs, have better personal and social adjustment, are more satisfied with their lives, have a more favorable self-

image, experience less stress, have better physical and mental health, and feel more a part of the general society than those who do not participate actively in community life.

Many title III service programs foster independent living. Typical examples are homemaker service, home maintenance, foster care, home-delivered meals, friendly visiting and telephone reassurances. In fiscal year 1971 it is expected that the 35 home-delivered meals programs will serve 5,000 homebound older persons, and that the 273 homemaker and home maintenance programs will serve 100,000 older persons.

Other community programs such as information and referral, recreation and leisure time activities, transportation, health services, and volunteer services enrich and meaningfully foster independent living for the elderly. A total of 700,000 older persons will benefit from such services this year.

Aging programs have been quite successful in this regard.

ASSESSING IMPACT OF AREAWIDE PROGRAM

Mr. CONTE. How much more time will be required to assess the impact of the new areawide program on title III functions?

Mr. MARTIN. State agency grantees have been required to incorporate an evaluation component into the areawide model project programs. The Administration on Aging is in the process of developing evaluation indicators for assessing the impact of this program on the problems of older people and the capacity to generate other financial and manpower resources to support these efforts. Since the areawide program is just now getting underway, a comprehensive assessment of its impact on community programs cannot be undertaken until the end of fiscal year 1972.

Mr. CONTE. What are the high-priority problem areas in which the areawide projects program hopes to work most effectively with the local communities?

Mr. MARTIN. These would include development of alternatives to long-term care for the elderly, facilitating access of the elderly to existing services, and making available services more responsive to the needs of the elderly, development of roles in retirement for older persons, and health screening services.

Mr. CONTE. What other programs will be used on this effort?

Mr. MARTIN. Other programs which may be utilized in the areawide model effort would include model cities, health and welfare programs, recreation programs, title III community projects, housing programs, and other local, State, and Federal programs pertinent to the high-priority problems identified by each areawide project.

RETIRED SENIOR VOLUNTEER PROGRAM

Mr. CONTE. How specifically do you plan to broaden the range of service opportunities for older persons with the increased budget you are requesting for the retired senior volunteer program?

Mr. MARTIN. The foster grandparent role is essentially constant from one setting to the oher. The retired senior volunteer program, however, will provide a broad range of service roles in a multitude of settings. These would include such activities as friendly visiting with

aged, ill or handicapped persons; assisting ill or aged persons with personal shopping; working as tutors with under-achievers in schools; assisting in providing recreational activities for the aged and the institutionalized and many others. This program will also provide a greater number of service opportunities because the cost per man-year is somewhat lower than in the Foster Grandparent program.

DATA GATHERED BY STATE AGENCIES

Mr. CONTE. What kinds of data are the State agencies seeking to gather in order to develop a State policy on aging?

Mr. MARTIN. The States are collecting two main types of data. The first deals with the status and needs of the elderly in their States and the second with the resources available to meet these needs. These data cover the major areas of concern to older persons in such areas as housing, health, income, social relations and activities and independence.

Mr. CONTE. That is all, Mr. Chairman.

Mr. MARTIN. Thank you, Mr. Chairman.

Mr. NATCHER. The committee will adjourn until tomorrow morning.

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Special Programs for the Aging

Amounts Available for Obligation

	1971	1972
Appropriation	$33,650,000	$25,850,000
Comparative transfer to:		
"Research and training"	-5,800,000	---
Unobligated balance, start of year	---	650,000
Unobligated balance, end of year	- 650,000	---
Total obligations	27,200,000	26,500,000

Obligations by Activity

Page Ref.		1971 Estimate	1972 Estimate	Increase or Decrease
	State planning and service grants:			
15	(a) Community programs	$9,000,000	$5,350,000	-$3,650,000
17	(b) Areawide projects	2,200,000	4,000,000	+1,800,000
18	(c) Planning and operations	4,000,000	4,000,000	---
21	Foster Grandparents	10,500,000	7,500,000	-3,000,000
23	Retired Senior Volunteer Program	500,000	5,000,000	+4,500,000
	White House Conference on Aging	1,000,000	650,000	- 350,000
Total obligations		27,200,000	26,500,000	- 700,000

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Total number of permanent positions	25	25	---
Full-time equivalent of all other positions	6	1	- 5
Average number of all employees	23	23	---
Personnel compensation:			
Permanent positions	$221,000	$269,000	+$48,000
Positions other than permanent	60,000	12,000	-48,000
Subtotal, personnel compensation	281,000	281,000	---
Personnel benefits	20,000	20,000	---
Travel and transportation of persons	77,000	78,000	+ 1,000
Transportation of things	2,000	2,000	---
Rent, communications, and utilities	26,000	25,000	- 1,000
Printing and reproduction	92,000	51,000	-41,000
Other services	13,000	10,000	- 3,000
Project contracts	100,000	100,000	---
Supplies and materials	3,000	3,000	---
Equipment	7,000	2,000	- 5,000
Grants, subsidies and contributions	26,579,000	25,928,000	-651,000
Total obligations by object	27,200,000	26,500,000	-700,000

Summary of Changes

1971 estimated obligations	$27,200,000
1972 estimated obligations	26,500,000
Net change	- 700,000

	Base	Change from Base
Increases:		
A. Built-in:		
1. Areawide projects	---	+$1,800,000
2. Retired senior volunteer program	---	+ 500,000
B. Program:		
1. Retired senior volunteer program	500,000	+4,000,000
Total, increases	---	+6,300,000
Decreases:		
A. Built-in:		
1. White House Conference on Aging	1,000,000	- 350,000
B. Program:		
1. Community programs	9,000,000	-3,650,000
2. Foster Grandparents	10,500,000	-3,000,000
Total, decreases	---	-7,000,000
Total, net change		- 700,000

Explanation of Changes

Built-in increases:

1. Title III Areawide projects have a built-in increase of $1,800,000 for continuation of projects begun in 1971. The second year cost of these 10 projects is greater because they do not reach their full operational level until the second year.

2. The Retired Senior Volunteer Program has built-in increases for 10 projects of $500,000 resulting from increased second year costs of projects new in 1971. The cost is higher the second year as the project does not become fully operational until then. These projects permit about 6,000 older persons to serve their communities in a variety of ways.

1. The Retired Senior Volunteer Program has a program increase of $4,000,000. This amount would permit the funding of 80 new projects which will provide volunteer opportunities for about 24,000 older persons.

Built-in decreases:

1. The White House Conference decrease of $350,000 results from the plan of obligation of the $1,650,000 appropriated in 1971 with two year availability. $1,000,000 of this amount is planned for 1971 and $650,000 for 1972. No additional funds are requested for the Conference since the full amount of $1,900,000 authorized has been appropriated.

Program decreases:

1. Community programs have a reduction of $3,650,000. This action reflects the increased emphasis being placed on the program of Areawide Model projects with its greater emphasis on improved utilization and concentration of resources in high priority areas. The $5,350,000 requested is adequate to meet about 90% of the continuation costs of State projects in operation during 1971.

2. The Foster Grandparent program has a program decrease of $3,000,000 in 1972. This reflects the increased emphasis being placed on volunteer programs with their wider-ranges of service opportunities for greater numbers of older persons. The present 68 Foster Grandparent projects will be reduced in size but no projects will be eliminated. Every effort will be made to insure that no individual grandparent loses his position as a result of this reduction. Program level will be reduced by not filling slots vacated through normal turnover.

Authorizing Legislation

Legislation	1972 Authorized	1972 Appropriation requested
Older Americans Act of 1965 and Older Americans Act Amendments of 1967 and 1969		
Section 301--Grants for State and Community Programs on Aging	$30,000,000	$5,350,000
Section 304--Planning, Coordination and Evaluation and Administration of State Plans	5,000,000	4,000,000
Section 305--Areawide Model Projects	10,000,000	4,000,000
Section 603--Retired Senior Volunteer Program	15,000,000	5,000,000
Section 614--Foster Grandparent Program	25,000,000	7,500,000

OLDER AMERICANS ACT

AUTHORIZATION OF APPROPRIATIONS

SEC. 301. The Secretary shall carry out during the fiscal year ending June 30, 1966, and each of the six succeeding fiscal years, a program of grants to States in accordance with this title. There are authorized to be appropriated $5,000,000 for the fiscal year ending June 30, 1966, $8,000,000 for the fiscal year ending June 30, 1967, $10,550,000 for the fiscal year ending June 30, 1968, $16,000,000 for the fiscal year ending June 30, 1969, $20,000,000 for the fiscal year ending June 30, 1970, $25,000,000 for the fiscal year ending June 30, 1971, and $30,000,000 for the fiscal year ending June 30, 1972 for—

(1) community planning and coordination of programs for carrying out the purposes of this Act;

(2) demonstrations of programs or activities which are particularly valuable in carrying out such purposes;

(3) training of special personnel needed to carry out such programs and activities; and

(4) Establishment of new or expansion of existing programs to carry out such purposes, including establishment of new or expansion of existing centers providing recreational and other leisure time activities, and informational, health, welfare, counseling, and referral services for older persons and assisting such persons in providing volunteer community or civic services; except that no costs of construction, other than for minor alterations and repairs, shall be included in such establishment or expansion.

PLANNING, COORDINATION, AND EVALUATION AND ADMINISTRATION OF STATE PLANS

SEC. 304. (a) There are authorized to be appropriated $5,000,000 each for the fiscal year ending June 30, 1970, and the next two fiscal years for making grants to each State, which has a State plan approved under this title, to pay such percentage, not in excess of 75 per centum, as the State agency (established or designated as provided in section 303(a)(1)) may provide, of the costs of planning, coordinating, and evaluating programs and activities related to the purposes of this Act and of administering the State plan approved under this title. Funds appropriated pursuant to the preceding sentence for the fiscal years ending June 30, 1970, and June 30, 1971, but not expended because a State did not have authority under State law to expend such funds, as determined by the Secretary pursuant to paragraph (4) of subsection (b) of this section, shall remain available as provided in such paragraph.

(b) (1) From the sum appropriated for a fiscal year under subsection (a), the Virgin Islands, Guam, the Trust Territory of the Pacific Islands, and American Samoa shall be allotted an amount equal to one-half of 1 per centum of such sum or $25,000, whichever is greater, and each other State shall be allotted an amount equal to 1 per centum of such sum.

AREAWIDE MODEL PROJECTS

SEC. 305 (a) The Secretary is authorized, upon such terms as he may deem appropriate, to make grants to or contracts with State agencies established or designated as provided in section 303(a)(1) to pay not to exceed 75 per centum of the cost of the development and operation of statewide, regional, metropolitan area, county, city, or other areawide model projects for carrying out the purposes of this title, to be conducted by such State agencies (directly or through contract real arrangements). Such projects shall provide services for, or create opportunities for, older persons, and shall be in fields of service and for categories of older persons determined in accordance with regulations prescribed by the Secretary after consultation with representatives of such State agencies.

(b) There are authorized to be appropriated to carry out this section $5,000,000 for the fiscal year ending June 30, 1970, and

$10,000,000 each for the fiscal year ending June 30, 1971, and the fiscal year ending June 30, 1972.

82-917 O - 71 - pt. 4 ---23

TITLE VI—NATIONAL OLDER AMERICANS VOLUNTEER PROGRAM

PART A—RETIRED SENIOR VOLUNTEER PROGRAM

GRANTS AND CONTRACTS FOR VOLUNTEER SERVICE PROJECTS

AUTHORIZATION OF APPROPRIATIONS

Sec. 603. There are authorized to be appropriated, for grants or contracts under this part, $5,000,000 for the fiscal year ending June 30, 1970, $10,000,000 for the fiscal year ending June 30, 1971, and $15,000,000 for the fiscal year ending June 30, 1972.

PART B—FOSTER GRANDPARENT PROGRAM

AUTHORIZATION OF APPROPRIATIONS

Sec. 614. There are authorized to be appropriated for grants or contracts under this part, $15,000,000 for the fiscal year ending June 30, 1970, $20,000,000 for the fiscal year ending June 30, 1971, and $25,000,000 for the fiscal year ending June 30, 1972.

Explanation of Transfers

	1971 Estimate	Purpose
Comparative transfer to:		
Research and Training	$5,800,000	To consolidate all Social and Rehabilitation Service research and training projects into one appropriation

Special Programs for the Aging 1/

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1966	$10,000,000	$10,000,000	$10,000,000	$10,000,000
1967	11,563,000	11,563,000	11,563,000	11,563,000
1968	19,930,000	19,930,000	19,930,000	19,930,000
1969	24,968,000	24,968,000	24,968,000	24,968,000
1970	22,500,000	--- 2/	29,250,000	22,500,000
1971	26,200,000	26,200,000	28,850,000	27,850,000
1972	25,850,000			

1/ This table excludes amounts transferred to "Research and training" and "Salaries and expenses" and includes the Foster Grandparent Program formerly funded by the Office of Economic Opportunity for purposes of comparability.

2/ No action was taken in the House on this appropriation as the authorizing legislation had not yet been extended.

Justification

Special Programs for the Aging

Obligations by Activity

	1971 Estimate	1972 Estimate	Increase or Decrease
Total obligations.....	$ 27,200,000	$26,500,000	-$700,000

GENERAL STATEMENT

Millions of older persons throughout the nation today face problems that continue to go unnoticed or ignored. The later years of life for an older American are too often a precarious balance between dignified and independent living and hopeless isolation and dependency from which it becomes impossible to escape. Many factors are responsible for this condition.

Problems of the Aging

First, the elderly too often lack the financial resources to make satisfactory choices concerning how and where they will live. Of the 20 million persons over 65 today, 40% are either below or on the edge of the established poverty line.

Secondly, there is a direct correlation between advancing age and the loss of a spouse or a personal friend. This heightens the potential for personal crisis and isolation. Many older persons are often troubled by one or more physical disabilities which restricts their movements or confines them to bed for extended periods. Often, a slight illness or injury such as a sprained ankle, which would be a temporary inconvenience for a younger person can be a major crisis for an older one. This is because there often is no one who cares for the older person - living alone, away from family, and without friends. In too many cases the only solution to such problems is institutionalization. This can be an unwarranted and an extremely costly solution but there is little choice if no other alternative is available.

Third, the elderly have very poor dietary habits which is a contributing factor to the isolation and limited mobility. Such a condition is often brought about by the lack of interest in life, a very limited income, and often, a lack of kitchen facilities for food preparation. Initial results by the National Nutrition Survey conducted by PHS indicate that the elderly have the worst dietary habits of any age group, and that older persons generally exist on diets totally inadequate for proper human sustenance.

Fourth, limited financial resources of the elderly severely restrict the range and choice of housing arrangements available to them. Too often, the elderly occupy the less desirable housing in our decaying inner cities that have been vacated by younger more affluent individuals who are able to move upward. In 1960, 30% of the elderly inhabited housing that was rated substandard. Living in the poorest neighborhoods of inner cities, older people know first hand the realities and impact of this nation's slum and crime conditions. Finally, the dependence on the automobile by our society at large has left the elderly at a severe disadvantage in being able to care for themselves. Few can or do own a car. Thus the elderly are left with public transportation, which often they cannot afford and which does not meet their needs. The elderly are forced to live in an area from which virtually all of life's daily functions - shopping, church, recreation, and medical care - can be satisfied by walking.

Mission of the Administration on Aging

The mission of the Administration on Aging is to develop resources and improve the climate for the elderly in order to foster independent living, lessen isolation, provide meaningful activities, and create the necessary environment for a life of dignity for all Older Americans. The objectives of the grant programs of the Older Americans Act discussed below are focused upon that portion of our mission regarding independent living, isolation, and meaningful activities in order to live a life of dignity.

Provisions of the Older Americans Act

The Older Americans Act of 1965 authorizes several grant-in-aid programs designed to help meet some of the needs of many of the aging members of our population.

Title III of the Act authorizes three programs of aid to States: (a) the Community Grant Program provides funds on a matching basis to meet the costs of local planning and service projects; (b) State Planning and Administration Grants funds are used by the State Agencies to meet 75% of their costs of administering the Grant Programs and conducting Statewide planning, coordination, and evaluation of programs for the elderly; (c) Project grants for Areawide model Projects will be made to State Agencies for the conduct of projects on an areawide basis. These projects will emphasize the utilization of existing facilities through coordination and advocacy efforts as well as the delivery of essential services through the core and satellite facilities available within the project area.

Each of the above programs is designed to strengthen the capability of the States to provide planning, advocacy, and services to as many of the older Americans within their borders as possible.

The Foster Grandparent Program, authorized by Title VI of the Act, is providing low income older people with the opportunity to serve institutionalized children in need of personalized attention. The older people devote 20 hours a week to caring for children who are deprived of the emotional support and attention necessary for their proper development. In addition to being a highly rewarding experience for both the children and the grandparents, the older people receive a stipend equal to a federal minimum wage.

The recently established Retired Senior Volunteer Program is providing a wide range of volunteer opportunities for older persons to serve their communities. Each older volunteer spends on the average of four hours a week, working as a member of a volunteer unit, providing services to those in need in his community. Transportation, meals and other out-of-pocket expenses are paid by the program, thereby making it possible for many older persons on marginal incomes to participate. Not only is the community afforded many services it would otherwise not receive but the older persons are removed from the position of isolation and loneliness that affects so many.

White House Conference on Aging

The White House Conference on Aging, authorized by a Joint Congressional Resolution (PL 90-526) in September 1968, was called by President Nixon in October, 1969, and is scheduled to be held in November of 1971. The conference enters into its final phase of operation in fiscal year 1972 with the holding of the National Conference in the fall of 1971 and the Conference reports in the spring of 1972.

The conference goal is to arrive at realistic national policies and practical plans for meeting the needs of older persons in such basic areas as income, health, housing, employment, education, and retirement roles and activities.

An important conference objective is to achieve these goals through the broadest possible participation of older people themselves at local, State, and national levels.

State Planning and Service Grants

	1971 Estimate	1972 Estimate	Increase or Decrease
State planning and service grants:			
(a) Community programs.....	$9,000,000	$5,350,000	-$3,650,000
(b) Areawide projects.....	2,200,000	4,000,000	+1,800,000
(c) Planning and operations....	4,000,000	4,000,000	---
	15,200,000	13,350,000	-1,850,000

COMMUNITY PROGRAMS

	1971 Estimate	1972 Estimate	Increase or Decrease
Community programs.....	$9,000,000	$5,350,000	-$3,650,000

Background

This program is authorized by Title III of the Older Americans Act of 1965, as amended. Funds for Community Programs on Aging are alloted on a formula basis to States having an approved State Plan. As of 1970, all fifty States and five territories were participating in this program.

The matching formula provides that the local communities provide 25% of the cost of the project the first year, 40% the second and 50% for the third and any subsequent year. This provision insures that a commitment is made on the part of a community to assume responsibility for at least one-half of the cost of the project at the end of its three year developmental phase.

Program Description:

This Community Grant program, under the administration of the State Agencies on Aging, has provided nearly 1,500 communities with the opportunity to initiate programs directed at reducing some of the pressing needs of older Americans. The development of local efforts to meet expressed needs of older persons has been stimulated through:

(1) community planning and coordination of existing programs, including tie-ins with other community planning efforts;

(2) provision of new or expanded community services where other sources of support were not available;

(3) development of community leadership and advocacy by and on behalf of the elderly; and

(4) specialized training of personnel to serve the elderly.

During 1970 and 1971, approximately 700 community programs were supported by this joint Federal-State-Local program, directly benefitting thousands of older persons and their families each year. Many persons were helped to remain relatively independent in their own homes through the provision of such services as homemaker, health aide, friendly visitation, and telephone reassurance.

Meals programs involving elderly persons helped reduce and prevent conditions leading to hospitalization or other institutional care. In addition to the benefit of good nutrition, many of these food programs were located in settings which encouraged socialization, thereby decreasing the debilitating effects of isolation and detachment from the community. An outstanding example of a Title III project which has reduced the isolation of older people is one in Bismarck, North Dakota. This project has, in less than three years, initiated activity programs through clubs and centers for older people in 73 communities.

Evaluation:

Evaluation of project effectiveness and efficiency is being carried out at both community and State levels. Guidelines require the State Agency to conduct yearly on-site assessments of each project to determine its effectiveness prior to refunding by the State. The Administration on Aging has developed and distributed a "Guide and Checklist for Project Assessment" for use by States and localities. Two research projects aimed at evaluation were funded under Title IV of the Older Americans Act: one is directed at the evaluation of the States Administrative process and the other has developed a social indicator system which can be used to assess the status of the elderly population of a State. Special emphasis in current evaluation methods relate to such areas as increasing community financial support, increased participation by older people in the conduct of the project, and connecting project activities to other community efforts in a coordinated fashion.

Program Plans 1972:

The amount requested for 1972 is $5,350,000, compared with $9,000,000 last year. This is adequate to support about 90% of the continuation costs of projects active in 1971. This amount reflects the decision to focus a portion of Title III resources in the Areawide Model Program. This program will concentrate on areas of greatest need where the concentrations of elderly will permit a more effective use of existing facilities and service programs. It also will result in a greater concentration of program effort on planning, evaluation, and representing the interests of the older persons in the project area.

Community programs must continue to receive funding so that the State will have a minimum amount of funds to sustain the best of present community projects and provide those States which operate Areawide projects a modest amount of funds which can be used to initiate minimal support activities within the project area. This will be helpful to the overall success of the Areawide projects.

In cases where a State elects to cancel old projects and fund new ones, they will be encouraged to give highest priority to funding Community grants within the larger designated Areawide Model programs so that the resources available through Community grants may support and supplement the efforts in the Areawide program. The combined effect of using both these programs plus all existing service delivery systems will encourage a more productive impact on the lives of older persons within the reach of the program.

AREAWIDE MODEL PROJECTS

	1971 Estimate	1972 Estimate	Increase or Decrease
Areawide Model Projects:			
Continuations	$ ---	$4,000,000	$+4,000,000
New	2,200,000	---	-2,200,000
Total	2,200,000	4,000,000	+1,800,000

Background

The Areawide Model Program was authorized as a result of the 1969 Amendments to Title III of the Older Americans Act. Funds for this Program are provided on a direct grant or contract basis to designated State Agencies on Aging which may conduct the program directly or through contractual arrangements.

The Areawide Model Program design results, in part, from the aggregate experience and knowledge gained through the Title III Community Grant Program recent activities related to the White House Conference on Aging, and other research, planning, and service efforts undertaken on behalf of the nation's older people.

Program Description

The Areawide Model program represents an innovative approach to the reduction or elimination of barriers which prevent older people from living independently and participating meaningfully in community life. This is being accomplished in selected georgaphic areas through the development and implementation of a long term plan for community action.

The successful implementation of the program strategy relies on the readiness of the community to deal affirmatively with change. It implies a commitment on the part of the Community to examine objectively its institutions and programs for possible barriers to older persons in need. The Areawide Model Program is designed to use a problem solving approach. It focuses all available resources within a given area on eliminating or alleviating the major or priority problems accompanying aging.

This plan is the product of a task force comprised of representatives from both the public and private sectors including the areas of social services, education, housing, transportation, social security, business, industry, and civic and religious agencies. The task force will obtain data on the current ability of existing organizations and institutions within the area to meet the needs of the elderly population there. Such activity comprises a significant aspect of the planning phase. Through this survey, the task force reviews or updates the status and needs of the elderly population within the target area to determine their most pressing needs and to suggest which areas should be given the greatest priority.

A hypothetical community called Johnstown can be used to illustrate what may occur at the local level. Johnstown submits a proposal which summarizes available information on the needs of its aged population, identifies specific high priority action proposals and provides for development of a comprehensive plan for future implementation. The award is made and a portion of the grant pays the expenses of the task force involved in constructing a Johnstown Action

plan. The survey of needs, completed by the task force, indicates that the most significant problem facing Johnstown's elderly is finding suitable alternatives to institutional care. The survey indicates further that hundreds of thousands of dollars are spent each year on institutional care for older persons who would like to live at home with family or in other suitable settings such as foster homes or halfway houses if adequate support services could be offered them. Such a plan might result in a considerable savings since less expensive forms of care could be utilized. The action plan submitted could propose: (1) That a meals on wheels program be initiated under the auspices of several church groups who would donate their facilities and help provide volunteers. (2) That an arrangement be made with the welfare department to provide additional homemaker services in the area. (3) That a friendly visitor program be used for both home bound and institutionalized elderly to provide them at least some social contact. (4) That a telephone reassurance system be used to provide a means of insuring that many of the older people have someone to check on them regularly in case they need help or emergency medical treatment. (5) That a transportation service be initiated to provide a means of getting the older persons to and from needed sources of service.

In each instance, funding is done jointly between the primary agency or organization concerned and the Areawide project. In each instance, available resources will be tapped first and utilized to their maximum before the Areawide funds are used. It must be remembered that the foregoing example, although typical, by no means exhausts the range of possibilities open to a community. The proposed plan will be uniquely tailored to meet the specific needs of the elderly in that community. When available funds do not permit full implementation of the plan, the highest priority service programs will be initiated first.

Program Plans 1972

In 1971 ten areas are being selected for funding for a total of $2,200,000. The $4,000,000 requested for 1972 is needed for continuation costs of projects begun the prior year. These funds will supply additional resources for existing Areawide Model projects to continue implementation of the plans developed in 1971.

PLANNING AND OPERATIONS

	1971 Estimate	Estimate	Increase or Decrease
Planning and Operations:	$4,000,000	$4,000,000	0

Background:

This program is authorized by Title III of the Older Americans Act of 1965, as amended. With the passage of the Title III Older Americans Act Amendments of 1969, the designated State agencies on Aging were given significant new responsibilities which relate primarily to statewide planning, coordination, and evaluation. Prior to the passage of these amendments, the activities of the State agencies on aging were devoted primarily to the effective implementation of the Title III community project activity.

These funds are allocated on a formula based on the population aged 65 and over in the State. However, no State receives less than $75,000, except the Virgin Islands, Guam, the Trust Territory of the Pacific Islands, and American Samoa which receive no less than $25,000. These funds pay up to 75 percent of the cost of statewide planning, coordination, evaluation, and administration.

Program Description 1970-1971:

The major achievements of the designated State agencies during FY 1970 were in the following areas:

- Recruitment of additional specialized staff to carry out new and increased responsibilities related to planning;
- Organization of State Older American Advisory Committees;
- Pre-White House Conference on Aging activities including the conduct of public hearings; and
- Preliminary data gathering and analysis activities in accordance with the planning requirements specified in the Regulations and guidelines.

These efforts of the State agencies on behalf of the elderly have resulted in a sharper focus of attention on the needs and problems of the aged throughout the nation.

In FY 1971, the pace of activity of the State agencies in the areas of planning, coordination, and evaluation have noticeably quickened. The guidelines established by AoA for the State Agencies designated the time period of 1970 and 1971 as the period of preliminary planning. During this period, each State agency is primarily engaged in three major activities directly related to its planning responsibilities. These activities are:

- a comprehensive study of the status and needs of the elderly in the State
- a comprehensive analysis of resources for aging in the State
- public forums and hearings through which the elderly themselves express their needs
- evaluation of impact of resources on needs identified.

These activities are essential for the effective completion of the second and subsequent phases of statewide planning and for the conduct of an effective White House Conference on Aging.

Summarized on the following page are the four planning phases for the States and the interdependence of these activities with State White House Conference on Aging (WHCA) activities.

Time Period	Title III State Planning Timetable	State WHCA Time table
Jan 70 Dec 71	Phase I: Comprehensive data gathering and assessment of the status and needs of the elderly and resources to meet these needs; and evaluation of impact of resources on needs identified	Community Forums (hearings) Community WHCA Conferences State WHCA Conferences National White House Conference on Aging
Jan 72 June 72	Phase II: Development of State Policy, goals, and priorities; and an Action Plan on Aging for the 1970's	Development of National policy and priorities
July 72	Phase III: Begin implementation of State Action Plan on Aging and continued evaluation and updating of Phases I, II, and III.	

Program Plans for 1972:

The period of 1972 contains several phases of the statewide planning process as outlined above. These include data collection and the establishment of State policy, goals, priorities, and an action plan for the aging. These will relate directly to national White House Conference on Aging policies.

In 1972 the primary objective of the statewide planning, coordination, and evaluation activity is the development of a network of effective agencies on aging. This envisions a State agency in every State capable of being an effective advocate and spokesman on behalf of the total elderly population of the State. In addition, these agencies must be capable of influencing the decision-making process within the State relative to the aged. They must be capable of conducting effective short and long-range planning, of providing technical assistance to other State and community agencies concerned with the elderly, and coordinating and integrating the activities and services of these agencies to better meet the needs of the elderly.

Following the successful completion of the comprehensive data gathering activities described in Phase I, the activities to be undertaken in FY 1972 will significantly strengthen the potential of more effective and responsive programs and services being available to the elderly in every State.

FOSTER GRANDPARENTS

	1971 Estimate	1972 Estimate	Increase or Decrease
Grants.....	$10,500,000	$7,500,000	-$3,000,000

Background

The Foster Grandparent Program, authorized by Title VI of the Older Americans Act of 1965, as amended, is a project grant program which provides opportunities for low income ($1900 for an individual and $2500 for a couple) older persons to contribute to their community in the retirement years and to enjoy the self-respect and satisfactions that come from being needed and serving others. The focus of foster grandparent service is on a person-to-person relationship, on the gains that come from an individualized continuing relationship between a concerned, mature adult and a child with special needs.

In 1965, the initial year of the program, twenty-one demonstration projects were funded. There are currently 68 individual programs in 40 States and Puerto Rico. There are 183 participating institutions in which about 4,200 foster grandparents serve over 8,400 children on any given day and over 20,000 children during a year.

Program Description

Foster grandparents serve children in State and private institutions and day care centers; they serve children in general and pediatric hospitals, in institutions for the mentally retarded, mentally ill and emotionally disturbed, and in inner-city day care, pre-school and school settings. In some cases the achievement of the foster grandparents has been spectacular (recognition that several children were not mentally retarded but had emotional difficulties which improved vastly as a result of the foster relationship; dramatic improvements in the behavior and education of mentally retarded children were reported by several sources). In all cases the achievement of the foster grandparents has been the addition of humanism and normality to the lives of institutionalized children.

Many of the children with whom the foster grandparents work suffer from severe physical and mental disabilities. For these children, foster grandparents offer the friendship and attention of a consistent adult relationship that can be all important in helping the handicapped child grow to his full potential.

The Foster Grandparent Program was designed as a program to meet the needs of low-income persons over 60 years of age and it has had a major economic and social impact on those older persons who participate. Foster grandparents receive a stipend of $1.60 an hour and generally serve four hours a day, five days a week. Over eighty percent of the total cost of the program is received as direct benefits by the foster grandparents. These benefits include stipends, transportation, meals, medical examinations, workmen's compensation, and social security.

In addition foster grandparents gain a renewed sense of belonging, of being needed and of actively contributing to the welfare of others.

Plans for 1972

The request for 1972 represents about a 30% reduction from the prior year. This, combined with the substantial increase in the Retired Seniro Volunteer Program, reflects a strategy designed to provide expanded service roles for older persons with an increased number of service opportunities. This will also broaden the range of persons served to include those of all ages and groups as beneficiaries.

Current plans include efforts to obtain additional financial support by using funds from social services and child welfare where possible. Every effort will be made to insure that no individual grandparents loses his position as a result of this reduction. Program level will be reduced by not filling slots vacated through normal turnover until the reduced operating level is reached.

RETIRED SENIOR VOLUNTEER PROGRAM

	1971 Estimate	1972 Estimate	Increase or Decrease
Retired Senior Volunteer Program:			
Continuation Grants.....	---	$1,000,000	+$1,000,000
New Grants.....	500,000	4,000,000	+3,500,000
Total.....	500,000	5,000,000	+4,500,000

Background:

This program is authorized by Title VI of the Older Americans Act of 1965, as amended and was created on September 17, 1969, when the 1969 Amendments to the Older Americans Act became law. The Retired Senior Volunteer Program is a new approach, opening the door to many new opportunities for retired persons to voluntarily contribute their services in their own communities and alleviate the blight of isolation and loneliness which is so often the curse of old age. The Administration on Aging is vitally concerned with the goal of alleviating isolation and dependency among the elderly. The development of personally meaningful opportunities for older persons to serve as volunteers is a very important part of this goal. A large segment of the older people in the United States are living on the periphery of life, unhappy with their lack of participation. They are retired from their work, no longer needed by their families, yet have much to give in the way of time, knowledge, skill and understanding. There is a lack of adequate opportunity to take advantage of their availability and their desire to be useful.

Program Description

The Retired Senior Volunteer Program will meet this need by structuring useful and satisfying roles for older persons as volunteers providing needed services in or through community agencies. Every effort will be made to maximize personal satisfactions for the older volunteers by careful placement techniques currently under development. Emphasis will also be placed upon designing projects which will best meet the needs of the communities.

Many of the volunteers will be recruited, trained, and assigned in groups to public or private non-profit agencies and organizations in their own or nearby communities. The primary focus of the services provided will be on direct social services to people. However, for those older persons unable or unwilling to engage in this type of activity, other needed services will be developed in the volunteer project such as sewing, repair of recreation equipment, etc., not requiring direct involvement with the beneficiaries.

The social services rendered by senior volunteers will include, but not be limited to, such activities as: friendly visiting with aged, ill, or handicapped persons; assisting ill or aged persons with personal shopping; working as tutors with under-achievers in schools; assisting in providing recreational activities for the aged and the institutionalized of all ages; assisting rehabilitation agencies in activities to rehabilitate the mentally and physically disabled; counseling older persons on good consumer practices; and giving individualized care and attention to hospitalized children. All services rendered will be in addition to, not a duplication of, services being performed by employed workers.

Where possible, the group approach will be a key factor in the program because of its proven value to older persons. Working as one of a group provides to volunteers the opportunity for the personal interchange and mutual support that many older persons need, strengthening their motivation to serve, increasing the self-esteem of each volunteer, and enhancing the image of older persons in the community.

Volunteers will serve on a regular basis, one or more days per week without compensation except for out-of-pocket expenses including meals and transportation averaging $2.50 daily. This is significant because the reduced or marginal incomes of a majority of retired persons preclude their being volunteers if it costs them money. It will also promote reliability and continuity, important to the agencies and organizations in which the volunteers are involved.

Sufficient full-time, paid staff will be provided to give the necessary guidance, continuity, training and ongoing supervision to each of the local programs. About 3,000 volunteers will be supported in 1971.

Plans for 1972

The $5,000,000 requested for 1972 will prove opportunities for approximately 29,200 volunteers. It would permit the funding of the 10 programs begun in 1971 for their second year of operation and allow for the initiation of 80 new programs.

Every effort will be made to draw upon existing resources within the community for support of these volunteer service programs. These programs will be developed through the designated State Agency on Aging to insure the maximum coordination with existing service and planning systems.

Emphasis will be placed upon providing the maximum number of service opportunities at the most reasonable cost while insuring that the services provided are beneficial to both the community served and the older persons providing the service.

SOCIAL AND REHABILITATION SERVICE

Special Programs for the Aging

Program Purposes and Accomplishments

Activity: State Planning and Service Grants: Community Programs (Older Americans Act of 1965, as Amended, Title III)

1971	1972 Authorization	1972 Budget Estimate
$9,000,000	$30,000,000	$5,350,000

Purpose: Community projects are supported to assist in the development of effective programs to meet the needs of all older persons through (1) community planning and coordination of programs for older persons, (2) provision for new or expanded community services for the elderly, and (3) training of special personnel to serve the elderly.

Explanation: Grants are made to States on a formula basis. States in turn make grants to local, public or private non-profit organizations to carry out community programs. Federal funds may pay up to 75% of the first year costs of community projects; up to 60% of second year costs; and up to 50% of third or any subsequent year's cost.

Accomplishments in 1971: In 1971 approximately 700 community programs were supported by this Federal-State-Local activity. It is estimated that approximately one million older persons will receive direct benefits from this program in 1971.

Objectives for 1972: Funds recommended for 1972 would be adequate to meet about 90% of the continuation costs of projects active in 1971. There will be increased emphasis on encouraging States to favor projects for planning, evaluation advocacy and the maximum utilization of existing service delivery systems. Every effort will be made to direct community program resources into the service area of existing effect of using both these programs plus all existing service delivery systems will encourage a more productive impact on the lives of older persons within the reach of the program.

SOCIAL AND REHABILITATION SERVICE

Special Programs for the Aging

Program Purpose and Accomplishments

Activity: State Planning and Service Grants: Areawide Model Projects (Older Americans Act of 1965, as amended, Title III).

	1972	
1971	Authorization	Budget Estimate
$2,200,000	$10,000,000	$4,000,000

Purpose: The 1969 Amendments to Title III of the Older Americans Act authorized areawide model projects for serving the elderly. These programs will increase benefits to older people as a result of planning and coordination, and the focusing of available Federal, State, and local resources on the needs in a designated statewide, regional, county, metropolitan, city or other area.

Explanation: The model being developed by the Administration on Aging for these projects envisions a local task force composed of representatives of all organizations concerned with the elderly who will (a) complete a survey of the elderly in the potential service area to determine their most pressing needs and (b) draw up a plan of action designed to meet these needs through various programs.

The task force would include representatives from both the public and private sectors such as social services, education, housing, transportation, social security, business industry, and civic and religious agencies. The task force will obtain data on the ability of existing organizations and institutions within the area to meet the needs of the elderly population there. The data gathered will form the basis for the creation of a plan of action designed to meet the most pressing needs.

The Administration on Aging will make direct project grants to selected State agencies who may sub-contract the operation of the program to local action groups. Matching will be on a 75% Federal, 25% non-Federal basis.

Accomplishments in 1971: This program is beginning its first year of operation in 1971. Present plans envision the funding of 10 projects for a total of $2,200,000 during the latter portion of the year. Progress is currently being made on the preparation of guidelines and regulations which must be completed prior to making the grant awards.

Objectives for 1972: $4,000,000 is requested for 1972, an increase of $1,800,000 over 1971. The $4,000,000 will be needed for continuation costs during the second year of operation of the ten projects. The funds requested will be used to implement the highest priority components of each action plan submitted. Joint funding and active collaboration with other service agencies will be a significant aspect of each project.

SOCIAL AND REHABILITATION SERVICE

Special Programs for the Aging

Program Purpose and Accomplishments

Activity: State Planning and Service Grants: Planning and Operations (Older Americans Act of 1965, as amended, Title III).

	1972	
1971	Authorization	Budget Estimate
$4,000,000	$5,000,000	$4,000,000

Purpose: The 1969 Amendments to Title III of the Older Americans Act authorize a program of statewide planning, coordination, and evaluation on behalf of older persons by State agencies on aging. This program is designed to strengthen the leadership and advocacy role of State agencies as well as to enable these agencies to plan and coordinate better utilization of existing resources to serve the elderly.

Explanation: This is a grant program to States for planning, coordination and evaluation activities; and for administering the community grant and areawide programs. Federal funds are available on a 75% Federal, 25% State matching basis; distributed to States on a formula basis with a minimum of $75,000 to each State.

Accomplishments in 1971: By 1971, all 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam and the Trust Territories of the Pacific had approved State plans and were participating in the program. Only one eligible jurisdiction is not in the program at this time. According to current plans, by the end of 1971 each State or jurisdiction will complete (1) an assessment of the status and needs of the older persons within the State, (2) an assessment of programs and resources available to the elderly, and (3) a series of public forums and hearings in preparation for the White House Conference on Aging through which the elderly themselves express their needs.

Objectives for 1972: There are several major objectives this year. In spring and early summer each State will hold a White House Conference on Aging which will provide input for the National Conference in November, 1971. They will also be responsible for the evaluation of needs and resources from data gathered during 1971; for the establishment of State policy, goals, priorities, and initiating an action plan for the aging directly related to National Conference on Aging Policy.

62-917 O - 71 - pt. 4 ---24

SOCIAL AND REHABILITATION SERVICE

Special Programs for the Aging

Program Purpose and Accomplishments

Activity: Foster Grandparent Program (Older Americans Act of 1965, as amended Title VI, Part B).

	1972	
1971	Authorization	Budget Estimate
$10,500,000	$25,000,000	$7,500,000

Purpose: The 1969 Amendments to the Older Americans Act of 1965 authorize a Foster Grandparent Program designed to provide opportunities for low income persons aged sixty or over to render supportive person-to-person service in health, education, welfare, and related settings to children receiving care in hospitals, homes for dependent and neglected children, or other establishments providing care for children with special needs.

Explanation: Grants are made to public or private agencies and organizations on a matching basis with a Federal share of up to 90%. These grants provide older persons with an opportunity for a community service, a meaningful involvement in rewarding activity, plus a small stipend and other fringe benefits.

Accomplishments in 1971: In 1971, 68 Foster Grandparent Programs provided opportunities for 4,200 older persons to serve 8,400 children each day. At least 80% of the total program cost was spent as direct benefits to foster grandparents. The program has demonstrably improved the social, physical and emotional functioning of children in institutions who have received this care.

Objectives for 1972: The request for 1972 represents about a 30% reduction from the prior year. This, combined with the substantial increase in the Retired Senior Volunteer Program, reflects a strategy designed to provide expanded service roles for older persons with a greatly increased number of service opportunities. This strategy will also broaden the range of persons served to include those of all ages and backgrounds.

Current plans include efforts to obtain additional financial support by using funds from social services and child welfare where possible. Every effort will be made to insure that no individual grandparent must lose his position as a result of this reduction. Program level will be reduced by not filling slots vacated through normal turnover until the reduced operating level is reached.

SOCIAL AND REHABILITATION SERVICE

Special Programs for the Aging

Program Purpose and Accomplishments

Activity: Retired Senior Volunteer Program (Older Americans Act of 1965, as amended, Title VI, part A)

	1972	
1971	Authorization	Budget Estimate
$ 500,000	$15,000,000	$5,000,000

Purpose: The Retired Senior Volunteer Program was created on September 19, 1969 when the 1969 Amendments to the Older Americans Act became law. This project grant program would allow many retired persons 60 and over to volunteer their time and effort in service to their communities.

Explanation: Volunteers would serve on a regular basis, one or more days per week without compensation except for out-of-pocket expenses averaging $2.50 daily. This would cover transportation, meals, and other out-of-pocket expenses incident to their volunteer activities. This is significant because the reduced or marginal incomes of a big majority of retired persons preclude their being volunteers if it costs them money. It would also promote reliability and continuity, important to the agencies and organizations in which the volunteers are involved. Sufficient full-time paid staff would be provided to give the necessary guidance, continuity, training and ongoing supervision to each of the local projects.

Accomplishments in 1971: This is the initial program year. Present plans envision funding 10 projects distributed throughout the country. This would provide 3,000 volunteers with the opportunity to serve their communities in a variety of service roles. Program regulations and guidelines are currently being completed and project funding will occur in the final quarter.

Objectives for 1972: The $5,000,000 requested for 1972 would provide $1,000,000 for the second year costs of projects begun in 1971. This increase in second year costs is due to the slow start-up resulting from the initial phase of operation. Approximately 80 new projects will be initiated in 1972 with the remaining $4,000,000. These projects would provide opportunities for approximately 29,200 older persons to serve as volunteers to their communities.

STATE ALLOTMENT TABLE

COMMUNITY PROGRAM FUNDS 1/

State	1970 Actual 2/	1971 Estimate 2/	1972 Estimate 2/
Total, 56 "States".....	$9,000,000	$9,000,000	$5,350,000
Alabama.....	155,700	155,700	92,555
Alaska.....	90,900	90,900	54,035
Arizona.....	117,900	117,900	71,155
Arkansas.....	138,600	138,600	81,855
California.....	449,100	449,100	269,105
Colorado.....	128,700	128,700	75,970
Connecticut.....	149,400	149,400	88,275
Delaware.....	99,000	99,000	58,315
District of Columbia.....	105,300	105,300	62,060
Florida.....	257,400	257,400	157,825
Georgia.....	163,800	163,800	97,370
Hawaii.....	99,000	99,000	58,315
Idaho.....	104,400	104,400	61,525
Illinois.....	321,300	321,300	188,855
Indiana.....	193,500	193,500	113,955
Iowa.....	164,700	164,700	97,370
Kansas.....	145,800	145,800	86,135
Kentucky.....	161,100	161,100	95,230
Louisiana.....	151,200	151,200	89,880
Maine.....	115,200	115,200	67,945
Maryland.....	148,500	145,500	88,275
Massachusetts.....	225,000	225,000	132,145
Michigan.....	248,400	248,400	147,660
Minnesota.....	176,400	176,000	104,325
Mississippi.....	135,900	135,900	80,785
Missouri.....	207,000	207,000	122,515
Montana.....	104,400	104,400	62,060
Nebraska.....	128,700	128,700	75,970
Nevada.....	95,400	95,400	56,175
New Hampshire.....	107,100	107,100	63,130
New Jersey.....	232,200	232,200	137,495
New Mexico.....	104,400	104,400	62,060
New York.....	504,900	504,900	297,460
North Carolina.....	172,800	172,800	102,720
North Dakota.....	104,400	104,400	61,525

Ohio	299,700	299,700	176,550
Oklahoma	151,200	151,200	89,345
Oregon	135,900	135,900	80,250
Pennsylvania	356,400	356,400	210,255
Rhode Island	110,700	110,700	65,805
South Carolina	128,700	128,700	76,505
South Dakota	107,100	107,100	65,270
Tennessee	168,300	168,300	99,510
Texas	286,200	286,200	171,200
Utah	105,300	105,300	62,595
Vermont	100,800	100,800	59,920
Virginia	162,900	162,900	97,370
Washington	156,600	156,600	92,555
West Virginia	131,400	131,400	78,110
Wisconsin	188,100	188,100	111,280
Wyoming	96,300	96,300	57,245
American Samoa	45,000	45,000	28,890
Guam	45,000	45,000	31,565
Puerto Rico	125,100	125,100	73,295
Trust Territory	45,900	45,900	31,565
Virgin Islands	45,900	45,900	28,890

1/ Each "State" receives, in addition, $75,000 for planning and operations,

2/ Up to 1% of the total appropriated may be reserved for federal evaluation of the program.

BUDGET AMENDMENT

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Special Programs for the Aging

Amounts Available for Obligation

	1972 Original Estimate	Proposed Amendment	1972 Revised Estimate
Appropriation	$25,850,000	$7,850,000	$33,700,000
Unobligated balance, start of year	650,000	---	650,000
Total obligations	$26,500,000	$7,850,000	$34,350,000

Obligations by Activity

	1972 Original Estimate	Proposed Amendment	1972 Revised Estimate
1. State planning and service grants:			
(a) Community programs	$5,350,000	$3,650,000	$9,000,000
(b) Areawide projects	4,000,000	1,200,000	5,200,000
(c) Planning and operations	4,000,000	---	4,000,000
2. Foster grandparents	7,500,000	3,000,000	10,500,000
3. Retired senior volunteer program	5,000,000	---	5,000,000
4. White House Conference on Aging	650,000	---	650,000
Total obligations	$26,500,000	$7,850,000	$34,350,000

Obligations by Object

	1972 Original Estimate	Proposed Amendment	1972 Revised Estimate
Total number of permanent positions	25	---	25
Full-time equivalent of all other positions	1	---	1
Average number of all employees	23	---	23
Personnel compensation:			
Permanent positions	$269,000	$ ---	$269,000
Positions other than permanent	12,000	---	12,000
Subtotal, personnel compensation	281,000	---	281,000
Personnel benefits	20,000	---	20,000
Travel and transportation of persons	78,000	---	78,000
Transportation of things	2,000	---	2,000
Rent, communications, and utilities	25,000	---	25,000
Printing and reproduction	51,000	---	51,000
Other services	10,000	---	10,000
Project contracts	100,000	79,000	179,000
Supplies and materials	3,000	---	3,000
Equipment	2,000	---	2,000
Grants, subsidies and contributions	25,928,000	7,771,000	33,699,000
Total obligations by object	26,500,000	7,850,000	34,350,000

Summary of Changes

1972 Obligations:

1972 original estimate	$26,500,000
1972 revised estimate	34,350,000
Net change (proposed budget amendment)	+7,850,000

	1972 Original Estimate	1972 Change
Program Increases:		
1. Community programs	$5,350,000	$+3,650,000
2. Areawide model projects	4,000,000	+1,200,000
3. Foster grandparents	7,500,000	+3,000,000
Total increases	---	+7,850,000

Explanation of Changes

1. The amount requested for Title III community programs of $3,650,000 would provide funds to maintain the 1971 funding level of $9,000,000 which will allow the funding of over 700 community projects during 1972.

2. An additional $1,200,000 is requested for Title III areawide model projects, bringing the revised total to $5,200,000. This new amount would allow increased implementation of the plans formulated during 1971 and may provide for several new projects.

3. The additional $3,000,000 requested for foster grandparents would support the program to the 1971 funding level of $10,500,000. The revised total will fund over 4,200 grandparent positions which will serve over 8,400 children on any given day and over 20,000 children during a year.

Authorizing Legislation

Legislation	1972 Authorized	1972 Appropriation requested
Older Americans Act of 1965 and Older Americans Act Amendments of 1967 and 1969		
Section 301--Grants for State and Community Programs on Aging	$30,000,000	$ 9,000,000
Section 304--Planning, Coordination and Evaluation and Administration of State Plans	5,000,000	4,000.000
Section 305--Areawide Model Projects	10,000,000	5,200,000
Section 603--Retired Senior Volunteer Program	15,000,000	5,000,000
Section 614--Foster Grandparent Program	25,000,000	10,500,000

OLDER AMERICANS ACT

AUTHORIZATION OF APPROPRIATIONS

SEC. 301. The Secretary shall carry out during the fiscal year ending June 30, 1966, and each of the six succeeding fiscal years, a program of grants to States in accordance with this title. There are authorized to be appropriated $5,000,000 for the fiscal year ending June 30, 1966, $8,000,000 for the fiscal year ending June 30, 1967, $10,550,000 for the fiscal year ending June 30, 1968, $16,000,000 for the fiscal year ending June 30, 1969, $20,000,000 for the fiscal year ending June 30, 1970, $25,000,000 for the fiscal year ending June 30, 1971, and $30,000,000 for the fiscal year ending June 30, 1972 for—

(1) community planning and coordination of programs for carrying out the purposes of this Act;

(2) demonstrations of programs or activities which are particularly valuable in carrying out such purposes;

(3) training of special personnel needed to carry out such programs and activities; and

(4) Establishment of new or expansion of existing programs to carry out such purposes, including establishment of new or expansion of existing centers providing recreational and other leisure time activities, and informational, health, welfare, counseling, and referral services for older persons and assisting such persons in providing volunteer community or civic services; except that no costs of construction, other than for minor alterations and repairs, shall be included in such establishment or expansion.

PLANNING, COORDINATION, AND EVALUATION AND ADMINISTRATION OF STATE PLANS

SEC. 304. (a) There are authorized to be appropriated $5,000,000 each for the fiscal year ending June 30, 1970, and the next two fiscal years for making grants to each State, which has a State plan approved under this title, to pay such percentage, not in excess of 75 per centum, as the State agency (established or designated as provided in section 303(a)(1)) may provide, of the costs of planning, coordinating, and evaluating programs and activities related to the purposes of this Act and of administering the State plan approved under this title. Funds appropriated pursuant to the preceding sentence for the fiscal years ending June 30, 1970, and June 30, 1971, but not expended because a State did not have authority under State law to expend such funds, as determined by the Secretary pursuant to paragraph (4) of subsection (b) of this section, shall remain available as provided in such paragraph.

(b) (1) From the sum appropriated for a fiscal year under subsection (a), the Virgin Islands, Guam, the Trust Territory of the Pacific Islands, and American Samoa shall be allotted an amount equal to one-half of 1 per centum of such sum or $25,000, whichever is greater, and each other State shall be allotted an amount equal to 1 per centum of such sum.

AREAWIDE MODEL PROJECTS

SEC. 305. (a) The Secretary is authorized, upon such terms as he may deem appropriate, to make grants to or contracts with State agencies established or designated as provided in section 303(a)(1) to pay not to exceed 75 per centum of the cost of the development and operation of statewide, regional, metropolitan area, county, city, or other areawide model projects for carrying out the purposes of this title, to be conducted by such State agencies (directly or through contract real arrangements). Such projects shall provide services for, or create opportunities for, older persons, and shall be in fields of service and for categories of older persons determined in accordance with regulations prescribed by the Secretary after consultation with representatives of such State agencies.

(b) There are authorized to be appropriated to carry out this section $5,000,000 for the fiscal year ending June 30, 1970, and $10,000,000 each for the fiscal year ending June 30, 1971, and the fiscal year ending June 30, 1972.

TITLE VI—NATIONAL OLDER AMERICANS VOLUNTEER PROGRAM

PART A—RETIRED SENIOR VOLUNTEER PROGRAM

GRANTS AND CONTRACTS FOR VOLUNTEER SERVICE PROJECTS

AUTHORIZATION OF APPROPRIATIONS

Sec. 603. There are authorized to be appropriated, for grants or contracts under this part, $5,000,000 for the fiscal year ending June 30, 1970, $10,000,000 for the fiscal year ending June 30, 1971, and $15,000,000 for the fiscal year ending June 30, 1972.

PART B—FOSTER GRANDPARENT PROGRAM

AUTHORIZATION OF APPROPRIATIONS

Sec. 614. There are authorized to be appropriated for grants or contracts under this part, $15,000,000 for the fiscal year ending June 30, 1970, $20,000,000 for the fiscal year ending June 30, 1971, and $25,000,000 for the fiscal year ending June 30, 1972.

SOCIAL AND REHABILITATION SERVICE

Special Programs for the Aging

Program Purpose and Accomplishments

Activity: State Planning and Service Grants: Community Programs (Older Americans Act of 1965, as amended, Title III)

1972

Authorization	Original Estimate	Revised Estimate
$30,000,000	$5,350,000	$9,000,000

Purpose: The proposed amendment would add $3,650,000 to the original estimate of $5,350,000. The revised estimate of $9,000,000 would support the community grant program at the 1971 level of operation.

Explanation: The additional amount requested is needed since the implementation of the new areawide model project program has proceeded slower than anticipated.

Objectives for 1972: The revised request of $9,000,000 will meet all continuation costs of projects active in 1971 and will provide about the same level of new starts as in the prior year. About 700 community projects can be supported with the funds requested. States which have areawide model projects will be encouraged to fund new community grants within the project area so that the resources available through community programs may support and supplement the areawide effort.

SOCIAL AND REHABILITATION SERVICE

Special Programs for the Aging

Program Purpose and Accomplishments

Activity: State Planning and Service Grants: Areawide Model Projects (Older Americans Act of 1965, as amended, Title III)

1972

Authorization	Original Estimate	Revised Estimate
$10,000,000	$4,000,000	$5,200,000

Purpose: The proposed amendment would add $1,200,000 to the original estimate. The new total of $5,200,000 would be used for further implementation of the areawide plans developed in 1971.

Explanation: Current program plans indicate that the service plans proposed by the areawide project task forces require more funds than originally estimated. The additional sum requested would provide for the better implementation of these single service programs.

Objectives for 1972: The funds requested would support the projects designed in 1971. The full $5,200,000 will probably be required for this purpose, however, it may be possible to fund several new projects also. The funds requested will be used to implement the highest priority components of each action plan submitted. Joint funding and active collaboration with other service agencies will be a significant aspect of each project.

SOCIAL AND REHABILITATION SERVICE

Special Programs for the Aging

Program Purpose and Accomplishments

Activity: Foster Grandparent Program (Older Americans Act of 1965, as amended Title VI, Part B)

1972

Authorization	Original Estimate	Revised Estimate
$25,000,000	$7,500,000	$10,500,000

Purpose: The proposed amendment would add $3,000,000 to the original request of $7,500,000. The revised estimate of $10,500,000 would retain the foster grandparent program at the 1971 level of operation.

Explanation: The President has proposed a new volunteer service agency called ACTION, to which the foster grandparent program would be transferred in 1972. This new agency offers a potential for expanded services, and a fair test of that potential demands that ACTION assume the operation of the foster grandparent program with funds equaling the amount available prior to the transfer.

Objectives for 1972: New service opportunities will be explored with the transfer of the program to ACTION. The $10,500,000 requested will fund over 4,200 grandparent positions during 1972. These grandparents will serve over 8,400 children on any given day and over 20,000 children during the year.

TUESDAY, MAY 18, 1971.

RESEARCH AND TRAINING

WITNESSES

RICHARD M. LONGMIRE, ASSOCIATE ADMINISTRATOR, PLANNING, RESEARCH, AND TRAINING
JOHN D. TWINAME, ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE
JOHN C. MONTGOMERY, DIRECTOR, FAMILY ASSISTANCE PLANNING
JOSEPH P. CORBETT, CHIEF, DIVISION OF INCOME MAINTENANCE RESEARCH, FAMILY ASSISTANCE PLANNING
DR. JAMES F. GARRETT, ASSISTANT ADMINISTRATOR, RESEARCH AND DEMONSTRATIONS
FRANK S. CARACCIOLO, ASSISTANT ADMINISTRATOR, MANPOWER DEVELOPMENT AND TRAINING
MRS. CORINNE H. WOLFE, DEPUTY ASSISTANT ADMINISTRATOR, MANPOWER DEVELOPMENT AND TRAINING
HAROLD F. SHAY, CHIEF, DIVISION OF TRAINING, REHABILITATION SERVICES ADMINISTRATION
BERWICK A. DREWS, BUDGET OFFICER, PLANNING, RESEARCH, AND TRAINING
RANDOLPH W. LEE, DIRECTOR, BUDGET DIVISION, SOCIAL AND REHABILITATION SERVICE
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

RESEARCH AND TRAINING

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
Research:			
(a) Research and demonstrations	22,640	24,817	23,125
(b) Income maintenance	7,913	9,000	11,000
(c) Special centers	11,491	14,918	12,375
Training:			
(a) Rehabilitation	27,634	27,700	14,650
(b) Community services			4,000
(c) Aging			1,850
Total obligations	69,678	76,435	67,000
Financing:			
Unobligated balance lapsing	245		
Budget authority	69,923	76,435	67,000
Budget authority:			
Appropriation	71,500	76,435	67,000
Portion withdrawn (Public Law 91-204, sec. 410)	−1,577		
Appropriation (adjusted)	69,923	76,435	67,000
Distribution of budget authority by account:			
Rehabilitation research and training	60,000		
Cooperative research or demonstration projects	11,500		
Research and training		76,435	67,000
Relation of obligations to outlays:			
Obligations incurred, net	69,678	76,435	67,000
Obligated balance, start of year	41,075	49,747	57,427
Obligated balance, end of year	−49,747	−57,427	−53,727
Adjustments in expired accounts	−1,425		
Outlays	59,581	68,755	70,700
Distribution of outlays by account:			
Rehabilitation research and training	57,708		
Cooperative research or demonstration projects	1,873		
Research and training		68,755	70,700

Note.—Includes $12,125,000 in 1972 for activities previously funded from:

	1970	1971
Grants to States for public assistance	7,000,000	15,080,000
Special programs for the aging	5,689,000	5,800,000
Maternal and child health and welfare	7,579,000	
Salaries and expenses		825,000

INTRODUCTION OF RICHARD LONGMIRE

Mr. SMITH. The first item this morning is the social and rehabilitation service research and training. Mr. Richard Longmire, associate administrator.

Mr. Longmire, you have a biographical sketch we will insert in the record and you may proceed.

(The biographical sketch follows:)

BIOGRAPHICAL SKETCH

Name: Richard M. Longmire.

Position: Associate Administrator for Planning, Research and Training.

Birthplace and date: Columbus, Ohio—August 19, 1929.

Education: Mr. Longmire received his BS degree in physics from the Ohio State University in 1952, and his MS degree in electrical engineering from the University of Southern California in 1960.

Experience: Present, Associate Administrator, SRS, since September 1, 1970. 1968–70: Manager, Public Safety Department, Research Analysis Corp. Directed criminal justice studies covering problems of the police and juvenile court; trained State criminal justice planners and police chiefs of major cities on the use of gaming techniques; studied ways in which existing institutions may be utilized to help alleviate some of the causes of juvenile crime; chaired a major working conference to develop an integrated approach (schools, police, courts, corrections) to the prevention and control of juvenile delinquency. 1965–68: At the Research Analysis Corp., he managed several operations analysis studies and chaired a worldwide conference on Army tactical data systems. 1955–65: Project Manager and Operations Research Scientist on many systems analysis studies at the Columbia Research and Development Corp., Battelle Memorial Institute, Hughes Aircraft Co., and the Systems Development Corp. 1952–55: Served in the U.S. Navy Civil Engineering Corps.

Honors and awards: He received a 4-year Holloway College scholarship and a Hughes Graduate fellowship. Mr. Longmire is listed in *Who's Who in the South and Southwest; Community Leaders in the United States; Personalities of the South; Dictionary of International Biography;* and *American Men of Science.*

General Statement

Mr. Longmire. Mr. Chairman and members of the committee, we are requesting $69,150,000 for research and training in 1972. The programs covered under this appropriation have been broadened this year to include all research and training project grants and contracts of the Social and Rehabilitation Service. These programs are authorized by the following legislation; sections 4, 7, and 16 of the Vocational Rehabilitation Act; sections 426, 707, 1110, and 1115 of the Social Security Act; Titles IV and V of the Older Americans Act; and the International Health Research Act.

CONSOLIDATION OF RESEARCH FUNCTIONS

All research functions of the Social and Rehabilitation Service have been consolidated within the Office of Research and Demonstrations in the Office of Planning, Research, and Training to improve our capability of administering the total research strategy, and utilization of research findings of the SRS. The request for research activities is $24,125,000 for research and demonstrations, $11,000,000 for income maintenance studies, and $12,375,000 for special centers.

RESEARCH AND DEMONSTRATIONS

We are proposing research and demonstration programs to further advance our knowledge and improve the delivery of services to those who are disabled and who require vocational rehabilitation including the rehabilitation of the alcoholic and drug addict; to improve the administration of social services to the poor; to improve child welfare services, especially in the areas of providing effective alternatives to institutional care; and to develop better ways of delivering and financing health care services to those with low incomes.

INCOME MAINTENANCE EXPERIMENTS

We will continue the Seattle-Denver, and Gary, Ind., income maintenance studies in order to insure the availability of research-based information necessary to the development, implementation and analy-

sis of welfare reform measures. The operational phases of these experiments are planned to last through the middle of 1974, with final results to be reported in the fall of 1974. The experiments look to the future in the sense that they are designed to provide useful information to the policymakers who will be concerned with such questions as the impact of raising the basic support level, changing the marginal tax rates, expanding program coverage, and integration with other in-kind and cash programs. Thus, research findings from the experiments will play a very important role in determining the direction of the future income maintenance legislation.

Mr. SMITH. When did the research program start?

Mr. LONGMIRE. The program started in 1969.

Mr. Montgomery is with us today. I will defer to him.

Mr. SMITH. You mention when they will end. When did they start?

Mr. MONTGOMERY. Congressman, the original design work started in the fall of 1969. The operational or payments phase of the Seattle and Gary projects began this year, and we expect that during the latter part of this year operational phase of the Denver project, which is a part of the Seattle experiment, will be initiated.

Mr. SMITH. Proceed.

SPECIAL RESEARCH AND TRAINING CENTERS

Mr. LONGMIRE. The special centers activity includes 19 rehabilitation research and training centers with comprehensive programs of research, training, and services to clients, including the severely physically disabled, and mentally retarded, the deaf, and the vocationally handicapped. The request also provides for the operation of a national center which is conducting research, training and providing services to the deaf-blind. Sixteen regional research institutes, 10 in social welfare and six in rehabilitation, will provide programmatic research on the means of alleviating poverty and improving the potential for employability of the disadvantaged and disabled.

TRAINING

An Office of Manpower Development and Training has been created within the Office of Planning, Research, and Training to coordinate the development of policy and guidelines for all training programs in the Social and Rehabilitation Service. In 1972, the requested funds for training will be used primarily for support of long-term educational programs to meet a major need of increasing the manpower pool for scarce personnel particularly, at the graduate and undergraduate levels. In rehabilitation training we are requesting $14,650,000 which, together with about $4.5 million of fiscal year 1971 funds, will support a program level of about $19 million. In social work training we are requesting $4 million and in gerontology training, $3 million. During the past year we have been engaged in the examination of all the training grant programs and we are developing new criteria and policies for administering them.

We plan not only to support the training of professional and technical personnel in vocational rehabilitation fields such as rehabilitation counseling, rehabilitation facilities administration, vocational

evaluation, and educational programs for those who work with the deaf and blind; but also to support some training of individuals in the subprofessional and helping fields to alleviate serious personnel shortages.

In the field of social welfare, funds are requested for grants and contracts to train individuals to provide services to families, children and young adults in all areas of social functioning and in community planning to meet the social needs of people.

In the area of aging, training grants will be made for the purpose of providing specialized training in the specific problems of the aging and for providing the requisite skills for personnel preparing for or engaged in planning and administering facilities and delivery of services to older people.

In each of our grant programs we are encouraging the development of curriculum that will be instrumental in providing well trained graduates who will be the key persons involved in new systems of social service delivery.

SUMMARY

In summary, Mr. Chairman, we are requesting in 1972, $47,500,000 for research activities which is $11,040,000 below the 1971 level of $58,540,000. For training activities we are requesting $21,650,000, a reduction of $17,950,000 below the $39,600,000 appropriated in 1971. The total request for the research and training appropriation in 1972 is $69,150,000, which is a reduction of $28,990,000 below the 1971 appropriated amount of $98,140,000.

I will be happy to try to answer any questions the committee may have.

TRAINING EMPHASIS ON PROVIDING SCARCE SKILLS

Mr. SMITH. You said on page 3 that you are requesting funds for training to support long-term educational programs particularly at the graduate and undergraduate level. Most everybody we have had before the committee has told us that there is an oversupply of Ph. D.'s who have already graduated and can't find jobs.

What makes your organization so different?

Mr. LONGMIRE. We are talking about an emphasis on undergraduate training and to continue some graduate training in specialized skills.

Mr. SMITH. What skills?

Mr. LONGMIRE. We are talking about the specialized skills of social work education, rehabilitation counseling, rehabilitation facilities administration, and training people to work with the deaf and blind.

Mr. SMITH. You are not talking about fellowships then?

Mr. LONGMIRE. No, sir; not just fellowships.

Mr. SMITH. Or graduate students?

Mr. LONGMIRE. We are providing stipends to graduate students.

CUTS IN THE TRAINING BUDGET

Mr. SMITH. Are you talking about an increase in that?

Mr. LONGMIRE. No, sir. Let me make this comment about the training budget if I may.

With regard to training for aging, due to the budget amendment, we will be continuing at the same level. In the rehabilitation training area we are going to maintain all of the students who are now in the program. There will be a cut in faculty support, a 10 percent cut for the highest level priority, and a 25 percent cut in faculty support for the second priority area.

TRAINING STIPEND STATISTICS

Mr. SMITH. What are the statistics on stipends?

Mr. LONGMIRE. Approximately $2,000 plus tuition. It varies depending on the year. I can provide the breakdown for the record.

(The information follows:)

SRS STIPEND SCHEDULE FOR FISCAL YEAR 1971 AND FISCAL YEAR 1972

Program	B.A. degree		M.A. degree		
	Junior year	Senior year	1st year	2d year	Post M.A. degree
Rehabilitation:					
Rehabilitation counseling			$2,400	$2,664	$3,732 to $4,536.
Psychology			$2,400	$2,664	Do.
Therapeutic recreation			$2,400	$2,664	Do.
Social work			$2,400	$2,664	Do.
Speech pathology			$3,200	$3,200	Do.
Nursing			$3,200	$3,200	Do.
Rehabilitation medicine					$5,000 to $12,000 also $500 for dependent.
Physical therapy	$800	$1,000		$3,200	
Occupational therapy	600	800		$3,200	
Community services: Child welfare (social work).			$2,400, also $600 per dependent.	$2,600, also $600 per dependent.	$4,100 to $4,700, also $500 per dependent.
Aging:					
Social work			do	do	Do.
All other aging training			$2,600 to $3,400, also $500 per dependent.	$2,800 to $3,600, also $500 per dependent.	$2,600 to $3,800, $500 per dependent.

Note: Only CSA trainees and AOA social work trainees are on stipend schedules in accord with OGAP policy.

REDUCTION IN NUMBER OF STUDENTS SUPPORTED

Mr. SMITH. How many last year and how many are you proposing for this year?

Mr. LONGMIRE. The total for all training?

Mr. SMITH. Graduate student stipends and fellowships?

Mr. LONGMIRE. I can give you the breakdown for last year and for this year for support of students first.

Mr. SMITH. Let's concentrate on the graduate students. Do you have it separated?

Mrs. WOLFE. The total last year for support in social work was 1,056 students. The 1972 budget would drop to 726. There are no undergraduates in social work. The total number of students in all SRS training grants was 6,273 in 1971 and will be approximately 4,461 for 1972. Most of them are graduate students with the exception of occupational and physical therapy which support undergraduate students.

Mr. SMITH. Then I don't understand this sentence:

In 1972 the requested funds for training will be used primarily for support of long-term educational programs to meet a major need of increasing the man-

power pool for scarce personnel, particularly at the graduate and undergraduate level.

What are you proposing to do to increase the manpower pool? That was a reduction.

Mr. LONGMIRE. Overall we have a reduction.

Mr. SMITH. Which ones are you increasing?

Mr. TWINAME. I think what the sentence means is all of those graduates who will be coming out of the programs will increase the manpower pool insofar as they are produced from the program. We will be increasing the pool but not at the same rate.

Mr. SMITH. You say the 1972 requested funds will be used primarily to increase the manpower pool?

Mr. TWINAME. But we will produce graduates who would presumably be in the manpower pool that weren't there before. I think that is all that means.

PRODUCING MANPOWER FOR SHORTAGE OCCUPATIONS

Mr. SMITH. You are not finding this to be any different from other fields. You do have in general more Ph. D.'s and so forth than there are jobs for?

Mr. TWINAME. Not in these fields. Perhaps the others can speak to this.

Dr. GARRETT. The bulk of the training program we are supporting is for individuals primarily at the master's level and not at the doctoral level. In other words, the emphasis in the training programs of SRS is on practice and not research. In the field of practice, there is no problem in view of the shortages in the field or in terms of individuals finding employment. All of the people who come out of the programs we support readily find employment. That is because of the fact they are specifically trained for specifically scarce occupations. They are not just trained as generalists.

EDUCATIONAL LEAVE FOR TRAINING STATE AND LOCAL EMPLOYEES

Mr. SMITH. To what extent are social welfare funds being used to put a student on a leave of absence from their work while they are continuing their education?

Mrs. WOLFE. Under the public assistance titles there is approximately $10 million being used for educational stipends for persons preparing for employment or employed in the public welfare departments. Social services stipends do not include rehabilitation training.

Mr. SMITH. Is that program about the same level?

Mrs. WOLFE. It has increased since 1965 steadily. There are now about 2,000 persons on educational leave out of about 80,000 employees.

Mr. TWINAME. This is, however, the training money in the public assistance appropriation and the State estimates would show a leveling off for 1972. I believe the 1972 budget shows a slight decrease in consideration of the 110-percent limitation which affects that program as well as social service and administration.

As you recall, the three-part portion of that appropriation is subject to the 110-percent limitation.

REASONS FOR PROPOSED CUTBACK IN RESEARCH AND TRAINING

Mr. SMITH. Now for research and training, overall you are proposing $69 million. That is just about the same level you had back in 1968. Then it stayed about the same in 1969 and went to $92.3 million, then to $98.1 million, and now you are proposing to go back to $69 million. Make some detailed comment on the need or lack of need for that kind of variation.

Mr. LONGMIRE. I think again we have to say that the priorities have been set on service programs, that the money has gone to programs that meet the needs of people directly and the research and training budget has had to be cut as a result of this. This is not to say the research or the training is undesirable.

Mr. SMITH. Should it have gone from $67 million in 1969, up to $92 million in 1970, and then on up to $98 million in 1971? Was that too much of an increase? Looking back on it, was that advisable?

Mr. LONGMIRE. I would not say we have evidence to indicate that this was too much of an increase, no, sir. What has changed to indicate it ought to be reduced at the present time——

Mr. TWINAME. I think the availability of money in the budget is the primary concern here.

Mr. MILLER. I think there is another factor here, too, Mr. Smith, other than the availability of money, although there have been some priority choices. I think this is one area where the Secretary is pretty clearly on record we simply want to sit back, pause—maybe not the pause that refreshes—but pause for a little while and take a look at the kind of output we are getting in the training and research programs and see whether we should be training a different kind of person possibly.

I think one could say if you had all the money available, rather than cutting back you keep it level, and then cut back after you have a chance to reevaluate. I think the fact we did not do that is a reflection of what the witnesses have said. We wanted to move ahead on service programs. I think we have a very intensive reevaluation underway. I think they will ultimately lead to legislative recommendations as well as to possibly revised budget recommendations in the future years.

CUTBACK OF RESEARCH AND DEMONSTRATION PROJECTS

Mr. SMITH. You are cutting back on research and demonstrations by $11 million. Are you at the same time funding any new projects?

Mr. LONGMIRE. In the research budget we have only continuations, including the $2 million increase to continue the income maintenance experiments. This is a continuation budget, sustaining the most important projects.

Mr. SMITH. Does this research duplicate work being done in any other appropriation?

Mr. LONGMIRE. To the best of our knowledge it does not.

Dr. GARRETT. Quite to the contrary; I think this year the budget we present to you includes all of the R. & D. appropriations in SRS.

INCOME MAINTENANCE EXPERIMENTS

Mr. SMITH. You referred to an increase of $2 million in income maintenance experiments. How many experiments?

Mr. LONGMIRE. Mr. Montgomery will talk on this.

Mr. SMITH. How long will these projects last?

Mr. MONTGOMERY. The materials you have reflect a requested increase from $9 million to $11 million covering two projects being expanded to three. I think, however, that in the context of the experimentation that the Congress has authorized over the last couple of years in the field of income maintenance research, we must look at Seattle and Denver as a single project. Gary is a second project.

So what we have really is two site locations for a single integrated project; the first part of that being Seattle, the second part being Denver.

The reason for the split was because of the adverse economic conditions in Seattle, economic conditions of which I am sure the committee is aware. And in order to make the most beneficial use of the funds provided for this experiment, we felt, as did Washington State officials, that it would be desirable to split the project into two site operations. We anticipate that the operational phases of the project will be completed in the middle of 1974 with final reports being published in the fall of 1974.

EXPERIMENTS SUPPORTED BY THE OFFICE OF ECONOMIC OPPORTUNITY

Mr. SMITH. OEO is doing some experimenting in income maintenance too. How are you coordinating?

Mr. MONTGOMERY. That is correct. OEO does have experimentation in New Jersey and also rural experiments in North Carolina and Iowa. We are working very closely with the Office of Economic Opportunity. A member of my staff, Joe Corbett, is in continuous contact with OEO both from the standpoint of being aware of what is going on in the OEO projects, which are different from the projects we have, and vice versa.

Mr. SMITH. You are fully aware of what they are doing and you are getting the advantages of any conclusions that can be derived from their work?

Mr. MONTGOMERY. That is correct, Mr. Smith. Because of the legislation that is pending before the Congress in the area of welfare reform, because of the crisis nature of particularly the current AFDC program today, in our judgment and in the judgment of the Ways and Means Committee, we cannot wait until the conclusion of the projects that are before you in this funding request.

But we have been able to gain some early information and conclusions from the OEO experiments, although these must be considered to be of a preliminary nature.

CONCLUSIONS DRAWN FROM THE EXPERIMENTS

Mr. SMITH. What conclusions can you give us in a reasonable length of time?

Mr. MONTGOMERY. I think the most helpful thing to us has been the validation of the basic work incentive principles of the welfare reform legislation which was reported out yesterday by the Ways and Means Committee. The preliminary reports coming out of New Jersey show that an income maintenance strategy like that incorporated within the Family Assistance Program, a strategy which was recommended by the President and generally modified to some degree by the Ways and Means Committee, has been validated.

The New Jersey experiment as you know, Mr. Chairman, covers a different population than the projects before you on this appropriations request. The New Jersey experiment basically covers a male-headed, urban population, approximately one-third black, one-third white, and one-third Spanish or Puerto Rican.

The preliminary findings do show that the work effort did not decline as income that was available to the family from all sources increased. As a matter of fact, total earnings on balance tended to increase. As the total resources became available to the family, there seemed to be a certain effort—and these again are preliminary findings—on the part of families to do two things. What you might call an investment for their own future.

No. 1, having some additional dollars available to them, they were spending those additional dollars on items of particular importance to a family with children such as appliances. I am not thinking about televisions, but refrigerators and stoves and so forth.

More important than that there seems to be an indication there was more effort to look at the job opportunities in the long pull, and we found an increase in the hourly earnings take place in those that received financial benefits in New Jersey as compared to the control group.

It is important to remember in all of the projects there is a control group so we can compare the responses and the attitudes of the participants in the income supplement part versus those that do not receive any income supplementation.

A second point is that the participants in the program purchased less on credit and purchased more with cash than the control group. At least during the first year of the project.

The day care costs per family and the administrative costs gave us some experience that will be very helpful in terms of the new welfare program before the Congress at the present time.

RELEVANCE OF RACIAL FACTORS

Mr. SMITH. You made special note, both in your statement and in your justifications, of the breakdown relative to race and color. What difference does that make? Do they spend their money any differently or what is the purpose of the breakdown?

Mr. MONTGOMERY. The purpose I suppose, Mr. Chairman, of the breakdown is to help us to answer the question that you raise. As a matter of fact one of the interesting things, and equally one of the advantages of having to split off from Seattle part of the project was that in the new Denver part of the Seattle-Denver income maintenance research project we will be able to look for the first time at a predominantly Mexican-American population in one of the experi-

ments. This was not the case in Seattle, nor, of course, in Gary where the population is entirely a black population.

Our own experience, those of us that have worked in the past in a public welfare program, is that you have some unique problems in working with minority populations. With the Mexican-American you have some cultural differences and you have a communication problem which you don't have normally because of the language barrier.

These are the kinds of things on which we will be able to have a lot more hard information which will help this administration, future administrations, and the Congress on some very difficult policy decisions.

The Indians are another area, although we do not have a particular part of this built into the project before the committee. In our family assistance planning we are trying very hard to look at the unique problems of dealing with Indians.

Mr. SMITH. Are there also the same kind of breakdowns concerning whether they are migrants, or their educational background?

Mr. MONTGOMERY. I believe in the enrollment process we do have information as to the education, former area of residence, how long they have lived in Denver, this kind of information.

INFORMATION ON THE INCOME MAINTENANCE

Mr. SMITH. Give us at this time a description of each of these projects including the information you have on the OEO projects.

(The information follows:)

1. The Nature of Income Maintenance Experimentation

An income maintenance experiment is a project which seeks to provide information on the effects of a given financial "treatment" which can be generalized not only to populations other than the particular one covered by the experiment, but also to variations in the treatment itself. For example, an income maintenance experiment will seek not only to show if the work effort of recipients will increase or decrease given a certain standard and tax rate, but to develop a statistical description of this relation from which one can infer what the labor force response will be to variations in the particular standard and tax rate chosen. Similarly an experiment might focus on effects on the birth rate which may occur as the cost of children is changed by income maintenance. The intent would be to show not just that the birth rate did or didn't change but how much it would be expected to change at various levels of payment.

To achieve this objective in an experiment an attempt is made to simulate laboratory conditions. Care is taken to gather adequate information on a non-treatment group which would provide some control comparisons. Other characteristics of the subjects and their environment are continuously measured so that nonexperimental changes in the subjects' responses attributable to differences in personal characteristics can be isolated. Further, steps are taken to insure that the number of subject observations in both the group receiving the "treatment" and those in the "non-treatment" group, plus the range of variation in variables of interest, are sufficiently large to allow the application of the principles of statistical inference to determine the "significance" of any observed differences in response. The importance of these controls in the experimental situation is the following: they allow one to draw conclusions with a far higher degree of confidence in the probability of those conclusions being correct.

The definition of an experimental project contrasts sharply with that of a demonstration project in that the intent of a demonstration project is simply to show that a particular "treatment" can be administered to a given population and that, when it is, the status of this particular population will be altered in some discernible fashion. No attempt is made to control for the effect of non-treatment variables on the chosen population so that no rigorous generalization of the results to other populations or times, or to slightly altered treatment variables, is possible. A

demonstration can be useful in terms of working out the "bugs" in the administration of a particular program or in generating public awareness or acceptance of such a program. An experiment on the other hand is conceptually far more difficult and often more costly but it yields more "powerful information." In short, an income maintenance experiment seeks to provide information which will help the policymaker choose among the numerous options available to him by providing reliable estimates of the individual and social consequences of any particular choice.

2. The Need for Experimentation

The concept of Income Maintenance Experimentation had its origins three or four years ago in the growing interest, both within government and without, in the defects of our current welfare system and the design of alternative methods of income supplementation. Analysis of the various alternatives most widely promoted--ranging from universal children allowances to negative income taxes and wage subsidies--quickly focused on the fact that there was little, if any, hard data on behavioral responses to the various incentives, both favorable and perverse, implicit in any of these schemes. Since many of these so-called "induced" effects of income maintenance policy have potentially huge fiscal or societal effects, it would seem that a sensible long-term program of income maintenance reform would require a sound program of research as its basis. Further, it appeared that given the subtlety of individual behavioral responses to varying incentives, it was impossible to accurately assess many of the most important potential consequence of income maintenance reform either by extrapolation from static cross-sectional data or from information gathered from the type of relatively uncontrolled demonstrations projects previously attempted. The idea of initiating carefully controlled experimental projects designed to yield statistically reliable data on stated hypotheses was thus conceived.

Among the most important questions requiring exploration through the experimental method are the following:

(a) How will proposed programs affect the incentive to work? If standards are raised to the point where some persons on welfare might be almost as well off as persons in unattractive low-paying jobs, will this encourage persons to drop out of the labor force and go on public assistance? On the other hand, if more liberal provisions are made for the retention of earned income while still retaining part of assistance payments, will some persons currently on public assistance be encouraged to enter the labor force or increase their work effort?

(b) What interactions will occur with manpower and work-related programs and services including jobs creation and training, day care and transportation services? Will the benefits achieved through a combination of income maintenance and job-related programs be "multiplicative" in the sense that they will be greater than what we would expect from adding together the observed effects of each type of program operating alone?

(c) How will proposed programs affect mobility--in particular, will it tend to accelerate, decelerate or reverse the current rural-urban migration pattern?

(d) Will family stability be enhanced by changes in income maintenance policies and if so what types of plans and variations within them will serve this purpose best? For instance, if male-headed families are included in the program, will this help to reduce family break-ups and illegitimacy?

(e) Will certain types of programs produce an adverse effect on family size--particularly child-oriented allowance systems?

(f) Will demand for social services, both public and private, be affected? Will the injection of additional money into a community of itself promote spontaneous development of private medical, legal and educational services for government-provided services; or will the latter still be required?

(g) Will consumption patterns change among low-income families? How high must payments be before families will budget significant amounts of money for more long-run investments in the health, education and general well-being of their families?

(h) What will be the general effects on the social and economic life of a community, particularly a small community? Will prices of goods and services change; will community cohesiveness be enhanced; will the location of businesses shift?

A parallel set of questions relates to how the same sort of policies might impact differently on different population groups and different areas--urban vs. rural; white vs. non-white; female-headed families vs. male-headed; aged vs. non-aged; persons in families vs. unrelated individuals and childless couples.

It is clearly not possible to obtain reliable answers to all these questions in a single experiment. At the same time, experiments are costly and difficult to design and implement. Consequently, the HEW-OEO intention has been to try to keep the number of experiments as small as possible, limiting such projects to a series of well-controlled and carefully designed experiments each of which will be a necessary and integral part of an overall research strategy. Thus each of the experiments discussed below focus on one or more issues of importance, these issues being determined both by their priority in policy making and by their suitability for exploration through the experimental method.

3. Relationship of the Experiments to the Family Assistance Program

Each of the income maintenance experiments sponsored by HEW and OEO test programs that are consistent with the basic concepts of the Family Assistance Plan. That is, they test programs providing basic income allowances to families (including working poor families) through a work incentive structure (i.e. a tax rate or reduction in benefits less than 100 percent per dollar of earnings). However they all differ substantially from FAP in terms of specific details. For example, all of the experiments test more than one support level and most of those levels are substantially higher than the $2400 support level under FAP. The work incentive feature (or tax rate) is also varied in each of these programs.

Although the experiments have already provided some limited data supportive of the FAP concept, they are not necessary to justify the basic welfare reform proposed by FAP. The FAP proposal responds to the breakdown of the existing welfare system and is based on a simple analysis of the type of problems that caused this breakdown (e.g., the incentives in the current program for family breakup, the current work disincentive of excluding aid to the working poor and the widely divergent benefit levels across the States which produce gross inequities of treatment among equally needy families). No experiment is needed to demonstrate that these inequities should be minimized. The FAP program builds upon analyses of these problems and offers immediate and workable solutions to them.

While the FAP program is the appropriate answer to the current welfare crisis, it is inevitable that as time goes on, changes to the basic FAP legislation will be proposed by this or subsequent Administrations or by the Congress. Thus the experiments look to the future in the sense that they are designed to provide useful information to the policymakers who will be concerned with such questions as the impact of raising the basic support level, changing the marginal tax rates, expanding program coverage,

integration with other in-kind and cash programs, and so forth. The central concern of the experiments, that of work incentives, does not arise in the current version of the Family Assistance Plan given its more modest support level and its work requirement provisions. FAP responds to a set of problems whose immediacy has been well documented. The experiments will be crucial in providing basic information for future changes to FAP.

4. Description and Status of the Experiments

There are four income maintenance experiments currently funded by HEW and OEO. The New Jersey and rural experiments are sponsored by OEO and the Seattle/Denver and Gary experiments are sponsored by HEW. All of these experiments focus on the controversial problem of work incentive in an income maintenance system. The first two OEO experiments deal almost exclusively with this crucial question and are designed to determine the effects of financial treatments on the work response of male-headed families in both rural and urban areas. Male-headed families are of particular interest since they constitute a large portion of the working poor population that was not covered under previous welfare programs. Thus, if there is indeed any disincentive to work in an income maintenance system, it will be most discernible in the work effort of those working already (i.e., primarily male-headed low income families) who may choose to reduce their work effort if offered a minimum annual income support that may approach their previous net income.

The more complex HEW experiments will focus on different issues of major policy concern in addition to the work incentive question. The Gary Income Maintenance Experiment will test the effects of a negative income tax plan combined with day care and social services on urban black families with particular emphasis on female-headed families. The Seattle Income Maintenance Experiment is designed to test the combined effects of a negative income tax plan with a manpower program, serving both white, black, and Mexican-American, male- and female-headed urban families.

In addition, HEW is funding a limited administrative test of some of the FAP program in Vermont. The Vermont project differs substantially from the four other projects in that it is aimed at solving operational problems of administering the program rather than in measuring the behavioral response of program recipients. A brief description and status report on each project follows below:

A. The New Jersey Graduated Work Incentive Program

The Office of Economic Opportunity took the lead in the field of income maintenance experimentation in 1968 when it initiated work on the New Jersey Income Maintenance experiment. This experiment focuses on the question of the work response of male-headed families to a negative income tax type income maintenance

program. The project concentrates on the urban poor in five communities. Design of the project was carried out under contract by the Institute of Research on Poverty at the University of Wisconsin with assistance from the Mathematica Corporation of Princeton, New Jersey. The first group of experimental families was enrolled in the project in August of 1968. A preliminary report of the results of this experiment, based on the first year of operation, was made by OEO in February 1970. A second preliminary report was made in May 1971. A final report of findings is expected about April 1972.

B. The Rural Income Maintenance Experiment

The Institute of Research on Poverty (University of Wisconsin) under the sponsorship of OEO is also currently conducting an experiment in two rural areas (in North Carolina and Iowa) to test the work incentive effects of a negative income tax plan on predominantly rural populations. The population in this test will also consist primarily of male-headed families. Families were enrolled into the program in November and December of 1969. A preliminary report on the findings of this project is planned for July 1972, and it will be based on the first two years of operation of the project. A final report is expected a year later.

C. The Gary Income Maintenance Experiment

This experiment sponsored by DHEW will test the effects of a negative income tax plan, combined with day care and social services on black, urban families with particular emphasis on female-headed families who will comprise about 60% of the sample; this particular group is not covered by either of the two OEO experiments. This experiment, like the Seattle experiment will be generally compatible with the New Jersey and rural experiments in terms of the type of income maintenance program to be tested, definitions of family units and income and other basic design criteria. However, each of the HEW experiments will focus on a different issue of major policy concern, in addition to income maintenance financial treatments.

The principal focus of the Gary experiment is on the family work decision and how it is affected by an income maintenance transfer system. The experiment will attempt to measure economic responses, such as labor supply, consumption patterns and investment in human capital, as well as sociological variables such as family functioning, motivation, and asperations. In addition, the project will test the impact of separately administered social services (such as day care, homemaker services, and counseling) in combination with direct cash transfers in order to measure the demand for such services when their provision and acceptance is no longer conditioned upon

the receipt of assistance payments. It has long been argued that even if a secure basic income floor could be established, there would remain a need for specialized problem-solving services. The magnitude of need has not yet been established, nor has the cost-effectiveness of various service types been determined.

This project is funded by an HEW contract with the State of Indiana Department of Public Welfare. The design and operation of of the project is carried by the University of Indiana via a subcontract with the State Welfare Department. Design of the project began in the fall of 1969. Enrollment of families into the project began in March 1971 and should be completed by the end of June. A preliminary report on project results is planned for the fall of 1973 with a final report to be submitted approximately one year later.

D. The Seattle-Denver Income Maintenance Experiment

This experiment is the most comprehensive of all the urban experiments, serving both white and black families, having either one or two parents present. The experiment is intended to test the combined effect of a negative income tax scheme with a manpower program. Thus, in this particular experiment, the income transfer program itself will be supplemented by one or more manpower programs including (a) job training (b) counseling and vocational guidance services; and (3) day care services for working mothers. The Seattle-Denver experiment includes a population not served to any substantial degree by any of the other experiments, namely one-parent white families, and will uniquely test the interactive effects of income maintenance and manpower programs.

The primary hypothesis to be tested in the Seattle-Denver experiment is that manpower training in combination with a rational system of cash transfers will yield a policy payoff exceeding the sum of the outcomes of the two separate components. The experiment will provide vital information concerning the proper mix of manpower and cash, thereby suggesting the most efficient allocation of scarce government funds in the future. For example, answers shall be sought to such questions as "how much will an additional $400 a year in basic financial support change the work effort of the family, if (a) there is no change in investment in manpower or (b) there is a simultaneous increase in the manpower investment in a family by $200?" The experiment will measure the effects of different combinations of income maintenance support levels and manpower programs by looking at the:

a. Work effort of the household.
b. Productivity of the household as measured by changes in earnings.

c. Investment of the household in training or other education.
d. Changes in attitudes toward the future.
e. Changes in household stability.

While unemployment in Seattle was well below the national average when HEW first negotiated with the State of Washington for the design of the experiment in 1969, the unemployment rate has since risen precipitously to a current level over twice that of the national average.

This situation posed serious problems for the experiment, which is designed to measure labor supply response both singly and in conjunction with manpower counseling and training.

Ideally, one would wish in such an experiment to have a virtually unlimited demand for the services for the experimental population so that any differences in the work effort of those receiving financial and/or manpower treatments, as compared with the control or null treatment group, could be attributed to the incentive effects of these programs. In a situation of low or declining job opportunities, it would be hard to filter out the differential effects of changes in labor supply and demand unless some adequate control were provided through comparable information gained in a more favorable labor market situation. It therefore became necessary to divide the planned sample between the city of Seattle and another city, as like as possible in terms of the demographic characteristics of its population, but with a relatively high and stable level of labor demand. Denver, Colorado, has been selected as the control for the labor market situation. While this change has caused some disruptions to the project, the overall advantages of this move will be considerable. It will be possible to fulfill the objectives of the original Seattle design, and, at the same time, gain valuable information on the potential effects of income maintenance programs on normal adjustment to the business cycle.

This project is funded by an HEW contract with the State of Washington Department of Public Assistance. The design and operation of the project is carried out by the Stanford Research Institute via a subcontract with the State Department of Public Assistance. Design of the project began in the fall of 1969. Enrollment of families into the project in Seattle began in November 1970 and is expected to be completed by April 1971. Enrollment at the Denver site is anticipated to begin in August 1971. The Seattle/Denver Experiment, like the other three, is designed to run for three years. However, a small portion of the sample (approximately 20%) will continue on the program for two additional years. This extension will serve to verify that the experimental results from the total sample as well as the other three experiments are not unduly biased by the effects of a transitory change in income. A preliminary report of findings of the full sample is expected in the fall of 1973 and a final report approximately one year later.

E. Vermont Pretest Project

Although this project has frequently been referred to as an income maintenance experiment, its focus is actually on planning the implementation of the FAP program rather than on testing how the system works or how it affects the behavior of individuals. While the project was originally conceived as a full scale pretest of the FAP program, its scope is now limited to (a) the development of a detailed plan for Federal administration of the Family Assistance Plan and State supplemental and adult programs, and (b) the development of a model plan for day care under FAP and expansion of day care families throughout the State. A sample survey of potential FAP recipients to obtain baseline information will be conducted to support these planning efforts.

This project is carried out by means of a contract with the State of Vermont. The project began in July 1970. The six projected analytical volumes have been completed and have been submitted to DHEW. These analyses will be used in implementing the FAP program nationwide and are as follows:

Volume	I	Administrative Structure and Procedures
Volume	II	Regulations
Volume	III	Accounting Period Implications and Options
Volume	IV	Development of the FAP Pretest in Vermont
Volume	V	Report on the Baseline Survey and Cost Projections
Volume	VI	Evaluation and Experimentation in Child Care

The data from the baseline survey will provide us with detailed information about the impact of the FAP program upon a very significant portion of the FAP population (rural white working poor families, which constitute the largest single group of the newly eligible population under FAP).

The child care component of the Vermont project involves development of a plan for a model FAP child care system and subsequent implementation of the approved plan which will involve an expansion of existing facilities and services throughout the State. This plan has been completed and the implementation phase has begun. The Vermont 4-C has already taken significant steps toward resource development in conjunction with these planning activities.

5. Status Report on Findings from the Income Maintenance Experiments

To date only one of the experiments has been in operation long enough to report any preliminary results, the New Jersey project. This is because the experiments must operate for at least a two or three year period before one can say with a high degree of certainty that the results observed were not simply distortions in the behavior of the experimental population which resulted from the newness of the project. Since the objective of the experiments is to measure the long-run response of families to an income maintenance program, the families must be able to regard the experimental payment as being secure for a reasonable length of time. Because these projects are intended to be carefully controlled experiments, it is important to limit as much as possible the perception in the minds of the experimental population that they are a special group, since this could very well bias the results. Therefore, it is not in the best interests of the overall experimental effort to make any partial findings generally available before the end of the project.

A. Findings from the New Jersey Experiment

OEO issued a brief initial report of findings from the New Jersey experiment in February 1970, and subsequently a more extensive report of those findings was issued by the Institute for Research on Poverty of the University of Wisconsin in June. Further preliminary results concerning the work effort of participants in the experiment were released by OEO in May 1971. However even the latest findings must be qualified as preliminary in the sense that they are based on only the first year's experience of the total population and 18 months for 1/2 of the sample. Thus some allowance must be made for the possibility of distortions in behavior of the experimental population produced during the start up phase. A brief summary of the New Jersey findings are:

(a) There is no evidence indicating a significant decline in weekly family earnings as a result of the income assistance program.

(b) Low income families receiving supplementary benefits tend to reduce borrowing, buy fewer items on credit, and purchase more of such consumer goods as furniture and appliances.

(c) The Family Assistance Program, exlcuding the Day Care Program and Work Training provisions, can be administered at an annual cost per family of between $72 and $96. Similar costs for the current welfare system run between $200 and $300 annually per family.

The more extensive analysis of work effort response released in May 1971, supports the earlier preliminary findings and further refines the data.

The only statistically significant difference in earning that was found between the experimental and control groups was a reduction in the earnings of wives in the yearly sample. However this difference does seem to disappear at the end of the 18 month period. As a result of the average number of workers per family declining, the total number of hours worked per experimental family is slightly less than for the control group.

However, since there are no significant earnings differences between these two groups, the results imply that the experimental families have significantly increased their average hourly earnings compared to the control group. Indeed, the average family hourly earnings appear to have increased by 20% for experimental subjects as compared to only 8% for the controls.

It is important to note also, that there was no significant differential in the number of hours worked per family among the various income maintenance plans, indicating that the various combinations of tax rates and guarantee levels have not yet affected the number of hours a family works.

There are several plausible explanations for these observations. The availability of a "cushion" in the form of experimental benefits may allow the prime worker the freedom not to accept the first job he can find, but rather to seek one that is more appropriate to his skills and interests and pays a higher wage.

Another view suggests that when a family initially experiences an abrupt increase in income, there will be a tendency to "invest," rather than consume a substantial portion of the increase. Thus we may see an increase in the purchase of durable goods and/or an increase in "human capital" investment in the form of training and/or increased time spent searching for better jobs. Such behavior may account for part of the reduction in hours observed, as well as increased hourly earnings. This approach suggests that labor force participation and hours of work would return toward normal, and hourly earnings would stabilize at a new (higher) level. This hypothesis can only be tested as data covering a longer time span becomes available.

B. Findings from the Other Income Maintenance Experiments

In addition to the New Jersey experiment, there are three other income maintenance experiments, the Rural experiment funded by OEO and the Seattle-Denver and Gary experiments which are funded by DHEW. Since these experiments have been in operation for either just one year or are just beginning, research findings on individual behavioral response will not be available for at least two years. However, several important lessons have been learned in developing designs and administrative structure for these experiments.

The first and most important lesson arises from the fact that HEW experiments explicitly cover the current welfare population and, in so doing, attempt to replace the current layering of welfare and other in-kind benefits by a single integrated income maintenance program which preserves work incentives and eliminates horizontal inequities and vertical "notches". One lesson of this attempt is that it is impossible to achieve such integration without making some current recipients worse off unless fairly high guarantee levels are established for experimental purposes. For example, in Seattle it was necessary to modify the design structure by allowing rather generous day care allowances for all single-parent families since these are currently available to such families from the welfare department. In Gary, despite the existence of a maximum AFDC payment of $2,100 for a family of four, it was necessary to raise the minimum experimental guarantee to $3,300, and even at that level it will not provide superior benefits to some 30 percent of current welfare families. The anomally occurs because Indiana welfare payments are at a minimum, not reduced at all for earnings below $2,560. Furthermore, given virtually unlimited work expense allowances, payments are in practice not reduced for some considerable distance beyond that earning level.

Another equally important finding is that certain administrative details can be among the most important determinants of the character and impact of an income maintenance program. Chief among these is the definition of an accounting period for determining eligibility for benefits. For example, the use of an annual accounting period will result in an income maintenance system far different from that which employs a monthly accounting period (which is similar to that being employed in the current welfare system) both in terms of cost, equity and work incentives. A brief analysis of the data obtained from the Seattle Income Maintenance Experiment showed that caseloads may be doubled when one uses a monthly accounting period rather than an annual accounting period.1/ Of a random sample of 100 male-headed

1/ The accounting period systems noted here are but two of a number of differing accounting period systems which can be varied to achieve different program objectives.

families in Seattle with incomes below $15,000 annually, only 19% were eligible for payments on the basis of an annual accounting period, whereas with a monthly accounting period another 23% became eligible.

Furthermore, families that are similarly situated in terms of income over a short period (such as a month) may have quite disparate incomes over a long period (such as a year) and vice versa. Take for example two four person families with total annual earned income of $4,320 (the FAP breakeven point) but one family earns it over an entire 12 months period while the other earns all of it during a six month period. Under an annual accounting period neither family would receive any benefit payments since both are over the FAP breakeven point. However under a monthly accounting system the former family would still receive no payments but the latter family would receive $800 worth of benefits as a result of the way in which its earned income was distributed. Thus the monthly accounting system will not treat families who earned the same annual income in an equitable manner, if their incomes are unevenly distributed.

The significance of the choice of an accounting period on cost, caseload, and equity, as illustrated above, was brought out during the technical development of the income maintenance projects. This preliminary information has already been useful to the Ways and Means Committee in their selection of an accounting period system for the welfare reform bill recently reported out by the Committee.

Another almost as important lesson learned both in New Jersey and from analysis of the three-year baseline data collected in Seattle is that given the variability of income flows among the poor, regular reporting of income and prompt adjustment of payments is essential to keep program costs within tolerable bounds.

PROGRAM CHARACTERISTICS OF THE FOUR INCOME MAINTENANCE EXPERIMENTS

	New Jersey	Rural (Iowa, North Carolina)	Seattle/ Denver	Gary
Guarantee Levels (1971) (family of four)	$1,830[1]/ 2,903 3,889 4,839	$1,938[1]/ 2,907 3,876 4,844	$3,800 4,800 5,600	$3,330 4,300
Offset Tax rates	30% 50 70	30% 50 70	50% 70 70-decline[2]/ 80-decline[3]/	40% 60
Sample Size by Experimental Treatments				
Experimental	724 60%	374 46%	4,600 78%	1,289 76%
Financial only	624 60	374 46	900 15	466 26%
Financial and manpower	N/A -	N/A -	2,100 36	N/A -
Manpower only	N/A -	N/A -	1,600 27%	N/A -
Financial and Social services	N/A -	N/A -	N/A	466 26%
Social services only	N/A -	N/A -	N/A	355 20
Control	489 40	435 54	1,300 22%	495 28
Original Sample Size by Site	(Trenton 197 (Patterson-Passaic 452 (Jersey City 390 (Scranton 318	(Iowa 308 (N. Car. 501	(S. 2,600 (D. 3,300	1,782
Sample Characteristics	Non-aged male-headed families and couples, black, white, and Puerto Rican.	Predominantly non-aged male-headed families, & couples & unrelated individuals some female-headed & aged families, couples & unrelated individuals, black & white.	Non-aged male- & female-headed families & couples, black, white & Mexican-American.	Non-aged male- & female-headed families, black.

	New Jersey	Rural (Iowa, North Carolina)	Seattle/ Denver (Approximate)	Gary
Sex of Family Head	Male-1,359 100%	Male-587 73% Female-108 13 Over-114 14	Male-2,950 50% Female-headed families 2,950 50%	(Approximate) Male 792 40% Female 1190 60
Special Treatments	Accounting period variation	Accounting period variation	Manpower Services	Day Care and Social Services

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1/ These are the projected guarantee levels for 1971. Actual levels will be set in July 1971 on the basis of the National Consumer Index's cost of living increase.

Original levels for New Jersey (1968), $1,650, $2,475, $3,300, and $4,125.

Original levels for Rural (1969), $1,741, $2,611, $3,482, and $4,352.

2/ Tax rate declines by 5% for each additional $1,000 of earned income (e.g. the first $1,000 of earned income is taxed at a 70% rate the second $1,000 of earned income is taxed at a 65% rate, and so on.)

3/ Similar to procedure identified in footnote 2 above.

Mr. SMITH. Mr. Michel.

THE ROLE OF RESEARCH AND TRAINING IN SOLVING THE WELFARE EXPLOSION

Mr. MICHEL. I don't know what the figures show around the country, but I know in my home State of Illinois welfare costs have doubled in 3 years time. What are we doing about that? How come we have blown it to such an extent? You folks are in research and training. Isn't this part of your problem? Isn't that the key question in the business of welfare?

In Illinois the costs have doubled in 3 years. What the devil are we doing about it except having a social worker go around the country to recruit all of the additional people they can to come on to get some of the Government action?

We are just getting completely submerged with this thing in my home State. We raised $1 billion of State income taxes and over $400 million of it goes to welfare and only $300 million is left for education.

When I look at the research and training item I say, "Can you tell me you are digging into this thing to do something?"

Mr. TWINAME. When you asked me a couple of days ago are you trying to get people on the rolls and made the statement that the States were in the opposite position because they were just being swamped as you described, the answer really goes beyond research and training activities at this point to what they can contribute to our future knowledge of what to do about this.

I think we have come to the understanding that this takes a major legislative change and about face by the Congress and the administration in the program.

When I spoke to getting people on the rolls, of course, with us it is mixed feelings because you don't want to get somebody into the welfare trap who finds it is more secure to stay on welfare than to be in a work situation. Because of the way we have constructed the program, we have put the incentive to make people stay on welfare rather than work in those cases where they could be working.

Some of this experimentation Mr. Montgomery just spoke to I think will help us to understand better what we have done with our past policies which have been kind of upside down.

I believe that the President's proposal and what the Ways and Means Committee is reporting out now is our best chance to turn this thing around. At least from a long-term view it has got to be more sensible than what we are now doing.

OBJECTIVES OF WELFARE REFORM LEGISLATION

Mr. MICHEL. This may be an unfair question because we haven't seen the report on the bill that has been reported out. Of course, it will obviously be debated in both Houses of Congress before there is any prospect of it being enacted into law.

Since you make reference to it and the administration obviously has lent its support to the bill now that the Ways and Means Committee has reported out, what essentially are the differences that are going to be meaningful to us as an appropriations committee? Does that mean 2 or 3

years from now after this thing is in place we can expect a reduction in the request for this item or will we do well to diminish the rate of increase to something less than what it is?

Can we top out and hold our own for a generation? What are your predictions?

Mr. TWINAME. It is our hope that long range, we will be, as you say, topping out because we won't keep adding to this population of broken families and desertions who keep this seemingly unending supply of the AFDC program.

Therefore, the basic principle is that we, from the standpoint of the Appropriations Committee now, have to invest some more money at this particular point in history in order to make it true that anybody who works is better off relative to another citizen in all cases. That is what we don't have now.

So if we can make that investment so that any citizen knows if he or she works, she will be better off than her neighbor, then we have a chance, and also if the citizen knows if the family stays together they have a better income possibility as well as other benefits than if they don't, or at least if we minimize that incentive to break up the family, we will have a better chance of topping out.

I think we have to add to that, although that is the basic principle, as I understand it is common sense, we would add to that real opportunity for day care and training which would respond to the number of people who would like to work who would rather not be on welfare. We think this is the majority of employable people.

With those additional program concentrations and a commitment by the Labor Department in this field which also will require from the Appropriations Committee some additional expenditures in the short range, we will have a chance I think of controlling this rather than to come here every year and feel that we are being controlled by it, and that there is nothing we can do.

I think the Appropriations Committee and we have somewhat felt this thing is so big we come with an open-ended budget each year and pass it and we say what can we do. You are asking the right question. we ought to be able to do more than just ask questions and then pass the budget. I think this is our chance.

TYING RESEARCH FINDINGS INTO LEGISLATION

Dr. GARRETT. May I respond in terms of what we are finding out in research because I think it is an extremely important question.

I do think what we are learning ties into both proposals which have been made on utilization of staff and also directly relate themselves to the questions that Mr. Montgomery was posing to you in terms of present legislative effort.

FINDINGS ON AFDC MOTHERS

First of all, let me mention to you a study on the employability of AFDC mothers. In this study we have found there are four major barriers to the employability of AFDC mothers:

First, there is a very high incidence of physical disability;

Second, a lack of vocational skill with labor market outlets;

Third, the problem in self-esteem—having been on welfare they have a lower esteem; and

Fourth is the lack of availability of day care services.

If you would relate those four to the proposals in the legislative initiative, I think you will find that all four of the findings from research actually have found their way into the legislative proposals that Mr. Montgomery mentioned.

FINDINGS ON PROPER MIX OF SERVICE PERSONNEL

A second project is a project which was just concluded in Baltimore under the provisions of Section 1115 of the Social Security Act. One of the things that this study showed very clearly is that, in order to work wtih AFDC families (again this was primarily those families), there were two important factors. One was a diversity of staff—that we can't use the old MA social worker hoping to work with these individuals in the urban ghetto. What we had to have was a diversified staff and that diversified staff looks something like two Master's level people, four Bachelor's level people and 10 paraprofessional or subprofessionals or indigenous workers. With this combination of skills and abilities, this kind of interrelationship among staff, it worked much better than the traditional way of delivering services. This study has made its way into a remark Mr. Longmire made in defense of the appropriation when he said that what we are trying to do now is take a new look at the service delivery system and the kind of personnel that we need in order to achieve and meet the needs of those people coming to the various agencies for help.

FINDINGS ON ADULT FOSTER CARE

A third research study looks as though it is developing a general principle—as you know you conduct one research study and it doesn't always have universal applicability. But we have been doing some interesting work under section 1115 in the adult foster care, in which, instead of institutionalizing people, putting them in nursing homes and those expensive ways of dealing with problems, rather what we try to do is keep the individual in the community.

Interestingly enough, we concluded one project in Wisconsin which showed that the cost of the adult foster care was roughly one-half of institutionalization. We have another project, still underway, in the State of Washington and the tentative findings agree with the Wisconsin study, with the exception of dollar figures, that it costs you about one-half as much for adult foster care as for institutional care.

Here, again, if this looks like this is a viable finding, we have something we can work with States on to try to cut down on our costs.

FINDINGS ON VOCATIONAL REHABILITATION OF WELFARE RECIPIENTS

A fourth area is one that I am sure Dr. Newman talked about the other day. It has to do with the vocational rehabilitaton of public assistance recipients. We have shown in the public assistance group, through the application of the VR program, a much larger group of individuals can be vocationally rehabilitated than was thought possible before. As I understand it, this, too, is incorporated into the legislative proposals under consideration in the House.

One of the things this showed among other things was that you had to put the vocational rehabilitation worker at the point of initial contact in the welfare agency. This has been one of the points in a cooperative agreement we have between public assistance and VR; this is one of the items in the guidelines that have been developed.

One other point. In research, we have also found that too much of social service casework is on a very extended basis, a no-time-limit basis. So in doing a study on time-limited counseling with families, as opposed to extended casework where there is no limit on the time, we found it is much more effective to set a time limit. In other words, here is your problem, let us sit down and discuss this, and solve it.

What I am saying is that I have the feeling we are now generating out of research in the social welfare field the kind of information that perhaps will help to solve some of the problem. I am not saying these are all the answers, but I think these perhaps go a long way.

I think what they do demonstrate is the fact that you can use the research you are doing to point the way to the legislative proposals which have been suggested.

USE OF PARAPROFESSIONALS

Mr. MICHEL. Going back to those teams of masters and bachelors and paraprofessionals, do we have an adequate supply of those specially trained people in this country?

Dr. GARRETT. That is part of the problem. It is not just the supply of the people but whether they have been trained in order to function in this kind of a setting.

Mr. MICHEL. What are we doing in this item to see that we get the kind of trained people we are looking for? How do we encourage that?

Mrs. WOLFE. In the public welfare field under the public assistance titles there has been an increased attention given to this by the public welfare departments. There have been added to the staff of public welfare agencies approximately 12,000 people in the subprofessional class. This just happened last year. It begins to provide some——

Mr. MICHEL. Is it an unfair question to ask what are these 12,000 people accomplishing? My first reaction is, we have put additional people on the payroll but to do what? Is the problem just so horrendous and so bad here it is impossible yet to see the light of day?

I don't want to be unfair but it doesn't satisfy me when we say we just put on 12,000 paraprofessionals. The average citizen says "that is the trouble with the thing. All you think of is tacking on additional social workers and bureaucrats and do-gooders. Just do away with the whole thing."

Mrs. WOLFE. In some of the States, people are using them in three ways. One is helping the AFDC mother, particularly in child care, keeping children in school and helping them learn how to get prepared for a job. It is more in the day-by-day living in which there have been serious problems among the ADFC families. Some of them are being used to help in terms of housing, in terms of keeping children off the streets, and there are quite a few being used among the senior citizens particularly in nursing homes and others where they have to have special service.

There are about eight States which have set up the team arrangement Dr. Garrett referred to. In that instance, the difference is the subprofessional has spent considerably more time in helping mothers learn how to cook, purchase, arrange to take care of the money, and household management. How effective this is going to be is not known.

The demonstration project just completed in Baltimore shows out of about 300 families, over 50 percent of those women were able to improve their living conditions. Children stayed in school and about half are on education programs now.

It takes a great deal of time, mainly because many of the families have been deprived over long periods of time and have very little resources either within themeselves or in the neighborhood to do anything about it.

In Utah where there is a similar project, there are demands for training and education which have exceeded the immediate neighborhood resources. The State of Utah has asked for extra money for training and some shifts of families to other communities where there are jobs.

Mr. MICHEL. Is this project you cited in Utah part of this appropriation?

Mrs. WOLFE. It is funded through section 1115.

Dr. GARRETT. It is part of this appropriation for the first time in the request for 1972.

RELATIONSHIP BETWEEN EDUCATION AND JOB EFFECTIVENESS

Mr. SMITH. Before we leave that subject, I was chairman of the Welfare Board about 15 years ago and we had 110 welfare workers. At that time you could not get enough with degrees so we were permitted to use those who didn't have degrees.

If anything was clear, it was that the degree, the number of years of training and all of those things had little relationship to how good the welfare worker was in performing his work. There are just some people that are natural-born welfare workers and some could go to school for 10 years without being a welfare worker.

Training, in other words, is not the full answer. There must be some way to measure this.

Mrs. WOLFE. In selection of people for working in the human service field, it is very clear that the kind of person and particular personal characteristics make considerable difference whether they will be useful to the persons applying.

So there is a criterion being developed for selection. Even that kind of criterion doesn't necessarily mean all people going into educational programs will be successful. On the whole there are some measurements of interest in people and objectivity about helping solve their problems.

With the changes in education of social workers, rehabilitation counselors and others, I think there have been considerably more interest on problem-solving and understanding why people behave and what it would take to help them change.

I think some of the turnover figures in the caseload, however, in the public assistance titles, indicate not only personal problems in the group but show the need for steady employment in jobs.

In Texas, for example, they worked out new arrangements with what they are calling community planning workers to work with the employment office to try to do placement of large numbers of people in more permanent kinds of jobs.

There is a great variety of activities, not only just the counseling on the part of the mothers. But there is job hunting, there is advice on medical care, on education and job training.

EFFECTIVENESS DEPENDS ON PERSONAL QUALITIES OF SOCIAL WORKER

Mr. SMITH. But the key to a lot of this is, do you have a good social worker on the case.

Mrs. WOLFE. That is right.

Mr. SMITH. You can't measure whether they are going to be good social workers by the grades they got in college. It seems there is no way to do that. A lot of it is, are they persons that have had a lot of good practical experience and can they place themselves into the position of the client and then figure out, what would I do if I were in that position.

You can't measure this. I don't think you can send someone to college to take a course to learn that.

Mr. TWINAME. You commented, I believe, on this last year. We have been responsive to this in not insisting, as was the former case, on degrees for certain positions in the State agencies. This is for the reason you brought up.

We affirm that, and I think this is responsive to Mr. Michel's question, in being more cost effective by taking a lower salaried person out of the community who can communicate better with the people and help them understand how to take advantage of the rehabilitation program.

They are not likely to do that unless there is somebody they can trust and communicate with. This is just a practical way to approach the staffing problem instead of some professionally oriented all-professional manner.

I think the things Mrs. Wolfe is talking about are responsive to getting at this in a more realistic way.

CHANGING EDUCATION TO DEVELOP PERSONAL QUALITIES

Mrs. WOLFE. There is a considerable change in the education of social workers, other persons in the health professions, and in rehabilitation. The educational programs are changing the education at the high school, community college level, for what we are calling subprofessional and technical people, and the professional worker at the baccalaureate level, using the master's only for highly skilled research planning and teaching. So we have changes in the educational system.

More importantly, however, has been the considerable change in education and content that is to get individuals to work in a variety of ways, not just in the casework or counseling area.

REWARDING BOTH EDUCATION AND SKILL

Mr. SMITH. Even in comments we have had here, the thread runs through there—you determine who is a professional by the degree they have.

Mrs. WOLFE. Not necessarily in practice.

Mr. SMITH. You have done that so many years you still use those kinds of terms.

Mrs. WOLFE. What we are finding in practice—people come in and are able to do certain kinds of things very well. In developing career systems or employment systems within the agencies, this kind of skill is being recognized in terms of how well they can do a particular task, not just the education.

So there is a combination of both education and experience that is being recognized in the appointment and promotion of people.

FORMALLY EDUCATING THOSE WITH NATURAL ABILITY

Mr. MILLER. One question that occurs to me, and I don't know the answer to it, if you do have a natural talent, are you better off with training them? If you have a person with a talent for something, you would rather have him work with or without a degree than one who doesn't have talent? If you have a person with natural ability, is he better off with professional training?

Mr. SMITH. I found, too, a lot of these, under this program I spoke of awhile ago, go on leave and are trained while they are on salary. I don't think they ever had any way of knowing before they went to school whether they had the talent. They decided we need numbers.

CHANGING EDUCATION TO DEVELOP NATURAL SKILLS

Mrs. WOLFE. In the change of education, particularly for young people coming in who have not yet worked, there are what we call field practices and they do some of their work within the community and under supervision of skilled people within the agency. That helps particularly young people to decide whether they want to go into this kind of field and decide whether they have real aptitude for it.

In some of the States, welfare agencies in the past several years have made much better selection of those employees who seem to have natural talent rather than just to get every person they can get.

Mr. SMITH. I am glad to hear it. A couple of years ago I didn't think they were. But even then it seems that the objective was to get that person a degree rather than to give them the specific training that might help them be more professional.

Mrs. WOLFE. I think that is what is happening in the change of educational programs, that the educational institutions are responding much more to the kind of education that people need to practice on a job. That is particularly true now, we believe, at the undergraduate level, and there is a major change in the master's level in most programs.

DEVELOPING AND PROMOTING SUBPROFESSIONALS

Mr. MICHEL. I agree with a great deal of what Mr. Smith's concern is. Unfortunately, sometimes when you get somebody at the grassroots level who is really doing an outstanding job, the natural inclination is he ought to be advanced and moved up the ladder of responsibility; and then, why can't he take five communities.

But then he gets so far up and says, this is not my cup of tea; mine was back down there where I was really effective. I think you get that through trial and error and those who want to move up into a position of more direction and administration rather than delivering of services.

Mrs. WOLFE. I was mentioning the change in career ladders. We are finding that if people come in as outreach workers, usually the poor coming in as the neighborhood liaison, that a percentage of those people want to move on up the ladder in a variety of ways. Others want a little more experience and some technical courses in order to do the job better.

In day care, for example, we are finding a combination of people, some who will be promoted for experience and some who want to get additional education. The subprofessional people seem to be a better judge of what they feel they can do because they recognize quite clearly the kind of limitations they have. And some of them in the past 4 or 5 years have moved from subprofessional jobs to supervisory jobs. They have that natural ability.

Mr. TWINAME. I know what you are talking about. I wake up many mornings and say, I wonder who got me into this job.

Mr. SMITH. Do your regulations really permit subprofessionals to move all the way up?

Mrs. WOLFE. Yes. The regulations were changed about 2 years ago to permit the State agency to set qualifications in relation to the tasks that are made necessary. So that most States have a way for a person to be promoted by education and experience or a combination of the two. There are no Federal requirements for levels of education.

Mr. SMITH. It is not a dual requirement?

Mrs. WOLFE. No.

COORDINATION WITH OEO INCOME MAINTENANCE PROJECTS

Mr. MICHEL. You have $11 million in the budget for income maintenance experiments.

Mr. LONGMIRE. Yes.

Mr. MICHEL. Does that New Jersey program come in your shop or OEO?

Mr. LONGMIRE. OEO.

Mr. MICHEL. You surely have some coordination or readout of that experiment in New Jersey?

Mr. LONGMIRE. Yes, sir.

Mr. MICHEL. Should that more properly be in your shop? It is on the same subject matter, isn't it?

Mr. CORBETT. I don't think the organizational location makes too much difference at this point in time. We have extremely close coordination with the OEO project. Dr. Watts of the University of Wisconsin, who is the principal adviser in the design of the New Jer-

sey project, is also one of our advisers. We consult frequently with him before making research decisions. If all the experiments were being started anew, it would be perhaps more logical to put all of them within the confines of HEW. However, I don't think such a change now would make any difference to the operation of any of the experiments.

INCOME MAINTENANCE PROJECTS AND EXPENDITURES

Mr. MICHEL. Do you know offhand what we are spending for the New Jersey project?

Mr. CORBETT. I don't know their cost figures. I think it is about $2 million a year.

Mr. MICHEL. One of the things that distresses me is when this item first came up and was discussed on the floor, there were real serious questions about $9 million for guaranteed annual wage experiment. I swallowed some pride and crow and all kinds of things in selling this and here is $11 million under the title of income maintenance and over in another shop are some more millions—we are a long, long way from that original figure of something less than $10 million.

This $11 million goes to how many projects?

Mr. MONTGOMERY. Mr. Michel, if I may, I might mention that I think the administration would agree that if there is any appropriation for new income maintenance projects—and here we are talking about continuation projects—we believe that the new projects would be in HEW and under the jurisdiction of this subcommittee. As far as the funding of the money that does come under your jurisdiction, the funds going into the Seattle-Denver income maintenance experiments for fiscal 1971 will be approximately $6 million or slightly below $6 million, and that has already been awarded by contract.

For the Gary income maintenance——

Mr. MICHEL. The Denver-Seattle project for 1972 is how much?

Mr. MONTGOMERY. $7.2 million.

Mr. MICHEL. In 1973?

Mr. MONTGOMERY. I believe it would be within that same cost frame.

Mr. MICHEL. Did we have any money spent in 1970 for that one?

Mr. MONTGOMERY. Yes, sir. In 1970 there was $5.1 million which went really to the Seattle project.

Mr. MICHEL. Was there any for 1969 on that one?

Mr. MONTGOMERY. In 1969 there was $501,000 funded from section 1115 of the Social Security Act.

Mr. MICHEL. So you have $18 million up to this point, according to my calculation. What does the crystal ball say?

Mr. MONTGOMERY. The last operational year of the program would be in fiscal year 1974. There were some delays in getting it going, partly because of the economic situation in Seattle.

CHARACTERISTICS OF THE SAMPLE RECIPIENTS

Mr. MICHEL. This is a controlled group of people; is it not?

Mr. MONTGOMERY. No.

Mr. MICHEL. How many people are involved?

Mr. MONTGOMERY. There are 2,300 families involved in the Seattle

project of which 40 percent have already been enrolled at the present time.

Mr. MICHEL. Does this cut across the family spectrum with respect to the number of children, for example, some with one or two children and some with large families?

Mr. MONTGOMERY. Yes.

Mr. MICHEL. Is this a mixed group, both men and women head of households?

Mr. CORBETT. That is correct.

Mr. MICHEL. One of the weaknesses, as I recall, of the project in New Jersey was that it was only male head of households, and the real problem in many respects was where we had the women as head of a household as distinguished from a man.

POTENTIAL SAVINGS RESULTING FROM EXPERIMENTS

Mr. MILLER. I wanted to relate this back to the very first question you asked, which is what are you doing and what can you do to cut down on the welfare cost and make the system more efficient?

When you are talking about the terms of cost totally in the welfare system, this kind of money which can easily lead to savings is really peanuts compared with the universe we are trying to do something about.

Mr. MICHEL. What you are saying is that as we look at the frame of reference of the total amount of public assistance expenditures around the country, when you talk in terms of $25 or even $50 or $100 million to remedy a problem that aggregates $16 billion, maybe it is not as large as some people may feel.

Mr. MONTGOMERY. If I may add to that, in the prepared statement that SRS delivered this morning, you will note under the income maintenance part that reference is made to the kind of questions that are being looked at in a research laboratory context. Marginal tax rates, the basic support level, expanding program coverage, the integration with other cash transfer programs, how it relates with other programs—services, child care, manpower, these are the areas that the Ways and Means Committee has provided great emphasis this year in the welfare reform legislation. Our problem is that in order to have any meaningful results it must be a multiple-year project. We determined 3 full years of operations. There is a lot of design work going into that. It will take some time for evaluation later. I would be remiss if I did not note for the subcommittee we have already gained from the experience of these income maintenance experiments just during the design period by enlisting the best people in the field both within Government and outside to looking at such things as the accounting period.

The Ways and Means Committee spent a great deal of time in executive session on the matter of the accounting period. Although we had not reached really the operational stage in Seattle and Gary—and we are now well advanced into the operational phase of these projects—for purposes of identifying alternative ways for the accounting periods to use in the welfare reform legislation to be considered by the House in June, the work that was done in designing these projects was very useful. In my judgment, and I think the judgment of the

Ways and Means Committee, the accounting period adopted by the committee will have the effect of keeping the total cost of that new program down over what it might have been if we had not had the benefit of that background research work. This is just one area. Operational experience will give us other experience.

THE GARY, DENVER, AND SEATTLE PROJECTS

Mr. MICHEL. When did the Gary project start?

Mr. MONTGOMERY. The Gary project started up——

Mr. MICHEL. Before we get to that, you added Denver because of the peculiar problems of unemployment in Seattle, is that right?

Mr. MONTGOMERY. That is right.

Mr. MICHEL. Denver got started when?

Mr. MONTGOMERY. The Denver contract was awarded here in the last several months.

Mr. MICHEL. Are we to be given to understand that really is to be considered a part of the Seattle project?

Mr. MONTGOMERY. That is correct. This is one project with two locations.

Mr. MICHEL. That means that things will terminate in Denver, too.

Mr. MONTGOMERY. The Denver project will go slightly beyond the Seattle in time.

Mr. MICHEL. The Gary project began when?

Mr. MONTGOMERY. The Gary project became operational in March 1971.

Mr. MICHEL. It will run for how many years?

Mr. MONTGOMERY. It will run for 3 operational years.

Mr. MICHEL. There will be a total cost of roughly how much?

Mr. MONTGOMERY. The total cost of the Gary, Ind., income maintenance project is estimated to be between $11 and $12 million.

Mr. MICHEL. Are there any other projects in this whole income maintenance item?

Mr. MONTGOMERY. These are the projects financed under the $11 million.

THE SPECIAL RESEARCH AND TRAINING CENTERS

Mr. MICHEL. How many special centers are there?

Mr. LONGMIRE. We have 19 research and training centers.

Mr. MICHEL. Do we have those laid out in the record as to where they are?

Dr. GARRETT. They were in the original appropriation request but we can give them to you.

Mr. MICHEL. Why don't you place them here in the record—where they are and how much each gets.

(The information follows:)

Special centers program

Research and Training Centers ($10,275,000)

	1972 estimate
Medical:	
NYU	$1,300,000
Minnesota	1,300,000
Washington	950,000
Baylor	1,300,000
Emory	400,000
Tufts	350,000
Temple	600,000
George Washington	475,000
Colorado	475,000
Southern California	625,000
Alabama	375,000
Northwestern	200,000
Total	8,350,000
Mental retardation:	
Wisconsin	400,000
Texas	150,000
Oregon	250,000
Total	800,000
Vocational:	
Arkansas	400,000
Pittsburgh	250,000
West Virginia	225,000
Total	875,000
Deafness: NYU	250,000

Mr. MICHEL. Are they working toward the same goal from different angles or sources? Why 19? Why not 10 or 100 or only one or two in income maintenance?

Dr. GARRETT. First of all, in the special center program where we use the number 19, those are the research and training center programs. Those are the integrated, coordinated programs of research, training, and client services. There are four different types of centers. One, the medical-oriented centers such as Northwestern or New York University. The second group are the vocationally oriented centers like at Hot Springs, Ark., with the University of Arkansas. The third are oriented toward the problems of the vocational rehabilitation of the mentally retarded, such as at the University of Wisconsin.

The fourth on deafness has only one grantee, that at New York University. The way in which they interrelate is that each of these institutions more or less has certain specializations that it pursues. The University of Washington, for example, is interested in the area of prosthetics. It is very heavily in that field. The University of Minnesota would be more interested in the basic physiology of effort, work and things of that sort. So there are within each center various areas of concentration. They do not duplicate one another in that sense at all.

REDUCTIONS IN THE TRAINING BUDGET

Mr. MICHEL. You say in training activities you are requesting $21.6 million, a reduction of $17.9 million. That reduction represents what—a cutback in what?

Mr. LONGMIRE. The reduction in training.

Mr. MICHEL. Is that only a reduction from a 1,056 to 726? It is something more than that.

Mr. LONGMIRE. You want me to tell you the specific ways in which the training budget has been reduced?

Mr. MICHEL. Yes.

Mr. LONGMIRE. We have a cut in the rehab program for training of about 31 percent, and in community services about 49 percent.

Mr. MICHEL. Does that mean rehab training is not important any more?

Mr. LONGMIRE. No, sir; it does not mean that.

Mr. MICHEL. What does that mean?

Mr. LONGMIRE. We get back to the original point that Mr. Twiname made, that the service programs have the top priority and research and training has had to absorb a cut. We have tried to provide balance within the dollars we have been given.

Mr. MICHEL. If the committee did not agree with you, and said we are going to split the difference there—we do not want to err one way or another and instead of that figure we decided on some figure in between those two, what would happen with that additional money?

Mr. LONGMIRE. We wou'd provide more support.

Let me say this: First of all, within the existing budget we will be able to continue all the students that are now in the rehab training programs. We have made a 10-percent cut in the faculty grants in what we call the highest priority skill areas. A 25-percent cut in the second priority areas. In the case of aging there is no cut for students or faculty. The social work area has been cut, although due to the budget amendment we were able to reduce the cut in social work from about 63 percent to about 55 percent.

1972 PRIORITY CHANGES GIVEN 1971 FUNDING LEVEL

Mr. MICHEL. What if the House, concurred with by the Senate, enacted the bill into law and the figures we are talking about right now were held at the same level as 1971, would everything stay pretty much the same as 1971? Or would there be some adjustments of priorities within that amount of money?

Mr. LONGMIRE. Mr. Miller had mentioned that the Secretary has gone on record as saying we are taking a look at our research and at our training programs. I believe because of the greater emphasis on the undergraduate education and because of our attempt to provide better ways to deliver social services, and looking for the new roles within social service delivery, and the training and educational requirements that would be derived from them, that we would have some modification in our training program. Mrs. Wolfe mentioned the role of the advocate and the broker, as opposed to the case work role. I think it is fair to say that we would make changes in our training program.

Mr. TWINAME. This relates to the conversation, Mr. Michel, you and Mr. Smith had before. I think it would be iresponsible for us to just continue business as usual given the crisis that we are in, and the changing conditions. Definitely we think at whatever level we have a responsibility to alter the priorities to be more responsible to what works and what is really needed and not to duplicate those things that can be picked up whether at the undergraduate level in the Office of Education or another grant program. This is an important consideration for us as we think what this agency should uniquely do that is not being supported elsewhere.

THE GENERAL UTILITY OF CHANGE

Mr. MICHEL. There is no reason for me to explain my question, but for the record I certainly am not opposed to change. As a matter of fact, I advocate it and personally oppose the idea that because we have done things a certain way for 20 years we have to continually go along doing the same things, or that the funding level for this or that program has to be the same, because that is the only way you do not raise any hackles. Many times before this committee, I think we probably default our responsibility because, limited in time as we are, we look primarily at increases and zero in on the increases when, as a matter of fact, we ought to be looking at some of the programs that have been going on at the same level for 20 or 30 years and probably could have been done away with a long time ago if we had pointed our guns at that area and asked what we have been doing in this area all these years?

FUNDING CYCLE FOR REHABILITATION TRAINING

Mr. NEWMAN. With respect to your question on the question of distinction—I do not remember exactly what your question was, but if you were to keep the program at the same level—there is a distinction which I think the committee should be aware of between the rehabilitation training program and the other training programs with respect to when moneys can be obligated. The other training programs that are being discussed here are on a forward funding basis; the rehab training program is not. That means that with respect to the rehabilitation training program the cut will be felt beginning July 1 of the coming fiscal year, which is not the same case as the other training programs.

Mr. TWINAME. So if I can project that, this is the reason, because funds are consumed in the same year they are appropriated, that administratively I took the initiative to shift some research funds into rehabilitation training. So you note there will be more money available in 1972 than shows up as the 1972 appropriation request. That is a distinction that I am glad you pointed out, which is the reason for this shifting of funds.

Mr. LONGMIRE. In terms of change, too, Mr. Michel, we are putting a much heavier emphasis on supporting the education of minority groups.

STATISTICS ON TRAINING GRANTS AND FUNDS

Mr. MICHEL. On page 451 of the hearing last year, you supplied a table summarizing your teaching grants, traineeships, and total funds since 1955. Will you bring that table up to date?

Mr. LONGMIRE. Yes, sir.

(The information follows:)

REHABILITATION SERVICES ADMINISTRATION, TRAINING—NUMBER OF LONG-TERM TEACHING GRANTS, TRAINEESHIPS, AND TOTAL FUNDS, 1955-71

	Number of teaching grants	Number of traineeships	Total funds
Year:			
1955	77	201	$609,000
1956	107	495	1,680,000
1957	113	649	2,325,000
1958	134	958	3,429,000
1959	143	1,027	3,826,000
1960	193	1,347	4,923,000
1961	209	1,586	5,950,000
1962	269	2,114	8,218,000
1963	327	2,812	11,345,000
1964	381	3,236	14,802,000
1965	399	3,752	17,804,000
1966	460	4,509	21,669,000
1967	470	5,261	26,658,000
1968	481	5,959	28,392,000
1969	488	5,828	29,062,000
1970	460	5,580	26,102,000
1971 (estimated)	450	5,167	25,145,000
Grand total	5,161	50,481	231,939,000

Note: Does not include in-service training of State vocational rehabilitation staff or short-term training.

AVERAGE COST OF TRAINEESHIPS

Mr. MICHEL. You also supplied for the record a table showing the average cost of traineeships and would you bring that up to date?

Mr. LONGMIRE. Yes, sir.

(The information follows:)

REHABILITATION SERVICES ADMINISTRATION, TRAINING—AVERAGE COST OF TRAINEESHIPS, FISCAL YEAR 1970

Field of training	Number of trainees	Total cost	Average
Rehabilitation counseling	2,027	$5,125,000	$2,528
Rehabilitation medicine:			
Undergraduates	430	326,000	758
Residents	245	2,321,000	9,473
Academic careers	10	125,000	12,500
Occupational therapy	451	898,000	1,991
Physical therapy	424	993,000	2,341
Prosthetics-orthotics	62	135,000	2,177
Social work	333	1,012,000	3,039
Speech and hearing	583	2,140,000	3,670
Rehabilitation of the blind	56	256,000	4,571
Rehabilitation of the deaf	108	290,000	2,685
Rehabilitation of the mentally retarded	268	706,000	2,634
Rehabilitation facilities administration	249	614,000	2,465
Undergraduate rehabilitation education	24	29,000	1,208
Other Fields [1]	259	906,000	3,498

[1] Includes dentistry, nursing, psychology, sociology, recreation, and multidisciplinary training.

REHABILITATION ENGINEERING PROJECTS

Mr. MICHEL. Several of my constituents have represented to me the need for rehabilitation engineering research programs. They have been calling these centers of excellence where teams of engineers and medical specialists in rehabilitation and related areas can work together to develop new and innovative methods and techniques for rehabilitating amputees, people with spinal injuries, and the like.

Now, I realize that you have indicated that the R. & D. request is to continue projects initiated in prior years.

Would you tell me whether your agency requested funds for new programs in this field when you went to the Office of Management and Budget?

Mr. LONGMIRE. Yes, sir. In our request to OMB we had requested $900,000 for eight new projects in rehabilitation engineering. Two of these projects and approximately $225,000 were to initial a system of rehabilitation engineering "centers of excellence," as you mentioned.

SPINAL CORD INJURY REHABILITATION

Mr. MICHEL. I have been impressed in previous testimony before this committee regarding the severe problems presented by individuals who have suffered injury to their spinal cord which has left them with paralysis. I have been told that the cost of rehabilitating those with spinal injuries is quite high, but my concern is the fact that so many of these individuals are young people between the ages of 18 and 25 years who seem to have their whole vocational careers ahead of them.

I heard you say that this is covered in the continuation grant budget request and I know that you are supporting some work in this field. I recall our discussion with Dr. Garrett last year regarding the program in Phoenix.

I wonder if you will tell the committee whether you requested funds for new programs in this field in your 1972 request to the Office of Management and Budget.

Mr. LONGMIRE. Yes, sir. In the area of rehabilitation medicine we requested $1,189,000 for 15 new projects. Of this amount we had estimated three projects and $450,000 would be used for the establishment of additional regional "systems" for spinal cord injury rehabilitation similar to the Southwest regional system in Phoenix, Ariz.

SPECIAL CENTER PROGRAM

Mr. MICHEL. As you know, the committees of Congress for many years have been interested in the research and training center program. As a matter of fact, if my memory serves me correctly, this program was initiated by the Congress.

As I look at your budget request for 1972, I notice that this program has been on dead center in terms of funding for the past several years. It would seem to me that just to keep up with the increased cost of living you would need to be requesting more funds than I see here.

I wonder if you would tell me whether your office requested from the Office of Management and Budget sufficient funds for this program to offset this inflationary trend?

Mr. LONGMIRE. Yes, sir. In our special center program we had requested $14,175,000 which was net of an offsetting reduction of $2,500,000 nonrecurring construction cost for the national center for deaf/blind. Specifically for the rehabilitation research and training centers we had requested $11,775,000, an increase of $1,500,000 over last year just to keep up with the increased cost of living you mentioned.

Mr. MICHEL. That is all, Mr. Chairman.

COMMUNITY COLLEGE WELFARE TRAINING PROGRAMS

Mr. SMITH. A lot of area schools have sprung up over the United States, that is, with a maximum of 2 years. Has anyone designed a training program for welfare workers or people that might show an aptitude for those area schools?

Mrs. WOLFE. There are now about 77 graduate schools of social work. There are about 200 undergraduate programs. There are another 200 community colleges.

Within those programs there has been a recent survey of what should go into the education, particularly of the direct service worker. There are about 10 experimental programs dealing with a complete change in the way of education and in the role of workers.

In most of the State schools, for example, in California and in Utah, the support of some of the educational programs has been built around the demand made by the Department of Public Welfare, Rehabilitation Service and other services.

Mr. SMITH. Suppose an area school in one of the States wants to start a program for training welfare workers, is there a recommended program for them?

Mrs. WOLFE. Yes, there is a recommended program.

Mr. SMITH. How long does it take to complete it?

Mrs. WOLFE. At the 2-year level for the subprofessional group it is about a year built on top of a 1-year program. At baccalaureate it is a 2-year program in the junior and senior year.

Mr. SMITH. We are back to deciding about whether you are a professional by the degree you have. I am talking about somebody who shows a promise and will be a professional if they can do it in 2 years or 1 year.

Mrs. WOLFE. There are various programs in the continuing education programs. One that I remember is in Oregon where they had a 1-year program of highly concentrated work which the employee could finish in a year's time. Most of the area schools have a continuing education department which is used for short-term training and for special institutes or 6 months or a year. I think in the rehab field, Mr. Shay can probably describe the short-term training because there is quite a bit of activity going on in relation to that short-term training. Those are available almost in every State university.

Mr. SMITH. Mr. Patten.

BUDGET CUTS AND THE NEED FOR REHABILITATION

Mr. PATTEN. I just heard the other day that our gross national product for the last 3 months went over a trillion dollars. Yet we sit here and look at a cut of one-third in this work. I was just wondering if

we know what we are doing. I came to Congress in 1963 and the biggest issue of my campaign was unemployment. I wanted to come here and be known as a fellow for education and help to the older American citizens, and projects of this type.

I remember when I was mayor in 1934 we had our little town of 40,000 with 200 children born out of wedlock. We did not blame the blacks or Puerto Ricans. A lot of our people think all we are doing is worrying about the black or Puerto Rican problem. A girl called me Sunday night. When we were kids and lived next door, she had a child out of wedlock when she was 16. She called me to get into senior citizens. The child grew up, she is a nurse and is married. But the mother did not continue her education. This is ordinary.

In 1934 I had a large group of people who used to be reached by the Salvation Army. Once we reached them, what was there to do with them? Some were alcoholics. But I knew these fellows. I always thought alcoholism was a disease. I never met a municipal judge who had a drunk before him, who ever did anything intelligent, as far as I am concerned. Most say 90 days in the workhouse and some will commit them to the State mental institution. They are not really insane when they are sober.

IMPERFECTIONS IN THE U.S. AND SOCIALIST SYSTEMS

I think the Pope said something the other day about the system. Maybe you ought to take another look. I have always been for the capitalist system. We are making a trillion-some dollars in gross national product. The trouble with my people, good people, they cannot get their hands on a dollar under our system. You can only get your hands on a buck if you are on the payroll. If anything happens to you, you are in trouble. I can give you many cases where the problem is still with the family and they never received a dollar from public funds. I can think of a mental case all her life, lived in the house, never could go out, and never went to school. I can think of another case who never left the home and is 65 now. She never went to any public agency. The family raised her. I think of Mary who lost her husband 20 years, is 63, she gets nothing. She worries, she is insecure, but she is in the house with her sister, and she helps cook and is part of the family. I know a lot of people who have never any money to learn to earn money. They are not on welfare. As I see it, my blind and crippled and polios, who do not have any money, because of our system. I do not look down upon these people. I do not like this cut you have in this budget of one-third.

Across the country today we send 54 million children to school, and as a nation we are quite proud of our schools; our people pay a pretty good bill. What do the socialist countries do here? Do they have these problems? Do they sit around in committees in Moscow as we are sitting around talking about research and rehabilitation, vocational guidance? Do you think they do that in Moscow? Do any of you know? I don't know.

Mr. GARRETT. Yes, I know.

Mr. PATTEN. Do they worry about the money?

Mr. GARRETT. I think the system is different. Let me say in many of the countries you are talking about they do not have the type of

rehab program that we are talking about. They do not. In many of these countries there are little or no opportunities for a person who is disabled.

Mr. PATTEN. You do not have to tell me. I can tell you about the couple in Hungary that live on the apples and pears the people hand them. Their pensions were cutoff because they did not join the party. They live on handouts. I saw their nurseries in Hungary and went into them. I know what the women said. Hungary has the lowest birth rate and the highest suicide rate. They proved it. That is what the women told me. Who wants to live under this system?

PRIORITIES IN A TRILLION-DOLLAR ECONOMY

In the light of the trillion dollars gross national product, and the highest corporate earnings in the history in the last three quarters—just a beautiful report. Do we do things in the right priority? You are talking priorities here. I question your sense of priorities. I question whether we have to take a new look and see what we are getting for our money. I see a need in my community and based on priorities I think we have to do the job. I do not like these cuts. With respect to the relationship to our total income, in my city it is a small burden. Most of my Puerto Ricans are working. They are all young. Most of my Negroes are affluent. They have cars and smoke cigars.

I have news for you, they are like other Americans. When you are making a buck and have a home, you can become a taxpayer. They are not marching. They are part of the mainstream and the establishment. They are the ones I know. They live around me. Six or eight own homes in the block where I live. They are a happy lot. Some play golf. They are part of the system. Our system leaves some wonderful people out of it because they do not earn money. What are you going to do if your husband dies and you are 56 years old and you have nothing coming in and no estate? That is what I see. I do not see something horrible. I do not think all this rehabilitation is bad. Who is going to hire a polio? The first one I put on when I was Mayor in 1934 was a girl with polio. The city clerk said, "Please don't hire her. I can't stand her, dragging her body with her brace. It's too depressing."

She dragged her body with the big brace and some of the staff in the office didn't like it. We are talking about rehabilitation. I know how tough it is to take care of a deaf-mute. This is not something we are going to do from research. This is a rough one. In my plants you cannot be hired if you are over 35. That is under our system. You have to be a high school graduate to be hired. That is why you have this problem. I think, proportionately, based on our economic goodness compared with the billions we are spending in other areas, that we should do this job. I never thought I was going to come here and see this cut in my older Americans' program. You said it is going to pay dividends. You list, on page 60, big benefits and the progress you have made and the understanding. In the other areas you talked about the value and the things you learned and the good you have done.

Mr. LONGMIRE. Mr. Patten, we have restored the cuts in the Aging budget, both in research and training. They have been brought back to the 1971 level.

REVISING PRIORITIES TO STRENGTHEN THE SYSTEM

Mr. PATTEN. You said as a result of your research that significant achievements of the past are reflected in the current program. The establishment of the National Technical Institute for the Deaf was based on research to determine the needs.

You talked about the deaf-blind youths, you talked about the good work with the mentally retarded, by a tenfold increase of rehabilitation. That is in your justification. You spoke of your work for the vocational rehab of your recipients of welfare. You spoke of the development of new devices which have been speeded by 50 percent in the rehabilitation work. You have gone on and listed 10. I counted 10 projects that you mentioned here as if it was good work you are doing.

Mr. LONGMIRE. Yes, sir.

Mr. PATTEN. Then I am told that priorities require that this work receive more than one-third less than what you had last year. I imagine a lot of you are dedicated and it must hurt you to come in this way. But sitting on this side and seeing the need, my neighbors and friends have grown up and been hit by disease and all these other troubles that we enumerated. I think under our capitalistic system these people earn no income and it is our duty to try to help them be decent human beings. This is nothing new. One out of 10 of our population is over 65. But in my State of New Jersey, I pay little or nothing to the State. In our State you either have to drink whisky or go to horses. We get all our taxes from the sins. We have a big lottery now. I can make $50,000 in my State and I do not give the State a dime. I am surrounded with people with a lot of money. We do not pay any money to the State. They are always crying "crisis." The truth is we don't pay enough. Unless we do something, maybe we will lose our system. That is all, Mr. Chairman.

Mr. SMITH. Mr. Shriver.

REHABILITATION PERSONNEL SCARCITY AREAS

Mr. SHRIVER. You mentioned in your statement that you are examining the programs and developing new criteria and new policies for administering them. You also mentioned the major need of increasing the manpower pool for scarce personnel in this field.

Maybe you mentioned it throughout this discussion, but what specifically are the scarce areas? In which areas do you have a surplus of personnel? You have cut the program of training by $18 million.

Mr. LONGMIRE. I think as Mr. Twiname indicated earlier, we are not talking about increasing the level of effort. We are talking about turning out trained people to add to the manpower pool. Clearly we are not talking about a surplus situation. We tried to identify some of the skill areas that have a higher priority than other areas.

Mr. SHRIVER. What are the scarce ones? This is my question.

Mr. LONGMIRE. In the Rehab training area, Rehab counseling is one of the priority areas and Rehab facilities administration is another.

INTEGRATING REHABILITATION SERVICES

Mr. MICHEL. If you will yield, when you talk about rehabilitation, are you talking about persons with some kind of disability other than just economic problems? I am enthused and elated with the things you all do in the Rehab service as such, for those who are handicapped and have some kind of physical disability, and possibly mentally handicapped, as distinguished from this morass of a welfare problem, period. You have them all in your shop. I like to consider them as two distinct kinds of problems.

Mr. LONGMIRE. We are trying to pull together—we talk about service integration—those people, those organizations, those problems that make a natural fit in order that we do not have the disadvantaged or handicapped person marching all around to get services and perhaps not getting what he needs, or incurring long delays. So we see the Rehab people and the social workers being part of a new system in which we do not have compartmentalization in the same way that we do now. The Rehab counselor is being viewed as an individual who can help bring things together. The social worker is being looked at now as more of an advocate or a broker as opposed to a caseworker.

ADVOCATE AND BROKER FUNCTIONS OF SOCIAL WORKERS

Mr. SHRIVER. What do you mean by broker in that regard, or what do you mean by advocate, which was used earlier?

Mr. LONGMIRE. The advocate role, as I see it, can be portrayed by an example where an individual comes into the system, and let us say the social worker is to provide some kind of service, and in providing that service discovers another problem and then pursues this and maybe ends up going to an agency and arguing to get a regulation changed or some practice. So the social worker or the Rehab counselor plays the advocate role of pushing for change in the system, as well as helping the individual with regard to the one particular problem. When we talk about broker, we talk about the purchase of services, someone who can play a central role in this regard.

Part of the relook at training is to see what kinds of new roles will be required in the new system for delivery of services, where we are trying to integrate, and what kind of particular training then is necessary to produce the people to fill the new roles in the new service delivery system.

Mr. TWINAME. Just to add a word on the broker, a thing the Rehab counselor does is to figure out where in the community is a training program, is medical help, help for the hearing, or a special facility that an individual can use, and he puts those together in just the right combination so somebody can get a job and be self-sufficient.

I think we see that as the kind of skill in which a broker—one of the subprofessionals, the community worker Mr. Smith was talking about—understands the system well enough. The trouble is a lot of these people do not know how to get access to these agencies and resources. They do not know. They go from one agency to another and do not know how to put it together. So one of the real good careers for somebody who works with people is to understand all these complexes of agencies and systems and help the people.

Mr. Patten was talking about the people who have fallen out of the system, and help them to get back onboard and make them self-sufficient. This is a very important skill.

Mr. SHRIVER. I assumed this has been a part of the training and experience of social workers since the inception of this idea. I think it is in my community. I also felt that the social worker and welfare worker is aware of the various resources of the community. What is new about this?

COORDINATION WITH MANPOWER TRAINING PROGRAMS

Mr. SMITH. If the gentleman will yield, is there any coordination with the manpower retraining end of this? There was not as of a couple of years ago, I know. I am thinking in terms now of a man becoming disabled. Perhaps by spending enough money on him you might be able to get him to work 2 days a week. His wife under manpower training could have taken a simple course probably and ended up making more for the family than it would be possible to do with. But he is the head of the family, and she is not the head of the family under manpower training, and there was no coordination as of a couple of years ago.

Mr. NEWMAN. May I try to respond to your question, Mr. Chairman?

Mr. SMITH. Yes.

Mr. NEWMAN. One of the interesting things that I think has happened over the last couple of years is that with the proliferation of the manpower training programs there has been an attempt to find how they could break through with what they consider to be the discontinuities in their approach, people being trained to death, or being trained for the wrong kind of job or for a job that does not exist.

Mr. SMITH. Or training the wrong member of the family.

Mr. NEWMAN. Yes.

One of the interesting things that has happened is that various people have come over to the vocational rehabilitation program to try to find out how do we put it together over here in a way which seems to make sense and seems to produce results. I think this is the essence of what Mr. Twiname was trying to show. In vocational rehab, or this particular approach, you do not make a prejudgment about particular training programs which you assume at the outset are going to be the thing to do. You basically make an assessment of all the disabilities and potentialities of the individual and you try to tailor-make basically, with the concurrence of the client and his family—you have to bring the family in—to see what is it actually in terms of both the disabilities and abilities and the job market possibilities, the kind of community he lives in, what kind of services, what kind of approaches to specialized training. Do we send him to a particular kind of resource which might make it for the individual? It is when you get to this kind of tailormade approach on an individual basis, that is No. 1. You asked what is new.

Second, when you have the resources and fiscal and administrative flexibility to do it, which I think the State agencies in rehabilitation have, and I think the manpower program is still struggling with, this I think is the major reasons for the success of this particular approach. You do not prejudge what a person needs, you do an effec-

tive evaluation. You have someone with him at the advocate side along the way to see that the snares and traps will not get in the way. You try to tailor-make this so you can have some confidence in your expectation that you are going to make it at the other end of the pipeline.

Mr. SMITH. Mr. Shriver.

RESEARCH ON REHABILITATING ALCOHOLICS AND ADDICTS

Mr. SHRIVER. I think we have probably discussed the decreases in the requests sufficiently.

I wanted to ask one further question. This relates to the research activities in the area of rehabilitation of alcoholics and drug addicts. We did not cover this from the research standpoint.

Mr. LONGMIRE. You would like to know what is going on in this area?

Mr. SHRIVER. Yes.

Mr. GARRETT. We have had some activity in this field. Perhaps not as much as we might. We have recently tried to tackle or set out our role as it relates to other programs in the Department in this field. That would be particularly true of the National Institutes of Mental Health. Our emphasis has been to try to see what kind of programs are effective in restoring people to work, or once you get a person to work, keeping him at work. One of the things we have learned out of our experience has been that we were tackling the program the wrong way. We were tackling the most difficult person, and that was the "skid row" alcoholic. Those of you who have been on this committee for a while may remember my mentioning the "skid row" alcoholic. It is not that nothing can be done because there are some rather effective programs. But rather the fact seems to be that this is not really the point of emphasis. What we have been trying to do lately is to try to design programs to keep people at work. In the area of drug addiction, we have tried to get away from the questions that are the major concern of the NIMH, like is methadone better than some other method of treatment? We are trying to get on the question of at what point in the process should you get involved in order to try to bring the person around to the point where he can go back to work.

From what we have been doing it looks as though the important area is at the point of crisis. When the individual himself understands he has a problem rather than the idea of getting the referral—your alcoholic who gets 90 days—that is not the way to rehabilitate them. But rather when the individual understands he has a problem. So we are experimenting in this kind of fashion in both the area of alcoholism and drug addiction.

1971 FUNDS FOR ALCOHOLIC AND ADDICT REHABILITATION RESEARCH

Mr. SHRIVER. In the last year, how much in the way of money was allocated to research in each of these areas? I am speaking of your shop and not elsewhere.

Mr. GARRETT. I do not have that immediately available. I can get it.

Mr. SHRIVER. Will you put it in the record?

(The information follows:)

FISCAL YEAR 1971 FUNDS SPENT TO REHABILITATE ALCOHOLICS AND DRUG ADDICTS

Grantee	Title	Purpose	Amount
RESEARCH AND DEMONSTRATIONS			
Oregon State mental health.	Demonstration project of evaluating 2 methods of delivering services to drug abusers.	To evaluate the effectiveness of 2 methods of treatment of young drug abusers; the influence of parental involvement on rehabilitation outcome; and the impact of type of referral and current residential arrangements on rehabilitation progress.	$209,000
To be awarded	Alcoholism and the elderly	To conduct a national survey to determine the incidence of alcoholism in the elderly.	50,000
RESEARCH AND TRAINING CENTERS			
New York University Medical Center.	Pulmonary impairment in drug addicts and its relationship to psychosocial and vocational rehabilitation.		8,100
Do	Latent peripheral neuropathy in chronic alcoholism.		500
George Washington University.	Rehabilitation of former drug addicts		15,000
University of Arkansas	A look at the problem of drug addiction.		2,500

NEW 1972 ALCOHOLISM AND ADDICTION RESEARCH

Mr. SHRIVER. Is there some allocation for the fiscal year we are listening to today?

Dr. GARRETT. 1972 fiscal year in R. & D. is primarily continuation of projects initiated in prior years.

Mr. SHRIVER. So there would be no new starts on this problem of drug addiction or alcoholism?

Dr. GARRETT. Yes.

Mr. SHRIVER. That is all. Thank you, Mr. Chairman.

Mr. SMITH. Mrs. Reid?

TRAINING PROGRAMS IN THE FIELD OF AGING

Mrs. REID. What type of training activities in the area of aging are being carried out? How many training grants are provided in the field?

Mr. LONGMIRE. 415 Students are enrolled in 16 schools, to understand the needs of older persons and to be prepared to become planners of programs on aged. Students are in schools of social work, public administration, health, gerontology, and related programs.

Many older people have received short-term training to better themselves to serve older people. A programed text book on working with and understanding the aging has been developed to be used by personnel in long-term care facilities.

COST-EFFECTIVENESS STUDIES OF MANPOWER PROGRAMS

Mrs. REID. What studies are you going to make in fiscal 1972 on the relative cost-effectiveness of the various manpower programs for the poor and disabled?

Mr. LONGMIRE. In the area of programs for training and manpower development for poor and disabled, SRS has responsibility in two major areas: the welfare referral and support aspects of the work incentive program and the vocational rehabilitation program. Within these programs, we are looking at techniques that measure the relative effectiveness of projects or programs under the work incentive program and are developing more effective techniques to conduct cost effectiveness studies in the vocational rehabilitation program. These techniques will be applied for program evaluation purposes in fiscal year 1972, if they prove to be effective measures.

You may also be interested to know that to help the individual agency find solutions to its manpower problems, that is, the effective management of its human resources to achieve an optimum integration of that agency's service goals, we have an ongoing project—the national study of social welfare and rehabilitation workers, work and organizational contexts—which focuses on such management problems as effective utilization of staff; managing change, growth and development of the organization; allocation of resources within and between agencies.

This comprehensive research approach is aimed at developing new knowledge for use in solving manpower problems. The base data can also form the basis for cost effectiveness studies in the future.

Mrs. REID. Thank you.

Mr. SMITH. Mr. Conte?

KNOWLEDGE CONSTRAINTS

Mr. CONTE. What are the major "knowledge constraints" that are preventing the full achievement of program objectives?

Mr. LONGMIRE. Some of the major knowledge constraints that impede the achievement of SRS program objectives in improving the organization and delivery of human services are: insufficient knowledge about alternative methods of making services readily accessible to those who need them, knowledge about the impact of the varied auspices under which services are offered upon the utilization of those services by those served, knowledge about the desires, needs, and choices of the consumers and the effects on use of services, and knowledge about the types of manpower resources required, both professional and nonprofessional, in order to provide adequate services to client populations.

REHABILITATION FOR MEXICAN AMERICANS

Mr. CONTE. What special efforts are you making to improve the delivery of rehabilitation services to Mexican Americans?

Mr. LONGMIRE. We have several research and demonstration projects that are acquiring new knowledge for improving rehabilitation services to Mexican-American populations. In San Antonio, Tex., we are supporting a rehabilitation demonstration project which is coordinating the efforts of the model cities program, a hospital district, the University of Texas Medical School, the Texas Rehabilitation Commission, and the State department of public welfare. Physicians from the medical school and its community health clinics provide physical restoration and medical management services to disabled

Mexican-American residents of the surrounding community with the assistance of indigenous paramedical personnel who receive specialized training through the project. These indigenous workers refer new patients to the clinics and also provide essential followup guidance through the clinics and into the community. Representatives of the State vocational rehabilitation and public welfare agencies provide services within the clinics. A transportation system is being developed to carry staff, medications, et cetera, to the clinics and to transport patients.

Another rehabilitation research project in East Los Angeles is demonstrating the feasibility of a paramedical training program for disadvantaged Mexican-American rehabilitation clients. Following the completion of training, these clients will be employed in a wide range of hospital jobs. Vocational evaluation and counseling, remedial education to remove language barriers, and job placement are major service components. Child-care and driver-education services have further assisted many of these clients to take advantage of training and employment opportunities.

In the rehabilitation research and training center program, the University of California RT Center is providing special training experience for undergraduate students preparing for the rehabilitation and health-related professions in order that they become knowledgeable about the service needs of the Mexican-American population in the Los Angeles area. During this past year, premedical, social work, vocational counseling, and nursing students were placed for training at the East Los Angeles Child and Youth Clinic which serves primarily Mexican Americans living in the East Los Angeles barrio.

The California RT Center is also participating in the vital English program project which provides conversational English instruction for Spanish-speaking adults such as homebound mothers, those without transportation, or men and women whose hours of work conflict with the regular available adult school classes. Classes are held in students' homes or nearby elementary schools, churches, or recreation halls. The center has assisted in the printing of the instructional manuals containing lessons on emergency calls, talking to the doctor, making an appointment, going shopping, and so forth.

The University of Texas Mental Retardation Center is in the process of analyzing the data resulting from their followup study of the Mexican-American and Anglo-American mentally retarded persons who participated in the State vocational rehabilitation school-work-study programs. As the first study of this type among the Mexican-American population, it is anticipated that the findings will be utilized as guides for improving future rehabilitation services, thus resulting in an overall better adjustment of the Mexican-American population and the reduction of dependency.

The University of Colorado RT Center is engaging in an educational research project with disadvantaged adult patients, most of whom are Mexican Americans, who were referred for vocational rehabilitation by the Colorado General Hospital. Many are either not motivated or suitable for State vocational rehabilitation agency programs because of their inadequate basic education. A tutorial instruction or self-help automated instruction program has been instituted to determine the educational handicaps and adult educational needs

in the available hospital population and to determine if the level of participation in other rehabilitation programs can be raised. It is anticipated that a new type of service may emerge which will assist the minority population to raise their educational achievement level, make them eligible for vocational rehabilitation services, which in turn will lead to better employability potentialities.

You may also be interested to know that a section 1115 project is demonstrating the availability of job opportunities for Mexican Americans within the welfare system by recruiting and training the Spanish-speaking group for these jobs. Significant promotional patterns at all job levels are being developed.

BINAURAL SENSING DEVICE FOR THE BLIND

Mr. CONTE. Would you describe in greater detail how the binaural sensing device mentioned on page 62 of the justification serves as a mobility aid for blind persons?

Mr. LONGMIRE. The ultrasonic binaural sensor, which was developed by Prof. Leslie Kay of Christchurch, New Zealand, will be used as an adjunct to the long cane (typhlocane). The device is incorporated into spectacle frames, which may also carry optical lenses if desired. Ultrasonic energy is continuously radiated in a cone-shaped area from a central position near the forehead. Signals generated by reflections from objects are converted into audible sounds in such a way that pitch represents distance and loudness represents the properties of the object or obstacle. The maximum range of the present model is 30 feet. The combination of the long cane and the binaural ultrasonic device will enable the visually restricted individual to extend the awareness of his environment and still maintain the safety factor that the long cane provides. This will enable the blind traveler to navigate with greater efficiency and safety than is possible with a more restricted knowledge of his surroundings. Experienced and qualified mobility instructors will learn how to fit and train people to use the binaural ultrasonic aid and then incorporate this into the systematic travel training already provided to visually handicapped persons.

ENROLLMENT IN SEATTLE-DENVER INCOME MAINTENANCE STUDY

Mr. CONTE. How many families did you say will be enrolled in the Seattle-Denver study?

Mr. MONTGOMERY. Current plans call for 4,600 experimental families and 1,300 control families to be enrolled in the combined Seattle-Denver experiment, although these figures may be adjusted somewhat after the final sample assignment model has been completed. Of the total sample, the experimental population will be divided such that about 900 families will receive a financial treatment only, about 2,100 families will receive both a financial treatment and manpower services, and 1,600 families will receive only manpower services. The control group, which receives neither financial nor manpower treatments, will serve to filter out variations in behavior which are not a result of the experimental treatments. Between the two sites, there will be approximately 2,600 families at the Seattle site and 3,300 families at the Denver site.

NATIONAL CENTER FOR DEAF-BLIND

Mr. CONTE. How many deaf-blind persons will the National Center for Deaf-Blind Youths and Adults accommodate?

Mr. LONGMIRE. The National Center for Deaf-Blind Youths and Adults is expected to be completed in the fall of 1974. At that time the Center will be capable of providing at any one time an inservice program for 50 deaf-blind persons and field services for approximately 150. The total number they will be capable of serving annually will be approximately 75 to 100 on an inservice basis and from 250 to 300 through field services.

For fiscal year 1971, at its temporary quarters, the Center's inservice capacity is 15 and field-service capabilities approximately 75 at any one time. The total to be served during fiscal year 1971 on inservice basis is 25 while 142 will receive field services.

NATIONAL REGISTRY OF DEAF-BLIND PERSONS

Mr. CONTE. Exactly how do you plan to refine the National Registry of Deaf-Blind Persons?

Mr. LONGMIRE. Through an agreement with the American Foundation for the Blind, the National Center for Deaf-Blind Youths and Adults became the recipient of the existing register previously maintained by the Foundation. The National Center for Deaf-Blind Youths and Adults has also worked out a relationship with the U.S. Office of Education whereby names of deaf-blind children will be referred. This will result in one registry. The National Center is now in the process of refining, analyzing, and computerizing the existing data while simultaneously working on developing a universally acceptable definition of deaf-blind. Hopefully this process will result in a registry with consistency containing only those who are legally blind and functionally deaf, as well as also including information about deaf-blind persons in terms of services needed and those recorded for census purposes only.

REDUCTION IN SOCIAL WORK TRAINEESHIPS

Mr. CONTE. In view of your statement on page 88 that the majority of students interested in social work cannot complete training without financial assistance and that an increasing number of disadvantaged students are being recruited, why is your appropriation request for traineeships being cut by $700,000?

Mr. LONGMIRE. As Mr. Twiname indicated the reduction in training expenditures is a result of placing priority on service programs; and research and training had to absorb the cut.

Mr. CONTE. That is all, Mr. Chairman.

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Research and Training

Amounts Available for Obligation

	1971	1972
Appropriation	$76,435,000	$67,000,000
Comparative transfers from:		
"Grants to States for public assistance"	15,080,000	---
"Special programs for the aging"	5,800,000	---
"Salaries and expenses"	825,000	---
Total obligations	98,140,000	67,000,000

Obligations by Activity

Page Ref.		1971 Estimate	1972 Estimate	Increase or Decrease
60	Research	$58,540,000	$46,500,000	$-12,040,000
83	Training	39,600,000	20,500,000	-19,100,000
	Total obligations	98,140,000	67,000,000	-31,140,000

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Travel and transportation of persons	$125,000	$70,000	-$55,000
Printing and reproduction	50,000	35,000	-15,000
Other services	14,050,000	14,350,000	+300,000
Supplies and materials	1,000	1,000	---
Equipment	49,000	40,000	-9,000
Grants, subsidies, and contributions	83,865,000	52,504,000	-31,361,000
Total obligations by object	98,140,000	67,000,000	-31,140,000

Summary of Changes

1971 estimated obligations	$98,140,000
1972 estimated obligations	67,000,000
Net change	-31,140,000

	Base	Change from Base
Increases:		
A. Built-in increases:		
1. Research:		
Income maintenance	$9,000,000	$+2,000,000
Total increases	xxx	+2,000,000
Decreases:		
A. Built-in decreases:		
1. Research:		
Special centers	14,918,000	-2,500,000
B. Program decreases:		
1. Research:		
a. Research and demonstrations	34,622,000	-11,497,000
b. Special centers	14,918,000	-43,000
2. Training:		
a. Rehabilitation	27,700,000	-13,050,000
b. Community services	8,900,000	-4,900,000
c. Aging	3,000,000	-1,150,000
Total program decreases	xxx	-30,640,000
Total decreases	xxx	-33,140,000
Total, net change	xxx	-31,140,000

Explanation of Changes

The level of funding proposed for 1972 will provide continued support for research and training activities in areas of priority concern. These include welfare reform, improved health care delivery systems for the poor, rehabilitation of public welfare recipients, improved social service delivery systems, work evaluation and work adjustment for the disadvantaged and disabled, and problems relating to alcoholism and drug addiction. Projects currently being supported under the research and training appropriation will be thoroughly reviewed for their relevancy and impact in the above priority areas. Those which appear to offer little chance of producing an impact in those areas will be terminated.

Authorizing Legislation

Legislation	1972 Authorization	Appropriation Requested
Vocational Rehabilitation Act as amended through 1965 and Vocational Rehabilitation Amendments of 1968		
Section 4--Grants for Special Projects..	$140,000,000*	$37,662,000
Section 7--Training and rehabilitation research.....	Such sums as may be necessary	1,825,000
Section 16--National Center for Deaf-Blind Youths and Adults.....	No specific amount authorized	600,000
International Health Research Act of 1960		
Section 4--Authority of Secretary.....	No specific amount authorized	100,000
Social Security Act		
Section 426--Child Welfare research, training, and demonstration projects....	Such sums as the Congress may determine	3,450,000
Section 1110--Cooperative Research or Demonstration Projects.....	Indefinite	15,213,000
Section 1115--Demonstration projects.....	4,000,000	2,500,000
Section 707--Grant for Expansion and Development of Undergraduate and Graduate programs.....	5,000,000	2,000,000
Older American's Act		
Title IV and V--Research and Development Projects and Training Projects.....	20,000,000	3,650,000

VOCATIONAL REHABILITATION ACT

Section 4--Grants for Special Projects

Appropriation

Section 4. For the purpose of (a) making grants under section 4(a)(1) for research, demonstrations, training, and traineeships; (B) making grants under clause (2)(A) of section 4(a) for planning, preparing for, and initiating special programs to expand State vocational rehabilitation services; (C) making contracts and jointly financed cooperative arrangements under clause (2)(B) of section 4(a) for projects for providing jobs to handicapped individuals; and (D) making grants under clauses (2)(C) and (D) of section 4(a) to develop new programs to recruit and train individuals for new career opportunities, there is authorized to be appropriated for the fiscal year ending June 30, 1966, the sum of $80,000,000; for the fiscal year ending June 30, 1967, the sum of $104,000,000; for the fiscal year ending June 30, 1968, the sum of $117,000,000; for the fiscal year ending June 30, 1969, the sum of $80,000,000; for the fiscal year ending June 30, 1970, the sum of $115,000,000; for the fiscal year ending June 30, 1971, the sum of $140,000,000; and for the fiscal year ending June 30, 1972, the sum of $140,000,000.

*This amount represents total authorization; Funding is distributed between "Rehabilitation Services and Facilities" and "Research and Training" appropriations.

Section 7--Training and Rehabilitation Research
Appropriation

Section 7. (a) In carrying out his duties under this Act, the Secretary shall - (2) provide short-term training and instruction in technical matters relating to vocational rehabilitation services, including the establishment and maintenance of such research fellowships and traineeships, with such stipends and allowances (including travel and subsistence expenses), as he may deem necessary, except that no such training or instruction (or fellowships or scholarship) shall be provided any individual for any one course of study for a period in excess of four years, and such training, instruction, fellowships, and traineeships may be in the fields of physical medicine and rehabilitation, physical therapy, occupational therapy, speech pathology and audiology, rehabilitation nursing, rehabilitation social work, prosthetics and orthotics, rehabilitation psychology, rehabilitation counseling, recreation for the ill and handicapped, and other specialized fields contributing to vocational rehabilitation; and

(c) The Secretary is authorized, directly or by contract--
(1) to conduct research, studies, investigations, and demonstrations, and to make reports, with respect to abilities, aptitudes, and capacities of handicapped individuals, development of their potentialities, and their utilization in gainful and suitable employment; and

(d) There are authorized to be appropriated for the fiscal year ending June 30, 1966, and each succeeding fiscal year, such sums as may be necessary for carrying out the purposes of this section.

Section 16--National Center for Deaf-Blind Youths
and Adults

Appropriation

Section 16. The Secretary is authorized to enter into an agreement with any public or nonprofit private agency or organization for payment by the United States of all or part of the costs of the establishment and operation, including construction and equipment, of a center for vocational rehabilitation of handicapped individuals who are both deaf and blind which shall be known as the National Center for Deaf-Blind Youths and Adults.

INTERNATIONAL HEALTH RESEARCH ACT OF 1960

Section 4(b)--Authority of Secretary

Appropriation

Section 4(b). The Secretary may, under Subsection (3), make grants or loans of equipment, medical, biological, physical, or chemical substances or other materials, for use by public institutions or agencies, or by individuals, in participating foreign countries; Subsection (4) participate and otherwise cooperate in any international health or medical research or research training meetings, conferences, or other activities; Subsection (5) facilitate the interchange between the United States and participating foreign countries, and among participating foreign countries, of research scientists and experts who are engaged in experiments and programs of research or research training, and in carrying out such purpose may pay per diem compensation, subsistence, and travel for such scientists and experts when away from their places of residence at rates not to exceed those provided in section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b-2) for persons in the Government service intermittently employed.

SOCIAL SECURITY ACT

Title XI--General Provisions

Cooperative Research or Demonstration Projects

Section 1110. (a) There are hereby authorized to be appropriated for the fiscal year ending June 30, 1957, $5,000,000 and for each fiscal year thereafter such sums as the Congress may determine for (1) making grants to States and public and other nonprofit organizations and agencies for paying part of the cost of research or demonstration projects such as those relating to the prevention and reduction of dependency, or which will aid in effecting cooperation of planning between private and public welfare agencies or which will help improve the administration and effectiveness of programs carried on or assisted under the Social Security Act and programs related thereto and (2) making contracts or jointly financed cooperative arrangements with States and public and other organizations and agencies for the conduct of research or demonstration projects relating to such matter.

Section 1115. Demonstration Projects

Appropriation

Section 1115. In the case of any experimental, pilot, or demonstration project which, in the judgment of the Secretary, is likely to assist in promoting the objectives of title I, IV, X XIV, XVI, or XIX in a State or States--

...not to exceed $4,000,000 of the aggregate amount appropriated for payments to States under such titles for any fiscal year beginning after June 30, 1967, shall be available, under such terms and conditions as the Secretary may establish, for payments to States to cover so much of the cost of such projects as is not covered by payments under such titles and is not included as part of the cost of projects for purposes of section 1110.

Title VII--Administration

Section 707. Grants for Expansion and Development of Undergraduate and Graduate Programs

Appropriation

Section 707. There is authorized to be appropriated $5,000,000 for the fiscal year ending June 30, 1969, and $5,000,000 for each of the three succeeding fiscal years, for grants by the Secretary to public or nonprofit private colleges and universities and to accredited graduate schools of social work or an association of such schools to meet part of the costs of development, expansion, or improvement of (respectively) undergraduate programs in social work and programs for the graduate training of professional social work personnel, including the costs of compensation of additional faculty and administrative personnel and minor improvements of existing facilities.

Title IV, Part B.--Child Welfare Services

Section 426. (a) There are hereby authorized to be appropriated for each fiscal year such sums as the Congress may determine--

(1) for grants by the Secretary--

(A) to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare;

(B) to State or local public agencies responsible for administering, or supervising the administration of, the plan under this part, for projects for the demonstration of the utilization of research (including findings resulting therefrom) in the field of child welfare in order to encourage experimental and special types of welfare services; and

(C) to public or other nonprofit institutions of higher learning for special projects for training personnel for work in the field of child welfare, including traineeships with such stipends and allowances as may be permitted by the Secretary; and

(2) for contracts or jointly financed cooperative arrangements with States and public and other organizations and agencies for the conduct of research, special projects, or demonstration projects relating to such matters.

OLDER AMERICAN'S ACT

Title IV and V--Research and Development Projects and Training Projects

Appropriation

Section 703. There are hereby authorized to be appropriated $1,500,000 for the fiscal year ending June 30, 1966, $3,000,000 for the fiscal year ending June 30, 1967, $6,400,000 for the fiscal year ending June 30, 1968, $10,000,000 for the fiscal year ending June 30, 1969, $12,000,000 for the fiscal year ending June 30, 1970, $15,000,000 for the fiscal year ending June 30, 1971, and $20,000,000 for the fiscal year ending June 30, 1972.

Explanation of Transfers

	1971 Estimate	Purpose
Comparative transfer from:		
Grants to states for public assistance	$15,080,000	Consolidates the Social and Rehabilitation research and training activities within this appropriation.
Special programs for the aging	5,800,000	
Salaries and expenses	825,000	

Research and Training

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1962	$18,750,000	$19,950,000	$20,950,000	$20,950,000
1963	27,800,000	27,600,000	28,600,000	28,600,000
1964	40,830,000	34,265,000	40,285,000	38,265,000
1965	44,420,000	44,356,000	44,765,000	44,765,000
1966	56,445,000	55,527,000	56,577,000	56,527,000
1967	68,475,000	68,475,000	67,975,000	68,475,000
1968	80,054,000	79,990,000	79,034,000	77,487,000
1969	99,925,000	17,150,000 1/	82,150,000	81,150,000
1970	92,340,000	92,340,000	93,230,000	92,340,000
1971	104,140,000	97,140,000	99,140,000	98,140,000
1972	67,000,000			

1/ The House did not hear the Rehabilitation Research and Training appropriation because of expiring authorizations.

Note: This appropriation prior to FY 1971 was carried under "Rehabilitation Research and Training" and "Cooperative Research or Demonstration Projects" appropriations.

In 1972, all research and training project grants and contracts of the Social and Rehabilitation Service were consolidated into this appropriation.

ACTIVITY I: RESEARCH

General Statement

For the Research Activity we are requesting $46,500,000 for 1972. This is a reduction of $12,040,000 below the 1971 level of $58,540,000. This activity includes the following which will be covered in detail in subsequent sections.

a. Research and demonstrations $23,125,000
b. Income maintenance $11,000,000
c. Special centers $12,375,000

Consolidated into this activity are programs authorized under Sections 4, 7, and 16 of the Vocational Rehabilitation Act; Sections 426, 1110 and 1115 of the Social Security Act; Title IV of the Older Americans Act, and the International Health Research Act.

This consolidation of the budget request is consistent with the reorganization of research activities in SRS to improve our capability to administer the research and demonstrations program. In the current Office of Research and Demonstrations, all research activities and responsibilities have been combined so that we may more effectively and efficiently overcome the knowledge constraints which are preventing the full achievement of program objectives. With greater emphasis on research utilization , results of research will be utilized promptly in service programs.

It is expected that the funds requested will enable SRS to continue the forward progress of the research and demonstrations program in developing new principles and concepts basic to improving services to people in need. Significant achievements of the past which are reflected in current program service activities include: the establishment of the National Technical Institute for the Deaf based on research-determined needs of this group; demonstration of the rehabilitation potential of the deaf-blind which resulted in the establishment of the National Center for Deaf-Blind Youths and Adults; demonstrations of methods of prevocational and vocational training of the mentally retarded which were accompanied by a ten-fold increase in rehabilitants in this group in the State programs; studies of the vocational rehabilitation potential of recipients of welfare which provided the logical basis for significantly increased expansion grants by SRS; development of new orthotic devices which have speeded by fifty percent the rehabilitation ambulation of hemiplegics; studies on increased social participation and volunteer roles of older Americans which laid the groundwork for the very effective foster-grandparents program; research on the health needs of the poor which furnished the framework for the Department's current planning related to the HMO's (health maintenance organizations); and demonstration on providing self-help services in a ghetto neighborhood which has led to a new conceptualization for SRS manpower programs to provide a range of services through a mix of personnel trained at the graduate, undergraduate and lower levels, including indigenous para-professional workers.

It is planned to continue in 1972 the program emphases of 1971: welfare reform; improving the health care delivery system for the poor under Medicaid; developing techniques to rehabilitate welfare recipients; improved social service delivery systems; modified self-support and community living; work evaluation and work adjustment; services to migrants; and reduction of alcohol and drug dependency. This budget request will also require very close scrutiny of all requests for continuation of projects initiated in prior years. Those which show little promise of producing results that will support the current priorities will, as in the past, be terminated.

Research and Demonstrations	1971 Estimate	1972 Estimate	Increase or Decrease
Rehabilitation and employability.....	$20,955,000	$14,300,000	$-6,655,000
Community services.....	5,997,000	3,400,000	-2,597,000
Medical Assistance.....	2,165,000	1,650,000	- 515,000
Social Security.....	525,000	525,000	---
Child welfare.....	2,189,000	1,450,000	- 730,000
Aging.....	2,800,000	1,800,000	-1,000,000
Total.....	34,622,000	23,125,000	-11,497,000

For research and demonstrations in 1972 we are requesting $23,125,000. This is a reduction of $11,497,000 below the 1971 level of $34,622,000. Consolidated into this subactivity are programs authorized under Sections 4 and 7 of the Vocational Rehabilitation Act; Section 426, 1110, 1115 of the Social Security Act; the International Health Research Act; and Title IV of the Older Americans Act. Narrative justification of these amounts follow.

Rehabilitation and Employability

The research and demonstration program is focused specifically on priorities of improved organization and delivery of rehabilitation services to the disabled-disadvantaged. Special attention is paid to involvement of consumers in the planning and evaluation of services. Target populations of high priority are migrant workers, public assistance recipients, Blacks, Mexican Americans, American Indians, the rural poor and inner-city residents.

Several demonstrations in inner cities and model city neighborhoods are showing the coordination of SRS services in the form of multi-service centers for public assistance clients and other disadvantaged or disabled persons. These centers involve methods of outreach through indigenous aides, use of advocates to assist the client throughout his period of rehabilitation, detailed vocational evaluation and extended follow-up for maintenance of employment. Family counseling carries services into the homes of clients.

Other projects situated in all HEW Regions are developing ways of organizing the various community agencies to deliver services to a single handicapped group such as mental retardates or to a minority group such as migrants or American Indians. New ways of delivering health services are of particular importance. One such project is serving a model cities neighborhood through a mobile medical unit. Another is focused on a Mexican American model city population in the Southwest.

An extensive program has been launched to test various models of work adjustment and work evaluation for the disabled-disadvantaged in city neighborhoods.

Projects in progress include consumer involvement in the form of advisory groups and rehabilitation aides. The position of aide is being developed as part of a new career ladder for the disadvantaged.

Projects for the utilization of research continue to develop new approaches. Research utilization specialist positions have been established in State rehabilitation agencies and in nine Regions, to work with the Regional offices and the SRS research and demonstrations program in facilitating the incorporation of completed research into operation. Two research utilization laboratories are testing and refining recent research results for program use. Data processing systems are being developed for storage and retrieval of information on SRS research findings.

Rehabilitation and Employability
Estimates for Program Categories

Program Categories	1971 Estimate Proj.	1971 Estimate Amount	1972 Estimate Proj.	1972 Estimate Amount	Increase or Decrease Proj.	Increase or Decrease Amount
I. Sensory	36	$2,505,000	21	$1,263,000	-15	-$1,242,000
II. Mentally Handicapped	19	1,973,000	11	1,256,000	- 8	- 717,000
III. Rehabilitation Medicine	33	3,528,000	17	2,096,000	-16	- 1,432,000
IV. Rehabilitation Engineering	19	1,386,000	12	809,000	- 7	- 577,000
V. Evaluation and Work Adjustment	35	3,652,000	21	2,612,000	-14	- 1,040,000
VI. Service Delivery Systems in Rehabilitation	62	6,728,000	43	5,141,000	-19	- 1,587,000
VII. Research Utilization	25	1,183,000	21	1,123,000	- 4	- 60,000
TOTALS	229	20,955,000	146	14,300,000	-83	- 6,655,000

I. SENSORY DISABILITIES

For 1972 a total of $1,263,000 is requested to support 21 projects in the areas of rehabilitation of the blind, rehabilitation of the deaf, and rehabilitation of persons with speech, hearing, and language disorders.

A. Rehabilitation of the Blind

$516,000 is requested to support 8 projects in fiscal year 1972. Research and demonstration activities will continue to be utilized for the development of new areas of employment for the blind and severely visually impaired.

Demonstrations have included development of such new occupations for the blind as taxpayer assistor in the Internal Revenue Service and computer programmer. In these training programs, all past and future assistor trainees are to be hired by the Internal Revenue Service. The majority of computer programmers have also obtained jobs.

A major area of activity will be devoted to the continued development of hardware specifically designed to provide substitutes for sight wherever possible. Such projects would include continued work on a Braillembosser, verifiers for blind typists, and the use of a binaural sensing device as a mobility aid for blind persons. There will be continued coordinated programs for evaluation of various devices from a rehabilitation engineering standpoint.

B. Rehabilitation of the Deaf

$516,000 is requested to support eight projects in fiscal year 1972. Emphasis will continue on consolidation of organizations serving deaf people, for better utilization of available resources through a national coordinating association. Special service delivery systems including use of aides for counselors and in local facilities, drawn from the disabled and/or indigent population have been developed and will continue to be demonstrated in inner cities to benefit disadvantaged deaf

adults. Research on manual sign development for improvement in language training for deaf people is to be an important ongoing effort. Telephone devices proving reliable techniques of distance communication will be thoroughly demonstrated for possible mass production and as a means to roll back limited employment horizons. Coordinated efforts to provide improved technical, vocational and academic programs for the post-secondary deaf population are being embodied in new curricula. Minimal modification of existing programs for normal hearing persons are proving to be successful when supportive services, such as interpreting through manual communication, are provided.

C. Rehabilitation of Persons with Speech, Hearing, and Language Disorders

$231,000 is requested to support five projects in fiscal year 1972. One area of research focuses upon identifying what hearing handicapped persons hear in speech. Programs of aural rehabilitation will be designed around these findings. Continued development of rehabilitation procedures to assist aphasic patients, laryngectomees, and stutterers, will focus on means for returning these individuals to the work community. Job adjustment of the hard-of-hearing poor and minority group members is especially difficult and special attention will be emphasized in order to maintain and increase their earnings.

II. MENTALLY HANDICAPPED

In fiscal year 1972, a total of $1,256,000 is requested to continue support of 11 projects in the vocational rehabilitation of mentally handicapped people.

Findings suggest the feasibility of community-based programs and the importance of a full complement of integrated and coordinated social and rehabilitation services. Projects to demonstrate and test the most cost-effective systems for delivery of such services, as well as new case finding techniques utilizing ex-alcoholics, ex-addicts, and indigenous paraprofessional client advocates will be continued.

Rehabilitation techniques for the multiple handicapped mentally retarded will be explored. On-going demonstrations of the efficacy of increased family participation in the rehabilitation process, coordinated use of community resources, and more extensive follow up is expected to yield intelligence and personality tests and techniques to assist vocational rehabilitation counselors and other social service workers in serving these clients.

III. REHABILITATION MEDICINE

In 1972, the amount of $2,096,000 is requested to continue 17 projects in the areas of cardiac disease, cancer, stroke, chronic obstructive pulmonary disease, and spinal cord injury. Regional centers will study specific catastropic disabilities such as cancer or emphysema. The recently established Southwest Regional System for Treatment of Spinal Injury in Phoenix, Arizona, demonstrated a model of total rehabilitation services to the spinal-cord-injured patient from extraction at the accident scene through acute care, rehabilitation management, vocational training, and community follow up. This project has received extensive community and Regional support, particularly from the Bureau of Indian Health and other local and Governmental agencies interested in medically indigent minority groups. New techniques include a comprehensive systems analysis program to study the various components of the Regional system, with emphasis given to cost benefit analysis and cross-cultural studies relevant to the rehabilitation of medically indigent, minority group, and industrial spinal injury cases. A continuing project has developed improved delivery of health care to a medically indigent model cities population through the use of Mexican-American and Negro para-medical workers for follow up interviews and continued contact. Hospital medical personnel provide care both in the clinics and in the home. Several physical exercise programs are demonstrating rehabilitation techniques for cardiovascular and cerebrovascular disorders.

IV. REHABILITATION ENGINEERING

Request is made for $809,000 for 12 projects in the field of Rehabilitation Engineering.

Research in Rehabilitation Engineering is concerned with the return to work and increased earning of the handicapped person, shortening the interval between hospitalization and competitive employment, and making available improved equipment which is both less expensive and more convenient to use.

It is concerned with the use of combined medical-engineering technology applied to physical rehabilitation problems. The fundamental research in normal and abnormal human locomotion supported by this agency for many years has led directly to the new lower extremity artifical limbs and braces seen today.

There will be a continuing effort to improve the system of Rehabilitation Engineering Centers of excellence. These centers are comprehensive in a given rehabilitation research subject area and the research conducted is fully coordinated to prevent unnecessary duplication. They are closely associated with existing Rehabilitation Research and Training Centers and are located in Universities which provide both medical and engineering assistance to the program. The relationship to R&T Centers provides research services on a coordinated basis affecting model cities, neighborhood centers and coordination of agency services.

Development of the Patellar Tendon Bearing Below-Knee and the Quadrilateral Above-Knee prostheses illustrates the effects of the prosthetic program. The design and introduction of the plastic spiral brace and the units for functional electrical stimulation of the lower extremities, now in clinical evaluation, are similarly useful in the field of orthotics.

Research in orthotics is being conducted utilizing materials technology developed by the space and defense programs through full cooperation of those agencies with the S.R.S. to apply this technology to develop new designs in this field which will be more durable, cosmetic and functional.

Prosthetics research is directed toward the further development of modular skeletal prosthetic components which provide for the easy substitution of parts, including the socket. This research will make possible the provision of a completed prosthesis in a much shorter time (one day), at less expense, which is both lighter in weight and more cosmetic. Research is also continuing in the control of all prosthetic and orthotic equipment through the neuromuscular system. Use of pattern recognition techniques for the control of prostheses by myoelectric signals has been demonstrated in this program and research is proceeding to make the system widely applicable.

V. EVALUATION AND WORK ADJUSTMENT

For 1972, a total of $2,612,000 is being requested to support 21 projects.

While evaluation and work adjustment grew out of the needs of the severely disabled, they have equal applicability to the disadvantaged. Our major thrust in the past has been in expanding the range of work samples and work experience in sheltered workshops to cover the ever-widening range of jobs in industry that the disabled might enter from vocational rehabilitation programs. Undergirding our efforts in the past and in the big push given last year, described below, has been and will be the continuing National Center for Materials in work evaluation/work adjustment.

The continuing series of special work evaluation/work adjustment projects started in FY 71 will provide guidelines for continuing efforts to find better ways of implementing Section 15 of the VR Act through adaptation of evaluative methods to the poor.

62-917 O - 71 - pt. 4 ---29

Essentially, these projects involve Vocational Rehabilitation--especially through the utilization of rehabilitation facilities--in providing diagnostic, evaluative, and adjustment services in multi-agency programs serving public assistance individuals. The end product is a comprehensive evaluation and plan of employability services for the individual. Such services are then carried out by the cooperating agencies, including Vocational Rehabilitation, for those disabled individuals who are eligible.

VI. SERVICE DELIVERY SYSTEMS IN REHABILITATION

An amount of $5,141,000 is requested for 1972 to support a total of 43 projects.

The basic purposes of these projects are to develop, test, compare and apply alternative ways of making the available rehabilitation services readily accessible to eligible populations and to test and compare alternative auspices for rehabilitation services programs in terms of enhancing utilization of needed services.

One target for such studies are sheltered workshops and their role in service delivery. In Cleveland a new method is being developed for establishing a rehabilitation facility in an economically depressed area. Here the facility is being tested as a focal point to stimulate and initiate diverse and badly needed social services along with its usual high quality rehabilitation services -- an under-one-roof concept with a rehabilitation lead.

In addition, attention is being paid to the improvement in management and administration of such workshops. Fiscal models for economic efficiency have been developed but need further testing; methods for work procurement contracts which provide integration with the business enterprise system of the community and similarly related product marketing need further development. Such studies should bring about an increase in the number of disabled inner city residents restored to gainful occupation.

Another area of concentration is the public offender and his rehabilitation. We must admit relative inability to deal effectively with many offenders to date, depending as we have upon the criminal justice system. This is a target group for whom we must develop a more effective rehabilitation service delivery system. Such projects are now being initiated. A program demonstrating that indigenous neighborhood individuals can function effectively as gang control workers in a large city is an example. The recent entry of the vocational rehabilitation concept into the treatment of parolees has reduced recidivism in the experimental group and demonstrated methods of providing the down-to-earth counseling so necessary for this group. Another study is using ex-prisoners as a source for estimating post-prison needs; this in turn is a basis for the development of ex-prisoner-run half-way houses for parolees. A third study has experimented with the use of pre-release work adjustment training in a maximum security prison. Commitment has already been made for the continuation of this program by the State upon its completion as part of a new rehabilitation service delivery system for ex-offenders.

One of the pressing problems in any rehabilitation employability program is getting the disabled or older individual to the place of training and/or employment. There is a lack of knowledge about various appropriate organizational modes of transportation and mobility opportunities for these groups. Demonstrations have been initiated to develop a transportation aide program to show its feasibility for improving individuals' potential and actual chances for modified self-support, e.g. in a sheltered workshop.

VII. RESEARCH UTILIZATION

FOR 1972, a total of $1,123,000 is requested for 21 projects.

Research utilization (RU) seeks to identify effective research results and bring them to the attention of practitioners and administrators in a form likely to promote their actual use to improve service programs for SRS clients. To meet these goals, RU will continue to help program units, regional offices, and State, local and private agencies to use research results and other knowledge to upgrade programs.

RU will also continue to monitor projects designed to produce new knowledge on the diffusion and adoption of innovations to be used to improve patterns of service. The Research Utilization Laboratory utilized by the Chicago Jewish Vocational Service tests and adapts research results in the area of sheltered workshops for use in the approximately 350 Region V agencies. The "Regional Center" project identifies vocational rehabilitation sites within the region which are offering innovative services for disabled or disadvantaged clients with vocational problems. Over 100 key personnel in SRS-related agencies are being brought to these sites for first-hand observation of the newest practices being used there. They return to adapt and use them in the unique situation of their home agencies.

The gap between researcher and practitioner, a major deterrent to effective utilization, will be lessened by continued national sponsorship of RU seminars on priority issues arising from Departmental and agency objectives. Conference format and procedures have been developed, tested, and found effective in introducing research findings to potential users. In one conference, findings from prior demonstrations on rural service delivery will be presented to representatives of migrant groups, administrators, and researchers for use with migrant workers.

The Research Utilization Film Laboratory will continue to adapt the 70 films and other audio-visual materials already produced to the unique training needs of State agency personnel in one DHEW region. The participation of users in the development of audio-visual training kits will assure more direct application of new procedures and techniques.

To permit retrieval and analysis of information generated by 17 years of social science research, a research information storage and retrieval system has been established and is being monitored. This system will make possible the early identification of all effective research results in given areas, which can then be used promptly to design and implement programs to meet priorities and objectives. In addition, by highlighting areas in which further investigation is needed, it will aid in the planning of new programs and future research. The backlog of 2,000 SRS research reports has been abstracted, indexed and distributed to 20 field-testing sites for use as a decentralized manual SRS Research Information System..

Initial standardization of the thesaurus has begun. The 2,000 abstracts and accompanying index have been converted to machineable form and are in experimental use as a centralized semi-automated SRS Research Information System. FY 1972 continuation efforts include abstracting and updating of the index for the approximately 500 new reports received, continuation of the interagency agreement with the Department of Commerce's National Technical Information Service to provide hard-copy and microfilm capability, and experimentation with the semi-automated system toward full automation.

Continued monitoring and evaluation of the 10 Research Utilization Specialist projects will contribute to the goal of translating research and demonstration findings into action programs. Efforts range from applying known techniques for faster delivery of services to clients to the innovative use of videotape to help improve placement procedures of counselors with SRS clients.

In cooperation with the Division of International Activities, steps will be taken to verify the significance of PL 480 research. An overall plan for disseminating results from this research program will be designed through site visits, international seminars, and the preparation of RU publications and audio-visual materials. Findings from such research projects will also be disseminated by awarding fellowships to overseas rehabilitation experts covering per diem and U.S. travel for intensive visits to exchange information with U.S. experts. Funds will also be reserved for procurement and shipping of essential equipment purchased in the United States for use in SRS-sponsored research projects abroad.

Community Services

	1971	1972	Change
Community Services.....	$5,997,000	$3,400,000	$-2,597,000

Directed Research-Section 1110 (Social Security Act)

The directed research program is funded under Title XI, Section 1110, of the Social Security Act, as amended. Under the provision of this Section, applied social welfare research, and research-demonstrations, are authorized as necessary support for program planning, evaluation and policy formulation on matters relating to the reduction of poverty and dependency, and increased self-support potential, through improved or innovative social welfare programs. One major component of the 1110 directed research program, as presently constituted, encompasses community services research, most of which is conducted through competitively awarded and closely monitored contracts. (The 1110 program also supports an extramural grant program which presently operates largely through Regional Research Institutes in Social Welfare.)

The emphasis in community services R&D has been increasingly directed toward the habilitation or rehabilitation of the disadvantaged population. During the past three years, the directed research program has focused on such topics as impediments to employment of AFDC mothers, the assessment of employability potential, and the incentives for employment of welfare recipients. Our research has shown that several conditions affect employment interest and potential. Among these, the more significant are the availability of adequate, low-cost day care; health status; and level of work skills. Additional research, longitudinal in nature, has focused on the incentive effect of the 1967 earnings exemption provision (Social Security Act). The initial phase of this earnings exemption research has also indicated the substantial interest of AFDC women in self-support, with over half of the sample in the 12 cities "preferring" work to staying at home, providing adequate and low-cost day care are available. The same study also indicated that less than one-fifth of the sample was "aware" of the earnings exemption provision early in 1970. (The effect of the provision on work response will become evident after the second phase of the project is completed.) This finding suggests the need for a more effective consumer education program by public welfare agencies.

Other directed research in the community services area has focused, during FY-1970 and 1971, on the efficient and effective delivery of comprehensive social and rehabilitation services. During the past two years, this program of research has included a national study of neighborhood service centers that has many implications for the delivery of SRS-oriented services. In addition to identifying over 2,500 centers providing at least two of some 14 social services, the analysis indicates that relatively few such centers have outreach staff from the various local agencies. Preliminary findings indicate varying degrees of efficiency and effectiveness for different centers, with many deficiencies apparent.

Another growing area of directed research interest relates to the selection, training and utilization of both professional and para-professional manpower. During FY-1970 and 1971, the initial phases of a sequential and interrelated program of manpower research began with studies focusing on the tasks performed by social and rehabilitation workers; demographic, social and related characteristics of such workers; the mobility of workers; the environmental context within which social and rehabilitation work is performed; the cost factors affecting manpower training; the development of appropriate methodology for evaluating training grant programs; and the use of para-professional and indigenous personnel.

There is need for much more comprehensive, applied research as a vital support for social service programs. FY-1972 R&D plans will continue to emphasize research and demonstration relating to service delivery. Disadvantaged families are faced with multiple problems, not all of which are purely financial in nature. The positive role of social services in promoting human development and self-realization, including capacity for self-support, needs more research attention. The prospect of enlarging the potential clientele for social welfare programs, such as the inclusion of the "working poor", and the recognition of area differentials in the availability of high quality services for the disadvantaged, also suggest the increased significance of efforts to improve the effectiveness and efficiency of social service delivery systems.

During FY-1972, major areas of concern will include assessment of social service needs with identification of "natural" service areas based on population density, transportation, mobility patterns, sources and processes of information dissemination, and related considerations. The effects of differential consumer involvement in a variety of service delivery activities--including program planning, implementation and evaluation--will also be investigated.

Demonstration Projects-Section 1115 (Social Security Act)

This program provides a means for States to develop and improve the methods and techniques for administering public assistance and related services. Projects are designed to help needy persons achieve self-support or self-care or to maintain and strengthen family life. They may involve social services; experiment with new patterns and types of medical care and services; involve new methods of improving public assistance administration; test new approaches to staff development; increase the level of assistance payments; extend eligibility to needy individuals who would not otherwise be eligible; and test new approaches to encourage education or prepare needy individuals for self-support.

During FY-1971 emphasis was placed on improving accessibility of services to clients; the use of a voucher payment system; consumer participation in providing services; and providing for nutrition for the elderly. Accessibility of services to clients has been tested in various settings in previous demonstrations through decentralization of welfare offices, neighborhood service centers and model cities areas. Cost effectiveness analyses of projects are being made in decentralized operations which include all facets of SRS services to improve

the quality of life of public assistance clients and similar need groups. A voucher system by which eligible public assistance and low income families may purchase social services and health services is being tested--the family is given options as to where it may purchase its services. Wherever possible the projects have built in a consumer participation component. A project examines several methods for providing meals at convenient places both in the home and out of the home to improve the nutrition and decrease the isolation of the elderly. Emphasis has been placed on demonstrations providing safe and suitable housing; strengthening programs to enable welfare clients to become self-supporting; installing social service information systems, monitoring and evaluations systems; improving the delivery of health services; and developing management information systems.

Several projects are demonstrating alternative methods for preparing public assistance recipients for self-support or partial self-support. One of these projects has established four work evaluation centers in four different cities in a State. It is combining the services of the State Public Welfare Commission and the Employment and Vocational Rehabilitation agencies, to evaluate, train and place public assistance recipients. A project is experimenting with the use of a multi-disciplinary team to evaluate the rehabilitation potential of a selected group of public assistance recipients. In a southern State a joint project between the welfare agency and the vocational rehabilitation agency is providing training for 70 AFDC family heads or youth. The trainees are persons who have not been accepted for other training programs. Employment is found for those who complete training. One project located in a model city is designed to select, train and place people living in a "skid-row" area, to determine whether the individuals selected can be trained and rehabilitated to become self-sufficient or partially sufficient. Another joint project, carried out by the State Departments of Social Services and Vocational Training, utilizes a para-professional staff to aid the social workers and vocational counsellors and to function as contact staff for finding and selecting trainees. The Departments of Public Welfare and Vocational Training are participating in a project to train family heads and youth who are normally only employed for seasonal labor. It is also helping to train off-reservation Indians. One project is employing and training Indians on a reservation through the career ladder approach, to serve the public assistance clients as social workers and case workers. A demonstration which provided vocational training for 500 young AFDC recipients each year was completed on June 30, 1970 and the State department administering public assistance has implemented the project activity into its on-going program.

Five States have pilot projects designed to test an SRS information program. The goals of these projects are to design and implement optimum automatic data processing (ADP) system structures required to support the administration of SRS programs in varying governmental environments--Federal-State and local. All 50 States participate in these projects through information exchange meetings.

In FY-1972 a strategy for social welfare services demonstrations will be directed toward responsiveness to SRS goals and objectives in the improvement of service delivery systems in assisting public assistance clients in achieving increased capacity for self-support or modified self-support. Projects will be structured to demonstrate: (1) improving accessibility of services to clients; (2) improved public assistance administration; (3) new patterns of health services; (4) training of public assistance clients toward self-support; and (5) staff development including new concepts for the use of para-professionals, systems analysis in staff utilization and training and career ladder development; (6) the use of a voucher system for social services; (7) consumer participation; and (8) better nutrition for the elderly. The FY-1972 program will be a continuation of FY-1971 projects as funds for new projects have not been requested.

Emphasis will continue to be placed on improvement in evaluation design to maximize, on a national scale, the applicability of findings. Demonstrations will be designed to produce new knowledge so that more effective patterns of services and administrative methods can be instituted by other State agencies.

Medical Assistance

	1971	1972	Change
Medical Assistance.....	$2,165,000	$1,650,000	-$515,000

The basic goal of directed research on medical assistance is the development and refinement of a knowledge base for planning and implementing operational programs to effectively and efficiently meet the health needs of low-income individuals and families. The relevance and importance of such research to the accomplishment of the Agency's mission in the health area is substantial. Poor health is a major barrier to the employment of many individuals. It is also inconsistent with other objectives of the Agency and the legislative authority under which this research is administered.

During FY-1970 and FY-1971, considerable progress was made on the two longitudinal research projects designed to assess the impact of Medicaid on indigent users of health services, and on the health personnel, facilities, and service arrangements at the community level. Preliminary analysis of some of the data collected during the initial interviewing stage indicates the probability that public assistance recipients are receiving more health care services under Medicaid, with presumably favorable effects on the health of the clientele population. A study of low income families shows that welfare recipients who are eligible for Medicaid seem to be using health care services more readily and freely than do other low income individuals and families, including the more cost-effective preventive health care services. A second study about those who deliver health care indicates that the Medicaid program does seem to be encouraging hospitals and communities to faster delivery of more and better health care services to low income families generally and to Medicaid eligibles specifically. Hospital administrators feel that Medicaid has had a good effect on their hospitals' functioning--increasing their revenues and thereby making it possible for them to enlarge their staff and provide better facilities, and ultimately to provide many more and to some extent better services to the poor on both an outpatient and an inpatient basis. Many hospital administrators feel that the Medicaid program has helped to redistribute an inequitable work load--that as a result their hospital has been enabled to relieve other overburdened hospitals or that other hospitals have as a consequence reduced the load on their own overburdened facilities. Hospital administrators feel also that Medicaid has increased the quality and quantity of health care services to the poor in their communities as a whole. Since poor health is one of the major barriers to employment of welfare recipients, these preliminary and tentative findings are encouraging.

A study of drug utilization was initiated with the view of assessing the utilization of prescription drugs. This project will provide useful information --and procedures--that may result in minimizing needless drug expenditures and in improving the quality of health care. Work on this important subject will continue in FY-1972.

There will be continuation of directed research interest in studying alternative methods of delivering and financing health care services to the low income population. One of the potentially more productive areas to be investigated involves the Health Maintenance Organization approach, with demonstrations in several geographic areas. This would involve the assesament of prepaid (on a per capita basis) group practice, comprehensive health care of various population segments. Other studies will focus on long-term care, the effects of cost-sharing on use of services, and surveys to identify the nature of health care received by disadvantaged families. Plans also call for research and evaluation on innovative alternative prepaid health care. Such efforts would concentrate on the feasibility and the cost-effectiveness of such efforts in meeting the health needs of the indigent population. Such studies will require several years of support per project and will provide useful empirical knowledge for potential use in planning and improving nationwide family health insurance plans. For 1972, an amount of $1,650,000 is requested for research and demonstrations for medical assistance.

Social Security

	1971	1972	Change
Social Security.....	$525,000	$525,000	$ ---

In 1972, $525,000 will be required to support research grants of special interest to the Social Security Administration. These funds will permit research efforts on problems such as: the cost and financing of medical care; the effect of alternative approaches to the organization, delivery and reimbursement of health services on the cost and quality of such services; the impact of social security programs on beneficiaries and on the economy; and problems of the disabled and their use of medical care and rehabilitation services. The grants supported by these funds will supplement intramural research programs of SSA on problems and issues pertaining to old age, retirement, disability, income maintenance and health care financing.

The balance of the 1110 grant funds to be allocated to SSA are for a variety of on-going research having substantial if not primary relevance to programs of the Social Security Administration. Past research funded under the Cooperative Research and Demonstrations program (Section 1110) has contributed materially to the development of increased knowledge and understanding of the clientele--particularly those persons most vulnerable to low incomes and poverty. For example, one project nearing completion examined the factors affecting the changing size of the Negro population in the United States during the last century. This study projects a continuing decline in fertility for Negro women.

Other SSA research funded by this program has investigated potential problems associated with reimbursement for prescription drug costs. Potential savings of government funds, resulting from more precise specification relating to the application of hardware systems to the processing of drug claims, could well be substantial.

Child Welfare

	1971	1972	Change
Child Welfare.....	$2,180,000	$1,450,000	-$730,000

In response to the concern of State and local public and voluntary agencies for the advancement of child welfare knowledge, services, and programs, Congress authorized funds for (a) grants for research and utilization of research, and (b) contracts for jointly financed cooperative arrangements.

Grants are awarded to public or other nonprofit institutions of higher learning and to public or other nonprofit agencies and organizations engaged in research or child welfare activities. The research and demonstration effort is focused on both immediate and long-range problems in child welfare so as to devise ways of meeting existing needs and to apply findings that will contribute to improvements in the delivery of social services to children and their families.

Past efforts have been directed toward the reduction of recidivism in illegitimate births among girls of school age. An ongoing project in this area in the Cuyahoga County Welfare Department, Cleveland, Ohio is demonstrating the validity and effectiveness of a multidisciplinary interagency approach to meeting some of the basic needs of teenage pregnant girls through a program of vocational guidance, medical care, and individual and group social work counselling.

Seven research projects related in whole or in part to child abuse have been funded. The most significant result of these, and other, studies has been the passage of legislation by most (44) States which requires that physicians, social workers, teachers, nurses and others who observe cases of suspected child abuse to report their findings to an appropriate authority for further action. Law in the other six States permit reporting.

On the basis of the program conducted at the Webster School by the D.C. public schools for unmarried, school-age girls who were pregnant, surveys were made at many other schools elsewhere in the nation. National trends and findings indicated that very little attention was being given nationally to an uninterrupted school experience for unmarried, school-age girls who were pregnant. A utilization conference based on findings of the project was held and as recently as 1968, 35 school districts in the country had programs modeled on the Webster School research. The findings of this program were incorporated into provisions of the Elementary and Secondary Education Act.

Foster care service as an alternative to institutionalization of children is an area of concern in community services. A project which is attempting to obtain research information in this area is a longitudinal study of foster care being carried on in New York City. This project involves 624 children who were placed in foster homes in 1966 and is focusing on factors determining how and where children are routed in the child care system, the familial functioning, as well as the role of less than fully trained social work staff in the foster care agencies.

Services to Indian populations are in need of research and demonstration information so that improvement in currently offered services and provision of those services in which there are gaps can be implemented as a result of these findings. A demonstration project is in progress under the auspices of the Devil's Lake Sioux Tribal Council, Fort Totten, North Dakota. The purpose is to develop a child-parent center to provide a temporary receiving home in emergency situations and to bring the parents into the center program to assist in caring for their children.

The 1972 program will continue to emphasize research and demonstration projects designed to improve the organization and delivery of Child Welfare Services.

Aging

	1971	1972	Change
Aging	$2,800,000	$1,800,000	-$1,000,000

Projects underway in 1970 and 1971 are producing significant new knowledge, new approaches to community problems, and pointing to new directions for further efforts to (1) raise the quality of life for all the elderly to an acceptable level; and (2) replace the need to institutionalize older people with alternatives that permit them to reside in the community.

Mobility and Transportation

Increasing the mobility of elderly people has a high priority because it promises to decrease their social isolation and dependency, and increase their opportunities to use available community based social service programs. For example, mobility-transportation projects in New York, and Chicago indicate that older people, especially low-income older people, use public transportation proportionately more frequently than the general population, except for employment-oriented trips. The findings also show that more older people use local public transit facilities when fares are reduced for this group. This increase cannot be attributed to the same older persons riding more often, but rather to new users taking advantage of a real savings.

Nutrition

Maintaining the health of older persons through good nutrition has been given priority under the Title IV program. Since 1968, when $2 million was appropriated under Title IV to study ways and means of improving nutrition services for the elderly, more than 25 projects have been conducted, most of which will be completed by June 1971. Collectively, these projects have produced two tenets: (1) improved eating patterns and nutritious meals in a group setting enhance the morale and psychological well-being of an elderly person and can overcome a pattern of social isolation and withdrawal; (2) the group meals programs indicate a need for a bridge to the social service system and provide opportunities to involve those elderly who have not been linked to the services they need.

As a result of these findings, a study on the role of nutrition programs in community social service systems serving the elderly or handicapped initiated in 1971, will be continued. In addition, in view of the new Department of Agriculture regulations allowing the elderly to use food stamps to purchase home-delivered meals, a directory of home-delivered meals in the country is being developed and the need for other guides to organizations participating is being explored.

Social and Physical Environmental Settings

Non-institutional housing for the elderly and living arrangements which nurture their independence rather than diminish it is at a premium. In 1970, two projects were begun to explore the effect of environmental factors; i.e., quality of housing on the well-being and degree of independent living possible for elderly persons. These projects, in Hawaii and Philadelphia, will determine how services provided in public and ordinary community housing can sustain the independence of elderly residents, and what other characteristics of housing are beneficial to the elderly and can help keep them out of institutions. Projects are underway to explore various alternative living arrangements such as foster homes, house-sharing, home repairs. These results will be important in expanding community awareness and expertise in providing an array of housing possibilities for elderly persons as alternatives to institutionalization.

Protective Services

Satisfactory opportunities for mobility, housing arrangements, and healthy diet are important components of community living for all the elderly. There are however those very marginally functioning elderly persons, either physically or mentally impaired, who need special protection if they are to live wholesomely outside of institutions. They need basic community services, and as several Title IV projects have shown (particularly in San Diego); they also need a flexible community structure to oversee their care. They need the attention of a variety of professional skills on their own home ground to prevent deterioration and dependency, including legal services, medical services, and psychiatric services.

Given the current cost and quality of institutional care, as well as evidence that commitment to an institution rather inexorably leads to death, the 1971 and future efforts in this area are being directed toward assessing community-based efforts of preventive psychiatry and the cooperation of diverse professional skills, as well as ways to stimulate and bring to bear community services. More study to be devoted to neighborhood block-based mutual self-help programs among the elderly as a means of breaking the isolation which fosters mental deterioration is planned.

Service Roles

Project SERVE (Serve and Enrich Retirement by Volunteer Experience) started with 23 senior citizen volunteers at Willowbrook State School, an institution for the mentally retarded on Staten Island, New York. The project has grown into the largest on-going program of its kind and now has more than 500 regular service volunteers who are giving weekly service to 24 Staten Island agencies and programs, e.g., local hospitals, children's institutions, schools, American Red Cross and other National organizations. From the small beginning, SERVE has gone Statewide in the past year and has an additional 200 volunteers in 6 counties. The findings of this Title IV project helped guide the development of the national Retired Senior Volunteer Program.

In a study directed toward developing meaningful community roles for elderly persons, the $500,000 appropriated for 1971 for beginning a retired senior volunteer program is being used to mount 10 pilot demonstration projects. The results of these projects, which are being carefully analyzed and evaluated, when put with the results of about 10 other elderly volunteer projects conducted with Title IV money, will provide guidelines and criteria for the rapid implementation of the volunteer program in 1972. The need for certain general criteria have been confirmed: (1) the jobs made available to elderly volunteers must represent a meaningful role, not make-work chores; (2) elderly volunteers function better if opportunities for group meetings and discussion about the work are available. Particular attention still must be given to appropriate and acceptable volunteer roles for elderly men.

Adapting Social Institutions

In addition to these important general areas of research effort, several Title IV projects have had significant break-throughs in influencing community structures and developing resources for the elderly. During the first two years of operation, the Luzerne County, Pennsylvania, project's outreach activity uncovered and publicized the widespread unmet needs of the County's poor elderly. As a result of these findings, the County-supported nursing home has opened an out-patient diagnostic and treatment center for clients of Project Reach Out for Life and other low-income elderly. An investment of $11,375 under Title IV of the Older Americans Act has been matched by $17,225 in Luzerne County funds to make this center operational. After the termination of Federal funds, the County will assume full support of the center.

In FY 1972 it is planned to continue the emphasis on the program areas detailed above.

Income Maintenance

	1971		1972		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
Continuation projects...	2	$9,000,000	3	$11,000,000	+1	$+2,000,000
Total.....	2	$9,000,000	3	$11,000,000	+1	$+2,000,000

The concept of income maintenance experimentation had its origins three or four years ago in the growing interest, both within government and without, in the defects of our current welfare system and the design of alternative methods of income supplementation. Analysis of the various alternatives most widely promoted quickly focused on the fact that there was little, if any, hard data on behavioral responses to the various incentives--both favorable and perverse--implicit in any of these schemes. A sensible long-term program of income maintenance reform would seem to require a sound program of research as its basis. The idea of initiating carefully controlled experimental projects designed to yield statistically reliable data on stated hypotheses was thus conceived.

Among the most important questions requiring exploration through the experimental method are the following: (a) How will proposed programs affect the incentive to work? (b) To what extent will the integration of income maintenance and self-support (i.e., job-related) programs yield greater benefits than would be otherwise achieved? (c) How will proposed programs affect mobility, family stability, and family size? (d) Will demand for social services, both public and private, be affected: and if so, to what extent will private providers of such services respond to the demands? (e) Will consumption patterns change among low-income families, particularly as reflected in budgeting for long-run investments in the health, education and general well-being of their families? (f) What will be the general effects on the social and economic life of a community, particularly a small community? (g) Finally, to what extent will such a program have on differential impacts of various population groups--e.g., urban vs. rural; white vs. nonwhite; female-headed vs. male-headed families; aged vs. non-aged; persons in families vs. unrelated individuals and childless couples?

To answer such a broad range of questions, it is clear that a combined program of research, demonstration and experimentation is required and that such a program must be based on a carefully devised strategy sensitive to policy and budgetary constraints. The Department has already done considerable work on the development of such a strategy with the help of the Institute for Research on Poverty of the University of Wisconsin and the Urban Institute. This strategy takes full account of the income maintenance experiments funded by OEO.

Major emphasis has been given to the development of a sound program of experimentation, realizing that existing cross-sectional data and past experience furnish no reliable basis for assessing the major behavioral and social effects to be anticipated from income maintenance reform. The strategy, however, recognizes further that experiments are very costly and difficult to design and implement. Consequently, the number and size of the experiments will be restricted, with a focus on a series of well-controlled and carefully designed experiments, operating under the following guidelines: (a) Maximum use to be made of the techniques and information available from currently operating experiments--i.e., the OEO-sponsored New Jersey and rural graduated work incentive experiments; (b) each experiment to be focused on one or more issues of importance, these issues being determined both by their priority in policy-making and by their suitability for exploration through

the experimental method. There are clearly some important questions which are not particularly suited for experimental exploration. For instance, it would not be possible to gain definitive information on the impact of innovations on the so-called "cycle of poverty" or other intergenerational effects from a 3-5 year experiment. (Some investigation of how to cope with this particular limitation on experimentation is going on now. One possible answer is to continue a subsample in the experiment for a longer period of time than the regular life of the experiment to determine whether such effects can be measured.); (c) all experiments to adhere to a uniform set of standards and definitions covering the operating "rules" of the project; (d) consideration of the probable costs and complexity of program alternatives, if fully implemented on a large-scale basis; and (e) rigorous evaluation and research components to be built into each project.

With the prospect of a marked change in the system by which public assistance is provided, the need for information about the likely impact of income maintenance programs becomes increasingly apparent. The need for such information is not to justify the FAP proposal but to help determine the desirable direction of further long-term change. The justification for FAP rests upon the breakdown of the existing welfare system and upon an analysis of what caused this breakdown (e.g., the incentives in the current program for family breakup, the current work disincentive of excluding aid to the working poor, and the widely divergent benefit levels across the States which produce gross inequities of treatment among equally needy families). However, it is inevitable that as time goes on, changes in the basic FAP legislation will be proposed by this or subsequent Administrations or by the Congress. Thus the experiments look to the future in the sense that they are designed to provide useful information relating to the impact of raising the basic support level, changing the marginal tax rates, expanding program coverage, integration with other in-kind and cash programs, and so forth.

There are four closely coordinated income maintenance experiments now underway; and all four experiments focus on what is generally considered to be the most important question, that of work incentives. However, each of the projects examines this question in terms of its impact on different population groups. The first two experiments (the New Jersey and rural projects funded by OEO) deal primarily with this crucial question and are designed to determine the effects of financial treatments on the work response of male-headed families in two different settings, urban and rural. The more complex HEW experiments, while examining the work incentive question in terms of population groups different from those covered in the two OEO projects, also study other issues of major policy concern, namely the interaction of income maintenance programs with manpower programs and with social services.

The Seattle-Denver Experiment is the most comprehensive of all the urban experiments, serving both white and black families, having either one or two parents present. The experiment is intended to test the combined effect of a negative income tax scheme with a manpower program. Thus, in this particular experiment, the income transfer program itself will be supplemented by one or more manpower programs including (a) job training programs to enchance the employability of young and unskilled workers; (b) counseling and vocational guidance services; and (c) day care services for working mothers. The Seattle-Denver experiment includes a population not served to any substantial degree by any of the other experiments, namely one-parent white families, and will uniquely test the interactive effects of income maintenance and manpower programs. The experiment will measure the effects of different combinations of income maintenance support levels and manpower programs by looking at the following: (a) Work effort of the household; (b) changes in earnings; (c) investment of the household in training; (d) changes in attitudes toward the future; and (e) changes in household stability.

Design of this project began in the fall of 1969. Although progress on the design of the experiment has been very satisfactory, a difficult problem arose as a result of the rapidly deteriorating labor market in Seattle. The unemployment rate has risen precipitously to a current level over twice that of the national

average. This situation posed serious problems for the experiment. In a situation of low or declining job opportunities, it would be hard to filter out the effects of changes in labor supply and demand unless some adequate control were provided through comparable information gained in a more favorable labor market situation. It therefore became necessary to divide the planned sample between the city of Seattle and another city, as similar as possible in terms of the demographic characteristics of its population, but with a relatively high and stable level of labor demand. Denver, Colorado, has been selected as the control for the labor market situation. While this change has caused some disruptions to the project, the overall advantages of this move will be considerable. It will be possible to fulfill the objectives of the original Seattle design, and, at the same time, gain valuable information on the potential effects of income maintenance programs on normal adjustments to the business cycle.

Enrollment in the Seattle portion of the project began in November 1970 and is expected to be completed by April 1971. Enrollment at the Denver site is anticipated to begin in August of 1971.

The Gary Experiment tests the effects of a negative income tax scheme, combined with day care and social services, on black urban families with particular emphasis on female-headed families who will comprise about half of the sample, a group not covered by either of the two OEO experiments.

The principal focus of the Gary experiment is on the family work decision and how it is affected by an income maintenance transfer system. The experiment will attempt to measure economic responses, such as labor supply, consumption patterns and investment in human capital, as well as sociological variables such as family functioning, motivation and aspirations. In addition, the project will test the impact of separately administered social services (such as day care, homemaker services, and counseling) in combination with direct cash transfers in order to measure the demand for such services when their provision and acceptance is no longer conditioned upon the receipt of assistance payments.

Design of the project began in the fall of 1969. Enrollment of families into the project is planned for March 1971 and payments will begin at that time.

An amount of $11 million is requested to continue the income maintenance experiments program in 1972. The entire amount is required to fund research projects initiated in prior years. Approximately $7,200,000 will be used to cover the cost of operations for the Seattle-Denver experiment and $3,500,000 for the Gary experiment. The remaining $300,000 will be used to continue a project with the Urban Institute for the provision of technical assistance and research related to the experiments. One focus of the research carried out under the Urban Institute project is the development of feasibility studies for future experiments. Preliminary work is now underway to determine the feasibility of experimentation that will focus on the birth effects and community effects induced by income maintenance programs. This work will continue in 1972.

Special Centers

	1971 Estimate	1972 Estimate	Increase or Decrease
Research and training centers.....	$10,275,000	$10,275,000	$ -
National center for deaf/blind youth and adults.....	3,100,000	600,000	-2,500,000
Regional research institutes.....	1,543,000	1,500,000	- 43,000
Total.....	14,918,000	12,375,000	-2,543,000

A total of $12,375,000 is requested for Special Centers activities, a decrease of $2,543,000 below the level of $14,918,000 in 1971. This reduction is the non-recurring construction cost for the National Center for deaf/blind ($2,500,000) and reduced continuation cost of regional research institutes ($43,000).

Research and Training Centers

This program was established for the purpose of: (a) providing a continuing mechanism for multidisciplinary research designed to discover new knowledge and methods in all aspects of the rehabilitation process which relate to the management and reduction of chronic disability and dependency; (b) the training of professional and allied personnel concerned with the physical, social, emotional and vocational components of rehabilitation; and (c) the dissemination of research findings. Since 1962, nineteen centers have been established.

Last year, the centers conducted the following activities:

R&T Centers	No.	Research Projects	Short-Term Courses	Long-Term Courses	Trainees Attended
Medical	12	531	514	98	27,966
Vocational Rehab.	3	91	91		2,335
Mental Retardation	3	56	32		1,465
Deaf	1	19	25	3	340
TOTAL	19	697	662	101	32,106

Outcomes of research projects already having an impact upon disabled and disadvantaged persons include:

(a) Flotation therapy, an effective procedure for preventing or reducing decubitus ulcers or "bed sores", leading to more prompt restoration of the patient to the rehabilitation program, return to home and in many instances, to working status.

(b) The high risk population laboratory in the University of Wisconsin Research and Training Center, has thrown significant light upon the mental retardation of children and adults in the impoverished areas of urban communities. Their findings emphasize the fact that mental retardation occurs predominantly in families where the mother is intellectually below normal (I.Q. of 80 and below) and that the lack of stimulation of intellectual development is a function related much more closely

to the parental factor than to the fact that the child is being raised in a poverty area. This emphasizes a new approach to the future training of children in poverty areas and the use of mother or mother substitutes in the educational process. About 500 students pursuing undergraduate and graduate training at the University of Wisconsin are being oriented to this approach and will furnish a cadre for community application.

In 1972, the Centers plan to: 1) expand training programs for involving economically disadvantaged and disabled persons by developing career ladders in counseling, rehabilitation, social work, and health fields; 2) develop outreach programs; 3) develop drug and alcoholic addiction rehabilitation programs; 4) undertake projects aimed at understanding, combatting or ameliorating incapacitating effects of aging or other causes or forms of dependency; 5) increase intercoordination with and utilization of the resources and capabilities of allied service personnel; 6)develop mechanisms to promote relevancy, dissemination and utilization of research and training efforts; 7) strengthen the means for responsiveness and coordination of Center activities with State agency and regional needs; 8) make efforts to examine, evaluate and improve the function of systems of delivery for health and rehabilitation services through systematic analysis of the objectives and goal related activities, relationships, assumptions, environments, and procedures of existing systems; and 9) increase impact of rehabilitation education in the medical school curriculum.

The $10,275,000 level of funding requested for this activity in FY 1972 is the same as 1971.

National Center for Deaf-Blind Youths and Adults

The Secretary entered into an Interim Agreement with the Industrial Home for the Blind, Brooklyn, New York on June 24, 1969, for payment by the United States of the cost of the establishment and operation, including construction and equipment, of the Center for the vocational rehabilitation of handicapped individuals who are both deaf and blind. The final agreement was signed on November 12, 1969.

Much of the activity to date has been devoted to planning and organizing the Center, recruiting staff and formulating the service programs in gearing for full scale operation by 1973. Construction of a permanent facility will begin shortly on the twenty-five acres of surplus government property recently awarded to the Center on Sands Point, Long Island. Over 70 percent of the administrative and professional staff have been recruited and intensive, specialized in-service staff training programs have been formalized. During the past year services were provided to approximately 80 persons including vocational placement of eight persons. A Western Regional Field Office was opened in Glendale, California and plans developed for opening a Southern Regional Office in Atlanta and a Midwestern Office to accomplish nationwide casefinding services and referral resource coverage. Research contracts have been let for three special communicative devices for use by deaf-blind persons and are in varying stages of development and evaluational testing. The Center is in the process of formulating a program for expanding the demographic studies on deaf-blind persons initiated by the American Foundation for the Blind.

In 1972, continued efforts will be made to recruit the full complement of Center staff and to provide an in-service training program for them accordingly. Research on the testing of communication devices will continue. The identification and study of personal and demographic characteristics of the deaf-blind population will be undertaken. The National Register of Deaf-Blind Persons will be refined. Service will be extended to more clients through the Center's regional offices. Preliminary architectural work on the new facility will be completed and construction started. Training sessions for state and local agency personnel will be inaugurated.

Regional Research Institutes

In FY 1972 $1,500,000 is requested for 16 Regional Research Institutes serving all program components of the Social and Rehabilitation Service in each regional office. This program began in 1963 when the first Regional Rehabilitation Research Institutes were activated. In June of 1969 a program of Regional Research Institutes in Social Welfare began. The Regional Research Institute program represents an effort to promote essential programmatic research relating to the alleviation of poverty; the development of employment potential in the disabled, the poor and the aged wherever feasible; and to improve the quality of life through the delivery of more effective social and health services to needy populations. All Regional Research Institutes have three basic purposes:

1. The development of a program of research in an area important to at least one of the major program units of SRS.

2. Stimulation of State rehabilitation and public welfare agencies to identify operational problems which might be subject to research and to provide consultation to such State agencies on research.

3. Participation in operational research or research consultation at the request of the Regional Office and the Office of Research and Demonstrations.

62-917 O - 71 - pt. 4 ---30

Examples of core areas of research are: Northeastern University - the relationship between motivation and dependency in vocational rehabilitation; University of Missouri - counseling the disadvantaged; Boston College - issues related to employment training programs for welfare and welfare-prone populations; University of Kentucky - problems of the rural poor in Appalachia; University of Chicago - major issues in welfare policy; University of Southern California - impact on welfare clients of alternative systems and sub-systems of social services. Studies completed in this area include: (1) how State resources may be most effectively used in financing social services; (2) a survey of public attitudes regarding priorities and support of social services; and (3) what are the client preferences in social services. A study was also undertaken regarding social services which are organized and delivered by welfare recipients to determine how the indigenous worker can contribute to a more cost-effective and relevant service delivery system.

In FY 1972 the problem of how research utilization can increase the "payoff" of research endeavors in the vocational rehabilitation of needy populations will be studied. Another new study will take a long term look at staff behaviors and attitudes in all rehabilitation settings. Attention will be given to the extent to which they influence the motivation of rehabilitation clients either in decreasing or increasing dependency. Dependency will impede the VR process whereas independence will accelerate it. The University of Florida Institute will be examining how research utilization can improve the effectiveness of programs in vocational rehabilitation.

In FY 1972 studies will be launched on the relative cost-effectiveness of various manpower programs for the poor and the disabled and the components which are primary contributors to such cost-effectiveness. The nature, cost and contributions of social and health services will be carefully examined. Research on protective services for the aged and the young will also be undertaken.

Activity II: Training

Sub-Activity	1971 Estimate	1972 Estimate	Increase or Decrease
1. Rehabilitation	$ 27,700,000	$ 14,650,000	-$13,050,000
2. Community Services	8,900,000	4,000,000	- 4,900,000
3. Aging	3,000,000	1,850,000	- 1,150,000
Total	39,600,000	20,500,000	-19,100,000

General Statement

The budget request for training for SRS programs is being consolidated in the 1972 budget to cover project grants for the following authorities: Title VII, Section 707 and Title IV, Section 426, of the Social Security Act, as amended, Section 4 (a)(1), Section 7 (a)(2), Vocational Rehabilitation Act, as amended; and Title V of the Older Americans Act, as amended.

A new Office of Manpower Development and Training has been established in SRS and given the responsibility of centralized planning, direction and evaluation of manpower development, education and training programs including coordination and the development of SRS manpower policy and procedure to assure most effective and efficient use of training funds.

The criteria for use of direct grant funds will be specifically related to assuring the relationship of training to the program goals such as provision of staff for rehabilitation, social services, and aging programs. Review of educational programs will be undertaken to determine common and unique educational needs among the various disciplines necessary for the effective operation of the SRS programs. Consolidation of grants to each university will be considered. There will be priority on training at the undergraduate level and upon assistance to universities and educational institutions to help with education of minority groups; Black, Chicano, and Indian.

These 1972 funds will support in the rehabilitation training field 300 faculty and 3,000 traineeships in the various disciplines representing rehabilitation programs. In Community Services the funds will support 75 faculty and 526 traineeships in the field of child welfare and social work manpower. The Aging program will continue to support 205 students and maintain faculty at the 1971 level in 11 projects. In 1972 support for faculty and traineeships will be involved to achieve maximum use of funds.

The $20,500,000 for manpower development will be used primarily for support of long term educational programs since the major manpower need is to increase the manpower pool for scarce personnel, particularly in social work, rehabilitation and gerontology.

Rehabilitation

Type of Training	1971 Estimate No.	1971 Estimate Amount	1972 Estimate No.	1972 Estimate Amount	Increase or Decrease No.	Increase or Decrease Amount
Long-Term Training:						
Projects supported	448		200		- 248	
Faculty	(672)	$10,580,000	(300)	$4,270,000	(-372)	-$6,310,000
Traineeships	(5,380)	15,405,000	(3,000)	9,055,000	(-2,380)	-6,350,000
Research fellowships	(30)	160,000	(15)	75,000	(-15)	-85,000
Short-Term Training:						
Instructional projects	100	580,000	70	350,000	-30	-230,000
Traineeships	6,500	975,000	5,500	900,000	-1,000	-75,000
		$27,700,000		$14,650,000		$13,050,000

The number of persons supported are indicated in the parentheses above

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Vocational rehabilitation training grants are made for the purpose of (1) increasing the supply of personnel in the professional fields involved in the rehabilitation of the physically and mentally disabled and (2) improving the skills of those already employed in service to the handicapped. These training grants may provide for (1) teaching and other instructional costs of rehabilitation training projects conducted in educational institutions or service agency settings; (2) traineeship support for individual students enrolled in study programs in the rehabilitation disciplines; (3) in-service training programs of State vocational rehabilitation agencies; (4) instructional costs and traineeships for continuing education programs and special institutes and workshops focusing on priority interest areas of the public and private rehabilitation agencies; and (4) research fellowships awarded directly to a small number of individuals for independent research in rehabilitation. The vocational rehabilitation training grant authority is not limited to training rehabilitation manpower only for employment in the State vocational rehabilitation agencies; its responsibilities extend to increasing the supply of rehabilitation manpower in all the fields serving the handicapped.

The rehabilitation of the handicapped is a multi-disciplinary activity requiring the coordinated effort of skilled professional and supportive staff representing a number of specialized disciplines. The rehabilitation problems of handicapped persons, suffering from disabilities as varied as paraplegia, heart disease, blindness, deafness, stroke, mental retardation, alchoholism, or epilepsy, require unique combinations of rehabilitation services in which a number of rehabilitation disciplines each have a special role. Some services may be provided directly by the State vocational rehabilitation agencies under the public rehabilitation program; other services are available from the staffs of private rehabilitation agencies, such as rehabilitation centers, sheltered workshops and speech and hearing clinics.

During 1970, 266,975 physically and mentally disabled individuals were successfully rehabilitated into gainful employment, and an additional 875,911

handicapped clients of State vocational rehabilitation agency received vocational rehabilitation services. The successful expansion of the public rehabilitation program has been due, to a great extent, to the availability in the private sector of a manpower pool representing a diverse group of professionals qualified to assist handicapped persons in need of special help.

Long-Term Training

The rehabilitation fields currently supported by long-term training grants are: rehabilitation counseling, rehabilitation medicine, occupational therapy, physical therapy, prosthetic-orthotic education, psychology, recreation for the ill and disabled, social work, sociology, speech pathology and audiology, and rehabilitation facilities administration. Grants are also made for programs of a specialized nature in rehabilitation of the blind, deaf, mentally ill, and mentally retarded; interdisciplinary training in rehabilitation; and undergraduate education in rehabilitation and other helping professions. There has been substantial achievement in increasing the manpower supply in the rehabilitation professions since the development of the vocational rehabilitation training grant program in 1954. The manpower needs in rehabilitation, however, continue to exceed the resources available under the vocational rehabilitation training grant program for the specialized training of personnel in all the rehabilitation disciplines.

The fiscal year 1972 funding level will permit the completion of training for all trainees who began their course of study in fiscal year 1971. About 1,500 beginning trainees--primarily in the field of rehabilitation counseling--will also be supported. Primary emphasis in fiscal year 1972 will be given to those disciplines which are directly related to employment within the State vocational rehabilitation agency service programs. These include projects in the fields of rehabilitation counseling, rehabilitation facilities administration, rehabilitation of the blind, rehabilitation of the deaf and undergraduate training programs in rehabilitation and the helping services. Because the provision of appropriate medical services in the early stages of disability is so essential to the future vocational rehabilitation of the disabled person, the field of rehabilitation medicine will also be supported.

Since its beginning in 1954, the vocational rehabilitation training grant program has primarily emphasized graduate education in a broad range of technical rehabilitation fields. The manpower needs of the rehabilitation service delivery system are being re-evaluated to determine whether newer combinations of professional, sub-professional and technical personnel necessitate revised training priorities and policies.

In the field of rehabilitation counseling, for example, graduate level training has generally been determined to constitute appropriate and necessary professional preparation. The rehabilitation counselor is the primary staff person responsible for ensuring the delivery of vocational rehabilitation services in the public rehabilitation program. In order to meet planned objectives, the State vocational rehabilitation agencies have reported that approximately 3,000 new rehabilitation staff positions will be required by the State agencies in fiscal year 1972, and an additional 3,000 new positions in fiscal year 1973. Approximately 1,000 additional rehabilitation counselors are also estimated to be needed for the private rehabilitation agencies and programs throughout the country.

Since only a small proportion of the national demands for fully trained rehabilitation counselors can currently be met, other models for both the training and utilization of rehabilitation counselors are therefore being explored.

One approach to rehabilitation counselor education has been the development of training programs at the undergraduate level. Undergraduate programs for the preparation of personnel for the helping services--vocational rehabilitation, public welfare, mental health, and corrections--are assisting in alleviating the acute manpower shortages in the rehabilitation professions and in reshaping the delivery of rehabilitation services. The undergraduate training programs in rehabilitation supported under the vocational rehabilitation training grant program has grown in recent years and in 1972 the program reported in 1971 will be continued.

Insofar as the medical aspects of rehabilitation are concerned, the vocational rehabiliation training program is the only major resource available for medical training in the specialty of Physical Medicine and Rehabilitation. In 1970 and 1971, 200 physicians received RSA traineeships for residency study in Physical Medicine and Rehabilitation. The American Medical Association reports that 58% of the hospital positions available for residents in Physical Medicine and Rehabilitation were filled in 1970. In 1972 approximately 100 physicians will be supported.

Manpower needs in the other health related rehabilitation professions also appear to be substantial and the appropriate role of the vocational rehabilitation training grant program in meeting these needs will be reviewed in fiscal year 1972. In the field of occupational therapy, there is an estimated need for 12,000 additional therapists; in physical therapy, a present need for 5,000 additional therapists has been identified; in speech therapy, it is estimated that by 1972 there will be a need for an additional 13,000 registered speech therapists. In fiscal year 1971, 1,458 traineeships were provided under the vocational rehabilitation training grant program in these three critical fields combined. It is estimated that 2,400 prosthetic and orthotic personnel could be immediately placed in prosthetic-orthotic facilities, hospitals and rehabilitation centers, 62 students were enrolled in full-time prosthetics and orthotics education programs in 1970. The demand for trained staff in work with the blind and the deaf has also been intense and growing. The blind client needs the assistance of mobility instructors before the independence necessary for job placement can be achieved. The deaf client needs the support of a counselor not only skilled in manual communications, but familiar with the unusual problems of isolation imposed by deafness. Training support will be maintained in these fields in fiscal year 1972.

The long-term training grant program has identified the need for specialized rehabilitation training prior to employment in work with the handicapped and has demonstrated the great employment potential in the rehabilitation fields.

Short-Term Training

Although the proportion of the total training grants appropriation applied to the support of short-term training courses has always been small, these courses have constituted a significant part of the total training effort in upgrading of employees and keeping them abreast of new areas. They have been instrumental in imparting new knowledge gained through medical and other advances, in focusing on special priority concerns and interests, in developing instructional materials, in assisting in the development of new rehabilitation service delivery systems, and in assuring a coordinated national effort directed towards the rehabilitation of the handicapped.

Short-term courses offer a wide-range of timely and important topics relevant to technical matters pertaining to vocational rehabilitation services and contributing to the realization of the mission and objectives of the Social and Rehabilitation Service. These courses are attended primarily by employees of the State vocational rehabilitation agencies and closely cooperating private rehabilitation agencies. Short-term training areas of emphasis in fiscal year 1972 are expected to include: rehabilitation of public assistance recipients; special problems in rehabilitation of the disadvantaged disabled; correctional rehabilitation; the expended utilization of subprofessional staff and volunteers in the rehabilitation process; alcoholism rehabilitation; drug abuse rehabilitation; rehabilitation of the deaf; rehabilitation of the blind; rehabilitation of the mentally retarded; and rehabilitation facilities administration, including vocational evaluation and work adjustment of handicapped persons.

Community Services

Type of Training	1971 Estimate No.	1971 Estimate Amount	1972 Estimate No.	1972 Estimate Amount	Increase or Decrease No.	Increase or Decrease Amount
Long-term training:						
Projects supported	144		117		-27	
Faculty	(244)	$5,522,000	(75)	$2,000,000	(-169)	-$3,522,000
Traineeships	(721)	2,701,000	(526)	2,000,000	(-195)	-701,000
Short-term training:						
Instructional projects	65	677,000	-	- -	-65	-677,000
Totals		$8,900,000		$4,000,000		-$4,900,000

(The number of persons supported are indicated in the parenthesis above)

Training grants are made to individal institutions of higher learning to strengthen and expand their resources to train individuals for the field of social welfare and to train individuals for child welfare services for families, children, young adults, the aged, in all areas of social functioning and in community planning for meeting social needs of the people.

Long-term Training - Faculty support

Grants were given to public and other non-profit institutions of higher learning, to graduate and undergraduate schools of social work, and to individual organizations.

Social work manpower grants, Section 707 Title VII SSA, were provided to 67 educational institutions for 113 faculty positions and related costs of education; 36 undergraduate, 18 graduate and 13 combined undergraduate and graduate programs. Of these 67 grants, 4 were to individual colleges which are predominantly Black, 6 were to consortia which included 10 predominantly Black colleges, and 7 colleges in geographic areas having high percentages of Chicano, Indian or Puerto Rican populations. Still another 5 grants of the 67 went to colleges and schools of social work for special programs of recruitment, counseling and tutoring for educationally disadvantaged students. In summary, 17 grants were to colleges serving minority groups and another five were for special programs for educationally disadvantaged students.

Child welfare grants, Section 426 Title VII SSA, in 1971 were made to 71 educational institutions for 131 faculty positions. Faculty teaching in the field supported by these grants were in 63 multifunction family and child welfare service agencies; 34 in neighborhood service centers or community action programs; 7 in residential group care; 9 in juvenile delinquency services; 10 in group work services; 2 in mental retardation programs, and 2 in day care programs. The 38 grants for other faculty, support professors in all areas of graduate professional social work curriculum.

Traineeships

Increasing numbers of students are applying for admission to schools of social work. Master's degree enrollment for the academic year 1969-70 increased by about 7% over the previous year. The majority of students cannot complete training without financial assistance; this is especially crucial at a time when an increased number of disadvantaged students, particularly from minority groups, are being recruited. 655 traineeships were given to 77 institutions for Master level training, and 66 traineeships were granted for doctoral training in 24 institutions.

The purpose of this program is to increase the supply of trained child welfare workers by attracting new candidates for work in the field of child welfare, as well as to assist the untrained or partially trained persons now employed in the field to overcome professional deficiencies. The demand continues to be urgent for professionally trained and skilled personnel to fill existing gaps in the profession and to fulfill the legislative requirements of providing child welfare services to all counties in the Nation by 1975. The service requirements of the 1967 amendments dealing with the expansion of AFDC services, as well as the current developing of early childhood programs; emphasize the need for qualified trained personnel in this field.

Awards were made for 80 doctoral level students to develop additional teaching competence for the expanding education program, and enrich the number of qualified research and administrative leadership personnel in this field.

Short-term training

Institutions of higher learning develop workshops, institutes and other short-term training programs to increase the competence of all levels of personnel currently employed in the field of child welfare. Sixty-five grants were made for special training for disadvantaged students and subprofessional staff. 16 grants were made for short-term training projects related to the Community Coordinated Child Care (4-C) Program. The majority of participants in these training programs will be subprofessionals.

Manpower for Community Service Needs

The basic goal of SRS supported training programs is to develop manpower for effective delivery of services. Education and training in educational institutions at the community college, baccalaureate and graduate levels can prepare personnel for entry positions and for career advancement.

Reflecting the increased emphasis on the use of the B.A. degree worker and on the use of subprofessionals and volunteers in the service delivery system, support for educational programs at B.A. and community college levels is urgently needed.

The need for professionally trained personnel at the graduate level in such disciplines as social work will continue with new emphasis upon responsibility for leadership to strengthen administration, to supervise and train staff, to provide specialized client services and for research.

SRS objectives contemplate new program emphases to which social work can make special contributions. For instance, self-support for AFDC parents, vocational rehabilitation of public assistance recipients, and modified self-support for the handicapped will engage these groups in meaningful and productive activities in the work-a-day world to a greater extent than before. As transitions are made to the work world, practical problems in family living and problems related to new and different pressures will require attention if the new opportunities are to be used constructively. SRS objectives relating to the separation of services from payments, development of community based services, creating and coordinating services to migrants and helping patients make use of strengthened medicaid programs also require and offer opportunity for increased services within the SRS framework. Likewise related administrative objectives need knowledge of service programming and delivery.

Social work contributions in all the above areas involve: (1) professional perspective and recognition of the individual and social issues involved, (2) utilization of service staff with a variety of roles and (3) developing and making available needed services and (4) special clinical and therapeutic services

especially to children and those with emotional difficulties.

Attention to special groups of employable and employed personnel as well as an efficient and effective community based service delivery system will require (1) skilled workers to plan with families and individuals, to assist them in understanding their situations and the alternatives available to them, and to offer support and advocacy in movement towards self-realization and (2) technically trained persons to assist in homemaking, child care, employment adjustment, marketing, housing search and maintenance problems, establishment of eligibility, seeking and following through on use of medical resources and in day-by-day sustaining care.

Manpower estimates for the delivery of social services are based upon recent research and demonstrations making use of a range of personnel - for each 600 families needing one or more services the type of personnel required would include: 2 at the master's level, four at the baccalaureate level, and ten subprofessionals. The estimate of the number of families needing service is based upon the 1969 SRS study of characteristics of Public Assistance families and individuals. By 1976 if 25% of families in the total population and 40% of the adults need service this would require 750,000 service personnel. At this time there are about 169,000 employed in social services in public and voluntary agencies in the U.S.

Program Plans for 1972

With the reduced appropriation for Community Services, adjustment of support to educational institutions will be based on a new policy for deployment of funds. Emphasis will continue on opportunities for minority groups, both in support of faculty and traineeships. Consideration will be given to consolidation of grants to the same programs within an institution.

In 1972, 75 faculty will be supported in 20 of 77 graduate programs and in 20 of the 125 undergraduate programs. Five hundred and twenty-six traineeships will be supported.

Aging

Type of Training	1971 Estimate No.	1971 Estimate Amount	1972 Estimate No.	1972 Estimate Amount	Increase or Decrease No.	Increase or Decrease Amount
Long-term training:						
Projects supported	15		11		-4	
Faculty	(40)	$ 825,000	(33)	$ 697,000	(-7)	$-$128,000
Traineeships	(415)	2,169,000	(205)	1,153,000	(-210)	-1,016,000
Short-term training:						
Instructional projects	1	6,000	-	- - -	-1	-6,000
Totals		3,000,000		1,850,000		-1,150,000

(The number of persons supported are indicated in the parentheses above)

The Training Grant Program for services to Aging is authorized under Title V of the Older Americans Act of 1965, as amended. The purpose of the program is to provide specialized training in aging and in the requisite skills for personnel preparing for or engaged in planning and administering facilities and services for the older population and in providing services to them.

Personnel Needs

Special training programs are needed for personnel who serve the older population. Such personnel are required in almost every human service field - health, welfare, architectural design and urban planning, pre-and post-retirement education, housing and institutional management, senior center direction and recreation, and Federal, State, and community program administration. Manpower studies supported by the Administration on Aging have forecast the employment of a million persons in facilities serving older people exclusively or primarily, by 1980. Contrasted with 330,000 such persons in 1968, this translates into a need for 70,000 newly trained workers each year. The training program cannot begin to meet this need. It is undertaking, however, to prepare personnel for key leadership positions in areas and occupations for which no training at all existed prior to the advent of this program.

Since the inception of the Training Grant Program four years ago, nearly 500 students have been enrolled in programs preparing for careers in aging. Some 133 have graduated, the great majority of whom are occupying significant positions in public and private agencies and organizations serving older people. Four hundred and fifteen are currently enrolled in 17 schools spread across the United States. Most of these students will be available for employment during the next year or two.

During the same four year period, well over 4,500 employed workers--many middle-aged and older people among them--have received short-term training to better equip themselves to serve older people. A programmed textbook for use in secondary schools, colleges, and continuing education programs has been published and distributed widely. The George Washington University developed a home study course in social gerontology. The course is now being offered to personnel of long-term care facilities to increase their sensitivity to the needs of the aged who come under their care.

Programs at four universities are placing students and graduates in model city programs where they are helping develop services for older people. The training staff at the University of South Florida has assumed responsibility for the program in aging in the Tampa model city area.

Programs supported at the University of Oregon-Portland State University Center for Gerontology and the University of Michigan-Wayne State University Institute of Gerontology are enabling these universities to become regional centers for training-research-consultation in aging. The Michigan-Wayne program has led to the development of a variety of programs in aging in 10 or more community colleges, colleges, and universities within the State.

There can be little question but that some of the nation's elderly are being better served because of the knowledge and sympathetic understanding of the personnel working for them. Similarly, funds appropriated for the benefit of the older population are being spent with increased effectiveness. There is increasing readiness of educational institutions to offer instruction in aging. The institutions which have training support are developing faculties with interest and competencies in aging and are reaching many more students. Institutions which have the manpower resources in aging are being besieged with requests from State, community, and private agencies for consultation and guidance in the development of their programs and activities.

Program Plans for 1972

The funding level proposed--$1,850,000 for FY 1972--will permit support of 205 graduate and undergraduate students preparing for careers in aging.

Educational institutions that have the required staffing will be encouraged to expand their research programs and their consultation and guidance services to State and community agencies. Emphasis will be placed on continuing educational programs to prepare individuals for Careers in Planning, Administration and Supervision of Facilities and services for the older population.

SOCIAL AND REHABILITATION SERVICE
Research and Training

Program Purpose and Accomplishments

Activity: Research and Demonstrations (Vocational Rehabilitation Act, Sections 4 and 7: Social Security Act, Sections 426, 1110, and 1115; and the Older Americans Act, Title IV)

	1972	
1971	Authorization	Budget Estimate
$24,622,000	$164,000,000	$23,125,000

Purpose: Research and demonstration projects to develop and improve rehabilitation and employability service, community services and medical assistance to the disadvantaged, child welfare, and programs for the aged are supported under this activity.

Explanation: Federal grants and contracts are made to finance part or all the costs of projects to discover new principles and concepts in the above areas and for the demonstration of new systems for delivery of services to the handicapped, disadvantaged, youth and aged based upon these principles.

Accomplishments for 1971: Development of new methods of evaluation and work adjustment for the disadvantaged; new approaches to providing services to alcoholics, drug addicts, migrants, aged and the severely handicapped poor; improvement of the delivery of health services; and development of foster care services for children and for older citizens.

Objectives for 1972: In 1972, objectives will be essentially to continue in the areas established in 1971. Emphasis will continue to be on new approaches to rehabilitation of the alcoholic and the drug addict using ex-addicts and recovered alcoholics, and the handicapped poor and on new service delivery methods having program planning and evaluation conducted by general purpose government. Studies of the impact of Medicaid on community health resources as well as the effectiveness of health care for various population segments will be made. Emphasis will be given to studies of worker job mobility, impact of organizational structure, and use of subprofessional and technical workers in the delivery of community social services.

SOCIAL AND REHABILITATION SERVICE
Research and Training

Program Purpose and Accomplishments

Activity: Income Maintenance (Social Security Act, Title XI, Section 1110)

1971	1972 Authorization	1972 Budget Estimate
$9,000,000	Indefinite	$11,000,000

Purpose: Research is authorized to promote essential knowledge relating to the reduction of dependency and welfare reform.

Explanation: The current welfare system is placing an intolerable economic burden upon taxpayers and is not meeting the needs of recipients. Knowledge of the effectiveness of alternative approaches to providing economic support for disadvantaged clientele is verylimited. Income Maintenance research provides an unusual opportunity to develop a reliable and objective knowledge base in advance of the implementation of any welfare reform involving innovative income maintenance provisions. The resulting information will be indispensable for program planning and evaluation, and policy formulation.

Accomplishments in FY 1971: Two comprehensive field experiments became operational in 1971. These experiments focus on the impact of cash transfers combined with various supportive services including manpower training and child care. Because of high unemployment in one test area, a third location was selected to provide comparable information in a situation where the labor market was favorable.

Objectives for 1972: Plans call for the continuation of the graduated work incentive experiments at the three test locations. Because of the complexity of the problem, and the nature of the experiments, comprehensive and extended investigations are mandatory, covering a minimum of three years duration.

SOCIAL AND REHABILITATION SERVICE
Research and Training

Program Purpose and Accomplishments

Activity: Special Centers (Vocational Rehabilitation Act, Sections 4 and 16; and Social Security Act, Section 1110)

	1972	
1971	Authorization	Budget Estimate
$14,988,000	$140,000,000	$12,375,000

Purpose: The Special Centers activity includes 19 Research and Training Centers established for the purpose of providing for multidisciplinary training and research in all aspects of the rehabilitation process; 16 Regional Research Institutes conducting research in major areas of program concern to SRS and to provide a resource to the regional offices in stimulating research activities by State agencies;and a national center to provide research, training and services for the deaf-blind.

Explanation: Grants are made to universities and other organizations affiliated with universities that have the appropriate resources to carry out research and teaching in several disciplines of rehabilitation, and to conduct research which can comprehensively cover an important field of SRS-relevant activity. Also, an annual grant is made to the Industrial Home for the Blind for the operation of the National Center for Deaf/Blind Youths and Adults. In 1971 there was a non-recurring grant for construction of new facilities for the National Center.

Accomplishments in 1971: In-depth research and training activities include those related to stroke, paraplegia-quadriplegia, rehabilitation counseling, work motivation, neuromuscular disorders, psycho-social aspects of disability, and cardiovascular and circulatory problems. Over 32,000 persons participated in the training programs last year. Progress was made in better defining social service and designing more cost-effective delivery systems for the poor. Construction of a permanent facility for the Deaf-Blind Center was begun in 1971 and services were provided to approximately 80 deaf-blind persons including vocational placement of eight.

Objectives for 1972: Research already in process will be continued. Training programs for economically disadvantaged and disabled persons for careers in counseling, rehabilitation, social work, and health fields will be expanded. Programs will be designed to produce more complete research coverage on problem areas such as youth development and delinquency prevention, the problems of the aged, and health delivery systems for the poor. The full complement of staff for the deaf/blind center will be recruited and an in-service training program will be provided to them. Construction of the new facility will continue.

SOCIAL AND REHABILITATION SERVICE
Research and Training

Program Purpose and Accomplishments

Activity: Rehabilitation Training (Vocational Rehabilitation Act, Sections 4(a)(1) and Section 7)

	1972	
1971	Authorization	Budget Estimate
$27,700,000	$140,000,000	$14,650,000

Purpose: Training in fields closely related to the rehabilitation of the disabled, including faculty and traineeships is supported through project grants.

Explanation: Project grants to public or non-profit institutions, including universities and other educational institutions are available in the fields of rehabilitation nursing, physical and occupational therapy, prosthetics-orthotics, psychology, rehabilitation counseling, social work, sociology, recreation for the ill and disabled, speech pathology and audiology, rehabilitation facilities administration, and rehabilitation of the blind, deaf and mentally retarded. Short-term training is also available in technical aspects of providing vocational rehabilitation services.

Accomplishments in 1971: 448 long-term teaching grants will be awarded in 1971. In addition, 5,380 long-term traineeships and 6,500 short-term traineeships will be awarded to individuals. Rehabilitation counseling, rehabilitation medicine, and special undergraduate programs in the helping services will be emphasized.

Objectives for 1972: The training grant program is currently undergoing a review to identify new program directions, such as: (1) emphasis on training at the undergraduate and subprofessional levels in order to assist State Vocational Rehabilitation Agencies expand their range of personnel; (2) grant consolidation to combine separate specialized projects in the same university department; (3) increased support of work-study programs for newly employed State agency personnel; and (4) provide more training opportunities in colleges and universities serving minority groups.

It is anticipated that 200 long-term teaching grants, 3,000 long-term traineeships and 5,500 short-term traineeships will be awarded in 1972 under the appropriation.

SOCIAL AND REHABILITATION SERVICE
Research and Training

Program Purpose and Accomplishments

Activity: Community Services Training (Social Security Act, Sections 426 and 707)

	1972	
1971	Authorization	Budget Estimate
$8,900,000	$5,000,000	$4,000,000

Purpose: Provides grants to colleges and universities to expand or improve graduate and undergraduate programs in child welfare and other social work education.

Explanation: Training grants are awarded on a project basis for faculty and traineeships, their supporting personnel and for minor improvements of existing facilities.

Accomplishments in 1971: Social work manpower grants were provided 67 educational institutions for support of: 113 faculty positions and the related cost of education; 36 undergraduates, 18 graduates, and 13 combined programs. In child welfare programs, 131 faculty grants, 721 traineeships and 65 short-term grants were awarded. Of the 67 social work grants, 4 were made to individual colleges which are predominantly Black. Six were to consortia which included 10 predominantly Black colleges and 7 to colleges in geographic areas having high percentages of Chicano, Indian, or Puerto Rican populations.

Objectives in 1972: The emphasis for 1972 will be on projects to provide manpower needed in social services delivery systems, to provide more opportunities for education of minority students and to improve educational program content on needs of minorities, and to increase the supply of trained child welfare workers as well as assist persons now employed in the field to overcome professional deficiencies. The funding for 1972 will provide support for 75 faculty members and supporting staff.

SOCIAL AND REHABILITATION SERVICE
Research and Training

Program Purpose and Accomplishments

Activity: Aging Training (Older Americans Act, Title V)

1971	1972 Authorization	1972 Budget Estimate
$3,000,000	Indefinite	$1,850,000

Purpose: Provides specialized training in gerontology and in the associated requisite skills for personnel preparing for or engaged in planning and administering facilities and services for the older population and in providing services to them.

Explanation: The following types of grants are made: (1) faculty grants to help initiate, expand, or strengthen instructional programs in aging; (2) traineeship grants to educational and other training agencies for stipends to students preparing for careers in aging; (3) short-course grants for developing and conducting short-term training on processes of aging and characteristics of older people, or in methods, skills, or programs (primarily for personnel currently employed in aging or in related fields); and (4) curriculum development grants for the development of courses of study, teaching and training materials, and other means of strengthening training programs and teaching in aging.

Accomplishments in 1971: Three hundred fifty students are enrolled in 17 schools spread across the United States. Many of these students will be available for employment during the next year or two. Many middle-aged and older people among them have received short-term training to better themselves to serve older people. A programmed textbook on working with and understanding the aged has been developed for use in secondary schools, colleges, and continuing education programs. The George Washington University developed a home study course in social gerontology with support under this program, and it is now being offered to personnel of long-term care facilities to increase their sensitivity to the needs of the aged who come under their care. Programs supported at the University of Oregon-Portland State University Center for Gerontology and the University of Michigan-Wayne State University Institute of Gerontology are enabling these universities to become regional centers for training-research-consultation in aging.

Objectives for 1972: To prepare personnel for leadership positions to serve the older population in human service fields,--health, welfare, architectural design and urban planning, pre- and post-retirement education, housing and institutional management, senior center direction and recreation, and Federal, State, and community program administration. In 1972, some 205 students will be supported and 33 faculty will be supported in 11 institutions.

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JUSTIFICATION OF BUDGET AMENDMENT

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Research and Training

Amounts Available for Obligation

	1972 Original Estimate	Proposed Amendment	1972 Revised Estimate
Appropriation.....	$67,000,000	$2,150,000	$69,150,000

Obligations by Activity

	1972 Original Estimate	Proposed Amendment	1972 Revised Estimate
Research.....	$46,500,000	$1,000,000	$47,500,000
Training.....	20,500,000	1,150,000	21,650,000
Total obligations.....	67,000,000	2,150,000	69,150,000

Obligations by Object

	1972 Original Estimate	Proposed Amendment	1972 Revised Estimate
Travel and transportation of persons.	$ 70,000	$ ---	$ 70,000
Printing and reproduction.....	35,000	---	35,000
Other services.....	14,350,000	---	14,350,000
Supplies and materials.....	1,000	---	1,000
Equipment.....	40,000	---	40,000
Grants, subsidies, and contributions.....	52,504,000	2,150,000	54,654,000
Total obligations by object.....	67,000,000	2,150,000	69,150,000

Summary of Changes

1972 Obligations:

Original estimate	$67,000,000
Revised estimate	69,150,000
Net change	+2,150,000

	1972 Original Estimate	1972 Change
Program Increases:		
1. Research: Aging	$1,800,000	+$1,000,000
2. Training: Aging	1,850,000	+1,150,000
Total increases	---	+2,150,000

Explanation of Changes

The additional request of $1,000,000 for research and $1,150,000 for training would maintain the 1971 funding level in 1972. Research and demonstration projects will continue to seek new knowledge and approaches to raise the quality of life for all the elderly. The increased funds requested for training would continue the support for special training programs needed for personnel who serve the older population.

SOCIAL AND REHABILITATION SERVICE

Research and Training

Program Purpose and Accomplishments

Activity: Research and Demonstrations: (Vocational Rehabilitation Act, Sections 4 and 7; Social Security Act, Sections 426, 1110, and 1115; and the Older Americans Act, Title IV)

1972 Original Estimate	Proposed Amendment	1972 Revised Estimate
$23,125,000	$1,000,000	$24,125,000

Purpose: Research and demonstration projects to develop and improve rehabilitation and employability service, community services and medical assistance to the disadvantaged, child welfare, and programs for the aged are supported under this activity.

Explanation: The amended budget request provides an additional $1,000,000 for research and development programs to support essential projects already underway and the initiation of new research and demonstrations in two high priority areas. One focuses on generating knowledge essential to improving the social and physical environment in which older people must live; the other on adapting or creating social institutions within the community so as to give older Americans equal opportunity to participate in decisions affecting their welfare and to share community service resources.

SOCIAL AND REHABILITATION SERVICE
Research and Training

Program Purpose and Accomplishments

Activity: Aging Training (Older American Act Title V)

1972 Original Estimate	Proposed Amendment	1972 Revised Estimate
$1,850,000	$1,150,000	$3,000,000

Purpose: Provides specialized training in gerontology and in the associated requisite skills for personnel preparing for or engaged in planning and administering facilities and services for the older population and in providing services to them.

Explanation: For the Title V training grant program an additional $1,150,000 will permit the continuation of the 15 aging training programs at current levels of operation. The number of long-term and short-term students supported will remain at approximately 415. Such trained personnel are needed to serve the older population in almost every human service field--health, welfare, architectural design and urban planning, pre-and post-retirement education, housing and institutional management, senior center direction, and recreation. The increase will also permit the funding of some training activities in minority colleges and some extension of support of undergraduate and short-term programs.

TUESDAY, MAY 18, 1971.

SOCIAL REHABILITATION ACTIVITIES OVERSEAS (SPECIAL FOREIGN CURRENCY PROGAM)

WITNESSES

DR. JAMES F. GARRETT, ASSISTANT ADMINISTRATOR, RESEARCH AND DEMONSTRATIONS
JOHN D. TWINAME, ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE
RICHARD M. LONGMIRE, ASSOCIATE ADMINISTRATOR, PLANNING, RESEARCH, AND TRAINING
BERWICK A. DREWS, BUDGET OFFICER, PLANNING, RESEARCH AND TRAINING
RANDOLPH W. LEE, DIRECTOR, BUDGET DIVISION, SOCIAL AND REHABILITATION SERVICE
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

SOCIAL AND REHABILITATION ACTIVITIES OVERSEAS SPECIAL FOREIGN CURRENCY PROGRAM—OBJECT CLASSIFICATION

[In thousands of dollars]

	1970 actual	1971 est.	1972 est.
Travel nnd transportation of persons	131	150	160
Transportation of things	21	19	22
Other services	2		
Grants, subsidies, and contributions	2,272	4,056	9,818
Total obligations	2,426	4,225	10,000

PROGRAM AND FINANCING

(in thousands of dollars)

	1970 actual	1971 est.	1972 est.
Program by activities:			
Social and rehabilitation research (costs—obligations)	2,426	4,225	10,000
Financing:			
Recovery of prior year obligations	—212		
Unobligated balance available, start of year	—439	—225	
Unobligated balance available, end of year	225		
Budget authority (appropriation)	2,000	4,000	10,000
Relation of obligations to outlays:			
Obligations incurred, net	2,214	4,225	10,000
Obligated balance, start of year	9,612	7,734	8,859
Obligated balance, end of year	—7,734	—8,859	—14,829
Outlays	4,092	3,100	4,020

Mr. SMITH. The next item is the Special Foreign Currency Program. You may proceed, Dr. Garrett.

GENERAL STATEMENT

Dr. GARRETT. Mr. Chairman and members of the committee: We are requesting $10 million for the special foreign currency research program. This program is carried out under the authority of the Agricultural Trade Development and Assistance Act of 1954 and the International Health Research Act of 1960. The program is supported entirely by U.S.-owned foreign currencies abroad which have been determined by the Treasury to be in excess of normal U.S. needs.

Expenditures in this account do not take monies from the United States, nor are they charged to the Department's expenditure ceiling.

The activities carried out under this program are designed to supplement and complement the domestic research programs of the Social and Rehabilitation Service. The international program enables us to avail ourselves of the unique talents and capabilities of foreign scientists who are dealing with social and rehabilitation problems similar to those which confront us in the United States.

OVERSEAS RESEARCH PROGRAM DISCOVERIES

A few examples of advances made through the overseas research program include the following: A new device developed as a result of a research project in Yugoslavia has proven very effective for rehabilitating stroke patients with residual ambulatory disabilities. The peroneal brace, as it is called, is being tested further in the United States now, and if continued progress is indicated, stroke patients throughout the world will benefit from this new approach. A research project in Yugoslavia found that children living with an alcoholic mother or father suffer serious psychosomatic health problems. Early intervention programs for these children are obviously required to ensure normal development. In Israel, a recently completed project demonstrated the effectiveness of group dynamic in developing and training teams of retarded youngsters for placement on the open labor market. Preliminary findings show great promise in utilizing this approach on a wider scale and for other special population groups, such as the socially deprived, juvenile delinquents, and the aged. Another project in Israel indicated that a prescribed sports program produced measurable improvement of patients with spinal cord injuries. Continued success with this approach could mean that sports will become an indispensable therapeutic element in the rehabilitation process, rather than a diversionary activity.

DEVELOPMENT OF OVERSEAS RESEARCH PERSONNEL

These past achievements, and others have helped to increase research competency in the foreign countries participating in the pro gram. While continuing our search for new talent, we can now draw upon a corps of experienced investigators overseas who have proven their ability to conduct research of significance to the United States. Many of these investigators have participated in, and benefitted from the interchange of experts program. This is a two-way exchange of personnel designed to build research skills, develop meaningful projects, and bring about the early and widespread application of new knowledge and techniques which have been validated through research projects.

FISCAL YEAR 1972 GOALS

In 1972, international research will be designed to complement and supplement United States domestic program priorities, including projects in drug addiction, alcoholism, and rehabilitation of postcoronary patients. New and innovative approaches for the delivery of rehabili-

tation services will be tried in Israel, Yugoslavia and India. Projects will also be designed to develop improved techniques for the rehabilitation of individuals with sensory disorders, orthopedic handicaps, and mental disabilities.

In summary, Mr. Chairman, we are requesting $10 million for social and rehabilitation research overseas. This is an increase of $6 million over the $4 million appropriated in 1971.

I am happy to try to answer any questions the committee may have.

BACKLOG OF UNFUNDED PROJECTS

Mr. SMITH. An increase from $4 million up to $10 million is a very substantial increase in 1 year. Do you have a backlog of approved and unfunded projects sufficient to absorb this?

Dr. GARRETT. Right as of the moment I have in-house about $10 million worth of projects. I would not want to say at this moment that they are all of the quality that we would want if we have these funds available. We would plan to develop other projects along with those we have in-house.

Mr. SMITH. There is a backlog of good projects?

Dr. GARRETT. I have on hand about $10 million worth of unfunded projects.

Mr. SMITH. That is all I have.

EXCESS CURRENCY COUNTRIES

Mr. MICHEL. Could we have placed in the record at this point the countries in which we have those surplus currencies? Also, list the amounts.

Mr. SHRIVER. Are there just three countries in which you are going to use the counterpart funds?

Dr. GARRETT. No; we will be in roughly 10 countries.

Mr. MICHEL. List the total number of countries where we have surplus currencies and the amounts. In what countries do you expect to be engaging in research and roughly in the amounts? I understand that cannot be precise since you have no idea how much you are going to get for sure. Based on the full $10 million, how much would go to which countries?

(The information follows:)

EXCESS FOREIGN CURRENCIES, DEC. 31, 1970 [1]

[In thousands of dollars]

Excess currency countries	Total excess currencies for U.S. use	ORD, SRS, 1972 estimate
Burma	11,183	
Ceylon	2,340	
Guinea	5,560	100
India	775,720	1,800
Israel	548	400
Morocco	5,518	500
Pakistan	185,903	1,500
Poland	400,808	1,618
Tunisia	15,016	600
United Arab Republic	205,702	800
Yugoslavia	61,977	2,500
Total grants		9,818
Interchange of experts		182
Total		10,000

[1] Currencies available for U.S. use were obtained from the Department of Treasury report: Semiannual consolidated report of balances of foreign currencies acquired without payment of dollars as of Dec. 31, 1970.

Mr. SHRIVER. Do you know how much we have in Israel?

Dr. GARRETT. Israel is a declining program. There is only one-half million which will be available in 1972 for obligation under the Public Law 480 program. Our share of that is $400,000. We developed a reserve against this on a 3-year basis which was developed by the Department.

Mr. SHRIVER. I know he is going to put this into the record, but I am wondering about Yugoslavia. You have a lot there.

Dr. GARRETT. Yes, there are a lot of foreign currenies there and that would be one of our major areas of activity. This brace, it doesn't look like a brace, which was developed in Yugoslavia under our program——

Mr. MICHEL. In India we have a lot of money?

Dr. GARRETT. We have a lot of money in India. We presume we will be doing work there.

EXAMPLES OF SRS RESEARCH PROJECTS OVERSEAS

Mr. MICHEL. I take it from the appliance you brought us here that this is one of the more striking examples of what has been developed in the foreign countries in this research program.

Dr. GARRETT. Yes.

Mr. MICHEL. Have you any other projects specifically for the record that you can expand upon?

Dr. GARRETT. Yes.

(The information follows:)

EXAMPLES OF INTERNATIONAL RESEARCH PROJECTS CONDUCTED BY THE SOCIAL AND REHABILITATION SERVICE AS AUTHORIZED BY PUBLIC LAW 480

Findings from various international research projects reported to the Social and Rehabilitation Service during the past 2 years included a project in Israel under the direction of Dr. E. Chigier which demonstrated the effectiveness of utilizing group dynamic principles in rehabilitating severely retarded adolescents. This technique was shown to be useful in organizing groups of retarded youngsters outside of institutions as a means of reaching their maximum potential of pro-

ductivity. If further research in this area bears out these initial findings, the resu ts cou d lead to a sizable reduction of our institutionalized retarded population, or at least increase their productivity.

One of the most know edgeable persons in the use of cryosurgery for Parkinson's disease patients is a surgeon in West Pakistan (Dr. Bashir Ahmad) whose research project is presently being supported by an SRS grant. This investigator has experienced a very high recovery rate in patients of all ages with involuntary movements of varying degrees of severity. A second, equally important feature of this project, with worldwide imp'ications, is the demonstration of the excellent rehabi.itation services which can be provided with extremely limited resources.

In Yugoslavia, researchers at the Phonetics Institute used an SRS grant to test the theory of the principal investigator, Dr. Peter Guberina, that deafness is never comp ete, and that persons whose audiograms indicated profound deafness can be trained to use and deve op their residual hearing. An extensive program of auditory rehabilitation and speech training was carried out in Zagreb with profoundly deaf chi dren, using instruments designed by the investigators to transfer sounds to those lower frequencies which they believe the children were capable of hearing. The principal investigator has demonstrated his technique several times in the United States and has generated a great deal of interest in his new approach.

Significant advances in the management and rehabilitation of leprosy patients have been made under SRS supported projects in India. Dr. Paul Brand and a team working at the Christian Medical College, Vellore, South India, developed special techniques for reconstructive surgery which are now being widely applied in leprosy centers all over the world. Some specific operations include pedical grafting for severe ulceration of the heel, techniques of nasal reconstruction, techniques for the transfer of sensitive skin from the chest to restore sensation of the hand, methods of stabilization of the foot, new patterns of tendon transfer and tendon grafting, and reconstruction of the hand.

Important research on the facial nerve, and the nerves of the hand and arm has been carried out with CRS funding at the neuropathology unit, J. J. hospitals in Bombay, and widely disseminated in the International Journal of Leprosy and other publications. Dr. D. K. Dastur and Dr. N. H. Antia have carefully documented the effectiveness of surgical intervention for various types of nerve lesions, providing a sound basis for decisions which have previously involved much guesswork. These important studies on leprosy could not have been done in the United States at such a low cost on such large numbers of patients as was possible in India. The findings also have implications for other disorders producing deformity, loss of function, or nerve lesions.

SPIRAL PLASTIC FOOT BRACE

Mr. MICHEL. Incidentally, how does this work?

Mr. GARRETT. Let me explain this one first, if I might. This is a spiral plastic brace. As you know ordinarily if you have a bad foot, you will have a great big heavy brace with calipers. This fits around, as you can see, around your leg. Since it is plastic, it is extremely light. So you are not carrying around all the extra weight with you. This one has been made in such a fashion, as you can see, that it holds the foot in the walking position. I mentioned the interrelationship between the domestic and foreign program. This brace actually was developed at New York University. But the work on which this brace was based is work that we started in Israel in the use of plastics in bracing. So this particular brace is a joint United States-Israel type of activity.

Mr. TWINAME. Isn't the spiral the key to keeping the foot forward?

Mr. GARRETT. That is right. It supports in the back underneath the knee and then around in here and supports your foot. It is rather clever. It is very effective.

Mr. MICHEL. For one to use that, do you have a kind of form? Since each patient has a different size leg, doesn't it have to be custom built for the individual?

Mr. GARRETT. Yes. But plastic is a lot easier to form than the metal brace. Technically when you start to get into all the movable parts into a metal brace, such as the caliper, and the bottom end, and you have to get it into the shoe. This has the other advantage and that is that it is more cosmetic.

Mr. PATTEN. Aren't they using plastic for abdominal hernias?

Mr. GARRETT. We are not supporting any work in that field.

ELECTRICAL BRACE FOR HEMIPLEGICS

Mr. MICHEL. What is the other device you have?

Mr. GARRETT. This, believe it or not, is a brace. It doesn't look like one but it is. This is a power source here and it goes on your hip, and as you can see this increases the voltage. This goes on your knee. This is elastic. You notice there is one "knob" inside and one outside. The power source comes from here, goes to this. The power source is activated when you take your foot off the floor. In other words, when you take your foot off the floor this activates the cycle. In a hemiplegic what happens is that your whole side is affected. It affects your hand and foot. When you try to walk in hemiplegia you have no way of getting your toe off the floor so you fumble around or else you slap. As long as your foot is in contact with the floor, you do not activate the mechanism. As soon as you take the foot off the floor for the swing through with your foot as you walk.

The muscle is activated to contract and it pulls the front of the foot up. The advantage to this is that not only does it work pretty effectively, but, in view of the fact that it exercises the muscles of your leg, your muscles do not atrophy and you have better muscle tone and much better potential for restoration of function in the leg.

What is interesting on this one is that we just came from a conference in Houston for this particular project at Baylor University. We held a training course under the interchange of experts program for U.S. professionals who are going to be evaluating this particular brace in about eight centers in the United States. This is what I was talking about in this collaborative relationship between the overseas program and the U.S. program.

Mr. MICHEL. I have no more questions.

Mr. SMITH. Mr. Shriver.

PROJECTS IN DRUG ADDICTION AND ALCOHOLISM

Mr. SHRIVER. I notice that you are going to have some research and some projects in drug addiction and alcoholism under this foreign currency program.

Mr. GARRETT. Yes, sir.

Mr. SHRIVER. We are not going to have new programs except in counterpart funds?

Mr. GARRETT. All the $10 million in this program will be for new starts.

Mr. SHRIVER. That is all.

Mr. SMITH. Mrs. Reid?

INTERCHANGE OF EXPERTS PROGRAMS

Mrs. REID. Your justification indicates your plan to spend $182,000 for "Interchange of experts." What type of experts do you have in mind? What will they do?

Dr. GARRETT. As the interchange of experts is directly related to research being conducted, these experts will be specialists in cardiology, prosthetics, neurology, mental retardation, orthopedic surgery, psychiatry, psychology, rehabilitation of the blind, deaf, and burned patients, the aged, family, and child welfare. Approximately 65 foreign experts will be brought to the United States in fiscal year 1972 for periods of up to 3 months to consult with U.S. experts doing research or conducting programs in the same fields. They will spend some time at universities, medical centers, rehabilitation facilities, and public and voluntary agencies where they not only will observe methods and procedures carried on here but will also lecture to staffs conducting counterpart research and show films on the work they are carrying on in their country.

U.S. experts will serve as consultants on projects overseas, assisting in the development of coordinated research procedures looking toward maximum comparability of data, lecturing to staffs, and monitoring projects.

COUNTRIES HAVING SRS PROGRAMS

Mrs. REID. What countries are now participating in the overseas research programs of the social and rehabilitation service?

Dr. GARRETT. We are limited in our research activities overseas to those countries which have been declared "excess currency countries" by the U.S. Treasury Department.

At present, the SRS is actively engaged in research and demonstration projects in Israel, Morocco, Pakistan, India, Poland, Tunisia, United Arab Republic, and Yugoslavia. Even though Ceylon is not now considered one of the excess currency countries, SRS is still involved in projects obligated before that country was taken off the excess currency list.

SRS GRANT RECIPIENTS

Mrs. REID. Is the research done in foreign universities or by individual scientists under contract?

Dr. GARRETT. Grants must be made to governmental and private nonprofit institutions that submit sound research and demonstration proposals which have received official approval by the respective governments. Many of our projects are conducted with universities but we are not authorized by Public Law 480 to contract with individual scientists.

UTILIZATION OF FOREIGN STROKE RESEARCH

Mrs. REID. In earlier testimony before our subcommittee there was some indication that more progress had been made in certain foreign countries regarding research on strokes than had been made here. Is there any way we can take advantage of such research under this program?

Dr. GARRETT. Our previous testimony indicated that we were making substantial progress in our overseas research program in the area of rehabilitating post-coronary patients whose conditions could lead to strokes, in some instances. As an example, in Israel, Yugoslavia, Pakistan, Poland, and India, SRS has conducted projects on the influence of exercise in rehabilitating patients who had had heart attacks. As a result of these projects, many questions have been raised which should help to focus future United States and overseas research in the direction which will achieve the most beneficial results. We have taken advantage of these findings by sending U.S. experts in this field to observe research being conducted by these overseas experts; by holding several international meetings with United States and overseas experts concerned with these problems; and by publishing various reports on findings which received wide distribution in this country. Also, demonstration projects have been carried out in the United States to test findings and new techniques developed overseas for rehabilitating stroke patients.

Mrs. REID. Thank you, Mr. Chairman.

Mr. SMITH. Mr. Conte?

TESTING OF TRANSITIONAL FACILITIES FOR THE MENTALLY ILL

Mr. CONTE. What kind of transitional facilities for the mentally ill are now being developed and tested overseas?

Dr. GARRETT. A halfway house has been started in Pakistan to demonstrate the relative effects of gradual and direct return of patients from mental hospitals to the community. Absence of readmission, vocational adjustment, and social adjustment have been identified as the three major measures of effectiveness of the transitional facility. Although the halfway house concept is not new to us in the United States, the Pakistani project is expected to yield useful data for cross-cultural comparison.

In Israel, SRS has sponsored for the past 3 years a comprehensive psychiatric rehabilitation program for mentally ill patients in a halfway house setting. The Israel Institute of Applied Social Research, the grantee for this project, has cooperated very effectively with many agencies in Israel during the developmental stages of this research effort. A halfway house is utilized as the rehabilitation setting, and emphasis is placed on creating a social atmosphere which is conducive to therapy and provides a means for evaluating common factors associated with the adjustment and employment of former hospitalized mental patients.

Results at this point are very encouraging, but we are still awaiting their final analysis of the various approaches tested in this project.

APPROACHES TO REHABILITATING DRUG ADDICTS

Mr. CONTE. What new approaches do you feel are needed for delivery of rehabilitation services for drug addicts?

Dr. GARRETT. We are now exploring a number of countries where research can be carried out for delivering rehabilitation services to drug addicts. In fact, we have several pending proposals that are now being considered for approval in this field. New approaches will be

explored to develop more effective case-finding techniques; the response of addicts to various forms of treatment and the comparison of large rehabilitation centers in contrast to small neighborhood treatment facilities.

Demonstration projects will also be developed and evaluated on new forms of detoxification centers where rehabilitation is started simultaneously and includes diagnostic services and counseling evaluation. The concept of the rehabilitation process which has worked well with the disabled will be tried in these centers for drug addicts.

CASE-FINDING TECHNIQUES FOR BORDERLINE ALCOHOLICS

Mr. CONTE. Would you elaborate on your investigations into innovative case-finding techniques for borderline alcoholics? What are some of these techniques?

Dr. GARRETT. New case-finding techniques for borderline alcoholics have been developed in a research project supported by the social and rehabilitation service and conducted by the Institute on Alcoholism in Belgrade, Yugoslavia. This project developed a screening process which made use of a highly trained interdisciplinary team of professional workers and divided the population in natural groupings, of either industrial or rural.

Special questionnaires were devised to elicit information which would be specifically applicable to these groups. A secondary screening of suspected alcoholics was then conducted by these special teams who had devised a new questionnaire to uncover borderline alcoholics that would have been missed during the initial screening. Results of this project have been widely distributed and researchers throughout the world have patterned their screening techniques for alcoholics on this basic approach.

THE BELGRADE ELECTRONIC HAND

Mr. CONTE. Exactly what is this "Belgrade Electronic Hand" and how does it operate?

Dr. GARRETT. The "Belgrade Electronic Hand" is a very sophisticated prosthetic component developed in our international research program to provide a complete function and cosmetic prosthetic restoration to the upper extremity amputee. The hand is powered by an electric battery pack which is worn by the patient under his (or her) clothing. All fingers move in coordination to provide proportional selective group of objects of various shapes and sizes. The hand is operated by the patient in a normal manner, through the operation of control switches within the prosthetic harness system, or may be controlled by an electric signal generated within a muscle of the remaining extremity which is amplified and controls the electronic switching mechanisms built into the hand.

Mr. CONTE. I have no further questions.

Mr. SMITH. Thank you, gentlemen, we will recess until 2 p.m.

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Social and Rehabilitation Activities Overseas
(Special Foreign Currency Program)

Amounts Available for Obligation

	1971	1972
Appropriation	$4,000,000	$10,000,000
Unobligated balance brought forward	225,000	---
Total available for obligation	4,225,000	10,000,000

Obligations by Activity

Page Ref.		1971 Estimate	1972 Estimate	Increase or Decrease
106	Social and rehabilitation research	$4,225,000	$10,000,000	+$5,775,000
	Total obligations	4,225,000	10,000,000	+ 5,775,000

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Travel and transportation of persons	$150,000	$160,000	+$10,000
Transportation of things ..	19,000	22,000	+3,000
Grants, subsidies and contributions	4,056,000	9,818,000	5,762,000
Total obligations by object	4,225,000	10,000,000	+5,775,000

Summary of Changes

1971 estimated obligations	$4,225,000
1972 estimated obligations	10,000,000
Net change	+5,775,000

Program Increases:	Base Amount	Change From Base Amount
1. Social and rehabilitation research	$4,225,000	$+5,775,000
Net change	---	+5,775,000

Explanation of Changes

The FY 1972 request of $10,000,000, an increase of $5,775,000 over 1971, will provide for an increase of 61 new projects in nine foreign countries in which currencies in excess of the normal requirements of the United States are available. This request will also provide travel funds for an increase of 9 American and Foreign Nationals to participate in the interchange of experts program over the 121 travelers in 1971.

Authorizing Legislation

Agricultural Trade Development and Assistance Act of 1954
Public Law 83-480, Section 104 (k)
(as amended by PL 85-477, PL 86-108, PL 86-341, and PL 89-808)

"For carrying out programs of United States Government agencies to--

.....

"(3) collect, collate, translate, abstract, and disseminate scientific and technological information and conduct research and support scientific activities overseas including programs and projects of scientific cooperation between the United States and other countries such as coordinated research against diseases common to all of mankind or unique to individual regions of the globe, and promote and support programs of medical and scientific research, cultural and educational development, family planning, health, nutrition, and sanitation;"

International Health Research Act of 1960
Public Law 86-610, Section 4

"The Secretary of Health, Education, and Welfare (hereafter referred to as the "Secretary") may in the exercise of his responsibilities under the Vocational Rehabilitation Act (20 U.S.C., ch. 4) and the Act entitled "An Act to establish in the Department of Commerce and Labor a bureau to be known as the Children's Bureau", approved April 9, 1912, as amended (42 U.S.C., ch. 6), and any other provision of law, to conduct and support health research and research training, including research and research training relating to the rehabilitation of the handicapped, make such use of health research and research training resources in participating foreign countries as he may deem necessary and desirable."

Social and Rehabilitation Activities Overseas
(Special Foreign Currency Program)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1963	$ 3,800,000	$1,500,000	$3,800,000	$2,000,000
1964	4,200,000	2,000,000	4,200,000	2,000,000
1965	2,000,000	2,000,000	2,000,000	2,000,000
1966	3,200,000	3,200,000	3,200,000	3,200,000
1967	6,000,000	6,000,000	3,500,000	4,500,000
1968	6,500,000	5,000,000	5,000,000	5,000,000
1969	7,500,000	5,000,000	5,000,000	5,000,000
1970	2,000,000	2,000,000	2,000,000	2,000,000
1971	7,000,000	4,000,000	4,000,000	4,000,000
1972	10,000,000			

Note: This appropriation prior to Fiscal Year 1969 was carried under "Research and Training (Special Foreign Currency Program)," Vocational Rehabilitation Administration and "Research and Training (Special Foreign Currency Program)," Welfare Administration.

62-917 O - 71 - pt. 4 ---32

Justification

Social and Rehabilitation Activities Overseas
(Special Foreign Currency Program)

	1971 Estimate		1972 Estimate		Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount
Research projects.....	37	$4,056,000	98	$9,818,000	+61	+$5,762,000
Interchange of experts.....121		169,000	130	182,000	+9	+13,000
Total.....		4,225,000		10,000,000		5,775,000

The International Rehabilitation research program supports research activities in countries where U.S. owned local currencies from the sale of agricultural commodities are in excess of U.S. primary requirements. Expenditures in this account do not take monies out of the U.S. nor are they computed in D/HEW expenditure ceiling. The basic objective of the program is to complement, supplement, and strengthen the domestic research programs of the Social and Rehabilitation Service. Projects are selected to test and evaluate new rehabilitation techniques and to develop innovative approaches in promoting effective programs for the disadvantaged and the handicapped. In addition, this program is designed to improve relationships between U.S. and cooperating countries and carry out U.S. foreign policy objectives. With many of the research and demonstration projects conducted under this program, it is often possible to assist in the solution of human problems within the participating countries, and thus help to build a bridge of understanding between the U.S. and the cooperating P.L. 480 countries.

With $10,000,000 requested in 1972, the major thrust of SRS international research will, as in the past, concentrate on problems related to U.S. domestic concerns with heavy emphasis on the multiple handicapped. Research projects will be conducted in the following areas: (1) mental disabilities; (2) sensory disabilities; (3) rehabilitation medicine; (4) evaluation and work adjustment; (5) service delivery systems; (6) research utilization; and (7) rehabilitation engineering.

Mental Disabilities - Ten projects for a total of $1,000,000

A recently completed research project in Israel demonstrated the potential effectiveness of utilizing group dynamic techniques as a means of preparing mentally retarded young adults for employment outside their institutional setting. A new approach for the re-integration of the mentally ill in their communities is also being tested with encouraging results. Building on these and other findings, several new projects will be designed to deal with the problem of rehabilitation of the mentally ill and mentally retarded to become useful and productive citizens in their communities. Special emphasis will be placed on demonstrating the efficacy of various types of non-institutional programs, such as transitional facilities for the mentally ill and specialized training centers for the retarded. Several projects in these fields are now being developed in Israel, Poland, and India.

Sensory Disabilities - Ten projects for a total of $1,000,000

Dr. Petar Guberina from Zagreb, Yugoslavia recently completed a five-year research project on the use of restricted bands of frequencies in rehabilitating deaf individuals. Preliminary findings have been very encouraging and suggestive of further evaluation into this innovative approach for training the deaf.

International research will continue to focus its attention on new and improved techniques for rehabilitating the blind, partially seeing, hard of hearing and deaf, including research on: work evaluation and adjustment, new sources of employment, assistive devices, and improved techniques for case finding. New projects are also planned for rehabilitating deaf blind individuals.

Rehabilitation Medicine - Twenty projects for a total of $2,000,000

The effectiveness of sports as a therapeutic component of rehabilitation medicine was described in a final report recently submitted by Dr. Ralph Spira, Chief Investigator of an SRS sponsored international research project. Improved techniques for the rehabilitation of diabetics and patients suffering from Parkinson's disease have also resulted from former international research activities.

As a means of more effectively utilizing research expertise in developing countries, several research and training centers in rehabilitation medicine will be developed in Yugoslavia, India and Pakistan. U.S. research and training centers in this field will be used as models and collaboration will be established between each overseas center and a similar facility in the U.S. to improve methods for rehabilitating patients with emphysema, bronchitis, arthritis, and other debilitating conditions.

Special emphasis will be placed on developing new research centers to expand the present multi-national effort for determining the beneficial aspects of physical exercise in rehabilitating post-coronary patients. Projects in this field are planned in Israel, Poland, Tunisia, U.A.R., India, Yugoslavia and Pakistan. U.S. researchers in this field will establish a cooperative relationship with each new project to insure a constant flow of information and a coordinated effort.

The exchange of information resulting from this collaborative international research should foster the continued improvements of methods and techniques employed by various levels of professional and non-professional personnel concerned with rehabilitation medicine.

Evaluation and Work Adjustment - Ten projects for a total of $1,000,000

As a means of directly complementing domestic efforts in this direction several international research projects will be initiated to test out new approaches for evaluating the work capacity and vocational aptitudes of the disadvantaged and physically disabled. Projects will emphasize the broad spectrum of services required to raise the employment potential of individuals regardless of the reasons for the unemployment. Some of the demonstration projects will attempt to find new ways to train or re-train individuals in the least possible time period and with limited facilities.

Services Delivery Systems - Twenty-five projects for a total of $2,250,000

Within the limits of the international research program every effort will be made to improve locally based systems for the delivery of integrated and coordinated rehabilitation services to the disabled and disadvantaged in rural and urban communities. Delivery systems will be designed to focus on target groups identified by U.S. program planners as being of immediate concern and of high priority. Youth development, aging, and drug addiction will be areas in which new approaches for delivering rehabilitation services will be developed and tested on a coordinated basis in at least three countries cooperating in the P.L. 480 program.

Problems of elderly alcoholics and children of alcoholic parents will continue to be investigated, as well as innovative case-finding techniques for borderline alcoholics.

An indispensable adjunct to the service delivery systems designed will be to try out different methods for training and utilizing sub-professionals within the service delivery systems. Demonstration projects in Dacca, East Pakistan, Vellore. Ludhiana, Nagpur, Madurai, Madras, and other parts of India have shown great promise in utilizing untrained personnel for complex and varying sub-professional roles in rehabilitation.

Research Utilization - Eight projects for a total of $800,000

Utilization of research findings will be emphasized as a major function of the Division of International Activities during fiscal year 1972. People-to-people exchange of vital information will be an important function of the international research program. New systems for disseminating useful research findings will be developed and implemented on a multi-national basis, but particularly for U.S. program professionals.

Polish, French, Serbo-Croatian and other published materials in rehabilitation and other fields of interest to the SRS will be identified for translation into English to supplement research reports and other publications prepared in connection with P.L. 480 research projects. It is also planned that more audio-visual materials will be prepared to show significant program developments overseas in social welfare and rehabilitation for U.S. consumption. The present program for the interchange of U.S. and overseas research experts will be broadened in scope to include second and third echelon action researchers. This will permit more cross fertilization of ideas at all levels of expertise for both U.S. and overseas researchers.

Rehabilitation Engineering - Fifteen projects for a total of $1,518,000

One of the most successful areas of SRS international research has been in the field of rehabilitation engineering. Pioneering work by SRS sponsored international research has led to the development of many new techniques and hardware including the Belgrade Electronic Hand; a technique, now in use world-wide for immediate post-surgical fitting of prostheses; a new Peroneal brace for stroke patients soon to be tested throughout the U.S.; lightweight plastic braces; and new techniques for restoring facial deformities.

In fiscal year 1972, it is planned that Ceylon, India, Pakistan, Poland, Yugoslavia, Israel, Tunisia, U.A.R., and Morocco will be cooperating with the U.S. in clinical tests of new prosthetic and orthotic hardware designed in the U.S. or any one of the cooperating countries. These clinical tests will also include cost effectiveness studies. Important data could result from such wide-spread field testing and assist in determining the effectiveness of new prosthetic and orthotic devices for use in the U.S., as well as other countries around the world.

In addition, continuing research in the area of functional electrical stimulation for lower extremity disabilities will be emphasized and fully coordinated with U.S. research and evaluation efforts in this field.

Interchange of Experts Program - $192,000

The Interchange of Experts Program, operating since 1961 in conjunction with the Special Foreign Currency Research activities of the SRS, has demonstrated the importance and effectiveness of the people-to-people exchange of scientific information. The close professional relationships promoted by this interchange have strengthened research and effected improvements in programs in the United States for a total foreign currency obligation equivalent to $192,000.

Social and Rehabilitation Service

Social and Rehabilitation Activities Overseas
(Special Foreign Currency Program)

Program Purpose and Accomplishments

Activity: Social and Rehabilitation Research. (Agricultural Trade Development and Assistance Act of 1954, P.L. 83-480, as amended, through 1968, Section 104 (b) (3))

1971	1972	
	Authorization	Budget Estimate
$4,000,000	Indefinite	$10,000,000

Purpose: The international social and rehabilitation special foreign currency program supports research activities which complement and strengthen the domestic programs of the Social and Rehabilitation Service and improve international cooperation.

Explanation: In countries in which the United States owns local currencies in excess of U.S. primary requirements, grants are awarded for research activities which can lead to improvement of practice and effective programs for the disadvantaged and the handicapped. Grantee institutions are expected to contribute, to the extent possible, toward the cost of conducting the project.

Accomplishments 1971: Thirty-seven international research projects were approved in seven countries. Among projects showing a potential for significant findings were: three on the effects of physical exercise in rehabilitating post-coronary patients; eight on the evaluation of prosthetic/orthotic devices; one on the rehabilitation of cancer patients; one on the rehabilitation of the chronically unemployed; and three on the rehabilitation of mentally retarded young adults. Interchange of information was promoted by means of symposium on cardiovascular disorders and three international seminars on rehabilitation research, and extensive participation of SRS staff in overseas conferences. Foreign currencies were also used to bring 66 researchers from participating countries to the United States for observation of U.S. research activities. 55 American experts were sent overseas for on-site consultation and participation in research activities.

Objectives for 1972: International research will be designed to complement and supplement U.S. domestic program priorities, including projects in drug addiction, alcoholism and rehabilitation of post-coronary patients. New and innovative approaches for the delivery of rehabilitation services will be tried in Israel, Yugoslavia and India. Projects will also be designed to develop improved techniques for the rehabilitation of individuals with sensory disorders, orthopedic handicaps and mental disabilities.

Social and Rehabilitation Activities Overseas
(Special Foreign Currency Program)

Research and Demonstration Projects

Estimated Obligations

Country	1971 Estimate		1972 Estimate		Increase or Decrease	
	Projects	Amount	Projects	Amount	Projects	Amount
Guinea	---	---	1	$100,000	+1	+$100,000
India	7	$700,000	18	1,800,000	+11	+1,100,000
Israel	9	900,000	4	400,000	-5	-500,000
Morocco	---	---	5	500,000	+5	+500,000
Pakistan	4	400,000	15	1,500,000	+11	+1,100,000
Poland	4	400,000	16	1,618,000	+12	+1,218,000
Tunisia	3	300,000	6	600,000	+3	+300,000
U.A.R.	2	200,000	8	800,000	+6	+600,000
Yugoslavia	8	1,156,000	25	2,500,000	+17	+1,344,000
Total	37	4,056,000	98	9,818,000	+61	+5,762,000

Interchange of Experts

Country	American Consultants			Overseas Researchers		
	1971 Estimate	1972 Estimate	Increase or Decrease	1971 Estimate	1972 Estimate	Increase or Decrease
Ceylon	3	2	-1	2	2	-
Guinea	2	2		2	2	-
India	10	10	-	12	12	-
Morocco	3	4	+1	2	3	+1
Israel	8	5	-3	7	5	-2
Pakistan	6	10	+4	10	10	-
Poland	6	9	+3	7	8	+1
Tunisia	3	4	+1	4	4	-
U.A.R.	4	4	-	5	5	-
Yugoslavia	10	14	+4	15	15	-
Total	55	64	+9	66	66	-

TUESDAY, MAY 18, 1971.

SALARIES AND EXPENSES

WITNESSES

JOHN D. TWINAME, ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE
JOHN L. COSTA, COMMISSIONER, ASSISTANCE PAYMENTS ADMINISTRATION, SOCIAL AND REHABILITATION SERVICE
HOWARD N. NEWMAN, COMMISSIONER, MEDICAL SERVICES ADMINISTRATION, SOCIAL AND REHABILITATION SERVICE
RANDOLPH W. LEE, DIRECTOR, BUDGET DIVISION, SOCIAL AND REHABILITATION SERVICE
MISS ANNA L. PERKINS, SUPERVISORY BUDGET ANALYST, BUDGET DIVISION, SOCIAL AND REHABILITATION SERVICE
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

SALARIES AND EXPENSES—OBJECT CLASSIFICATION

[In thousands of dollars]

	1970 actual	1971 estimate	1972 estimate
Personnel compensation:			
Permanent positions	23,920	23,900	25,514
Positions other than permanent	492	650	650
Other personnel compensation	128	130	130
Total personnel compensation	24,540	24,680	26,294
Personnel benefits: Civilian employees	1,869	1,975	2,138
Travel and transportation of persons	1,417	1,495	1,651
Transportation of things	32	40	50
Rent, communications, and utilities	725	845	885
Printing and reproduction	692	600	621
Other services	4,127	5,933	5,155
Supplies and materials	164	150	166
Equipment	289	275	321
Total obligations	33,855	35,993	37,281

PERSONNEL SUMMARY

Total number of permanent positions	1,893	1,713	1,813
Full-time equivalent of other positions	37	45	45
Average number of all employees	1,738	1,694	1,784
Average GS grade	9.4	9.4	9.4
Average GS salary	$13,746	$13,784	$13,881

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
1. Central operations	20,649	26,243	26,197
2. Regional operations	8,487	9,750	11,084
3. Maternal and child health and development	4,719	----------	----------
Total obligations	33,855	35,993	37,281
Financing:			
Receipts and reimbursements from: Trust fund	−360	−390	−400
Budget authority	33,495	35,603	36,881
Budget authority:			
Appropriation	30,227	34,067	36,881
Pay increase (Public Law 91-305)	780	----------	----------
Transferred to other accounts	−8	----------	----------
Transferred from other accounts	2,496	----------	----------
Appropriation (adjusted)	33,495	34,067	36,881
Proposed transfer for civilian pay act increases	----------	1,536	----------
Relation of obligations to outlays:			
Obligations incurred, net	33,495	35,603	36,881
Obligated balance, start of year	2,592	6,645	7,208
Obligated balance, end of year	−6,645	−7,208	−7,689
Adjustments in expired accounts	162	----------	----------
Outlays, excluding pay increase supplemental	29,064	33,504	36,400
Outlays from civilian pay act supplemental	----------	1,536	----------

NOTES

Includes $217 thousand in 1971 and 1972 for activities previously financed from the Office of Community and Field Services, 1970, $181 thousand.

Excludes $4,719 thousand in 1971 and 1972 for activities transferred to the Health Services and Mental Health Administration and the Office of Child Development, 1970, $4,719 thousand.

Excludes $525 thousand in 1972 for activities transferred to Research and training, Social and Rehabilitation Service; 1970, $0; 1971, $825.

Mr. FLOOD. Now we have "Social and Rehabilitation Service, salaries and expenses" The presentation will be made by John Twiname.

Mr. Twiname, how do you wish to proceed?

Mr. TWINAME. I would like to read my statement if you please.
Mr. FLOOD. You may proceed.

GENERAL STATEMENT

Mr. TWINAME. Mr. Chairman and members of the committee, the last account for which we are requesting funds in 1972 is for salaries and expenses which provides the Federal administrative support for the social and rehabilitation programs. We are requesting $40,481,000 in general funds and $400,000 in trust funds to finance 1,868 positions and other administrative costs in 1972. The request represents a net increase of $4,609,000 over the 1971 comparable level.

REVAMPING OF PROGRAM ADMINISTRATION

Before I discuss our request for 1972, I would like to report to you, briefly, on some of our experiences for the past several years in administering the Social and Rehabilitation Service programs. In 1969, our authorized strength was 1,463 positions which was a reduction from the prior year level of employment due to the Revenue and Expenditure Control Act of 1968. In 1970, we were authorized an additional 185 positions. Of those, 142 were for the revamping of the Federal direction of the medicaid program and the remaining new positions were primarily for staffing the new Community Services organization.

Subsequently, in 1971—let me put that in a time frame here. You may recall that the 1970 Appropriation Act was not passed until March. We began staffing up on the control of the medicaid program just a little over a year ago.

Mr. FLOOD. The record should show that was not really your fault.

Mr. TWINAME. For fiscal year 1971 we were allowed 65 additional positions for the medicaid program to follow through in building technical assistance capability and for community services programs to initiate some new direction in services delivery. These were provided in the regular budget for 1971.

In addition, we have a requested supplemental pending in 1971 for 55 positions to help in reducing fraud and incorrect payments in the welfare program. These positions are reflected in the budget request before you.

Starting in 1969, then moving forward, we have tried to build, from a base and staffing level that had been directed toward passing on funds to State and localities, to a staff capability that plans, coordinates, and initiates management controls in the Federal part of the Federal-State-local partnership.

In other words, some people call that a cash register operation when you have just enough money to pay the people but don't have much chance to ask questions about it.

Mr. FLOOD. We call that hanky panky.

Mr. TWINAME. We are trying to correct that type of operation.

This committee has been supportive of these efforts in recognizing the need for revamping the medicaid administration and in providing some base for beginning work on services reform.

We have also been authorized contract funds to provide the support needed for technical assistance and, in the case of the medicaid pro-

gram, demonstration moneys that are providing a start in making improvements in State and local administration and in Federal direction. About $3 million are involved in these contract efforts for 1971.

Although the first of these efforts were authorized in the 1970 budget a little over 1 year ago, I am pleased at the early indications of real and potential improvements.

MEDICAID ACTIVITIES

In medicaid, we are working in conjunction with other agencies in the development and evaluation of health maintenance organizations. The primary features would be prepayments that would be an incentive for preventive care and with the objective of holding down the cost of quality services provided to recipients. The medicaid staff has been heavily involved in developing and designing contract effort that would foster the health maintenance organization structure and would provide measures for cost-effectiveness evaluation.

These efforts are an integral part of the overall Department activities for development of HMO's. Coordination is being carried out through a special coordinating committee, headed by the Health Services and Mental Health Administration, with members representing the Social and Rehabilitation Service, together with the Social Security Administration and the National Institutes of Health. We are working closely with these agencies to assess the impact of providing medical services through this mechanism.

We are planning to conduct a study of the factors which produce prolonged stays in, and repeated admissions to, nursing homes. Even a 1-percent reduction of the cost of providing these services would result in a savings of $18 million of Federal and State medicaid costs.

We are also directing our efforts to developing model management information and payments systems that will provide more effective utilization review and claims processing. Much of our work in 1972 will be in completing the installation of these systems in State medicaid programs.

I might say this is important because, even if we pass a welfare reform bill, there is still going to be a medicaid program in which the States will be paying for these medical services. This is an investment that is going to get dividends in the future, no matter which way we go. One of the interesting paybacks we have experienced in developing these systems was in a utilization review conducted in a series of hospitals within a metropolitan area. An immediate savings of $5.7 million, on an annual basis, was identified as the medicaid savings in New York City, based upon the development of methods to control hospital use and costs.

COMMUNITY SERVICES

In community services where our emphasis is on improved management of service delivery and evaluation of results, we are beginning to develop a cost analysis and cost effectiveness system. Features of this system would include identification of types of services, the service benefits or output measures, a design for cost accounting, and more effective control of expenditures. Even a 5-percent improvement in the services areas could result in a savings of $50 million. Our first con-

centration of effort is identification of services provided and a cost analysis of present expenditures. One of our major problems has been the inadequate State accounting for these services. Much of the work planned in 1972 would be in this area.

MONITORING SYSTEM

Accompanying this work will be a monitoring system that will measure service benefits and would be designed for States to monitor their own local services programs with review and assistance from Federal contract support.

Mr. FLOOD. I have always been concerned about the term "monitor." I remember in Defense after the war people used this term a great deal.

The Air Force was always monitoring things and it cost a lot of money. How do you monitor?

Mr. TWINAME. The idea is, if I am looking over your shoulder when you are making out your invoices to the Government once in a while——

Mr. FLOOD. Are these investigators?

Mr. TWINAME. Auditors.

Mr. FLOOD. They are people?

Mr. TWINAME. Yes, people. We are talking about a Federal presence that would——

Mr. FLOOD. It is a physical presence.

Mr. TWINAME. A physical presence to check on these claims that the States are presenting us with. I can give you an example.

We pay 75 percent matching for social services, but we don't, and this committee doesn't, know what services, or in what proportion. There is almost $1 billion now going for these services.

As a matter of fact we can't be sure that some of the services are not actually efforts that are going into administering the income maintenance program.

Mr. PATTEN. When we run our community chest, we look for a national average cost of administration.

Mr. TWINAME. That is one form of monitoring.

Mr. FLOOD. Does this involve hardware? Is this a computer type of thing?

Mr. TWINAME. Only in part. The machinery can help get you the information on what is happening, but then the question is, What do you do about it?

FLORIDA'S METHOD OF MONITORING PHYSICIAN SERVICES

If I may interrupt here for a minute, I hate the goobledygook we sometimes use when we talk about systems and monitoring and computers.

Here is what Florida uses as a tool for monitoring. This is a printout, a copy of a report that the State of Florida gets from our systems that we have helped develop in the State. This is just one example.

Let us say this report comes to them once a month and the particular one here is titled "Over 25 Individuals Seen Per Day"—at the end of the month all the doctors that provided services to over 25 indi-

viduals per day get printed out. The doctor's number appears in the left-hand column of the report. The report also shows the date of the service.

Here is a doctor that has seen over 28 patients per day. How often does he do that? If it looks suspicious, we monitor his cases.

Mr. FLOOD. You actually talk to people?

Mr. TWINAME. Yes.

Mr. FLOOD. This is not just hardware?

Mr. TWINAME. No. If you don't follow up with people, nothing gets down.

Mr. MICHEL. This narrows it down to the problem cases.

Mr. TWINAME. This way you know what to look for.

Let me use the word again accompanying this work, what we are talking about will be a "monitoring system" to measure service benefits. The system is designed for the States to monitor their own local service programs with review and assistance from the Federal staff, and contract support.

Another area of concentration will be to continue in improving the contracting methods that States use to purchase services to insure value received for the funds expended.

QUALITY CONTROL

I mentioned earlier the proposed supplemental in 1971 for 55 new positions to help in reducing fraud and errors in welfare payments. An amendment to the 1972 President's budget includes $1.8 million for full year costs of these efforts. Involved is a revised system of quality control which requires a larger case sampling, involving field investigations, monthly analysis and evaluations together with built-in corrective action measures. This provides that if a State reaches a certain percentage of ineligibles found on welfare rolls this would automatically trigger actions to bring the State under control.

1972 REQUEST

Our request for 1972 provides for strengthening of regional staff to provide technical assistance necessary to implement the medical assistance management systems and techniques I discussed earlier. This is in accord with the medicaid task force recommendations for phasing the increased capability required for improving the administration of the medicaid program. Our staff needs to be augmented to provide improvements in the management of community service programs similar to that already provided for medicaid where staff strengthening has occurred in planning, management systems, program analysis, and technical assistance to the States and localities. Our primary objectives in 1972, directly related to the 100-position increase requested, is to put in place better financial and program controls in the medicaid and community services programs.

One last point on this, as pointed out on page 124 of our justification material, I believe that the incidence of audit exceptions and compliance hearings can be reduced if Federal staff is available to

provide the technical assistance to the States in implementing Federal regulations and in claiming reimbursement under these regulations. The increased capability requested in our 1972 budget would place us in a better position to report back to the Secretary and to the Congress on the effectiveness of community service programs and to evaluate the need for changes in regulations or law. Similarly, with increased medicaid staff it would be possible to conduct a greater surveillance of nursing home reimbursement practices and of medical review and utilization review as repeatedly recommended by the General Accounting Office.

Thank you for the opportunity of presenting our case. I will be happy to answer any questions you may have regarding our request.

THE CURRENT STATE OF MEDICARE AND MEDICAID

Mr. FLOOD. This may not be the time and you may not be the man and this may not be the committee, but vis-a-vis medicare and medicaid, the atmosphere in this room has been since your section first came in that everybody is happy and the goose hangs high.

I don't want to review the hearings before Ways and Means or anything like that, but we would like, not a treatise but some comment to us—this is a friendly court—on medicare and medicaid as of June 1, 1971.

Mr. TWINAME. Where do we stand do you mean?

Mr. FLOOD. Yes, what about it, medicare, medicaid, costs, fall out, unhappiness, indecision, trouble. Just briefly.

Mr. TWINAME. I would invite Commissioner Newman of medicaid to assist in that. He has talked to Ways and Means.

Mr. FLOOD. I am not talking about him, I am talking to you. This has nothing to do with the Ways and Means Committee. This is a family affair, very informal.

PROPOSED MEDICAID LEGISLATION

Mr. TWINAME. The reason I mentioned the substantive legislative activities is that they reflect in some way my own view. There needs to be changes. We have two sets of changes as a matter of fact.

Mr. FLOOD. We?

Mr. TWINAME. The administration. One is the so-called cost effectiveness amendments that in the last Congress were part of the welfare reform bill.

Mr. FLOOD. What does cost effectiveness mean?

Mr. TWINAME. To try to find some new amendments to the law that would help us to contain or control or manage the cost in both of these programs.

Mr. FLOOD. You mean management of costs?

Mr. TWINAME. Yes.

DIFFERENCE BETWEEN MEDICARE AND MEDICAID

Mr. FLOOD. Tell us about medicare and tell us about medicaid.

Mr. TWINAME. I think we should say medicare is that health program provided for social security beneficiaries as a part of their insurance.

Mr. FLOOD. This is a Federal law?

Mr. TWINAME. Yes.

Medicaid is a State program to provide medical service to the poor which the Federal Government supports with matching money.

Mr. FLOOD. But it is a Federal law?

Mr. TWINAME. It is a Federal law but it really supports State laws.

Mr. FLOOD. How does the State get the money?

Mr. TWINAME. The State provides service to poor people who are for the most part welfare recipients.

Mr. FLOOD. What do you mean by "the most part"?

Mr. TWINAME. I mean there are those who are called medically needy.

Mr. FLOOD. What does that mean?

Mr. TWINAME. That means people who, if they spent money for their medical care, would be poor enough to get welfare payments.

Mr. FLOOD. Go ahead.

Mr. NEWMAN. We live continuously with this problem of defining medicaid.

Mr. FLOOD. What I mean is this: Back home where we come from these are words and it is very hard for people back home to know medicare, medicaid. They just don't know you see. Tell us briefly.

Mr. NEWMAN. The significant difference is that the medicare program is an insurance benefit available to most social security beneficiaries.

Mr. FLOOD. They are both under a Federal law?

Mr. NEWMAN. They both derive from the Social Security Act. Title 18, the medicare law, provides a federally administered uniform benefit available to all who are recipients of old age payments under social security. The benefits received are not related at all to their income. They are merely a function of their being a social security recipient.

Mr. FLOOD. The condition precedent to being eligible is defined by Federal law, the Social Security Act?

Mr. NEWMAN. That is correct.

MEDICARE ADMINISTRATION AND SERVICE PROVISION

Mr. FLOOD. It is administered by Social Security by the national office and regional office and local offices?

Mr. NEWMAN. That is true.

Mr. FLOOD. And inquiries about any problems should first be addressed to the local office and then——

Mr. NEWMAN. Local Federal offices. The distinction is that medicare is a Federal program that uses private carriers as intermediaries.

Mr. FLOOD. What is a private carrier?

Mr. NEWMAN. A commercial insurance company, or an organization such as Blue Cross-Blue Shield. What I mean by private is a non-Federal, nonpublic insurance company such as Blue Cross. These companies function as intermediaries.

Mr. FLOOD. What is an intermediary?

Mr. NEWMAN. An intermediary is an agent of the Federal Government which processes claims in the part A portion of the medicare program.

Mr. FLOOD. Does this intermediary have a contract with the Federal Government?

Mr. NEWMAN. Yes, it does. The providers select their intermediaries and carriers.

Mr. FLOOD. What is a provider?

Mr. NEWMAN. It is any hospital or professional who can render medical service and be entitled to reimbursement. It is a generic term referring to all individuals or institutions who render service to medicaid or medicare patients.

MEDICARE AND MEDICAID ELIGIBILITY REQUIREMENTS

Mr. MICHEL. Isn't it true that one further point we ought to make in distinguishing between medicare and medicaid, which covers a wide range, is that for medicare one has to be at a minimum age of retirement and qualified for social security benefits. Then they are also qualified for medicare as distinguished from medicaid whch can be in a much lower age bracket?

Mr. NEWMAN. That is right.

In developing the distinction, the important thing is that the medicare program provides uniform benefits under Federal administratior. to those people who are receiving social security benefits because they are in some cases 62 but in most cases 65 years of age or older and are entitled to the social security payment.

Mr. FLOOD. What agency does this, Social Security Administration?

Mr. NEWMAN. Yes.

Mr. FLOOD. Not five agencies?

Mr. NEWMAN. No. It is not an income-related program. There is no "means test" involved. If you are receiving a social security pension payment, you are eligible.

Mr. FLOOD. What do you mean by "means test"?

Mr. NEWMAN. The medicaid program is a program for the financing of health services to the poor and therefore the first qualification is that the individual must be poor.

Mr. FLOOD. What do you mean by poor?

Mr. NEWMAN. He must qualify within the State eligibility standards.

Mr. FLOOD. As of today?

Mr. NEWMAN. Yes.

Mr. FLOOD. Do you mean each State has a yardstick as to what is poor?

Mr. NEWMAN. That is the first important distinction. Each State has a different welfare eligibility standard.

Mr. FLOOD. And that is established by a State law, not by a Federal law?

Mr. NEWMAN. That is right.

Mr. FLOOD. This causes terrible confusion.

Mr. TWINAME. We get a lot of letters and I assume you get some.

Mr. FLOOD. Some!

Mr. TWINAME. We are looking at these letters as you know, saying why can't we get our benefits.

Mr. NEWMAN. The "means test," then, is the barrier in the medicaid program. The barrier in the cash welfare program is that a person

must prove through investigation that he does not have the means which would otherwise disqualify him for eligibility. It is put in the negative way. What I mean is that a person must prove he is poor.

MEDICARE BENEFIT ENTITLEMENT

Mr. FLOOD. Let's go back to medicare and finish that.

Mr. NEWMAN. The medicare system is administered federally and offers uniform benefits. In other words, no matter where in the country the recipient or the beneficiary lives, he is entitled to the same benefits.

Mr. FLOOD. This has nothing to do with a State law?

Mr. NEWMAN. That is correct. For example, he is entitled to an extended care facility benefit and it is prescribed by Federal law.

Mr. FLOOD. What is an "extended care benefit"?

Mr. NEWMAN. An "extended care benefit" is his right to treatment in a nursing home facility which meets the standards for participation after the individual has spent at least 3 days in a hospital. This is the posthospital extended care benefit of medicare.

The point I am making is it is a uniform benefit. He has the same entitlement to extended care or hospital or physician services wherever in the country he happens to reside.

Mr. FLOOD. Can he move around from State A to State B?

Mr. NEWMAN. He can. We don't administer the medicare program so of course I can't speak to that beyond a general knowledge. My impression is that he can move around.

Mr. FLOOD. We will find out.

VARIABLE STATE MEDICAID ASSISTANCE FOR THE POOR

Mr. NEWMAN. If I may, I would like to move on to medicaid to clarify some of the distinctions, unless there are questions.

The medicaid program comes under title 19 of the Social Security Act so its basis is in Federal law. The Federal law authorizes the payment of Federal matching funds to the States.

Mr. FLOOD. Why must we have both medicaid and medicare?

Mr. NEWMAN. They are directed at different population groups. Theoretically, however, you wouldn't have to have both programs if you had way of financing services to what are considered two primary target groups.

Mr. FLOOD. Now you are on medicaid?

Mr. NEWMAN. Medicaid is directed to the poor.

Mr. FLOOD. The Federal Government matches State funds?

Mr. NEWMAN. The Federal Government is authorized to match State expenditures which have been made according to a plan submitted by the State and approved by the Federal Government.

Mr. FLOOD. Approved by the Federal Government?

Mr. NEWMAN. Approved by the Federal Government.

Mr. FLOOD. What department?

Mr. NEWMAN. The Department of Health, Education, and Welfare, and the Social and Rehabilitation Service.

Mr. FLOOD. Do they do this annually?

62-917 O - 71 - pt. 4 ---33

Mr. NEWMAN. They submit a plan initially to enter the program and make changes to the plan as the Federal requirements change.

Mr. FLOOD. But the Federal imprimatur has to be placed on any State plan at inception?

Mr. NEWMAN. Yes; Federal approval is given so long as the State plan meets the requirements. The Federal requirements are that coverage must be made available uniformly to all cash welfare recipients. Then the State has the option of providing medicaid service, to those individuals which Mr. Twiname referred to, as the medically needy, those people who are deemed to have sufficient——

Mr. FLOOD. Who are not poor?

Mr. NEWMAN. They are poor but not poor enough to get cash welfare payments. They are still medically needy. They are too poor to meet the cost of their medical expenditure, but they have sufficient funds for the basic needs, therefore they are not eligible for cash assistance.

Mr. FLOOD. We have a lot of trouble with this gray area.

Mr. NEWMAN. It is very complicated because the State has the option of participating in that part of the program.

MONITORING STATE MEDICAID PROGRAM

Mr. FLOOD. You heard me talk about monitoring. Does the Federal Government monitor the State medicaid?

Mr. NEWMAN. Mr. Twiname, in his statement a few moments ago, did indicate that we have attempted to increase substantially the level of our monitoring activity.

Mr. FLOOD. Attempted?

Mr. NEWMAN. Yes; in the last year.

Mr. FLOOD. Just attempted?

Mr. NEWMAN. I think we have succeeded to some extent, but we haven't advanced as far as we want to. The additional contract moneys authorized in fiscal year 1971 will let us improve it.

The eligibility in medicaid varies from State to State based on the State's determination of what its level of entry is for cash payments.

THE SCOPE OF MEDICAID SERVICES

Mr. FLOOD. What services are provided to a recipient for medicaid by a State?

Mr. NEWMAN. The State plan which I referred to——

Mr. FLOOD. Pick one plan.

Mr. NEWMAN. The plan must include certain basic services. These include in-patient and out-patient hospital care, physician service, lab and X-ray service, skilled nursing home, home health services, and transportation.

Mr. FLOOD. What are home health services?

Mr. NEWMAN. They are medicaid services provided in the home, for example, by the visiting nurses.

Mr. FLOOD. Is there a dollar ceiling on a person, on an applicant?

Mr. NEWMAN. No, there is not. The State plan defines the amount, duration and scope of each of the services provided, and that is subject to review by the Federal Government.

In addition to basic services the State has the option to provide other services which must come within the legal framework operative in the State, that is, they must be recognized services provided by legally licensed provider.

PROBLEMS ASSOCIATED WITH MEDICAID

Mr. FLOOD. Let me ask you this: If all of these things you say are so, why are so many people unhappy with medicaid?

Mr. NEWMAN. That is a very difficult question.

Mr. FLOOD. Yes, it is.

Mr. NEWMAN. I think the basic and most fundamental concern has been that the costs of the program have far outstripped original expectations. This has resulted from the fact that substantially more people have become eligible for the services than were originally anticipated.

Mr. FLOOD. You are speaking of the taxpayer. I mean the recipients. Why would a recipient be unhappy if all of the things you say are true?

Mr. NEWMAN. I think he would be unhappy because when the program was initiated in 1966, its purpose, as the legislative history suggests, was to bring the poor into the mainstream of medical care by providing them with financial access to the system. I think what has happened is that the result hasn't sufficiently transpired.

Mr. FLOOD. Why?

Mr. NEWMAN. I think the fundamental reason is that there is need to direct attention directed toward the development of health resources. Merely creating purchasing power, or putting financial capability in the hands of people without increasing the supply of service merely drives the price of the service up.

Mr. FLOOD. If you get a poor family eligible for medicaid, does that include the head of the family and dependents in the family, father, wife, and x children, not four children but nine?

Mr. NEWMAN. Yes. It mirrors exactly the cash welfare system with regard to eligibility.

Mr. MICHEL. One facet you haven't covered is the distinction in the intermediate insurance carrier position.

Mr. FLOOD. We will take a short recess for a rollcall in the House Chamber.

FINANCING MEDICARE AND MEDICAID SERVICES

Mr. FLOOD. You have finished medicare for me at least for this session. Have you finished with my question on medicaid before Mr. Michel asks you questions?

Mr. NEWMAN. I would say we presented the basic structural differences and I think we were moving to the differences in the administration of the two programs and I think the question concerned the role of the intermediary in the two programs.

Mr. MICHEL. Now we are in social security. The individuals are covered for their medical care and extended benefits by an insurance policy in effect with a carrier within that State. But premiums are paid by deductions from the social security recipient's check matched by the Federal Government.

Mr. NEWMAN. The benefit has two parts to it. The basic hospital part which comes out of the trust funds, and the supplemental medical insurance.

An important distinction is that the medicaid program is financed out of general revenues from the State and Federal Government.

Mr. FLOOD. The trust fund of medicare is by Federal law, the contributions are made by employers and employees according to Federal law.

Mr. NEWMAN. That is correct.

Mr. MICHEL. In that distinction between medicare and medicaid the trust fund does come into play for the medicare recipients because their basic policy, the premiums, come out of the trust fund, and the supplemental policy is paid for in premiums jointly by the deduction from the employer and the employee.

Mr. NEWMAN. It is paid by the individuals and out of the general revenues. I think the issue is relevant to the question you asked earlier concerning the program in that the financial costs of the medicaid program has caused great concern in part because the cost is more visible. The expenditures are appropriated. The State legislatures have to appropriate the funds spent on medicaid; you do not have this same kind of visible cost in the medicare program. I think that is a distinction worth making.

Mr. MICHEL. Is there an insurance policy for the medicaid patients?

Mr. NEWMAN. We mentioned that medicare is federally administered, medicaid is State-administered. So each State is responsible for managing its program in a manner which it sees fit within broad Federal regulations relating to the general efficiency of administration.

MEDICAID ELIGIBILITY REQUIREMENTS AND PROCEDURES

Mr. FLOOD. Very well, I am Joe Zilch in town A in State Z. What do I have to do to be covered by medicaid? Must I do something?

Mr. NEWMAN. Yes. You must be determined to be eligible.

Mr. FLOOD. I know that, but after that. Must I perform an affirmative act?

Mr. NEWMAN. Yes.

Mr. FLOOD. What do I do?

Mr. NEWMAN. You must apply at the welfare office, and you will have to be declared eligible.

Mr. FLOOD. In Pennsylvania that will be the Department of Public Assistance. We call it DPA.

Mr. NEWMAN. Yes.

In most States you will receive a card which identifies you as an eligible recipient for medicaid services. You then present that card at the time you receive the services.

Mr. FLOOD. Present it to whom?

Mr. NEWMAN. To the individual or the institution providing the service.

Mr. FLOOD. Suppose I am bedridden.

Mr. NEWMAN. If you are in an institution, bedridden——

Mr. FLOOD. Suppose I am home bedridden, or both.

Mr. NEWMAN. This program is one in which another work of art comes in. It is a vendor payment program. The State pays the vendor of the service.

Mr. FLOOD. Suppose I am home bedridden under the care of my family and I am eligible, who has to do what for me to get under this?

Mr. NEWMAN. You have to receive a medicaid service covered under the same plan. Being at home sick does not produce a payment. You have to have a service rendered.

Mr. FLOOD. No; but I am eligible and I am bed-ridden at home.

Mr. NEWMAN. In order for there to be a medicaid transaction or payment, you must have an eligible recipient receiving a covered medicaid service provided by an eligible provider. In the example you gave, being home and sick, unless you receive a service from a provider, there is no payment. Your family cannot collect something because you are sick at home.

Mr. FLOOD. Undoubtedly someone would be advised that I am eligible. Somebody sooner or later would advise me.

Mr. NEWMAN. In the State of Pennsylvania you have coverage for the medically needy as well as the cash recipient. You would not necessarily have to be receiving a cash welfare payment to be eligible.

Mr. FLOOD. I understand that.

Mr. NEWMAN. It is conceivable, and there is a good deal of documentation supporting the fact that a number of people who are eligible never get into the system.

Mr. FLOOD. So many people stop you on the street and they are left out and we must know this.

STATE MEDICAID PAYMENT ADMINISTRATION

Mr. MICHEL. The bill for Mr. Flood's care from the doctor, or hospital, or whatever service it might be, goes to whom for a medicaid patient?

Mr. NEWMAN. It goes to the State for payment. Getting back to the earlier question, the State can administer the program itself. In the State of Pennsylvania, the department of public assistance administers the program. They themselves have an administrative agency, a part of the State government, which processes the claims and does the work. The State medicaid agency could, at its option, have this work performed by an intermediary, and it would contract with the intermediary for the services.

Mr. FLOOD. You are still talking about medicaid.

Mr. NEWMAN. Yes, medicaid. That medicaid patient's bill would either be presented to the State's administrative unit which processes claims, or it would be submitted to the intermediary for processing.

Tying it in with the comment we made earlier—when you indicated your concern about the use of the term monitoring, but also elaborating on what Mr. Twiname said earlier—we have viewed the Federal role in the payment process as one that provides the State with assistance, and support so that it can develop its own system for reviewing claims.

FEDERAL MEDICAID MATCHING FORMULAS

Mr. MICHEL. As a little further refinement, in those States where there is no intermediary and the State itself is taking care of the transaction, and let us for simple purposes say it is a doctor's bill for $10, the State's portion of that $10 is how much?

Mr. NEWMAN. That would vary.

Mr. MICHEL. Between States?

Mr. NEWMAN. Yes, based on the matching formula. What I failed to mention earlier was when the Federal Government makes its matching payment to the State, it makes it on a formula basis which relates to per capita income with a variation from 50 percent Federal contribution up to 83 percent inversely related to the States' per capita income. In a given State, Federal payments are made on a uniform basis for all services provided by the medicaid program using the State matching percentage.

Mr. MICHEL. Chances are, coming from the States that the chairman and I do, Pennsylvania and Illinois, the $10 bill in each case would be just about 50 percent picked up by the Federal Government and 50 percent by the State.

Mr. NEWMAN. That is right.

MEDICAID INTERMEDIARIES

Mr. MICHEL. In the social security system there are about 150 intermediates operating. How many do you have in the medicaid program?

Mr. NEWMAN. About 32 of the States do. We are having some material on this subject brought up here this afternoon, but my recollection is that something on the order of 32 out of the 52 programs have intermediaries. Forty-eight States and 4 territories have medicaid programs.

Mr. FLOOD. Is that a lot?

Mr. NEWMAN. Thirty-two with intermediaries.

Mr. FLOOD. Yes.

Mr. NEWMAN. My impression is that more and more States are using intermediaries. They are doing this by contract.

Mr. MICHEL. I think the other day I asked you a question if it was possible to have the same intermediary for both medicaid and medicare.

Mr. NEWMAN. Yes, it is possible.

Mr. TWINAME. That makes sense for aged people because most of the aged on medicaid are medicare patients whose benefits have run out.

MEDICARE FRAUD

Mr. MICHEL. In the social security program—the program integrity staff I think it is called—I can foresee where we ought to be able to partially fuse together this system of monitoring or cross-checking social security, medicare and medicaid, particularly for use in the same intermediary.

Our preliminary findings show nearly 10,000 cases of alleged or suspected fraud or program abuse since the inception of the medicare program, most of them reported since July of 1969. You put your finger on part of it here in the medicaid program.

MEDICAID PROGRAM FLAWS

Mr. TWINAME. You put your finger on one of the defects on the program, and maybe three of them, in the case of the person sick at

home, and I think it ought to be stated, that though the program overall has helped a lot of poor people get good health care and in this sense it has been a good investment, but the person sick at home, you do not get any benefit. So the first thing you have to do is to go to an expensive place to get the care. That has been a defect of the past. So the person shows up at the expensive place, the hospital, when they could have been cared for at home and the first thing they ask, Are you eligible?" What does that mean?

They tell them you have to be on welfare. So you see how the person gets on welfare. They came to the hospital where they did not need to be in the first place because they could not have gotten the care at home. So now they get on welfare and in time they find they can get off welfare, but then they will lose a substantial medical benefit. So we build ourselves at that end of the system something that has to be changed.

Mr. FLOOD. The committee will recess for the vote on the House floor.

(Recess.)

Mr. TWINAME. Mr. Chairman, while you were away we sent down for this booklet. I thought it would be good for you to have this, and Commissioner Newman brought these up, talking about salaries and expenses. This is a good investment. It is thought to be one of the best booklets produced on the subject of medicare and medicaid. It is a very simply put way of describing the difference.

Mr. FLOOD. This is the sort of thing we need to deal with the many, many inquiries we receive on this subject from our constituents.

FISCAL YEAR 1971 AND 1972 POSITION INCREASES

For fiscal year 1971 Congress approved 1,713 positions to be funded from the regular 1971 Appropriation Act. This was an increase of 65 positions over 1970. In the supplemental bill, which just passed the House, we approved an additional 55 positions for 1971. That is a total increase of 120 jobs. Now you come in here unblushingly and you ask for 100 more positions for fiscal 1972.

Mr. TWINAME. Yes, sir.

INCREASING PERSONNEL MANAGEMENT EFFICIENCY

Mr. FLOOD. Let me go on, then. Have you reviewed your present staff to make sure they are being well utilized? Why couldn't you do what everybody else does—why couldn't you shift some of your present staff positions rather than asking for new ones? For example, take a look at page 121. This is what we mean by hanky-panky. There you show no reduction in your research and training staff, even though you make quite a point out of it—even though you are proposing to cut back research and training grants by about 50 percent. Now put that one together.

Mr. TWINAME. I am glad you brought up this question.

Mr. FLOOD. I doubt that.

Mr. TWINAME. Yes, sir, because otherwise you might just have thought these thoughts and not had an opportunity for us to discuss them.

Mr. FLOOD. You know better than that.

Mr. TWINAME. The fact of the matter is that we do, and we have made internal shifts of personnel, and I am happy to say that our reputation in the department is very good with respect to this matter. I believe that is one of the reasons the department itself, and OMB, has made an exception in the case of our agency. We have, for example, taken the following kinds of action.

We centralized in a new division of Project Grants Administration, all the people who formerly were in a number of different offices, calculating and keeping track of the various project grants that give out. In this one office, we can now service the various programs with fewer people. First the objective will be to simplify grant procedures for all grantees. We have universities that come to us for grants for more than one of these programs and they have different rules in each program. We are going to clean this up and make it more simple and consistent for the grantees to do business with us. Second, we will be able to get more people out to the regions to deal with these grantees on a more direct basis.

This is one of the examples that I can cite where we are trying to do internal things that are smart and not just come to you for positions to do them.

THREE AREAS OF MAJOR REFORM

At the same time the new positions are for a new breed of cat, a new kind of function, and they relate really to something we have been working with the committee on for over the past two budgets, and that has to do with management controls and cost controls in public assistance—excuse me, in assistance payments—in medicaid and now in the social services. These are the things that have never been done before, and we can shift and make ourselves more efficient because we do have an increasing number of bills to pay, which we are really not asking people for. We have an increasing business, and this Agency is unique almost in that we are talking about three major reforms taking place at the same time while we are trying to keep up with the current program. Welfare reform, health maintenance reform, that we just talked about, and the whole business of social service reform. So we are trying to do two jobs at once—work with Congress on these new reform measures and try to keep up with the existing load.

You know those letters you cite, we get those letters and thousands of them. We are not asking for positions to answer letters. The thing that we are after is to get a handle on the accountability of the States in these three areas. I might say it is a little embarrassing to have the GAO spending more time in the nursing homes and programs trying to get a handle on them than we have people to do the monitoring we talk about.

DISPOSITION OF FISCAL YEAR 1972 POSITION INCREASE

The only increases we seek are in the two areas. One is to complete phase III in the medicaid program.

Mr. FLOOD. Is this 100 jobs?

Mr. TWINAME. That is right, that is 45 of these positions.

Mr. FLOOD. You only had 120.

Mr. TWINAME. Yes, sir. The 55 you added in the supplemental were for a unique cadre of quality control people to go out into the regions to work on a quality control system in the States and monitor the State systems. Last year, other positions were essentially for the phase II of the medicaid program. This year the 45 are for phase III, in effect to implement these basic payments systems, the utilization review and surveillance systems in other States. Now that we have a program and system we need to implement them. We need to sell the States. I am getting them into place. That is what 45 of those positions will be for, as well as to do more of the monitoring on the nursing home business, to see that the payments are being made to certified nursing homes—the whole long-term care business which the program has been criticized for. The 55 of the 100 is really to begin to do the job in social services that we have been doing over the past couple of years in medicaid. We started with medicaid because your attention was focused on it. This committee said you have to do something about bringing the costs under control.

Mr. FLOOD. Yes. We are concerned about that.

MONITORING STATE SOCIAL SERVICE SPENDING

Mr. TWINAME. Mr. Chairman, I was just mentioning the fact that we started the cost control program in medicaid because we are talking about a $6 billion program with very little control in the States at the time we got into this effort. We have the same kind of a situation with social services, only in this case it is a billion dollars, which is 75 percent matching to the States. This committee does not know, and we do not know, what the 75 percent matching is buying. The States are expanding these services, they are purchasing them just like they purchase medical services, and they do not really have the kinds of surveillance and payment systems to be able to account for those dollars. We could sit back, as we have.

As you said in the past, the piper pays when they come in with their bills. Every quarter the States say they spent so much for the services. We have just enough people to check the arithmetic and make sure they did not make an error in addition, and we send them a check, and we do not know what it is going for. We put out a policy this year—we have not been asleep on this, we are beginning to get some controls—which said we will no longer pay 75 percent matching for joint workers. They say they have a case worker out in the field who determines if a person is eligible for welfare, and they also provide some services. Maybe 50 percent of their time is spent on services so we get 75 percent matching for that half of the salary and 50 percent matching for the other half of the salary. We say let us cut that out. If they spend full time on service work, we can audit that better and we give 75 or 50 percent or whatever the income maintenance matching agreement is. We have a beginning. Now we need to do some of the same things in social services that we have done in medicaid in order to get a handle on service costs.

SRS PERSONNEL INVOLVED WITH WELFARE REFORM

Mr. FLOOD. Everybody is talking about the President's proposals for welfare reform, or somebody else's proposals for welfare reform. How

many of your staff—no speech now—are working full time on the President's welfare reform proposals?

Mr. TWINAME. In terms of planning and making preparations for this——

Mr. FLOOD. How many are working full time from your staff on the President's proposed welfare program?

Mr. TWINAME. If you mean just getting ready for it——

Mr. FLOOD. I don't care if they are shoveling coal.

Mr. TWINAME. It is a lot of people. I spend some of my time on it. Full time we have 57 people.

REGIONALIZATION OF SOME SRS FUNCTIONS

Mr. FLOOD. I note in fiscal year 1971 you have 1,175 jobs at headquarters, 593 in the regions. For 1972, you are proposing to increase the regions by 70 and the headquarters' staff by 30.

Mr. TWINAME. Yes, sir. This is part of our program to decentralize as much of our operations as we can, and as much of our business with the grantees and the States. These people who do business with the Federal Government I think are coming to appreciate the fact that they can get some decisions, they can get some explanations and information from the regional offices and they do not have to come to Washington. We can service the State of Pennsylvania better out of Philadelphia for their day-to-day problems and the monitoring.

Mr. FLOOD. How many regional offices do you have nationwide?

Mr. TWINAME. Ten offices.

Mr. FLOOD. What is the division of responsibility between the headquarters staff and the regional office?

Mr. TWINAME. What we are trying to do is to get the central office to set the policies, the guidelines, to provide direction and management and in the regions to have the people making the transactions and doing the day-to-day business handling grant reviews, monitoring, this kind of activity. We are getting the people in the central office out of the business of reviewing the State plans and the grants. What we are hopeful of doing is changing the ratio so we have more strength in the regional offices vis-a-vis the central office. I think that is the key to making this Government more effective and that is what we are trying to do.

TYPICAL SRS REGIONAL OFFICE ORGANIZATION

Mr. PATTEN. Can you give us an example for the record of how your staff is organized in typical regional offices. In other words, just pick out one regional office and tell us how many people work on each program and what they are doing. Also tell us how many regional commissioners, associate commissioners, assistant commissioners, there are in that region.

(The information follows:)

SRS REGIONAL OFFICES
TYPICAL ORGANIZATION, STAFF, AND FUNCTIONS

1. The Regional Offices provide for the Administrator a focal point for identifying and responding to the needs of State and local governmental agencies, community agencies, and other public and private organizations involved in or concerned with the planning and provision of social and rehabilitation services. They are agents or intermediaries serving the Administrator and, by extension, the Offices and Administrations of Central Office. They provide technical assistance, leadership, and monitoring of State and local programs rather than providing services to beneficiaries of SRS programs.

2. The functions and activities of all Regional Offices are basically the same. Basically, there are only two variations among Regional Offices. They are:

a. Size: Each office is staffed to the extent determinable and possible in accordance with common needs, proportions of population and public served, project or program emphasis, other specific needs, numbers of States serviced, and number of State agencies with which working relationships are maintained.

b. Organizational Structure: Eight of the Regional Offices have essentially identical structure. Two (Seattle and Philadelphia) are operating under experimental structures. Seattle is organized into State teams. A functional concept is used in the Philadelphia Office. That is, they are organized according to types of services rather than on major program lines. Divisions are Rehabilitation and Self Support Services, Social and Financial Assistance Services, and Medical Services, incorporating appropriate functions from all major programs. Both are derived from the basic structure of the remaining eight Regions which have combination functional-geographic oriented organizations.

3. The major external functions of the Regional Offices are:

a. Establishing Terms of Federal Financial Participation

(1) Assisting in Developing State Plans.
(2) Review and approval of State Plans.
(3) Action on Continuation Grant Applications.
(4) Action on New and Renewal Grant Applications.

b. Monitoring and Evaluating Agency Performance

(1) Compliance review and reporting.
(2) Program review.

c. Promoting Program Extension and Improvement

(1) Assistance in developing State Agency capability.
(2) Assistance in developing State Agency services.

d. Provision of Information and Advice to the Administrator

(1) Reporting on needs, objectives, and achievements.
(2) Advising on plans and policies.

4. In a typical Regional Office, the following staff are assigned:

Regional Commissioner
Deputy Regional Commissioner
Deputy Regional Commissioners for State Programs - Usually one for each two States in the Regional Area.

Associate Regional Commissioners - Six. One for each major program administered (Aging, Assistance Payments, Community Services, Medical Services, Rehabilitation Services, and Youth Development and Delinquency Prevention). Each Associate Regional Commissioner has an assigned staff in proportion to the workload of the Region and the program.

Specialists and Technical Staff. Differs slightly in accordance with unique requirements of specific regions.

All perform functions which support all major programs and executive staff. Organizational titles are:

Training and Manpower Development Specialist
Planning and Evaluation Specialist
Research Analyst
Research and Demonstration Specialist
Administrative and Fiscal Standards Specialist
Grants Management Officer
Administrative Officer or Assistant

5. The Boston Regional Office is typical in terms of organization and staffing. Six States constitute the Regional area (Maine, New Hampshire, Vermont, Rhode Island, Connecticut, and Massachusetts). Permanent full-time personnel authorization follows. (Note: The following represents presently authorized staff which excludes the 1971 Pending Supplement and the additional positions requested in 1972.)

Regional Commissioner	1
Deputy Regional Commissioner	1
Deputy Regional Commissioner for State Programs (One for each two States)	3
Associate Regional Commissioner (One for each major program)	6
Administrative Officer	1
Research and Demonstration Specialist	1
Administrative and Fiscal Standards Specialist	1
Training and Manpower Development Specialist	1
Research Analysts	2
Grants Management Specialist	1
Aging Specialists	3
Assistance Payments Specialists	4
Community Services Specialists	5
Medical Services Specialists	5
Rehabilitation Services Specialists	6
Total Professional Staff	41
Clerical Support Staff	17
Total	58

6. The major duties and functions of assigned staff are:

Regional Commissioner

The Regional Commissioner is the direct representative of the Administrator. Works under the general administrative direction of the Regional Director, DHEW. Coordinates and integrates the programs and operations of the Social and Rehabilitation Service and assures timely and coordinated responses to requests for Federal, technical, and financial assistance from State and local governments and private agencies. Assures a timely response to new policies or program developments. Provides direction and control to achieve effective operations for all SRS programs within the Region.

Deputy Regional Commissioner

Alter ego to the Regional Commissioner. Shares responsibility for the overall direction of the SRS Regional operations. Has responsibility for overall program planning and evaluation and for direction of the specialized staff which supports Regional program activities.

Deputy Regional Commissioner for State Programs

Has responsibility for developing a total unified SRS program in his assigned states. Negotiates with state and local officials and representatives, private and voluntary agencies, in the development within the state of programs and projects. Works closely with and relies upon the program knowledge and skills of the Associate Regional Commissioners. Is the official representative of the Regional Commissioner in his assigned states.

Associate Regional Commissioners

The principal advisor and assistant to the Regional Commissioner on all region-wide matters pertaining to his specialized program. Exercises regional leadership in the planning, promotion, development, and execution of his program in the region. At the regional level, is the representative of the Administrator having jurisdiction of his specific program.

Administrative Officer

Has responsibility for business and administrative management aspects of the Regional Office. Works with the Regional Commissioner to develop program objectives and implements budget and accounting systems. Administers the regional program and financial operating plan including necessary records and funds control documents. Provides advice and guidance in personnel management matters. Is general office manager.

Research and Demonstrations Specialist

Serves as program specialist with responsibilities for all research activities of SRS in Regional Office. Principal technical advisor to the Regional Commissioner. Interprets and applies research and demonstration goals and policies for the region. Promotes the development of activities in universities, colleges, state agencies, hospitals, state institutions, and non-profit private agencies, in keeping with SRS objectives. Analyzes projects and state plan material. Negotiates with state officials and other agency heads. Monitors, evaluates, and reports on the effectiveness of R & D activities.

Administrative and Fiscal Standards Specialist

Assists the Regional Commissioner in determining if federal funds under SRS jurisdiction are used in the most proficient manner and for the purposes granted. Assists the States and project directors in administering Federal programs. Provides technical advice and consultation to key officials of the regional staff. Provides assistance to States on all matters relating to the development and operation of administrative and fiscal procedures.

Training and Manpower Development Specialist

Principal advisor and assistant to the Regional Commissioner on all regional training and manpower development. Works with state and local counterpart agencies of SRS and educational institutions in the development of programs for training and development of professional and technical personnel in SRS-related fields. Develops plans to help all State and local agencies to implement and develop in-service training and educational leave programs. Interprets SRS manpower development and training policies to state and local staff. Assists in the implementation of SRS related federal agency manpower and training goals.

Research Analyst

Provides the technical skills for evaluating program effectiveness in relation to SRS goals. Promotes timely and accurate reports required by various constituent parts of SRS. Analyzes statistical reports, research memoranda, and charts to identify program trends and areas in state program operations which need improvement. Provides technical consultation on the design and methodology for administration and program review. Provides interpretative information on program operations to public and private agencies. Analyzes state plan and budget material in his area of specialization.

Grants Management Officer

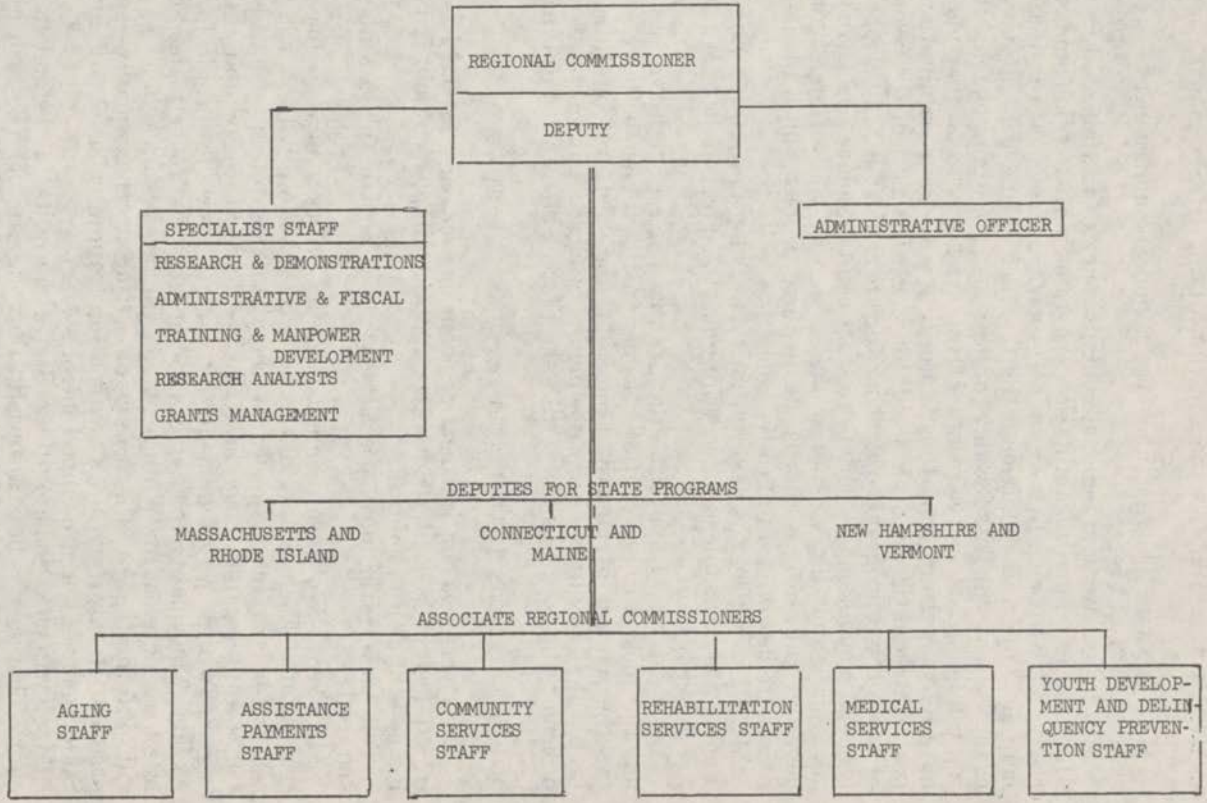
Principal advisor to the regional staff on grants management matters. Administers management operations for all training project grants which are within the purview of the Regional Office and other project grants as designated. Focal point for receipt, recording, and administrative review of grants applications. Directs grants financing activities and reviews expenditure reports. Assists in the development of budget projections for regional grants.

Program Specialists

Each Associate Regional Commissioner is assigned specialist staff to assist in administering his program. All program specialists perform essentially the same functions in relation to their Associate Regional Commissioners. Specialists in specific programs and generalists in overall program matters are assigned. These specialists keep abreast of trends and developments in their programs. They stimulate the introduction and use of innovative approaches and constructive modifications to their programs. Provide leadership to state and local, public and private agencies. Provide assistance and expert knowledge in their assigned areas. Analyzes state plan material and makes appropriate recommendations. Assists in monitoring and review of state programs. Represents the Associate Regional Commissioner in official relations with SRS related agencies and other clientele.

"A TYPICAL SRS REGIONAL OFFICE"

EXAMPLE - BOSTON



SRS REGIONAL COMMISSIONER FUNCTIONS

Mr. PATTEN. What is the function of the SRS regional commissioner?

Mr. TWINAME. The function of the regional commissioner?

Mr. PATTEN. Yes.

Mr. TWINAME. The regional commissioner's function is to manage all of the social and rehabilitation programs in that region, and essentially to try to bring to bear an integrative management role that will help these programs function better together. We have discussed many examples over our past few days of hearings. For example, rehabilitating public assistance recipients. If you are going to do that job, you have to get welfare departments working with the rehabilitation departments and the medicaid program, to get the most of the resources of those three programs operating together. That is why we have a regional commissioner there to see that can take place. We have some good ones, and they promote some very excellent working arrangements in multiservice approaches to these problems in a number of States. It has been an effective role.

Mr. PATTEN. Does he have authority, or is he simply presiding over a collection of people and everything has to be passed on to Washington for their OK?

Mr. TWINAME. I am pleased to say that our regional commissioner has the most authority of any leader in the region or field within the Department of Health, Education, and Welfare. We intend to keep it that way by properly placing in his office the authority to make decisions and to do business with the States and various grantees.

CONTRACT SUPPORT FOR QUALITY CONTROL

Mr. PATTEN. Your justification mentions on page 125 an increase of $375,000 in 1972 for "Contract support to implement and improve methods of quality control."

Tell us a little more precisely what you plan to do with this $600,000?

Mr. COSTA. We have mandated on the States a new quality-control system. Each State must have this. What we will do with the contractor is evaluate the effectiveness of the new quality-control system because, particularly in APA, we have very few staff in the region. In fact, we have about 33 technical assistance people for the Nation. The quality-control contractor goes out to help the States to set up a system for quality control. He also sets up systems to provide information to other States on setting up their quality-control systems. He also sets up a system for training a new staff in the State agencies for a quality-control system.

Mr. TWINAME. Some of these States are quite far behind in this effort. They do not have a statistically valid sample. You read in the papers cases where they found ineligible people on the rolls. In more cases than not it is because they do not have a tight administrative arrangement where they can detect overpayments or ineligibility. So we need to beef up a little bit of our assistance to those States where they do not have a good system in place. I think they look to the Federal Government for this kind of help.

IMPROVING MEDICAID AND SOCIAL SERVICES MANAGEMENT

Mr. PATTEN. Last year you told us your emphasis would be to improve the management in the medicaid program. Now you say in 1972 there will be increased emphasis on the management study designed to improve the management of community service programs. Have you had any results on your monitoring of the medicaid program last year?

Mr. TWINAME. This is what gives us the encouragement to go in and do the same kind of job in the social services area. Commissioner Newman can speak to this but I think we have a good working relationship with the States. They have appreciated the development of these systems and techniques that we have put together, and are now implementing them in a number of States with results. We are getting savings and a return on that investment. We think in the very same vein that we can apply these management approaches to the social services area which is admittedly somewhat tougher to get a handle on and to define, but nevertheless, we have to get it done, because the bill keeps getting larger each year.

Mr. PATTEN. You also said you were going to be following through on contractual efforts to develop and install improved medicaid management information systems. I do not have to tell you we hear much about this. I hope you meet with some success.

Mr. Twiname, do you want to add to what has been done there or what you feel for the future?

Mr. NEWMAN. I think we have made substantial progress in the area of management information. I think we have established in our own organization the capability to develop the model system which we expect the States to use, so that they would not have to reinvent the wheel.

We hope to be able to provide the technical assistance to them so that they can zero in on the claims payments process at the point at which the bills get paid and develop a means of conducting surveillance both on the costs and the quality of the work that is performed. To elaborate very briefly on the earlier point Mr. Twiname made about the changes in the last year, I think there is a critical mass that we have developed and that, I presume, is the basis for the need to do this in other parts of the agency. We think we have enough capable people together to move aggressively in some of these areas.

Mr. PATTEN. Are there any questions on my right?

Mr. MICHEL. Yes; thank you, Mr. Chairman.

SRS PERSONNEL ADMINISTERING ASSISTANCE PAYMENTS

Mr. Twiname, some time earlier in your testimony I asked a question with respect to that $9 billion that goes to the grants to the States in public assistance and asked how many people it took to administer that, or you voluntarily said it was something like 100 people involved in administering those grants to the States. Is that correct or would you refine that at this point? The reason I ask is, isn't that what is principally involved in maintenance assistance?

Mr. TWINAME. Yes. What I meant by that is that we in the central program office have about 125 people that are in Commissioner Costa's

Assistance Payments Administration. We do have, of course, staff supporting offices in the Social and Rehabilitation Service which assist in that effort. Commissioner Costa has counterpart people in the regional office. He said it is about 35 people overall, or a little over three per office to do the work together with about 15 clerical support staff. It is to that program, essentially, that we want to add these 55 quality-control people in the regions. That would be about four or five per regional office. But that is correct; that is what I am clarifying.

THE NEED FOR FEDERAL OVERVIEW OF THE STATES

Mr. MICHEL. Rightly or wrongly, I took the liberty of using that ballpark figure last weekend in one of our major cities in discussing revenue sharing, during which some questions were raised: Why send all this money to Washington and have it all dribble away in administrative costs? I said one of the biggest grant-in-aid programs we have on the books is in public assistance, and it might shock them to know that it takes a hundred people to see that this money gets back to the States in the prescribed formulas. The formula for each State gets adjusted how often for this purpose?

Mr. TWINAME. The matching rate every 2 years.

Mr. MICHEL. There is really very little necessity for having too many people see to it that Illinois gets whatever our share is going to be out of this total package that we continue to appropriate for in ever-in creasing amounts, other than your monitoring or review.

Mr. TWINAME. If it were a matter of a certain entitlement for the States that the appropriation committee each year set aside for them, the art of getting the money to them, whatever their entitlement is, would not require a lot of people. We believe that. The question here is that we have an open-end appropriation. I think we have come to feel that our position ought to be one of closer accountability for that stewardship. We find that the Federal Government can, without a lot of people but just a modest presence in the States, make more responsible the reporting and accounting for what it is we are supposed to be matching.

If we do not hold the States accountable, that is an awful temptation to refinance State costs in perhaps a loose way, by using this particular authority. So it is that thing we have never done before, that the GAO through various reports kept saying, why don't you do this monitoring? Why don't you get out and hold the States more accountable in a good businesslike way?

CONTRACTS FOR STATE QUALITY CONTROL

Mr. MICHEL. In this $600,000 item for contract support for improving your quality control, what kind of a contract is that?

Mr. TWILIGHT. For the quality control?

Mr. MICHEL. Yes.

Mr. TWINAME. Mr. Costa was speaking to that when he discussed the fact that we have or we will have the people out with this supplemental to do the home visits, to do the actual field investigations to take a Federal subsample and check out whether the States are on target or not, whether they are ineligible people or not. What we need

more importantly is for the States to be doing this. The contractors are those who are expert in setting up that kind of system in an individual State. In those States where they are very weak or understaffed, and they keep coming and saying to us our legislature won't give us the people to get started and we don't have the money, and we say, we can't wait while Federal funds are being expended on ineligibilities or overpayments are being made for the next session of your 2-year legislature to meet. This enables us to quickly bring in somebody to install a system and get them in business without sitting around just gnashing our teeth.

TRENDS IN MEDICAID CASELOAD

Mr. MICHEL. How many recipients of medicaid were there in this past year?

Mr. NEWMAN. Approximately 17 million received benefits.

Mr. TWINAME. That is more than the average welfare caseload that you might compare, but that is because medicaid covers the medically needy.

Mr. COSTA. The welfare caseload in a given year was higher; it was 18 million.

Mr. TWINAME. That is right. When we talk about 12 million, that is an average caseload, and we have many people coming on and going off.

Mr. MICHEL. I am looking at this little medicare-medicaid book and it says medicaid paid medical bills last year for nine and a half million people who were aged, blind, disabled, under 21 or members of families with dependent children.

Mr. NEWMAN. That publication was in 1970 and it refers back to 1968 or 1969.

Mr. MICHEL. The next question is what do you mean when you say that caseload has doubled?

Mr. TWINAME. Probably the figures for 1968.

Mr. NEWMAN. I would say "double" is not an overestimate since 1968.

Mr. MICHEL. Are we talking about fiscal years or calendar years?

Mr. NEWMAN. It is important to realize that, in 1968, many States were not yet in the program. It is the rise in caseload plus the number of States which got into the program after those figures were published which caused the increase.

Mr. MICHEL. The most recent figure, the 17 million, is for what?

Mr. NEWMAN. The 17 million is for fiscal year 1971.

Mr. MICHEL. Which will end June 30 of this year.

Mr. NEWMAN. Yes. It is an estimate.

Mr. MICHEL. Seventeen million plus.

Mr. NEWMAN. Yes.

FISCAL YEARS 1972 AND 1973 FEDERAL MEIDICAID COSTS

Mr. MICHEL. That total amount of expenditure in fiscal 1971 for medicaid payments will be what?

Mr. NEWMAN. Approximately $6 billion-plus, including the States' share.

Mr. MICHEL. Why don't you put that in the record? The Federal share is between three and three and a half?

(The information follows:)

FISCAL YEAR 1971 ESTIMATED TOTAL FEDERAL, STATE, AND LOCAL EXPENDITURES

[In thousands of dollars]

	Non-Federal matching	State share	Federal share
Total ($6,302,083)	$391,770	$2,690,171	$3,220,142

Mr. MICHEL. What are your projections now for the fiscal year 1972? How many people would be involved?

Mr. NEWMAN. We project 19 million recipients.

Mr. MICHEL. At a cost of what in 1972 for the Federal share?

Mr. TWINAME. $3.8 billion.

Mr. MICHEL. What, then, does your crystal ball show for 1973? Do you have any idea at all?

Mr. TWINAME. Yes. We have a planning document which does project that but we do not have that here.

Mr. MICHEL. Why don't you put that in the record?

(The information follows:)

Fiscal year 1973 projection for medicaid—Federal share is $4.5 billion.

LIMITS OF MEDICAID COST EXPANSION

Mr. MICHEL. I would hope if we get to the point of welfare reform there might be a topping out here. We are talking about medical care and medical benefits, and even with welfare reform people would still get sick and still have infirmities and health problems. I guess what I am really trying to get at is, does this keep going up indefinitely at that rate for an extended period of time? I am just thinking down the road a couple of years what this bill is going to be. Do we turn that around, or does it top out?

Mr. TWINAME. The President has proposed the family health insurance program to remedy some of the problems in the medicaid program, using the basic employer insurance arrangement as you know. I think those proposals will go a long way to helping distribute this cost in a better way and making the business of providing the medical care more cost effective.

PROBLEMS OF DUPLICATE PAYMENTS

Mr. MICHEL. If this thing keeps going up to the extent it is, I want to make sure you have adequate people here to keep it from getting completely out of hand. I think a few dollars here and there for oversight or monitoring or whatever you choose to call it might very well be money well spent. Do you have any indications in the medicaid program of serious problems of duplicate payments?

Mr. NEWMAN. That is one of a series of problems which audit reports have uncovered and identified. It is one that is specifically ad-

dressed by some of the management information activities, but there are other problems.

MEDICAID FRAUD PROSECUTIONS

Mr. MICHEL. Have there been any indictments for fraud under the medicaid program?

Mr. NEWMAN. There have been some, as I mentioned earlier in the hearings. Relatively few have been reported to us.

Mr. MICHEL. Have there been any cases brought to trial?

Mr. NEWMAN. Yes; under State statutes. There have been no prosecutions under the Federal law.

Mr. MICHEL. Only under the State statutes to this point?

Mr. NEWMAN. Yes, sir.

Mr. MICHEL. Do you recall how many?

Mr. NEWMAN. I do not have the figures with me.

Mr. MICHEL. Could you supply how many and where because I have an idea that they are so few that it won't take but a few citations in a few States. I might say that on the social security side this is the kind of thing that disturbs me, this whole business of nearly 10,000 reported complaints, many of which involve suspected or alleged fraud. We have 11 convictions around the country, and three of them in one city.

Of course, to do a thorough job would take all kinds of man-hours, U.S. attorneys, et cetera. But I think we have to have some visible cases brought to fruition as a threat or as a reminder to those who might be given to engaging in any kind of fraudulent activities, to try to help us keep this in line.

(The information follows:)

FRAUD CASES REPORTED BY THE STATES TO LAW ENFORCEMENT OFFICIALS

States	Number of referrals to law enforcement officials	Convicted
California	99	7
District of Columbia	1	1
Illinois	1	
Iowa	3	
Kansas	6	3
Kentucky	1	
Louisiana	1	
Maine	1	
Maryland		
Massachusetts	5	1
Michigan	11	
Nebraska	4	1
New Jersey	7	
New York	50	[1] 2
North Carolina	3	
Pennsylvania	6	1
Utah	1	
West Virginia	8	
Total	208	16

[1] Covers period from beginning fiscal year 1969 to February fiscal year 1970 only.

Note: During the period from the beginning of fiscal year 1969 to March, fiscal year 1971 approximately 208 cases of fraud were referred to law enforcement officials. These referrals resulted in approximately 16 convictions. Above are States that reported.

UNINTENTIONAL BILLING BY PHYSICIANS

Mr. TWINAME. Here is where our money goes out more than in fraud cases. If I could show you one sheet of paper. This is from the State of Virginia system which we used. It shows at the end of the month, $588 paid out to this doctor, whose name appears to the left. Any doctor to whom we have paid in that State in the medicaid program over a certain amount per month has the record printed out. Then we get down to where I circled the figure 8 in the place of service, that stands for nursing home. We see over in the right the number of days called on these various patients here, 5 days, 5 days, and 6 days.

We see that they have been at a cost of $6 per call, which is not too bad for a nursing home call. If it were higher than that, and sometimes that happens where they are charging a regular office fee, we can go and get that money back, because he knows we are monitoring him, Mr. Chairman, he is not going to charge that fee. In the case where I have circled at the bottom there, a four minus, and we get a credit from this physician of $24 because we find in that nursing home he is a salaried staff member in that institution and should not be charging a fee for calling on those patients. So now we say, "Wait a second, you owe us some money, you have been making a charge." It was not a fraud. It happened to be a case of their accounting and bill paying in that doctor's office. This is where the money goes out and this is what we are trying to do to get a handle on it.

DISPOSITION OF ADDITIONAL CENTRAL OFFICE PERSONNEL

Mr. MICHEL. You are asking for an increase of a hundred people.

Mr. TWINAME. That is correct.

Mr. MICHEL. And 30 are going to be in the central office.

Mr. TWINAME. Yes, sir.

Mr. MITCHEL. Doing principally what in the central office?

Mr. TWINAME. Most of the central office positions—you remember all the 72 positions are divided between the medicaid and social service business and everything we have said about medicaid you can say for social services, because the State social service or welfare departments buying day care from providers, homemaker service from the voluntary agency, they are buying this and that. So we do not have near the handle on social services we have on medicaid. So more of the positions would be going into straightening out that system. Incidentally, in the next fiscal year, it will be going through a major reform.

We are embarrassed in some ways to say with 50 or 60 positions in social services we can pull this off. If what we are planning comes through we are going to separate all the business of providing services to welfare recipients from the business of getting them their checks because it takes two different kinds of people. We think we can make a more accountable effective system if we execute that organizational separation. That is no small matter and it will take some real leadership on our part to pull it off. There is a lot of anxiety in the States about this transformation that will come to pass. It is that whole business plus making the actual services available.

EFFECT OF A SMALLER INCREASE

Mr. MICHEL. What would happen to that effort if your request for 30 were cut in half to 15?

Mr. TWINAME. As it is we are going to have a tough time covering the tremendous requests from the States. How do we organize these services? How do we account for them? Should we set up storefront operations?

We used to be calling on everybody's door with a welfare check. What do we do now? These are the questions we are getting. The welfare commissioners are coming in once a quarter to the Burlington Hotel, and this is one of the things very much on their minds. We do not really have the staff to begin to help them because each State is different. It is not that you can give them one pat answer and say go home and set up a storefront and render the service. I would say, even with what we have, if we can pull off any kind of leadership and get this job done, it would be the hat trick of the year.

DISPOSITION OF ADDITIONAL REGIONAL OFFICE PERSONNEL

Mr. MICHEL. The other 70 people, are they all out in the field?

Mr. TWINAME. Yes.

Mr. MICHEL. Divided between what—the regional offices?

Mr. TWINAME. Yes.

Mr. MICHEL. How many regional offices?

Mr. TWINAME. Ten. Seven per regional office.

Mr. MICHEL. And they are going to be doing principally what?

Mr. TWINAME. Between medicaid and social services, implementing these systems into the rest of the States.

Mr. MICHEL. The same thing at the regional level as in the central level.

Mr. TWINAME. Yes. You have to have somebody calling the shots out there and we have to have the legworkers working with the States and the regional offices. It is a two-part operation.

MEDICAID INTERMEDIARIES AS INSURERS

Mr. MICHEL. When we were talking about intermediaries in the medicare and medicaid program, in the medicare program they serve in an insurance role. Where a State has an intermediary serving a functional role, are there any States in which it actually serves as the insurer rather than just an administrator of these programs?

Mr. NEWMAN. In the State of Texas there was an arrangement established with the intermediary in which a premium was paid and an insurance role was assumed.

I want to correct your statement on medicare. The insurance role or risk is not taken by the intermediaries. It is very much an administrative processing kind of service as opposed to an assumption of risk. Texas is the one case in the medicaid program currently where the intermediary is on the basis of the premium assuming the risk.

Mr. MICHEL. Is that just put in place?

Mr. NEWMAN. It has recently been negotiated, within the last couple of months.

Mr. MICHEL. Who does the negotiating on a thing like that?

Mr. NEWMAN. The State agency negotiated with the intermediary, the staff from the central office and the regional office providing technical assistance. We have a staff member with insurance background and capability who actually went down and sat in with the parties negotiating the arrangement.

I think it is worth pointing out, that while this puts the risk on the insuring agency, the whole thrust of our health maintenance organization activity has been for the same end, namely, to place on the provider, in this case the health maintenance organization, the risk of taking a premium and guaranteeing service to an eligible population.

I think you would be interested to know we currently have some 134,000 medicaid recipients who receive medicaid services through an arragement in which a capitation fee is paid to a provider by the medicaid State agency. The provider delivers or arranges for the delivery of the medicaid services that are necessary for a flat fixed prepaid amount.

We think that is a significant thing with regard to the whole matter of how you develop the resources I spoke about earlier that are critically needed in order to turn the health care delivery system around.

Mr. MICHEL. Thank you.

Mr. FLOOD. Mrs. Reid?

STUDY OF PROLONGED STAYS IN NURSING HOMES

Mrs. REID. In your statement—on page 3—you mention plans to conduct a study of the factors which produce prolonged stays in nursing homes. Do you plan to look into the possibility of home health services as a substitute for care in nursing homes or hospitals?

Mr. NEWMAN. The statement refers to a three-phase study project which is to be performed under an SRS project grant. Invitations to submit proposals and grant applications are now in the hands of several research organizations, most of them university based. The grant will be awarded early in June.

Among the major purposes of the study is to test the general hypothesis that there are alternatives to long-term institutional care which not only are less costly but provide better care for patients and a more productive use of community resources. The study will focus on the description of models of such alternatives and on the feasibility of setting up test models on communitywide bases.

In any such study the possibilities for delivery of services to the home would be a key area for consideration. The use of home health services; as well as other devices for delivering services to the home such as homemaker service, meals on wheels, and friendly visiting; to meet the needs of patients without resorting to institutionalization will be evaluated and will be incorporated to the extent appropriate in the alternative models to be tested.

QUALITY CONTROL SYSTEM

Mrs. REID. You discussed earlier the addition of 55 new positions to help in reducing fraud and errors in welfare payments. Are the officials of the various States cooperating and helping in this effort?

Mr. COSTA. Yes. The welfare staff of the State and local agencies are used to carry out the new quality control system to determine the extent of ineligibility and inaccuracies in the amount of the payment to the recipient. The State staff draws a cross-sectional sample of recipients of payments and makes a full field investigation of the recipients drawn in the sample to check their eligibility and amount of payment, and take appropriate corrective action. Because of the difficulty of recruiting staff to conduct the new quality control system, seven States—California, Indiana, Louisiana, Minnesota, New Jersey, New York, and Wisconsin—have not put the new system fully into effect by March 31, 1971.

The 55 positions at the Federal level are to monitor the States implementation by performing functions such as the review of sampling procedures; the review of administrative and program elements of State systems, including analysis of reports, adequacy of State staffing, vertification of findings in individual cases, and corrective action necessary: review of analytic and reporting procedures; and rereview of a Federal monitoring sample of State cases, by full field investigation.

Mr. FLOOD. Mr. Conte?

SERVICE DELIVERY

Mr. CONTE. What new directions were initiated in service delivery for community services programs last year?

Mr. SIMONDS. The two new directions in service delivery to which CSA is giving major attention are: First, separation of the administration of social services from the operation of the income maintenance aspects of public welfare programs; and second, designing, testing and installing revitalized community-based, coordinated social service delivery systems. CSA issued a series of working papers containing guides on achieving separation of service from assistance and on building a community service delivery system. The working paper on service delivery emphasizes a series of elements essential to a reorganized service delivery system including: Participation of many public and voluntary programs in the system, control and accounting for services through central service management, specialization in service delivery, mobilization of new community resources to respond to unmet need, and consumer participation in planning, operation, and evaluation of the system. With help from CSA, several States are now experimenting with new service delivery systems. Among these are: Vermont, Maine, Pennsylvania, New Jersey, Florida, Ohio, Illinois, North Dakota, Montana, Utah, and Texas.

HEALTH MAINTENANCE ORGANIZATIONS

Mr. CONTE. With what other agencies are you working in the development and evaluation of health maintenance organizations?

Mr. NEWMAN. We are working with the Social Security Administration, Health Services and Mental Health Administration, National Institutes of Health, Office of the Secretary, and the Office of Economic Opportunity.

Mr. CONTE. Would you describe the efforts you are involved in to provide measures for cost-effectiveness evaluation of HMO's?

Mr. NEWMAN. We are supporting four evaluations of new or existing HMO's with our fiscal year 1971 funds. These evaluations will be conducted during the coming year. Although the organizational base of each HMO to be examined is different there will be common points of reference which will enable us to begin to compare the relative effectiveness of different types of HMO's for the medicaid population as well as the effectiveness of HMO's in general.

In addition, we will be supporting units within two State medicaid agencies which will be assessing and assisting the HMO development within that State.

All the HMO's being developed with assistance from the Social and Rehabilitation Service, either financial assistance from fiscal year 1971 funds or staff assistance, are being encouraged to include evaluation as an integral part of the delivery system.

QUALITY CONTROL—CASE SAMPLING

Mr. CONTE. By how much will the case sampling be increased in connection with your revised system of quality control of welfare payments?

Mr. COSTA. The samples under the former quality control system were approximately 110,000 cases; under the revised system, it is approximately 250,000. This sample is adequate to produce statistically reliable estimates of ineligibility and incorrect payments in each of the States.

QUALITY CONTROL—TOLERANCE LIMITS

Mr. CONTE. What kind of control actions would be triggered if a State reaches a certain percentage of ineligibles found on welfare rolls?

Mr. COSTA. I will insert for the record, if I may, the "Quality Control in Public Assistance Manual" which describes what actions should be taken when the acceptable tolerance level is exceeded.

(The information follows:)

QUALITY CONTROL

REMEDIAL ACTION WHEN TOLERANCE LIMITS ARE EXCEEDED

If QC case review findings reveal that a tolerance limit has been exceeded, appropriate remedial action must be undertaken by the State agency. This action will take two forms: (1) immediate action to reduce the current incidence of the error; and (2) long-range corrective action aimed at removing the causes of the error. For purposes of these instructions, a tolerance limit has been exceeded and remedial action is to be undertaken when the applicable sample criterion used in the QC system has been exceeded. Under the sample criteria in use, there is a known magnitude by which a sample percentage may vary from the true population percentage. Until the upper range of this variation is exceeded (for example, 3 percent plus 1 percent, or 4 percent) remedial action is not a requirement. The sample criteria applicable to all sample sizes are shown in appendix C.

Following is a description of the two types of remedial action and of the circumstances in which they are applicable:

Immediate action to reduce the current incidence of error.—This action is applicable to the specific eligibility factors (or subfactors) identified as substantially contributing to the unacceptable error level. This action continues in effect until the State and Federal agencies have worked out a solution. This means putting into effect a set of changes deemed adequate to reduce error rates

within tolerable levels. The urgency of immediate action to reduce incidence of error is particularly of importance in the simplified method in which assistance is given on the basis of a declaration form.

These types of remedial action to reduce the incidence of errors are applicable to the specific program and/or geographical area in which the errors are found to be occurring. Thus, if a concentration of error in AFDC is found only in respect to earned income, but not in any other source of income, immediate action to reduce the frequency of error would be called for only in regard to earned income. Similarly, if the error is found to occur in County A, but not County B, the action is called for only in County A.

Following are appropriate forms of immediate remedial action under varying sets of circumstances:

1. *Errors caused by incomplete or inaccurate information from clients at time of application or redetermination.*—100 percent verification of the particular eligibility factor(s) or subfactor in which errors substantially contribute to an error level in excess of 3 percent on eligibility and 5 percent on payment. Such action may or may not have to be taken statewide. For example, if incorrect information on earnings in one large agency is a major cause of an excessive error rate of overpayments, this element of need would be subject to the 100 percent verification requirement in that agency until such time as long-range corrective action in respect to the errors is taken.

2. *Errors caused by inaccurate reporting or nonreporting by clients of changed circumstances between agency determinations.*—Increased frequency of redetermination, by simplified methods of the factor involved and in the localities of occurrence; abbreviated review form with each check.

3. *Errors attributable to agency staff.*—Such errors include misapplication of agency policy, failure to secure further information when indicated, not making case changes indicated by information received, and transcription and computational errors. Immediate action to stop such errors will consist of increased supervisory review of individual cases in respect to the eligibility factors involved in localities where these errors are occurring.

Determination that a particular factor or subfactor of eligibility is causing an unacceptable rate of error in a given geographical area will sometimes require a complex judgment. There are no specific rules for making such judgments. An unacceptable error rate may be associated with such an array of different errors that there are no observable concentrations. If such instances occur, it will be necessary for the State agency to evaluate the situation further and work out the most practical approach possible to reduction in the error level.

Long-range action to remove the causes of error.—Illustrations of this type of corrective action include: changes in instructions to clarify provisions that are being misinterpreted; reduction in workloads where errors are being caused by excessive work assignments; simplification of agency policies where errors continue to occur because of unusual complexities; reprograming of staff training; improving the structure of the simplified form; etc.

Steps required to plan and carry out remedial action.—In order to plan and carry out remedial measures aimed at either temporarily reducing the incidence of error or at eliminating the causes of the error, each of the following steps will have to be taken.

1. Identification of the precise nature of the error (e.g., is the misinterpretation of policy, what policy, and what kind of misinterpretation).

2. Determination of the cause of the error (e.g., is the misinterpreted policy not generally known to staff, or is it so complex that error is impossible to control under ordinary administrative conditions?).

3. Based on conclusions reached regarding the cause of the error, development and introduction of an action specifically designed to reduce or eliminate the cause (e.g., issuance of a new simplified policy).

4. Evaluation of the effectiveness of the corrective action in reducing error by measuring incidence of the error after introduction of the change.

CONTROLLING MEDICAID COSTS IN NEW YORK CITY

Mr. CONTE. What kind of methods of controlling hospital use and costs were developed in the New York City medicaid program?

Mr. NEWMAN. In fiscal year 1970 a total of $209,800 of Social and Rehabilitation Service (SRS) salaries and expenses was awarded to

the New York City Health Department for a feasibility study to control hospital use and cost under contract SRS 70–80. The study, initiated on July 1, 1970, will be completed June 30, 1971. The first phase of the study funded by SRS is to determine if an effective screening methodology can be developed to isolate those hospitals which are deviating from standards and to test preliminary field auditing methodologies in selected hospitals.

The study is under the supervision of Dr. Lowell E. Bellin, first deputy commissioner of the New York City Health Department. The existing claims review data for the medicaid program is inadequate for this purpose. It is felt an improved claims review system, when developed, will provide the data base to extrapolate unnecessary admissions, lengths of stay, and inappropriate services provided. The health department is now proceeding with preliminary onsite audits in four selected hospitals.

Although the study has not yet demonstrated feasibility, it is expected that when the methodologies for screening and field auditing are fully developed, the health department's regulatory power will be combined with the efforts of individual hospitals to contain costs and improve productivity.

It was in the developing phases of this study where we learned of some particular problems in controlling medicaid costs in New York City. A review of physician practices in billing procedures resulted in the $5.7 million savings in medicaid costs mentioned in Mr. Twiname's statement.

DEFICIENCIES IN STATE ACCOUNTING FOR SOCIAL SERVICES

Mr. CONTE. What have been the major deficiencies in State accounting methods in the community services program?

Mr. SIMONDS. The major deficiencies in State accounting for social service programs is not the method but a lack of a reporting system. Measuring costs, output, and effectiveness of the dozens of social services provided by the States through public welfare are some of the most difficult problems that the States have encountered in accounting for services. Subjective as well as objective measurement must be taken in regard to multiple variables in order to measure social services expenditures, output, and effect.

During the past 2 years the Federal Government along with several States have been involved in trying to develop a feasible reporting system. Progress is being made and we anticipate having pilot projects operating within the next 18 months.

Mr. CONTE. I have no further questions, Mr. Chairman.

Mr. FLOOD. This concludes our hearings with the Social and Rehabilitation Service. Mr. Twiname, we want to thank you and your staff for your assistance to this committee in presenting your 1972 budget, which as you of course know, is very complicated and involves very, very, large sums of money.

Mr. TWINAME. If I may I not only want to say thank you for your patient discussions with us, but I would say any taxpayer should be impressed by the amount of homework this committee does. It is obvious you have not only the questions but the members have read the justifications. You do an awful lot of homework.

Mr. FLOOD. We will adjourn until tomorrow morning.

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Salaries and Expenses

Amounts Available for Obligation

	1971	1972
Appropriation	$34,067,000	$40,481,000
Real transfer to:		
"Operating Expenses, Public Buildings Service"	-20,000	---
Real transfer from:		
"Grants to States for Public Assistance"	400,000	---
"Higher education facilities loan fund" (Proposed transfer for increased pay costs)	2,336,000	---
Comparative transfer to:		
"Research and training"	-825,000	---
"Departmental management"	-76,000	---
Subtotal, budget authority	35,882,000	$40,481,000
Receipts and reimbursements from:		
"Trust funds"	390,000	400,000
Total, obligations	36,272,000	40,881,000

Obligations by Activity

Page Ref.		1971 Estimate Pos.	1971 Estimate Amount	1972 Estimate Pos.	1972 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
125	Central operations	1,165	$26,139,000	1,195	$28,223,000	+30	$+2,084,000
126	Regional operations	548	10,133,000	618	12,658,000	+70	+2,525,000
Total obligations		1,713	36,272,000	1,813	40,881,000	+100	+4,609,000

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Total number of permanent positions	1,768	1,868	+100
Full-time equivalent of all other positions	45	45	---
Average number of all employees	1,699	1,839	+140
Personnel compensation:			
Permanent positions	$24,703,000	$27,885,000	$+3,182,000
Positions other than permanent	650,000	650,000	---
Other personnel compensation	130,000	130,000	---
Subtotal, personnel compensation	25,483,000	28,665,000	+3,182,000
Personnel benefits	2,040,000	2,331,000	+291,000
Travel and transportation of persons	1,515,000	1,871,000	+356,000
Transportation of things	46,000	56,000	+10,000
Rent, communications and utilities	847,000	945,000	+98,000
Printing and reproduction	603,000	626,000	+23,000
Other services	5,257,000	5,881,000	+624,000
Supplies and materials	151,000	174,000	+23,000
Equipment	330,000	332,000	+2,000
Total obligations by object	36,272,000	40,881,000	+4,609,000

Summary of Changes

1971 estimated obligations	$36,272,000
1972 estimated obligations	40,881,000
Net change	+4,609,000

	Base Pos.	Base Amount	Change from Base Pos.	Change from Base Amount
Increases:				
A. Built-in:				
1. Annualization of new positions funded on a part year basis in 1971				$1,419,000
2. Net additional costs of within grade increases				253,000
3. Increases travel costs related to the Federal payment of 8% tax				72,000
4. Increased health insurance benefits (P.L. 91-418)				38,000
5. Increased pay costs				903,000
6. Extra days pay in 1972				108,000
7. Increased payment to NIH grant management fund				10,000
8. Increase in trust fund limitation for pay raise costs				10,000
Total, built-in increases				2,813,000
B. Program:				
1. Central operations	1,165	$27,325,000	30	898,000
2. Regional operations	548	11,662,000	70	996,000
Total, program increases			100	1,894,000
Decreases:				
A. Built-in:				
1. Non-recurring equipment purchases for new positions authorized in 1971				-98,000
Total, net change			100	4,609,000

Explanation of Change

1. Central operations - Thirty additional positions are requested to strengthen program control efforts over Community Service programs and to provide for better financial control over formula grant programs.

   Included in the estimates is $375,000 for contract support of the increased efforts to reduce the incidence of fraud and incorrect payments in the public assistance caseload.

2. Regional operations - The 70 additional positions are requested to provide greater technical assistance and leadership to the States in improving their control over the community services and medical assistance programs and to provide for better surveillance over these programs to insure that expenditures are necessary for proper and efficient administration of State plans.

Explanation of Transfers

	1971 Estimate	Purpose
Real transfer to:		
Operating Expenses, Public Buildings Services	$-20,000	Transfer of rental costs for regional office expansion in Atlanta, Georgia.
Real transfer from:		
Grants to States for Public Assistance	400,000	Proposed transfer of Federal administrative costs related to improving the management of the Maintenance Assistance Program.
Higher education facilities loan fund	2,336,000	Proposed transfer for increased pay costs.
Comparative transfer to:		
Research and training	-825,000	Consolidates the Medicaid Demonstration Program into a new account established in 1972 for all agency research and training projects.
Departmental management	-76,000	Consolidates Departmental funding of the Secretary's Committee on Mental Retardation ($55,000) and the Career Service Development Function ($21,000).

Salaries and Expenses

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1964	$10,601,000	$9,957,000	$10,457,000	$10,157,000
1965	12,534,000	12,236,000	12,236,000	12,236,000
1966	16,974,000	15,748,000	16,198,000	16,138,000
1967	20,077,000	19,367,000	19,367,000	19,367,000
1968	21,941,000	20,738,000	20,888,000	20,738,000
1969	24,838,000	23,421,000	23,421,000	23,421,000
1970	29,956,000	24,343,000	27,236,000	25,789,493
1971	35,743,000	34,506,000	33,304,000	33,546,000
Proposed transfer for pay costs	2,336,000			
1972	40,481,000			

Justification

Salaries and Expenses

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits	1,768	$27,523,000	1,868	$30,996,000	+100	$+3,473,000
Other expenses		8,749,000		9,885,000		+1,136,000
Total	1,768	36,272,000	1,868	40,881,000	+100	+4,609,000

General Statement

Purpose

This appropriation provides funds and staff for the Federal administration of the Social and Rehabilitation Service programs. These programs, through grant and contract activities, provide basic support and services to the needy, disabled, and other disadvantaged persons in our population.

The programs of the Social and Rehabilitation Service total more than $12 billion in fiscal year 1972. The Service includes six program offices responsible for Maintenance Assistance, Medical Assistance, Rehabilitation Services, Community Services, Youth Development and Deliquency Prevention, and Services to the Aging. The Service is also responsible for associated research, demonstration and training programs.

The following table summarizes the distribution of staff positions by the major programs supported:

	1969	1970	1971	1972
Maintenance Assistance	257	259	313	313
Medical Assistance	202	344	383	428
Community Services	205	235	263	318
Rehabilitation Services	335	335	334	334
Services for the Aging	147	147	147	147
Youth Development and Delinquency Prevention	60	71	71	71
Research and Training	257	257	257	257
Total	1,463	1,648	1,768	1,868

1971 Activities

Major emphasis is being placed on improved management at the Federal and State and local levels utilizing all agency resources to direct more effective management in providing assistance to those members of our society who are least able to meet their own needs.

In the Maintenance Assistance area, work has proceeded with implementation of an improved method of quality control in identifying and correcting misrepresentations and errors in welfare payments. Technical assistance is being provided States in better administration of the eligibility determination and verification process. A transfer from the Grants to States for Public Assistance appropriation to fund 55 new positions and related costs is included in the 1971 estimates to support these efforts.

Substantial increases were made in the staff for Medical Assistance in 1970 and recruitment is continuing in 1971 with concentration on regional staff. This increase, together with additional funds for contract studies, has resulted in a major effort to improve the management of Medical Assistance. A model management information system is being developed and installed in some States now. Most of the States are expected to adopt this system with a resultant savings of at least $5,000,000 in system development costs alone. Efforts to get the States to improve their review of hospital and nursing home utilization are expected to have a major impact on 1971 and 1972 program costs. Studies designed to develop and evaluate Health Maintenance Organizations are expected to result in major program savings since these organizations have the potential of reducing the cost of care by as much as 20%. Efforts to help the States install better claims processing and payment procedures are also expected to produce savings. Total savings to the Federal government through cooperative efforts with the States are estimated at $70,000,000 in 1971 and $110,000,000 in 1972.

Substantial additional savings will be realized if proposed legislation which has been developed jointly by the Social and Rehabilitation Service, the Department and the Office of Management and Budget is enacted into law. These proposals include incentives for the use of ambulatory care, controls over Federal matching for major price increases for nursing home and intermediate care facilities, cost sharing by those whose incomes exceed maintenance assistance standards, and greater latitude for the States in determining reasonable costs of medical care.

The effort in the Community Services area is on restructuring social service programs to place greater emphasis on programs designed to encourage self support. The States are being encouraged to separate their service programs from the function of determining eligibility for maintenance assistance so that service programs can be better defined and the delivery systems can be improved.

A legislative proposal is being developed which would promote greater effectiveness and accountability in the use of social service funds and would increase support for foster care and adoptions and provide assistance to State and local general government in planning their service programs.

In the Rehabilitation Services area, work is underway to encourage and support efforts to rehabilitate increased numbers of public assistance recipients.

Staff involved in the services to the aging programs are directing development and implementation of two new programs being initiated in 1971; the Area-Wide projects to coordinate a comprehensive program of services for the aging, and the Retired Senior Volunteer Program to provide wider opportunities for the aging population.

The Youth Development and Delinquency Prevention staff have reassessed program efforts of the past three years and planned for redirection with amended legislation to be proposed.

For the Research and Training area, the grants management system has been organized with special emphasis in placing project coordination at the regional level to work directly with grantees. Particular emphasis has been placed on research utilization and evaluation of programs.

1972 Request

We are requesting 100 new positions in FY-1972 to improve the management of our community service programs and to secure State implementation of management improvements developed for the Medical Assistance Program. This will increase the total number of permanent full-time positions from 1,713 to 1,813.

The 1972 budget includes over a billion dollars for social services, child welfare, child care, foster care and adoption services. The Social Security Act provides for a high level of Federal matching for these services as an inducement to the States to provide essential services to needy children and their families and to needy aged, blind and disabled persons.

We need to restructure the management of the social service delivery system to insure that services contemplated by the provisions of the Social Security Act with major financial participation by the Federal government are effectively provided to recipients. It is necessary to provide closer surveillance over State accounting and claims for Federal funds to insure that the incentive features of the law actually produce the results intended.

The General Accounting Office, in its audit, has identified cases of excessive claims by State agencies and has recommended that the Secretary require the development and implementation of controls designed to insure (a) that there is prompt resolution of policy questions relating to claims for Federal sharing of administrative costs; (b) that States are directed to claim reimbursement at the lower levels of reimbursement until issues are resolved; (c) that States are adhering to agreed upon claiming procedures; and (d) that prompt and vigorous action is taken in those instances where overpayments are identified to (1) correct the deficient procedures being followed and (2) obtain adjustment for excess amounts already paid.

The Social and Rehabilitation Service has been relying heavily on the reliability of State agencies in submitting proper claims for reimbursement. The only real check on these claims has been made by the HEW Audit Agency and the General Accounting Office. As these agencies have moved from comprehensive fiscal audit to selective management type audits, Social and Rehabilitation Service staff have not been augmented to provide adequate assurance that the Federal funds made available to the States are used only for purposes found necessary by the Secretary of HEW for proper and efficient administration of State plans as required by the Social Security Act.

It is not the intention of the Social and Rehabilitation Service to establish an additional audit agency. It is rather the intention to strengthen the management of the Community Services programs through improved regulations, improved knowledge of State agency operations, and more adequate review of reimbursement claims at the time of submission to insure that they reflect compliance with Federal law and regulations, that they implement approved State plans, and that the expenditures are in fact necessary for proper and efficient administration of the State plans.

It is believed that the incidence of audit exceptions and compliance hearings can be reduced if Federal staff is available to provide technical assistance to the States in implementing Federal regulations and in claiming reimbursement under these regulations. The Social and Rehabilitation Service will also be in a better position to report back to the Secretary and to the Congress on the effectiveness of community service programs and to evaluate the need for changes in regulations or law.

In the area of Medical Assistance the Central office staff has been augmented and contractual efforts are being used to develop methods for improving the management of medical assistance programs. In FY-1972 the Regional staff will be augmented as recommended by the Medicaid Task Force, to provide technical assistance and leadership to the States and in incorporating these management improvements in each State's program. These improvements will include better methods for management of claims processing and payments and new approaches to financing health services. In addition, the greater surveillance of nursing home reimbursement practices and of medical review and utilization review, as repeatedly recommended by GAO, will be made possible.

Of the 100 positions requested, 30 are for Central Office operations and 70 are for Regional Operations.

Central Operations

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	1,175	$18,845,000	1,205	$20,265,000	+30	$+1,420,000
Other expenses.....		7,294,000		7,958,000		+664,000
Total.....	1,175	26,139,000	1,205	28,223,000	+30	+2,084,000

Narrative Statement

The 30 additional positions for the Central Office will be concentrated on improvement of the management of community service programs and for development of proposed financial controls over federal payments for Community Services and Medicaid. Staff will be used for policy development, program definition, administration financial control, and program evaluation. In the policy development area there is need for better definition of the types and nature of services which should be provided under the provisions of the Social Security Act. In the area of program definition, there is a need to interpret these basic policies into specific programs which can be implemented by the States and for which performance can be monitored by the Federal level. There is a need for improvement of the administrative arrangements at the Federal, State and local level for placing programs into effect and reporting back on the results obtained and the costs incurred. In the area of program evaluation, there is a need to develop measurements of program performance and to evaluate the results obtained as a basis for assessment of the effectiveness of Federal financial incentives and determination of future resource allocation. One of the key objectives is implementing the administrative separation of the service program from the cash assistance activity in the States so the 75% matching service money can be more effectively used, and accounted for.

Included in the estimates is an increase of $375,000 for a total of about $600,000 in 1972 for contract support to implement an improved method of quality control. This involves an improved system for identifying and correcting misrepresentations and errors in welfare payments. No other increases are requested for contractual services but contractual efforts will be reoriented to support the changing staff composition. Primary emphasis in fiscal year 1971 is on management improvement in the Medicaid program. In fiscal year 1972, increased emphasis will be placed on management studies designed to improve the management of Community Service Programs, but we will also be following through on contractual efforts to develop and install improved Medicaid management information systems.

Regional Operations

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits	593	$8,678,000	663	$10,731,000	+ 70	$+2,053,000
Other expenses		1,455,000		1,927,000		+472,000
Total	593	10,133,000	663	$12,658,000	+ 70	+2,525,000

Narrative Statement

The 70 additional positions requested for Regional Operations will be used to augment regional capability to provide technical assistance to the States and to monitor State performance in the Medical Assistance and Community Services Programs. In the area of Medical Assistance, staff will be used to help the States install improved management information systems and to improve utilization review procedures and claims processing and payment procedures.

Regional personnel will also be working with State agencies to insure that proper medical and utilization review procedures are being followed, and that States are getting better use of available resources in providing health services to the needy.

Community Services staff will be providing technical assistance to State social service agencies in an effort to improve support of the Work Incentive Program through improved child care arrangements, better assessment and referral procedures and adequate social services to persons engaging in training and employment. They will be working with State and local general government in planning and designing services to bring about measurable results. They will be working with each State to bring about separation of services from administration of maintenance assistance so that service functions can be more clearly defined and made more effective.

The State service reimbursement claims are in a condition not unlike Medicaid was when we began designing a better management information and control system. The same kind of initiatives will be taken to insure tighter State management of their service expenditures.

Regional personnel will be increasing their surveillance of the States' administration of formula grant programs for Social Services and Medicaid to verify that Federal regulations and approved State plans are implemented and that State claims for reimbursement are consistent with approved State plans. Claims will be reviewed to determine that appropriate cost allocation methods have been used in reporting costs. Cost allocation plans will be reviewed to insure that costs are properly allocated to programs and that differential Federal matching rates are effective in directing State efforts in the manner contemplated in the Social Security Act. State agency operations will be evaluated to insure that expenditures are necessary for proper and efficient administration of State plans.

SOCIAL AND REHABILITATION SERVICE

Salaries and Expenses

Program Purpose and Accomplishments

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
1,713	$35,882,000	Indefinite	1,813	$40,481,000

Purpose: The purpose of this appropriation is to provide funds and staff for the Federal administration of the Social and Rehabilitation Service programs. These programs, through grant and contract activities, provide basic support and services to the needy, disabled, and other disadvantaged persons in our population.

Explanation: Funds included in this appropriation provide for the direct operational costs related to Federal administration activities. Costs include salaries of Federal employees and related costs for travel, communication, supplies and equipment. Services for administrative and management contracts are also supported.

Accomplishments in 1971: Efforts are directed toward the improvement of Federal and State program management with increased capability in program development and special emphasis on technical assistance to State and local agencies in program planning and evaluation. Increased resources provided for the development of model management information and payments systems that are being installed in State Medicaid programs together with planning and organizing efforts toward establishing comprehensive local services delivery systems. Special efforts are directed toward indentifying and correcting errors in welfare payments through an improved system of quality control which involves sampling, review and verification of eligibility determination. A transfer from the Grants to States for Public Assistance Appropriation in 1971 would fund increased support for these latter activities.

Objectives for 1972: Emphasis would be placed on program control efforts in the Community Service and Medical Assistance Programs. Thirty new positions are requested for central office operations. These positions will be used to strengthen policy development, program definition, administration and financial control of Community Service programs. Seventy new positions for regional operations would be used to strengthen technical assistance and monitoring efforts to effect State implementation of Medicaid management improvements and to gain better management control over Community Service programs. Contractual efforts which were focused primarily on Medicaid in 1971 will be directed to a greater extent on management studies of Community Service programs.

New Positions Requested
Fiscal Year 1972

	Grade	Number	Annual Salary
Central Operations			
Program Management Officer	GS-15	1	$ 24,251
Community Services Planning Specialist	GS-14	1	20,815
Policy Development Specialist	GS-14	1	20,815
Program Evaluation Specialist	GS-14	1	20,815
Financial Systems Specialist	GS-14	1	20,815
Community Services Planning Assistant	GS-13	4	71,044
Policy Development Assistant	GS-13	3	53,283
Program Evaluation Assistant	GS-13	2	35,522
Program Control Assistant	GS-13	1	17,761
Program Cost Assistant	GS-13	1	17,761
Program Analyst	GS-12	5	75,200
Secretary	GS-6	4	30,908
Clerical Assistant	GS-5	5	34,690
		30	443,680
Regional Operations			
Program Management Officer	GS-15	10	$ 242,510
Financial Management Specialist	GS-14	10	208,150
Program Development Specialist	GS-13	10	177,610
Management Analyst	GS-12	10	150,400
Management Analyst	GS-11	10	126,150
Secretary	GS-6	10	77,270
Clerical Assistant	GS-5	10	69,380
		70	$1,051,470
Total new positions, all activities		100	$1,495,150

WEDNESDAY, MAY 19, 1971.

OFFICE OF CHILD DEVELOPMENT

WITNESSES

DR. EDWARD ZIGLER, DIRECTOR, OFFICE OF CHILD DEVELOPMENT
SAUL R. ROSOFF, DEPUTY DIRECTOR, OFFICE OF CHILD DEVELOPMENT
RICHARD E. ORTON, ASSOCIATE DIRECTOR, BUREAU OF HEAD START AND CHILD SERVICE PROGRAMS
STEPHEN DANZANSKY, ASSISTANT CHAIRMAN, WHITE HOUSE CONFERENCE ON CHILDREN AND YOUTH
JERRY SUTTON, ASSOCIATE DIRECTOR, OFFICE OF ADMINISTRATION
PRESTON LEE, BUDGET AND ACCOUNTING OFFICER, OFFICE OF CHILD DEVELOPMENT
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

CHILD DEVELOPMENT

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 est.	1972 est.
Personnel compensation:			
Permanent positions		1,176	5,721
Positions other than permanent		642	628
Other personnel compensation		10	47
Total personnel compensation		1,828	6,396
Personnel benefits: Civilian employees		118	498
Travel and transportation of persons		901	984
Transportation of things		910	43
Rent, communications, and utilities		249	512
Printing and reproduction		393	436
Other services		660	15,236
Supplies and materials		203	57
Equipment		72	109
Grants, subsidies, and contributions		5,500	368,383
Total obligations		9,934	392,654

PERSONNEL SUMMARY

Total number of permanent positions		91	432
Full-time equivalent of other positions		35	87
Average number of all employees		117	510
Average GS grade		10.1	9.8
Average GS salary		$14,432	$13,609

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
(1) Research and demonstration		5,500	13,500
(2) White House Conference on Children and Youth		2,523	300
(3) Administration and technical assistance		1,911	2,354
(4) Head Start			376,500
Total obligations		9,934	392,654
Financing: Receipts and reimbursements from: Federal funds		−2,000	
Budget authority		7,934	392,654
Budget authority: Appropriation		7,817	392,654
Proposed transfer for civilian pay act increases		117	
Relation of obligations to outlays:			
Obligations incurred, net		6,034	392,654
Obligated balance, start of year			2,104
Obligated balance, end of year		−2,104	−245,843
Outlays, excluding pay increase supplemental		3,813	148,915
Outlays from civilian pay act supplemental		117	

Note.—Includes $376,500,000 in 1972 for activities previously financed from economic opportunity program. 1970, $326,000,000; 1971, $360,000,000.

Mr. NATCHER. The committee will be in order. We have before the committee at this time Dr. Edward Zigler, the Director of the Office of Child Development, together with a number of his associates. Dr. Zigler, you may proceed.

GENERAL STATEMENT

Dr. ZIGLER. Very good.

Mr. Chairman and members of the committee: It is indeed a pleasure to present to you the first budget request for the Office of Child Development which fully reflects the scope of our mission.

Our total budget request for fiscal year 1972 is for $393,068,000, a net increase of $23,119,000 over the fiscal year 1971 comparable appropriation of $369,949,000. Of this increase $16,685,000 is required to maintain Headstart at its present level of 472,000 children served; $8 million is proposed to provide for a number of new research and demonstration projects to focus on problems and issues associated with effective early childhood programs and youth development; the remaining increase of $671,000 is requested to provide for 13 additional positions and related cost to support our research and demonstration activities. These increased staff positions shall play a major role in the design and evaluation of Headstart demonstrations as well as those demonstrations we undertake with funds appropriated directly for our research and demonstration activity. The decrease of $2,237,000 is due to nonrecurring costs of the White House Conference on Children and Youth.

I must call to your attention the fact that the Headstart program is authorized under the Economic Opportunity Act which expires June 30, 1971. Extension of this act is now under consideration by the Congress, and I have testified in favor of this extension on behalf of the administration.

This budget reveals the three major functions of OCD to be these: First, we conduct experimental demonstration programs and research

in the development and delivery of services to children and youth of all economic groups; second, we operate the major child development program for preschool children of the poor, Project Headstart; and, finally, we serve as the Nation's advocate for children at the Federal level. In support of our advocacy role, we attempt to bring about the coordination of services to children to the extent possible under present legislation.

DEMONSTRATIONS CONCERNING CHILDREN AND YOUTH

First, it is my belief that many of the problems of children and youth may be traced to a common source: the segregation of age groups which is pervasive in our society. There can be little wonder that adolescents behave in antisocial ways when adults appear to place so little value on their talents and offer them so few meaningful roles to play. At the same time, we know that younger children can and do learn much from older children, yet, with our present educational system we have created few means by which to bring them together.

In the past year, OCD has used a portion of its research and demonstration funds to begin development of a parenting course for adolescents, in which the actual care of young children in Headstart or day care centers shall play an important role. The development and demonstration of this course shall be continued during fiscal year 1972, and in addition we will undertake a demonstration program in which teenage boys work with younger Headstart boys who have no father present in the home. It is to be expected that young children will profit by the experience of having an older child as a model, and that the adolescent will gain from the opportunity to have significant impact on the life of a young child.

HOMESTART DEMONSTRATIONS

Another approach to meeting the needs of children and youth is programing for family development in the home, rather than relying exclusively on center-based projects which separate parents and children. I have already mentioned our projected course in parenting for the parents of tomorrow; in order to address the needs of families today, OCD will develop and demonstrate several "homestart" programs which will be added to existing Headstart centers to provide services to parents and children of Headstart age and younger in the home. Mothers and fathers who wish to participate will be offered regular assistance in homemaking skills and good child development practices. The costs of homestart demonstrations for fiscal year 1972 are estimated to be $500,000, which shall be provided through the experimental programs funds in our Headstart budget request. The benefit of this kind of program is, of course, that the effects of a developmental home life are far more long lasting and continuous than we could ever expect from a few hours a week in a developmental center alone.

DAY CARE DEMONSTRATION PROJECTS

I must not lead you to believe that extended and improved day care and child development programs are not a good investment;

they are. What I wish to make clear is that we must not move solely in the direction of making developmental experience available to economically deprived children only by providing services outside their homes. The parents of such children deserve to have a choice as to how their children will be served just as do middle class parents. Even as we attempt to create the programs which will make this choice a reality, however, we cannot lose sight of the fact that many children whose mothers must work are now cared for in ways which do not enhance, and often actually retard, their development. During the past year OCD has been deeply involved in preparing materials to assist current and potential day care providers and in developing mechanisms by which day care resources can be created and utilized. These efforts necessarily entail demonstration projects through which we assess the merits of different aproaches to the care of young children who are away from their mothers during the day. Our day care demonstration activities in fiscal year 1972 shall include the development of a training and certification process for child care workers below the B.A. level and testing methods of increasing the child development competence of present day care providers, as well as demonstrating and evaluating innovative curricula. I might mention in this regard that OCD, in cooperation with OEO, is supporting the development of appropriate day care curricula and practices for minority group children, including Indian, black, and bilingual children.

Those preschool children who do not require full day care are still in need of more child development programs of various types than are presently available. As I know you are well aware, all too many children suffer birth defects or later retardation because their mothers did not receive appropriate prenatal care; and however a child comes into the world, once his birth is recorded our society takes little official interest in him until he enrolls in school at the age of 5 or 6. The child of parents who are both affluent and knowledgeable about child development does not usually suffer from this lack of interest. The child whose parents do not know what is needed to maximize his development or who cannot purchase those goods and services he needs, does suffer all too often.

HEAD START OPERATION AND EXPERIMENTATION

In order to ensure that every child gets what is rightfully his—the chance to develop to his fullest potential—we must find better ways of reaching children and their families during the prenatal period and preschool years. Many of our efforts during fiscal year 1972 shall be directed to this end. The Headstart program, which reaches approximately 25 percent of economically deprived children aged 3 to 6 in full-year or summer programs will be continued and improved. I am pleased to report that a systematic evaluation of 150 Headstart programs has been conducted during the past year, and this evaluation procedure will continue through the coming year. The results of these evaluations are being used to enable us to provide appropriate technical assistance to programs so that we may bring them all up to the level of quality Headstart children need and deserve. At the same time, our experimental variations on Headstart are

intended to enable us to reach more children at an earlier age and for less cost. The "Homestart" experiment which I have mentioned earlier is one such effort; another is "Healthstart", in which no less than two summer Headstart programs in each Federal region shall emphasize the delivery of preventive and remedial health services and health education to over 12,000 preschool children this summer, at a cost of approximately $1 million from our experimental program funds. The best of these programs shall be further developed and expanded for operation in fiscal year 1972.

ADVOCACY FOR CHILDREN

Another significant effort I want to describe to you addresses both the problem of reaching pregnant mothers and children who may be in need of services and of creating one model of advocacy for children. The Office of Child Development administers 32 parent and child centers, funded with Headstart moneys to serve parents and children aged 0 to 3. In fiscal year 1972, approximately six of these centers will be converted to "advocacy centers" with responsibility not only for providing services directly to a number of families, but for insuring that all pregnant mothers and preschool children within their catchment area receive any services they may need through existing institutions. It is our expectation that many families who were previously unaware of the availability of needed services will be reached and helped, and that barriers to the provision of services will be documented and corrected. The cost of this effort in fiscal year 1972 is estimated to be $600,000.

Finally, our advocacy efforts will include not only the creation of advocacy centers but will extend to a broad array of issues affecting the well-being of children and youth. It will be the responsibility of a special unit within OCD's National Center for Child Advocacy to plan for and begin implementation of the recommendations of the 1970 White House Conference on Children. We have begun to compile information about child advocacy in other countries, and shall be prepared to mount demonstrations of some alternative models within the coming year. We shall also continue to direct our attention—and funds—to issues of major concern as we identify them. An example of such relatively short-term advocacy efforts is the Special Panel on the Use of Behavior-Modification Drugs for School-Age Children which was brought together by OCD and the Assistant Secretary for Health and Scientific Affairs within HEW last January. This expert panel issued a clarifying statement to the Nation regarding the use of such drugs to treat hyperactivity in children, an issue which has aroused considerable public concern. This report has now been published and sent to over 40,000 parents, educators, and public and private organizations. We are now undertaking a demonstration of methods to bring about needed change in residential institutions for children, a need which was dramatically illustrated in the recent televised documentary on institutionalized abuse of children across the Nation.

We shall also engage in several demonstrations directed at improving the quality of foster care. If we are to move away from institutional care of children who must be away from their parents, it is vital

that the foster care they receive be better than what they would experience in a well-run institution. Finally, we are attempting, through carefully evaluated demonstration projects, to provide emergency services for families in order to prevent separation of children from their parents at all, and will be demonstrating different methods of recruitment of adoptive parents for hard-to-place children.

I hope you will agree that our plans for expending the $393,068,000 we have requested for 1972 are appropriate means for enhancing the lives of our Nation's children. I am confident that the Office of Child Development, with your support, can serve the important purpose for which it was created.

I will be happy to answer any questions the committee may wish to raise.

STATUS OF PROPOSED EXTENSION LEGISLATION FOR HEADSTART

Mr. NATCHER. Your total budget request for 1972 is $393,068,000, an increase of $23,119,000 over the 1971 appropriation. Within that total, $376,817,000 is for the Headstart program and the administrative expenses associated with it, and $16,251,000 is for the other programs of the Office of Child Development.

The Headstart program is authorized by the Economic Opportunity Act which expires at the end of the current fiscal year, as you know, Dr. Zigler. As we understand it, the President has requested legislation extending the present act including the section authorizing Headstart for 2 additional years without any modifications, is that correct?

Dr. ZIGLER. That is correct.

Mr. NATCHER. Can you tell us the status of this legislation as of the present date, please?

Dr. ZIGLER. It is before Congress and there are still committee hearings being held on this. Our hope is that there soon will be a positive action on this bill since it does expire on June 30.

FISCAL YEAR 1972 COST OF LIVING INCREASE FOR HEADSTART

Mr. NATCHER. Your request for Headstart exclusive of Federal administrative expenses is $369,464,000, an increase of $15,877,000 over the 1971 appropriation. Is this increase entirely for the cost of continuing the present program, or does it permit some expansion?

Dr. ZIGLER. It does not permit any expansion in terms of number of children.

What it does permit is the type of cost of living increases we witnessed in this Nation as well as some tightening up on the quality control of the programs now serving the children. It will not lead to an increase in the number of children.

PARENT AND CHILD CENTERS

Mr. NATCHER. Your budget request includes $5,792,000 to maintain 32 parent and child centers in fiscal year 1972, including three centers transferred from the Office of Economic Opportunity in fiscal year 1971.

Tell us briefly what a parent and child center is and what its objectives are and how it operates and how does it differ from a Headstart center?

Dr. ZIGLER. To take your last question first, it differs primarily in the age of the children served. Headstart children are typically four, five and six. The parent and child centers on the other hand represent an experimental effort. It is a network of centers serving children from zero up to three, with the centers also in many instances being involved with the care of zero minus 9 months, that is, the pregnant mother. It is in my estimation a very important experimental method in that the Nation is moving rapidly to the care of very young children. At the same time while the Nation is doing this because of the rise in the day care movement and the desire of mothers to work, there is also a tremendous controversy among experts as to what happens to children this young who are separated from their parents in that there is some evidence that it is quite detrimental to growth and development. I think these 32 centers will give us the base line data to tell us whether this Nation should move ahead in very massive day care and child care for very young children in group settings.

Mr. NATCHER. Are there still any in OEO?

Dr. ZIGLER. Yes, there are four.

SPLIT OEO-HEW ADMINISTRATION OF THE CENTERS

Mr. NATCHER. Doctor, why should these centers be supported by both HEW and OEO? Why is that necessary?

Dr. ZIGLER. I am not sure that it is necessary, Mr. Chairman. I have had reservations about the split. Actually, the rationale for the split at one time was that the OEO, given its research emphasis and innovative emphasis, would have those groups of centers that were the furthest out on some kind of continuum of experimentation, whereas OCD would have those centers which are less experimental in the sense of trying more established kinds of child care.

The dichotomy is a difficult one for me to maintain. It has been my recommendation that these centers all be put under a common management and leadership, and given the developments in OEO, I would not be surprised if this were to happen over the course of the next year. There have been some discussions. My own view is that they are all very important experimental efforts and will be answering a common question.

SUCCESS OR FAILURE OF HEADSTART

Mr. NATCHER. Doctor, I would like to quote from your budget justification and then ask you a question.

On page 21 you state that "research has demonstrated that preschool children from poor families are generally denied the learning experiences and atmosphere available in more affluent families. Headstart was developed to correct this imbalance."

Now, has Headstart been successful in correcting the imbalance for the children who have participated in it?

Dr. ZIGLER. This is a question that people have been debating in the literature and the press. I have looked at this very closely and I have come to the conclusion that it certainly has not turned out to be the panacea that many people expected or hoped for. On the other hand, it has not been the failure that people are now saying that it is, or certain people are saying it is. I think an honest assessment

of the Headstart program would indicate it has been a very innovative social experiment and the children in it profited.

HEADSTART HEALTH AND EDUCATIONAL BENEFITS

They have profited in several areas. In the area of health, people should realize the Headstart program is still the largest delivery system of health care to poor children in this Nation. The numbers of the children needing health care who come to Headstart are astounding and depressing, across both summer and full year programs, something on the order of 40 percent of these children having an identifiable physical health deficit.

Headstart, which now has had several million children through the programs, has essentially taken care of 75 percent of those deficits. On the health side you have this kind of clear benefit to children. On the side of educational readiness for school I think you have to divide that into two parts. One is the intelligence quotient achievement part and the other is personal growth, the attitude and motives of the children, which is just as important to their success in life as five or six more IQ points. What we have discovered with respect to the IQ and achievement there is no question that at the end of Headstart these children are superior to the ones who did not have Headstart. The evidence indicates when the children move into school, two or three years later this advantage seems to be dissipated in comparison to the control group. Whether that is a fault of the Headstart or the fault of the schools that cannot maintain this advantage is an open issue at this point. On the other side, there is considerable evidence that these children do indeed have a better self image and that they can accomplish. It is these kinds of attitudes that my own research and reading of the evidence makes me believe may be the most important benefit accruing from Headstart to these children in terms of later life accomplishments.

PARENTAL INVOLVEMENT

Beyond these aspects of the child himself, which I think are impressive, given the amount of money we have spent, there are other aspects of the Headstart program that cannot be overemphasized in terms of what it has done for the children and for our society. The parental involvement aspect of Headstart really was, I think, a revolutionary idea, when we began it 5 years ago. It has now captured everybody's attention, a realization if you want an impact on the child, you do not take the child and put him in the hands of an expert and some magic is put in the child, but if you want to have an effect on the child you have to have parents involved and give them a sense that they are the controllers of the destinies of their children. Give them knowledgeability about child rearing, give them a sense of worth. It is this kind of parental involvement that has been, I think, one of the greatest accomplishments of the Headstart program because it has surrounded these children with parents, especially mothers who have a sense of worth which is terribly important to the development of the child.

62-917 O—71—pt. 4——36

TRAINING OF CHILD CARE PERSONNEL

Beyond that as an indicator of the success of the Headstart program would be the number of individuals in this Nation that we have taken out of poverty and essentially put into the child care business. Many of the Headstart centers are manned by people who are themselves from the ghetto, these people now numbering thousands, and one of the accomplishments that I am particularly proud of is the fact that we have now placed in college training in the area of child care something on the order of 8,000 of these people, working toward A.A. and B.A. degrees.

When you look at this record realistically, across the board and don't attend too much to the shrill cries on either side, I think you get a balanced view of a program that certainly must be considered a success.

RESEARCH AND DEMONSTRATION PROJECTS

Mr. NATCHER. You are requesting an increase of $8 million for research and demonstrations. Will this money be spent through contracts or through grants?

Dr. ZIGLER. It will be spent probably under both. The emphasis here will certainly be on grants. However, there may be a contract or two. The money will be spent essentially to pursue those charges that have been given to OCD. What I am saying here is that it won't be the NICHD model in which people send in grant applications and we fund what looks good. What is the charge of the Office of Child Development and what should the office be doing for the children and families of the Nation, will determine which projects will be funded. We want to make sure that money goes out in the direction that answers particular questions and deals with the particular concerns of our citizenry.

APPROVAL PROCESS

Mr. NATCHER. Who will decide which projects will be approved, Doctor?

Dr. ZIGLER. It will be a two-aspect or two-level phenomenon. One will be that we are not going to run helter-skelter across the total spectrum of concerns about the children. We can't. We have to figure out those five or six pressing issues we now have about children. Once we have that kind of list of priorities which comes out of a kind of in-house evaluation, we will then solicit grant applications in those particular areas. Once we have these applications, then we must evaluate the methodological sophistication or quality of the proposals being submitted for our approval. At that time, I intend to use the very best brains of this Nation to inform us of their overall quality characteristics. We will have a review committee that will essentially review these grant applications for their scientific and methodological characteristics and quality. However, beyond that I do not intend to abdicate my responsibility in terms of what it is that I want to accomplish as director of OCD. After I have a scientific evaluation, then I want to see how those particular applications fit our own priorities. It will be a combination of what are the important priorities of OCD and the scientific assessment of the quality of proposed grants or contracts.

FUNDS FOR NEW RESEARCH PROJECTS

Mr. NATCHER. How much of the $13,500,000 which you are requesting for 1972 is for new projects and how much for continuation projects?

Dr. ZIGLER. When I came to OCD we had a $2 million fund in section 426, but that gave me very little discretionary movement, inasmuch as something on the order of $1,700,000 went for continuation. With the new $3.5 million in fiscal year 1971, my hunch is that something on the order of one-half of that would be continuation, because these projects typically are more than 1 year in duration.

To discover how to change the quality of the institutional care of these children of this Nation will take 2 or 3 years. So the grants run a number of years. In the base of 5½ million we have something on the order of another million or two of free money. The new $8 million would be all new money.

NEED FOR MORE RESEARCH AND DEMONSTRATION

Mr. NATCHER. Would you like to add anything to what you have already said about the kind of research and demonstrations you have in mind, and why you think we need to spend more money on this sort of thing?

Dr. ZIGLER. I could put it very simply, sir. I think there are areas in which this Nation suffers from very serious short-falls in respect to the treatment of our children. I think what we have to do is not more basic research, what we have to now do is take the research we have and begin doing large demonstrations to really put down those kind of model efforts that can indeed be infused across the Nation.

The areas that I have chosen for this really are, I think very serious matters. My hunch is that $8 million spent in that way, or the $13 million total that we have, could make a lot of difference and would prove to be very cost-effective over a number of years.

ADOPTIONS

Just to take one example—we now have a situation in this country where we have children who could be adopted and who are not. Often these children go into foster care and they are moved from home to home. It is quite deleterious to their own growth and development. Even if one wants to take a purely financial look at this situation, you are talking about the cost of raising a child from infancy to maturity—something from $40,000 to $60,000. It would make a lot more sense to get this child adopted. One of the things we want to do is to begin trying some kinds of innovative ways of getting what we now call hard-to-place children into adoptive care. One of the things we will be trying, and some States have moved in this direction, is subsidized adoptions. If it costs a couple of thousand dollars to help a young couple finance the first heavily expensive days of taking in a new child, that would be a tremendous bargain for the Nation.

At another level, in terms of the growth of that child, what kind of child we will be producing, that child will have a much better chance in life. I am just using this as an example.

DAY CARE

We have a whole array of efforts that we would like to mount. Another aspect which I do want to bring to the committee's attention is our responsibility in day care. We are the lead agency in day care. There is no question that this Nation is on the threshold of a quantum leap forward in the day care of our children.

Who has the responsibility, not of doing basic research in child development, but trying to discover and compare various models of day care—what works and what does not work? Who is going to prepare the Nation for this kind of thrust forward?

The fact of the matter is that I think we often mount programs in this Nation like Headstart without building enough of a knowledge base, enough of an early experimental demonstration effort. Given a passage of the new welfare bill, H.R. 1, the base we are now developing in day care with this money will have to support a $400 million program. I really do not believe it is wise for a nation to push ahead spending $400 million in day care without spending 2 or 3 years before that trying to find out what works, what are more economical ways of doing it, and what ways can we do it to optimize the development of children? These are just a couple of areas we have taken on as our primary priorities, and the money we have requested in this field is to be used for very applied, very pinpointed kinds of demonstration and evaluative research.

Given the things I would like to do at the Office of Child Development, it is the kind of money that will determine the success or failure of this relatively new office.

REVIEW OF STATE AND LOCAL DAY CARE LICENSING

Mr. NATCHER. On page 27 of your justification, you mention a review of State and local day care licensing requirements. When will this study be completed?

Mr. ZIGLER. Within the next year. It is a three-stage effort. One is simply finding out what the States have out there. We do not really have a topology of licensing. One of the real barriers to establishing day care in a massive way in this Nation has been the plethora of licensing requirements which have finally no longer protected the children as much as they have been barriers to providing adequate services to children.

We are finding out the topology of the licensing situation. After we have that we will move in an effort to bring examples of State licensing law models to Washington to see where are the conflicts. We will then move from there to developing a model licensing code.

Then, following that, we move into the third phase, which is to see how much implementation of that model code can we pull off simply by bringing State people to Washington and showing them why this model code is worth having as opposed to what they now have. This is an effort that, by the time it gets through the three phases, will probably be in the year to 18-month category. It is quite far along now in terms of phase 1.

Mr. NATCHER. Do you expect it to result in a standard set of requirements and procedures which could be adopted nationwide?

Dr. ZIGLER. That, of course, is our goal.

NEED FOR ADDITIONAL POSITIONS

Mr. NATCHER. You are requesting 13 additional positions for your organization. Tell us briefly why you think it is necessary to expand your staff, and what you plan to do with the additional positions.

Dr. ZIGLER. Actually seven of the positions are quite relevant to what we have been discussing. These are the positions we would need to spend the research money well. We cannot take on the $8 million more money without taking on the people to make sure the job gets done well.

That is seven of the positions. The other six positions or the decision to request them is an outgrowth of the very careful management study we have done over the past year.

THE NATIONAL CENTER FOR CHILD ADVOCACY

As you may know, I inherited a very new office, in which they just kind of put this thing and that thing and tried to make a unified whole out of it. I thought it was necessary as my first action to bring on a management group and analyze this organization very carefully. That organization study led to a reorganization of the Office of Child Development, and the six positions—most of the reorganization was handled simply by moving people around—will all go into a new unit of the Children's Bureau, namely, the National Center for Child Advocacy. This is an instrumentality now requested by the White House Conference on Children. Everyone is now talking about child advocacy. Also by charge I am to be the Nation's advocate for children. We really need an organization to handle advocacy problems. That advocacy center will have three components; one component, by the way, very relevant to past concerns of this committee.

COORDINATION OF RESEARCH ON CHILD DEVELOPMENT

The three components will be a secretariat, a children concern center and finally a division for vulnerable children. The secretariat might be of particular interest to you because I have been very troubled by the maze of research on child development done in Washington. Everybody seems to be doing the same thing, and there is overlap and so forth. One does not see an organized plan, a whole. Even people who are in the research field themselves are dissatisfied with the Washington effort because it is so disorganized. Upon coming to Washington I pulled together a Panel on Early Childhood Education to help us get the information. What is everybody doing? How does it relate to one another? We brought in people from various agencies, and everybody in the early childhood business. That group has worked very well, and it fulfills the charge that I have been given, to coordinate all of the children's activities in Washington. You cannot begin coordinating until you know what is out there. So what you really need is an information system. We have established the secretariat as the information system. I would like that secretariat to grow beyond the early childhood area. We have the information there already after 1 year. I would like that secretariat to grow so that there would be one place in Washington—and it is not just lists, we can get all the lists we want—where

there will be a conceptual categorization of research, to see where we have gaps and overlaps and where we ought to have coordination. So that secretariat will finally evolve into the information base for all activities having to do with children in our Nation. As I say, after we get everything in Washington, I would like to add to that what is going on at the State level. Finally, I would like our Nation to quit being so egocentric and see innovative efforts around the world so we do not have to keep rediscovering the wheel. So the secretariat will be the information base for the advocacy and coordinating effort.

THE CHILDREN'S CONCERN CENTER

The Children's Concern Center which will be kicked off the ground, I hope, over the next few months, will be an effort to make national agencies, such as OCD, more responsive to people. The Children's Concern Center will be a place where any citizen in this country could write, with an inquiry or concern about children, and get a response. Not only will this give people a great deal of information that they should have about children, or at least utilize all the information we have been collecting with the research fund for so many years, but will do something very important for me. When I say I am the advocate for the Nation's children, I know what I would like to advocate. I think I know where things are working very well. But I do not think that is good enough. What we have to have is some kind of surveillance mechanism. By reading these kinds of letters I will see what are the concerns of people and parents. We have a five stage mechanism already conceptualized on how to respond to that.

USE OF AMPHETAMINES FOR HYPERACTIVE CHILDREN IN SCHOOLS

An example of the kind of things I would be doing is what I did recently with the concern so many people had about the use of amphetamines with hyperactive children in the schools. Congressman Gallagher brought this concern to the light in his hearings before the House. When I started to get a lot of letters, in the absence of a children's concern center, I brought together a group of the country's very best thinkers in this area, child psychiatrists, psychologists, social workers, educators, and delivered a good, clear statement to the Nation to clear up the confusion about this matter and see if we cannot get the Nation back on the track—to allow the children to get the treatment without being stigmatized and to make sure the children who should not be receiving this treatment will not receive it.

Mr. NATCHER. You say hyperactive children?

Dr. ZIGLER. Yes.

Mr. NATCHER. What is a hyperactive child?

Dr. ZIGLER. A hyperactive child, sometimes called hyperkinetic—hyperkinetic is the medical diagnosis—is one with a very short attention span, quite distractible. Young children simply run around, very hard to control, not in the sense that they are malicious or evil; they just seem to be very impulsive. So in classrooms, they are very difficult to contain. They get up and start running around.

It is a condition that drops down about the time the child is 11 or 12, even if you do nothing.

Mr. NATCHER. Assuming you have a little boy 6 years old, who is full of life, perfectly normal, a real cowboy, should he be given tranquilizers because his teacher is tired and had a long weekend or his mother is not feeling well?

Dr. ZIGLER. Mr. Chairman, he certainly should not.

Mr. NATCHER. Did you know that a lot of that is going on?

Dr. ZIGLER. I do know a lot is going on. I am very troubled by it. That is exactly why I put together this commission who wrote a very clear statement on this and a very good one. I would be happy to send it to you.

Mr. NATCHER. Will you submit that to the staff, please? We would like to have that.

Mr. ZIGLER. I would be happy to.

On the response to that report, we have received over 40,000 requests for it, which is some indication that many people have exactly the same concern you have expressed.

Mr. NATCHER. We have had a lot of that in the District of Columbia.

Dr. ZIGLER. It is exactly these kinds of matters that the Office of Child Development must be concerned about and must put an end to. That is why we have to be quite flexible. When these concerns come to our attention, we have to have the wherewithal to move quickly and rapidly into those kinds of areas.

For instance, we are talking about research moneys. When we issued this report, Congressman Gallagher read it and was very complimentary, but he said "That is just half the job—now you have to demonstrate to us how do these places like Montgomery County change themselves as a result of this report." So we are not stopping. We are going to get that report out. We are sending it to every school district in the country.

Mr. NATCHER. I think you should send each member of our subcommittee one, too, in addition to the staff.

Mr. PATTEN. I would like to see the report.

Mr. NATCHER. If you will, send each one of us a copy, Doctor.

(The report follows:)

REPORT OF THE CONFERENCE ON THE USE OF STIMULANT DRUGS IN THE TREATMENT OF BEHAVIORALLY DISTURBED YOUNG SCHOOL CHILDREN

INTRODUCTION

On January 11-12, 1971, the Office of Child Development and the Office of the Assistant Secretary for Health and Scientific Affairs, Department of Health, Education, and Welfare, called a conference to discuss the use of stimulant medications in the treatment of elementary school-age children with certain behavioral disturbances. In convening the conference, the Office of Child Development was aware of public concern about the increasing use of stimulant medications (such as dextroamphetamine and methylphenidate) in treating so-called hyperkinetic behavior disorders. Were these drugs--so widely misused or abused by adolescents and adults--truly safe for children? Were they properly prescribed, or were they used for youngsters who, in fact, need other types of treatment? Is emphasis on medications for behavior disorders misleading? Might this approach tempt many to oversimplify a complex problem, leading to neglect of remedial social, educational or psychological efforts on the part of professionals, parents, schools and public agencies?

In order to clarify the conditions in which these medications are beneficial or harmful to children, to assess the status of current knowledge, and to determine the best auspices for administering these drugs to children, a panel of fifteen specialists was invited to meet in Washington. The panelists were from the fields of education, psychology, special education, pediatrics, adult and child psychiatry, psychoanalysis, basic and clinical pharmacology, internal medicine, drug abuse and social work. The panel's task was to review the evidence of research and experience and to prepare an advisory report for professionals and the public.

This report briefly outlines the general nature of behavioral disorders in children and then focuses on those disorders that are being treated with stimulant medications. It discusses appropriate treatment and the concerns voiced by the public and media. Finally, the report examines the role of the pharmaceutical industry, professionals, and the news media in publicizing stimulant drugs for children and outlines the glaring gaps in needed research, training and facilities.

BEHAVIOR DISORDERS OF CHILDHOOD

A wide range of conditions and disabilities can interfere with a child's learning at home and in school, his socialization with peers, and his capacity to reach his maximum development. Social deprivations and stress at home or school may retard optimal development. Mental retardation, the more rarely occurring childhood autism and psychosis, and other such disabilities may cause serious problems. Some difficulties arise because of clearly definable medical conditions such as blindness, deafness or obvious brain dysfunction. Some are associated with specific reading or perceptual defects, and others with severe personality or emotional disturbance.

Such dysfunctions are known to require careful evaluation, thoughtfully planned treatment employing a variety of methods on the child's behalf, and conscientious monitoring of remedial treatments. Individualized evaluation and treatment is important for any childhood behavior disorder. There are appropriate occasions for use of medications such as tranquilizers and anti-depressants in some children with these disorders. For over three decades, stimulant

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medications have been selectively used for children under medical supervision. We now focus upon issues related to the current use of these drugs.

"HYPERKINETIC DISORDERS"

The type of disturbance which has evoked misunderstanding and concern has many names. The two most familiar--neither entirely satisfactory--are "minimal brain dysfunction" or, more commonly, "hyperkinetic behavioral disturbance." There is no known single cause or simple answer for such problems. The major symptoms are an increase of purposeless physical activity and a significantly impaired span of focused attention. The inability to control physical motion and attention may generate other consequences, such as disturbed mood and behavior within the home, at play with peers, and in the schoolroom.

In its clear-cut form, the overt hyperactivity is not simply a matter of degree but of quality. The physical activity appears driven--as if there were an "inner tornado"--so that the activity is beyond the child's control, as compared to other children. The child is distracted, racing from one idea and interest to another, but unable to focus attention.

INCIDENCE OF HYPERKINETIC DISORDERS

This syndrome is found in children of all socioeconomic groups and in countries throughout the world. A conservative estimate would be that moderate and severe disorders are found in about 3 out of 100 elementary school children--an estimate that would vary somewhat in different communities. More males than females are affected, as is true in a number of childhood ailments. Children so afflicted are generally of normal or superior intelligence. A significant number so diagnosed have special learning or reading disabilities, in addition to the major symptoms. A near majority are reported to have had behavioral problems since infancy. There is a smaller group of more severely afflicted children upon whom most studies have focused; they may show increased clumsiness and a variety of physical symptoms. Thus, some of the children show hyperactivity and reduced attention which ranges in degree from mild to severe, with or without associated physical signs or special learning impairments; some have complex behavioral and personality problems, as well as special learning and reading difficulties, along with the major hyperkinetic symptoms.

CAUSES OF HYPERKINETIC DISORDERS

We know little about definitive causes. The disorder has been ascribed to biological, psychological, social or environmental factors, or a combination of these. There is speculation that the core set of symptoms--those affecting control of attention and motor activity--may have their origin in events taking place before the child is born, or during the birth process, or they may be related to some infection or injury in early life. The neurological and psychological control of attention is an important but incompletely researched topic, as are the nutritional, perinatal and developmental factors. Thus, in many instances, it is not yet possible even to speculate as to original causes.

THE COURSE OF HYPERKINETIC DISORDERS

Usually, the excessive activity and attentional disturbances are less apparent after puberty. Specialists citing experience and some fragmentary research data believe that treatment enables many to lead productive lives as adults, while severely afflicted children who remain untreated may be significantly at risk for adult disorders. Extensive research is still required on these points. Because the ages of 5 to 12 are crucial to the child's development and self-image, treatments which permit the child to be more accessible to environmental resources are warranted and useful.

DIAGNOSIS OF HYPERKINETIC DISORDERS

In diagnosing hyperkinetic behavioral disturbance, it is important to note that similar behavioral symptoms may be due to other illnesses or to relatively simple causes. Essentially healthy children may have difficulty maintaining attention and motor control because of a period of stress in school or at home. It is important to recognize the child whose inattention and restlessness may be caused by hunger, poor teaching, overcrowded classrooms, or lack of understanding by teachers or parents. Frustrated adults reacting to a child who does not meet their standards can exaggerate the significance of occasional inattention or restlessness. Above all, the normal ebullience of childhood should not be confused with the very special problems of the child with hyperkinetic behavioral disorders.

The diagnosis is clearly best made by a skilled observer. There unfortunately is no single diagnostic test. Accordingly, the specialist must comprehensively evaluate the child and assess the significance of a variety of symptoms. He considers causal and contributory factors--both permanent and temporary--such as environmental stress. He distinguishes special dysfunctions such as certain epilepsies, schizophrenia, depression or anxiety, mental retardation or perceptual deficiencies. The less severe and dramatic forms of hyperkinetic disorders also require careful evaluation. Adequate diagnosis may require the use not only of medical, but of special psychological, educational and social resources.

TREATMENT PROGRAMS

The fact that these dysfunctions range from mild to severe and have ill-understood causes and outcomes should not obscure the necessity for skilled and special interventions. The majority of the better known diseases--from cancer and diabetes to hypertension--similarly have unknown or multiple causes and consequences. Their early manifestations are often not readily recognizable. Yet useful treatment programs have been developed to alleviate these conditions. Uncertainty as to cause has not prevented tests of the effectiveness of available treatments, while the search for clearer definitions and more effective kinds of therapy continues. The same principles should clearly apply to the hyperkinetic behavior disorders.

Several approaches now appear tc be helpful. Special classes and teachers can be directed to specific learning disabilities and thus restore the confidence of the child who experiences chronic failure. Modification of behavior by systematic rewarding of desired actions has been reported to be useful in some children. Elimination of disturbing influences in the family or classroom through counseling may often tip the balance, and a happier child may show improved control and function.

There will be children for whom such efforts are not sufficient. Their history and their examination reveal symptoms of such a driven nature that skilled clinicians undertake a trial of medical treatment. Medicine does not "cure" the condition, but the child may become more accessible to educational and counseling efforts. Over the short term and at a critical age, this can provide the help needed for the child's development.

Stimulant medications are beneficial in only about one-half to two-thirds of the cases in which trials of the drugs are warranted. The stimulant drugs are considered to be the first and least complicated of the medicines to be tried. Other medications--the so-called tranquilizers and anti-depressants--are generally reserved for a smaller group of patients. Without specialized medical therapy, the consequences for these children of their failure to manage--even in an optimal environment--are clearly very severe. In such cases, the aim is not to "solve problems with drugs," but to put the severely handicapped child in a position to interact with his environment to the extent that his condition permits.

Response to stimulant medication cannot be predicted in advance. Fortunately, the issue can be resolved quickly. When stimulants are given in adequate doses, a favorable response--when it occurs--is fairly rapidly obtained and is unmistakably the consequence of the drug. Thus, if an adequate test of pharmacotherapy (a few days or weeks) produces only doubtful benefits or none at all, treatment can be promptly terminated. The physician will,

of course, adjust dosage carefully to assure an adequate therapeutic trial. It would be tragic to deprive a child of a potentially beneficial treatment by inattention to dose. Thus, it is clear that not all affected children require medication and that of those who do, not all respond.

When the medication is effective, the child can modulate and organize his activities in the direction he wishes. The stimulant does not slow down or suppress the hyperkinetic child in the exercise of his initiative. Nor does it "pep him up," make him feel high, overstimulated, or out of touch with his environment. Much has been made of the "paradoxical sedative" effect of stimulants in such children. The term is inappropriate. Although their exact mechanism of action is not known, stimulants do not provide a chemical straitjacket. They do not act as a sedative. Rather, they appear to mobilize and to increase the child's abilities to focus on meaningful stimuli and to organize his bodily movements more purposefully.

The hoped-for secondary consequences are better peer relationships, improved self-image, and pleasure in acquiring competencies. Any coexisting dysfunctions--such as special perceptual and learning handicaps--must not be left unattended, simply because pharmacotherapy is available and sometimes helpful. Similarly, personality and psychological problems, social and family problems, may require continued attention.

During drug treatment, the dosage may require shifting to minimize unwanted effects, of which the major ones are loss of appetite and insomnia. Drug treatment should not and need not be indefinite, and usually is stopped after the age of 11 or 12. Frequently, following a sustained improvement over several months or a year or so, drugs may be discontinued, as during a vacation period. Drug-free intervals can be prolonged as observers assess the child's condition.

The decision to use drug treatment thus depends on the commitment to diagnose and to monitor the response to treatment in the best traditions of medical practice. When there is informed parental consent, parents, teachers and professionals can collaborate in organizing and monitoring treatment programs.

CONCERNS RAISED BY THE PUBLIC AND THE NEWS MEDIA

We will now turn to various concerns about hazards and abuses when stimulant medications are used for children. For example, concern has been expressed that the medical use of stimulants could create drug dependence in later years or induce toxicity. This subject touches on the rights of the child to needed treatment, as well as risks to both the child and the public, and requires continued intensive scrutiny.

1. Does the medication produce toxicity?

One should not confuse the effects of intravenous stimulants and the high dosages used by drug abusers with the effects or the risks of the low dosages used in medical therapy. In the dosage used for children, the questions of acute or chronic toxicity noted in the stimulant abuser are simply not a critical issue. Unwanted mental or physical effects do rarely appear in children; cessation of therapy or adjustment of dosage quite readily solves the problem.

2. Is there a risk of drug dependency in later years?

Thirty years of clinical experience and several scientific studies have failed to reveal an association between the medical use of stimulants in the pre-adolescent child and later drug abuse. Physicians who care for children treated with stimulants have noted that the children do not experience the pleasurable, subjective effects that would encourage misuse. They observe that most often the child is willing to stop the therapy, which he views as "medicine." Thus, the young child's experience of drug effects under medical management does not seem to induce misuse. The medical supervision may "train" him in the appropriate use of medicines.

When adults are given stimulants--or even opiates--for time-limited periods under appropriate supervision and for justifiable reasons, there is relatively little misuse. Similarly, in treating epilepsy, barbiturates have been given from infancy to adulthood without creating problems of dependency or abuse.

It is not ordinarily the drug which constitutes abuse but the way in which a drug and its effects are used and exploited by an individual. There are indeed adolescents who, in varying degrees and for varying periods of time, either misuse or dangerously abuse stimulants. They experiment with the effects of excessive dosages to create excitement, to avoid sleep, to defy constraints, and to combat fatigue and gloom. It should be noted that these drugs are not commonly prescribed to children after the age of 11 or 12, when the actual risks of such experimentation or misuse might possibly become more significant.

Alter monitoring of drug use at any age is a part of sensible medical practice. With such precaution and with the available evidence, we find minimal cause for concern that treatment will induce dangerous drug misuse. To the contrary, there are very good reasons to expect that help, rather than harm, will be the result of appropriate treatment.

3. Are there safeguards against misuse?

There are some sensible steps, in addition to medical control, that guard against possible misuse. The child should not be given sole responsibility for taking the medication. He usually need not bring the drug to school. The precautions that surround the medicine cabinet--whether antibiotics, aspirins, sedatives or other medications are present--should be applied. Many such medicines, when misused, can be more dangerous to health and life than even the stimulant drugs. No child in the family should have access to medications not prescribed for him. These are general precautions comprising a part of the child's education in the "etiquette of the medicine cabinet."

4. Do stimulants for children create a risk for others?

The panel agrees that stimulant drug abuse is seriously undesirable and not infrequently dangerous, although views vary on the scope of the problem and the number of actual casualties. Experts also agree that far more stimulants are prescribed for adults than are medically needed and far more are manufactured than prescribed. Overprescription of any medication is deplored, whether or not it is liable to abuse. The question is whether the availability of stimulants for a very few of the childhood behavior disorders threatens the public health.

The prescribed dosage for an individual child constitutes an insufficient quantity to supply the confirmed abuser of stimulants with the amounts he requires. It is also true that illicitly manufactured stimulants are quite readily available and abused in this country. We must weigh the advantages of having appropriate medication available against the dangers of withholding treatment from a child who can clearly benefit from it. We doubt that prescriptions for the children who benefit from stimulants will require the manufacture of excessive and dangerously divertible supplies. With sensible precautions, there is at present no evidence justifying sensational alarm, either about the safety of the individual child who can benefit from therapy or about the safety of the general public.

5. Does medication handicap the child emotionally?

It is sometimes suggested that treated children may not be able to learn normal responses and master adjustments to the stresses of everyday life. These fears are understandable but are not confirmed by specialists who have experience with the conditions and the situations in which medications are properly used. For the correctly diagnosed child, these medications--if they work at all--facilitate the development of the ability to focus attention and to make judgments in directing behavior. Such children can acquire the capacity to tolerate and master stress. The medications, in these circumstances, help "set the stage" for satisfactory psychological development.

The hyperkinetic behavioral disturbance is a form of disorganization that creates great

stress in the afflicted child. The use of therapeutic stimulants for this disturbance should not be equated with the misuse of medication aimed at allowing a normal child or adult to avoid or escape the ordinary stresses of life.

6. What are the rights of the parents?

Under no circumstances should any attempt be made to coerce parents to accept any particular treatment. As with any illness, the child's confidence must be respected. The consent of the patient and his parents or guardian must be obtained for treatment. It is proper for school personnel to inform parents of a child's behavior problems, but members of the school staff should not directly diagnose the hyperkinetic disturbance or prescribe treatment. The school should initiate contact with a physician only with the parents' consent. When the parents do give their approval, cooperation by teachers, social workers, special education and medical personnel can provide valuable help in treating the child's problem.

STIGMATIZING THE MEDICINES AND CHILDREN, AND THE ROLE OF PUBLIC EDUCATION

A child who benefits from stimulants or other psychotropic medications should not be stigmatized; his situation is no different from that of the child who benefits from eyeglasses. It is unjust to stigmatize a child in later life, when competing in various situations (applying for college, employment or organization memberships), by labeling him early in life as "stupid," an "emotional cripple," a "drug-taker," or by any other kind of unjustified and unfortunate stereotype.

Nor should the medicine be stigmatized. Where bad practices prevail--and a number of complaints have been called to our attention--these practices should be squarely dealt with. This is not only a responsibility of physicians and educators, but also of the news media. Yet indignation must be tempered with perspective and scrupulous respect for the facts. An informed and understanding public can foster the growth and development of children, and these public attitudes may lead to the development of more refined and better-delivered health services. Either bad practices or exaggerated alarm can threaten the availability of medical resources for those who critically need it. This has happened before in the history of valuable medicines, and it can take years to repair the damage.

THE PROMOTION OF DRUGS BY INDUSTRY AND THE MEDIA

Pharmaceutical companies producing stimulants or new medications which may become useful for hyperkinetic disorders have a serious obligation to the public. These medicines should be promoted ethically and only through medical channels. Manufacturers should not seek endorsement of their products by school personnel. In the current climate, society can best be served if industry refrains from any implicit urging that nonspecialists deal with disorders and medications with which they are unfamiliar. Professionals and the news media can play useful roles by not pressing for treatments in advance of their practical availability.

THE DELIVERY OF SPECIAL HEALTH CARE: A DILEMMA

Our society has not as yet found complete solutions to the problem of the delivery of special health care. When available treatments cannot be confidently and appropriately delivered by physicians, they are perhaps best withheld until such treatments can be provided--especially with milder dysfunctions. This is not to say that severely afflicted hyperkinetic children should not or cannot receive available medical treatment. But until systems of continuing professional education and ready access to consultants are financed and perfected, some judgment about the pace at which unfamiliar treatments can be widely fostered is required. Finally, we must recognize that it is not only the scarcity of trained personnel, but factors such as poverty and inadequate educational facilities which prevent accessibility to individualized treatment.

THE NEED FOR SKILLS AND KNOWLEDGE

In preparing this report, the Committee was repeatedly struck by our lack of information in many crucial areas. The facts are that children constitute well over half our population, but receive a disproportionately low share of skilled research attention. We have noted the difficulties in arriving at accurate methods of diagnosis and the importance of launching careful longitudinal and follow-up studies. The investigation of causal factors lags. Such factors as perinatal injury, environmental stress or the development of the neurological and psychological controls of attention require study. Variations in different socioeconomic and ethnic groups must be considered in order to arrive at better definitions of behavior properly regarded as pathological. All such research efforts would have aided us in assessing the numbers of affected children and in recommending designs for more effective treatment programs.

Clinical pharmacologists have repeatedly found that drugs may act differently in children than in adults. To use medicines of all kinds effectively in children, more specialists must be trained in drug investigation--pharmacologists who can develop basic knowledge about the action of drugs in the developing organism. There is the obvious need for better and more precisely targeted drugs for the whole range of severe childhood behavior disorders. This requires intense research and training efforts. Such efforts provide the means for developing, testing and delivering better treatment programs. There is a similar need for research in the techniques of special education and also a need to make these techniques available to children who can benefit. It would appear to be a sound Federal investment to conduct such research and training.

In summary, there is a place for stimulant medications in the treatment of the hyperkinetic behavioral disturbance, but these medications are not the only form of effective treatment. We recommend a code of ethical practices in the promotion of medicines, and candor, meticulous care and restraint on the part of the media, professionals and the public. Expanded programs of continuing education for those concerned with the health care of the young, and also sustained research into their problems, are urgently needed.

Our society is facing a crisis in its competence and willingness to develop and deliver authentic knowledge about complex problems. Without such knowledge, the public cannot be protected against half-truths and sensationalism, nor can the public advance its concern for the health of children.

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Practicing Pediatrician in Gainesville, Georgia, and Past Chairman of the Georgia Chapter, American Academy of Pediatrics

Mr. NATCHER. Mr. Shriver.

EXTENSION OF THE ECONOMIC OPPORTUNITY ACT

Mr. SHRIVER. Thank you, Mr. Chairman.

Doctor, you mentioned the Headstart program's authorization and that you testified in behalf of the extension of Headstart.

Is that going to be under the Economic Opportunity Act or will it be separate?

Dr. ZIGLER. It will be under the Economic Opportunity Act. The change will be that the money now will come directly to HEW rather than going through the Office of Economic Opportunity and then being funneled or delegated to HEW.

Mr. SHRIVER. Will Headstart itself be a separate authorization, or will it be under the general extension of the Economic Opportunity Act?

Mr. ORTON. It will be under the general extension of the Economic Opportunity Act. It is now written into that act.

Mr. SHRIVER. I know it is now. Since you are going to be operating it, I thought there might be a separate authorization?

Dr. ZIGLER. No, sir; there will not.

THE HOMESTART DEMONSTRATION GOALS

Mr. SHRIVER. Will you explain the new Homestart demonstration program?

Dr. ZIGLER. Yes, I would be glad to. I have been concerned about the tendency in our society to try to only mount one type of effort for children. That effort always involves taking a child and putting him in a setting in the hands of experts, and I put experts in quotes. I think we have to get back to a very basic fact of development; namely, that it is the quality of the relationship between the parents and the child that is probably the single most determining influence in the development of children. It is not enough simply to take children away from parents and do something with them. What we have to do in this Nation is help parents become better parents. This is not just the poor; this is some of our middle socioeconomic class citizens as well who are not conversant with good parentage as they should be. The Homestart program will be an effort where we actually send people to a series of homes. They will work with the parent, not tutoring the parents' children, but tutoring the parent. You do not walk in and say, I am a great expert and I will tell you how to raise your children. You walk into the home at the request of a mother and you say: What is it you would like to accomplish with your children? What are your goals for your child? Once you have those, you say, "I will help you with them." So you work with the mother who in turn uses what you give her in the child-rearing of her own children. Actually, a number of these experimental efforts have already been done in this country. Levenstein of New York, Zeuss and Gray in Nashville, and Ira Gordon in Florida. What I am saying it is now time to move from these experimental efforts to a nationwide demonstration.

We have to give the parents a choice. Those parents who want help in raising their own children, let us give them that. Those who would

like a group situation for the children, let us provide that. But let us give the parents a choice. My own hunch is the real future in optimizing child development in this country will come in the Nation's homes more than in the day care and child development centers.

Mr. SHRIVER. How much would that program cost?

Dr. ZIGLER. Given my philosophy that you do this thing carefully, we will mount only 15 of these programs during the coming fiscal year. I imagine that will be something on the order of $500,000.

Mrs. REID. How do you find these parents? Do they come to you?

Dr. ZIGLER. Yes. What we have discovered—and has been discovered in the experimental program, especially the young mother—is that in many areas there are young mothers looking for help who are poor in the socio-economic sense. They are not looking for moralizing They want to know why it is important to feed a child a certain diet. Why don't you hit a young child? So what we find is that these parents ask for this kind of help. That is the only way we would move into their homes. But it gets popular very quickly.

INFORMING PARENTS OF HOMESTART SERVICES

Mrs. REID. How do you get the information to them that they can ask for this help?

Dr. ZIGLER. What I see Homestart as becoming would be an outreach program of the Headstart effort which does have the enthusiastic support of so many people in this Nation. Some people do not want to send their child to Headstart but they want him to have something good. I would say this would all take place in the same neighborhood and by word of mouth. Certainly we won't have a bit of trouble getting a number of mothers to take advantage of this. We would provide the children with the other kinds of services of the Headstart program, like medical care. We would make sure just because the child was in a home rather than a center he did not have to forgo medical care if he needed it.

LOCATION OF HOMESTART PROJECTS

Mr. SHRIVER. You are going to have 15 places in the country where you are going to do this.

Dr. ZIGLER. Yes. My hope is to expand this to 30 within 2 years. Even in 15 you are talking something on the order of 2,500 children.

Mr. SHRIVER. Where are these 15 places going to be?

Mr. ZIGLER. We are just mounting this program. I want to put these 15 down with some geographical dispersion. But at the same time I am not so interested in geographical dispersion that I would prejudice the success of the program. You have to have these in places where the cadres of people will go into the homes, who will not be the BA and MA people, but who will be a new professional type person with circumscribed training. They (the 15 centers) will have to be someplace where we give these people this kind of training so these persons can be effective when they go into the homes. I cannot answer exactly where the 15 will be but hope they will be spotted around the country wherever the resources are.

COORDINATION WITH MATERNAL AND CHILD HEALTH CENTERS

Mr. SHRIVER. You mention the activities in the field of prenatal care. How are these activities coordinated with those of maternal and child health?

Why is it necessary to have both of these agencies working in this area?

Dr. ZIGLER. We do not provide the services that maternal and child health provides.

What we have to do is to be wired into the centers, which we are. We do not have these kinds of centers. When we have a mother who is newly pregnant or has a newborn, we have to make sure that mother gets to the maternal and child health center. There has been a problem, one that people vary in terms of how severe they think it is, and there is a reluctance on the part of those who need these maternal child health centers to use them. It has to do with certain social values and what have you. At any rate, I would see our role as not duplicating maternal and child health centers, but making sure that the mothers who need these kinds of services get them. That would be our role, not duplicating the services.

RESULTS OF HEADSTART EVALUATION

Mr. SHRIVER. Would you summarize the highlights of evaluation results so far regarding the 150 Headstart programs mentioned on page 7?

Dr. ZIGLER. Yes. The key word would be "heterogeneity." Some are very good, some are medium, and some very frankly are much more mediocre than I would like them to be. It was a program that got mounted very quickly. When we move in we actually get a profile against each service that the Headstart is supposed to be providing for children. That too is uneven. I think our early findings suggest we have done better on the health side than on the educational side.

Again, there are none of these centers that we have looked at to date that cannot be helped and brought across some threshold of quality. The monitoring we have done to date will be useless unless we follow up, as we intend to do, with the kind of technical assistance that is needed.

We are moving very rapidly. I think it would be a mistake if anyone really feels the dream of Headstart has been realized in this Nation because the fact of the matter is that many of these centers are still not delivering the quality across the board services that represent the Headstart experience.

Mr. SHRIVER. You may want to add that for the record.

(The information follows:)

FISCAL YEAR 1971 MONITORING OF HEADSTART PROGRAMS

Fiscal year 1971 has been an important year for monitoring activities in Headstart. The Office of Child Development began a program of monitoring 150 full year Headstart programs in the fall of 1970, and by May 1, 1971, 108 programs had been monitored by regional offices and private contractors.

Approximately 3,000 man-days have been utilized so far by OCD Headquarters staff, OCD regional staff, regional training officers, the American Academy of Pediatrics, public health services, and consultants in the monitoring effort. Our

preliminary findings indicate that program quality is generally rather good. Although, as would be expected, areas have been identified which are in need of improvement. The monitoring results obtained in fiscal year 1971 will provide the basis for program modifications which will raise the quality of service in every Headstart program to the desired level. Monitoring serves the purpose of determining the strengths as well as problem areas which may exist in Headstart programs.

RECOMMENDATIONS OF THE WHITE HOUSE CONFERENCE ON CHILDREN

Mr. SHRIVER. On page 7 you say the National Center for Child Advocacy has the responsibility for planning and implementing the recommendations of the 1970 White House Conference on Children.

Would you either now or for the record discuss some of these recommendations and what is being done to implement them?

Dr. ZIGLER. I have a list of the priorities with me. They are not terribly surprising. Just to give you the first three or four: The need for comprehensive family oriented child development programs, including health services, day care, and early child education; the development of programs to eliminate the racism that cripples all children; improving the Nation's system of child justice, so laws respond in timely fashion; a federally financed national child health program which assures comprehensive care for all children.

I can go on.

Mr. SHRIVER. Will you put that in the record?

Dr. ZIGLER. We will give you a complete list for the record.

(The information follows:)

Results of Balloting by the Delegates to the 1970 White House Conference on Children on Overriding Concerns and Specific Recommendations

Following are the results of the December 18, 1970, balloting by the White House Conference on Children, as certified by the accounting firm of Alexander Grant & Company, Washington, D.C.

Votes were cast by 1,912 delegates, or 52% of those eligible. Several Forums chose not to vote, feeling that all of the recommendations should be considered of equal importance.

OVERRIDING CONCERNS	Weighted Vote*	Ranked by No. of 1st Place Votes Only
.Comprehensive family-oriented child development programs including health services, day care and early childhood education	1	3
.The development of programs to eliminate the racism which cripples all children	2	2
.Reordering of national priorities beginning with a guaranteed basic family income adequate for the needs of children	3	1
.Improve nation's system of child justice so law responds in timely, positive ways to needs of children	4	11
.A Federally financed national child health care program which assures comprehensive care for all children	5	6
.A system of early identification of children with special needs and which delivers prompt and appropriate treatment	6	10
.Establishment of a child advocacy agency financed by the Federal government and other sources with full ethnic, cultural, racial and sexual representation	7	8
.Establish immediately a Cabinet post of children and youth to meet needs of all children	8	4

OVERRIDING CONCERNS (Cont'd)	Weighted Vote*	Ranked by No. of 1st Place Votes Only
.Health, welfare, education and bilingual-bicultural growth of all children must be given top priority.....	9	7
.Immediate, massive funding for development of alternative optional forms of public education.....	10	9
.A change in our national way of life to bring people back into the lives of children.....	11	5
.Elimination of racism demands many meaningful Federal programs, particularly an adequate family income maintenance floor.....	12	12
.A national land use policy must be developed to guarantee the quality of leisure services, social services and our nation's natural resources for all children.....	13	15
.Universal developmental child care without sex role stereotyping will help to eliminate institutional, individual sexism.....	14	16
.All institutions and programs that affect children must involve children as active participants in the decision-making process.....	15	13
.The Indian representatives of this Conference will recommend that all levels embark on a vigorous practical approach to enhance the future of our children	16	14

*Under the weighted voting system, 1st place votes received 16 points, 2nd place votes 15 points, 3rd place 14 points and so on. Each concern's total points determined its rank in the listing.

SPECIFIC FORUM RECOMMENDATIONS	Rating	No. of Votes
.Provide opportunities for every child to learn, grow, and live creatively by reordering national priorities	1	933
.Redesign education to achieve individualized, humanized, child-centered learning. We support proposed National Institute of Education with this goal	2	820
.Establishment of citizen community action groups to implement the multitude of excellent recommendations which have evolved out of this White House Conference on Children	3	771
.Reform justice system; emphasize prevention and protection; replace large institutions with small, homelike facilities	4	735
.Rights of children, including basic needs and education, require legal and other accountability of individuals and agencies responsible for providing them	5	618
.Establishment of a child advocacy agency financed by the Federal government and other sources with full ethnic, cultural, racial and sexual representation	6	602
.A Federally financed national child health care program which assures comprehensive care for all children	7	514
.To enhance the self-worth of all children, and to achieve early population stabilization, we recommend consumer-determined, publicly funded programs of (1) family life, sex and population education, and (2) voluntary family planning services and safe abortion available to all	8	482
.Resolved: The President immediately and unequivocally express his commitment to enforce existing legislation to end racism and discrimination	9	481

SPECIFIC FORUM RECOMMENDATIONS (Cont'd)	Rating	No. of Votes
.The establishment of a Department of Education with Cabinet status, backed by a National Institute of Education	10	430
.Establish immediately a high-level, independent Office of Child Advocacy, with a network of local advocacy	11	427
.Department of Family and Children with Cabinet status: state and local councils, all adequately funded	12	406
.Comprehensive developmental programs for handicapped or potentially handicapped children from birth to six be mandatory	13	382
.The United States can and must drastically reduce injuries--perinatal, traffic, poisoning, burns, malnutrition, rats--and provide health and safety education	14	364
.Quality developmental child care requires thoroughly trained personnel and parent and community control of programs!	15	337
.Federal support for independent research and dissemination of information on existing and alternate forms of education	16	316
.Establish a people-oriented, National Institute for the Family for action, advocacy, implementation, legislation and research	17	299
.A Federally financed national child health care program which assures comprehensive care for all children	18	293
.The right-to-read effort be established as a top national priority supported by special legislation and funding commensurate with its critical importance	19	271
.Promote expressions of identity through physical-emotional identity learning, parent education, and an international children's year	20	270

SPECIFIC FORUM RECOMMENDATIONS (Cont'd)	Rating	No. of Votes
.It is essential for a national body to be formed to assure the implementation of the recommendations of the 1970 Children's Conference.....	21	259
.That these words be included in the Pledge of Allegiance to the flag: "...stands; and dedicate myself to the task of making it one nation,..."	22	196
.That cross-cultural, participating experiences must be provided for all children so they may understand the concepts and goals of justice in terms of human relations; and that community decision-making processes and educational experiences must provide for the participation and knowledge necessary for a personal, realistic commitment to the democratic system.....	23	152
.Establish a national task force to develop an Office of Leisure Services at Federal and state levels.....	24	120
.In an effort to begin the process of improving the quality of life for children (some of whom we can each call by name) the members of Forum 20 (Child Development and Mass Media) are making such recommendations as to affect and implement many concerns regarding humane human development and the mass media. We are unwilling to suggest the relative dispensibility of any one of our recommendations. They are all urgent and affordable.....	25	89

Dr. ZIGLER. What we have here are 4,000 American citizens concerned with children, who came to Washington and voted on these. In principle they all sound very good or most of them sound very good to me. The problem is how you do specific things. Since many of these have to take place at the State level, how do you build the liaison between the State White House Conference committees and the effort here? It is exactly this kind of implementation that is required. I am sure the people that came to Washington wanted more than a wonderful document with 15 broad points. We will move very quickly to work with the State committees and the volunteer organizations to flush out these priorities in a much more specific doable way.

JOINT HEADSTART-MODEL CITIES RESEARCH

Mr. SHRIVER. In the justifications on page 18 you briefly describe a cooperative program in 1971 with model cities concerning child care, day care centers and youth services at the community level. What kind of program is that?

Dr. ZIGLER. Approximately $850,000 was put into this particular venture. Some of the money is spent simply to help model city communities coordinate child care activities. The second is simply in providing new models of day care themselves. Some are quite innovative including satellite systems where you put children into people's homes with a satellite center to make sure the children are being treated well. A third type of effort is in the youth area, where there are new kinds of activities being devised for children in the 8 and 9 year category, which are becoming very critical years. These are years that are now considered kind of prejuvenile delinquent. Something has to be done to keep the children in the proper track. These are the types of activities that we are funding with this money. It comes out of our research budget, and so tied to each of these efforts is an evaluation effort to see which of these particular kinds of model cities efforts look promising and look valuable with respect to being implemented much more widely than the one or two communities they are now in.

PARENT AND CHILD CENTERS PROGRAM

Mr. SHRIVER. According to the table on page 22, the only Headstart program under your jurisdiction which will serve more people in 1972 than in 1971 is the parent and child centers program.

Is this due only to the additional transfers from OEO, or what is the reason?

Dr. ZIGLER. Primarily, yes.

Mr. SHRIVER. I also noticed that my own State has never participated in this parent-child centers program. What are the criteria for establishing these centers?

Dr. ZIGLER. They were established originally simply by selective communities around the Nation where they have ability, laying out some guidelines, the age of the children to be served, requesting that they fulfill the commitment to parental involvement, the use of volunteers—the usual Headstart concepts but put down at this earlier age. A number of these proposals came in, and those that were wthin our budgetary limitations and looked most promising were funded.

Mr. SHRIVER. Thank you.
Mr. NATCHER. Mr. Patten.

DEVELOPING BETTER FORMS OF CHILD CARE

Mr. PATTEN. Doctor, I like your pep. I think you are on the ball. You are a take-charge guy. You talk like a practical politician who speaks from experience.

Dr. ZIGLER. Thank you, Congressman.

Mr. PATTEN. I like your grit, because I do not think we are dealing with anything new or strange. We had a lot of children in 1920, 1930, 1940. We have had our State board of children's guardians over many, many years. We have seen the family break down, we have seen the deserter and the alcoholic, and this problem has been with us long before you were born. Our religious organizations across the country, I imagine—at least I know in my area—were always in on this. The Catholic Church in our diocese always had an orphanage, and we had other facilities for day care and child care and prenatal care in my town ever since I can remember. We have had doctors who gave what they called prenatal care. It was more medical. They were not talking about the enzymes or chromosomes or genetics, but the physical examination of pregnant women in centers around my city was done over many, many years. It has been done for a long time in the broad sense of the word. I think it is pretty general compared to this publication of your Department on how much prenatal defects control our destiny.

Yesterday a bill was introduced to put up $5 billion for child care. Then I read in the paper that a Senator pressured the White House that he will not vote for the reorganization unless he gets VISTA.

How about all this talk without mentioning names about this $5 billion? Are you so idealistic you would like to see $5 billion? You said there were 6 million fatherless children and you would like to see something done across the whole board; $13 million you said for demonstration projects.

Dr. ZIGLER. I would like to see this idea of Home Start spread. You have put your finger on the problem. It is so pervasive that we will have to use all of the resources of society in the various programs, if we are going to pull this kind of thing over.

All I am talking about is mounting an experimental program. I would like to see the time when VISTA volunteers and beyond VISTA volunteers, our young people in high school take on themselves the role of working with young children in the home, as a part of the typical high school effort of teaching people how to be parents. There are plenty of children to go around. What we are going to have to find are economically viable ways of helping these children. I think we might be able to kill two birds with one stone. We have fatherless boys who could use an older male figure and at the same time we have adolescents who get into constructive efforts like VISTA but many who do not, who are really looking for a role in our society. If we could mount a program like Home Start and give young people training in high school on how they should behave as parents and how to go into a home and simply be a companion or big brother to a young boy, there are plenty volunteers to go around. There will be much for OCD and VISTA to do. We will have to develop some new forms. The

critical thing is that the Nation does not have $5 billion nor am I convinced it could spend it well if it did have it. We will have to try to come up with some innovations that make sense and get them instrumented in this country.

STATE, LOCAL, AND PRIVATE CHILD-CARE EFFORTS

Mr. PATTEN. How much are the States and local governments doing and private groups like the Lutherans and Methodists and Episcopalians who have always done work of this type on a local basis—many have been in the act as volunteers. I do not think there is a minister or a priest who has not lived his life helping a family in need, taking care of a widow or children, or going into a house where the old man was a drunk.

I do not think there is a member of the clergy, and I think there are a million religious in the country, who has not done that. What is the sum total of the present effort to help in the family life of the poor children?

Dr. ZIGLER. I could not come up with any kind of figure.

Mr. PATTEN. It is enormous.

Dr. ZIGLER. It is an enormous figure. What you are saying I would underline. I do not think this is just a national job. I think the volunteer and religious organizations have a critical role to play. They have played it for a number of years.

Given the size of the problem and the limited number of dollars, we ought to mobilize all resources, including, as I said a moment ago, young people to do part of the job. I think it is important for OCD to work with the religious groups and organizations you are talking about. One of our plans in following up the White House Conference on Children is to do just that. Many of the recommendations really take people at the local level with local resources to get the job done. The job is so massive that what OCD must do is use our limited money as a level to find out certain things, to show them what to do, and then do all we can to mobilize exactly the kind of resources you are speaking about, as well as get industry involved, to get the job done. I think certainly in respect to day care that is of such pressing concern now that industry will have to move into this area.

I have been talking to people like A.T. & T. to see what role they are going to play.

Mr. PATTEN. You mean you are going to put social consciousness into industry. You are really a crusader.

I can tell you from practical experience you are certainly hopeful if you think industry is going to manifest such interest. We have a hard time. They always say "The main office adopts a budget."

Let me tell you, when we started the Headstart project, we did not have your problems. We did not need any tranquilizers. We had a better situation. We had the Puerto Ricans with the language difficulty. There was the family structure. Most everybody was working. We had more volunteers in the room than we had children. So it was the ideal concept of Headstart. Ex-schoolteachers and many others wanted to help. The whole program had 100-percent endorsement throughout the community. The press and churches all took an interest. Our Headstart program in my town has not been subject to any

criticism, and it lived up to your idea. The results are wonderful. Our biggest problem is that people who are not eligible want their children to be in the program. I can tell you a lot of money was spent by individuals, and they were happy to do it. They were good women. You never mentioned another thing. In my time in the community, if we had a Jewish child, I never had to worry about that if I was mayor. The Jewish women would take that problem and stay right with it. It never became a problem for the community. The same thing with some other groups.

PLACING CHILDREN FOR ADOPTION

I watched adoptions for many years in my county. In fact, we always had a big waiting list of people who wanted to adopt children. Couples would say "Yes, we want a child." They had to wait and wait. The only way to do it was to keep in touch with the doctors to try to anticipate when you are going to have a child to help some couple. You had to stay with it for months. But the greatest source of information for adoption was to keep in touch with the doctors, who would be the first to learn. The problem you talk about in parts of the country must be a different problem. When you talk about subsidizing adoption, you must have areas in the country where nobody is interested in adoption—maybe in the inner cities. I do not know.

Dr. ZIGLER. There is a problem with children who are hard to place. Hard to place is a euphemism in certain cases for black children. In other cases, it is for physically handicapped children; also older children.

People do not like to adopt an older child. There are special problems. I do not know whether it has to do with cultural variation in people as much as their financial abilities. If you are a young black couple you may very much like to take on the responsibility for adopting a young black child. But the problem is simply that you are just working your own way out of poverty and to take on that kind of responsibility at the young age that people usually adopt children is simply more than you would like to take on because of your own history of privation. If we could help a young couple, who feel they will be financially able in a few years, over the first year or two, that may be the way to do it. I am not saying it is. I am very apprehensive of putting bounties on any kind of children. I think we will have to come up with some viable ways. As long ago as the 1930's, we said every child has a right to a home. I believe that very sincerely. We have to find mechanisms. Things have changed. There are different groups with different problems. We must try things. That is exactly what I intend to do.

CONTINUING NEED IN THE CHILD-CARE AREA

Mr. PATTEN. The impression I am leaving is that, as you come into your work, you must find people who are already working on the State board of children's guardians, the courts, and a lot of religious and ethnic groups, who always responded. So it cannot be a crisis all along the line.

Dr. ZIGLER. I am certain it is uneven. But Congressman, we have a situation where we have young girls 14, 15, 16, and 17 years of age, having not one illegitimate child, but several, and this being in the numbers of hundreds of thousands. To me that is a crisis. We have to pinpoint problems.

That is a problem; the unwed, young pregnant girl. We have developed programs for such girls.

Mr. PATTEN. I do not think there is anything new in that respect. I was interested in Mr. Shriver's reaction. We ought to take a different look at this. I do not know what your reaction is in your community. I don't want to downgrade the tremendous amount of normal healthy interest that our women have already displayed across the board in many groups on this problem day in and day out and put up their own money to solve the problem. I can think of names and people who all their lives helped. There is a tremendous amount of work done throughout this country which does not need the help of the Federal Government and does not need any research or psychiatrists.

What bothers me is do we need this $5 billion under this bill that was introduced yesterday?

UTILIZING INTERNATIONAL EXPERIENCE

Tell me this: You spoke of international participation. You are going to take a look at it. I forget the expression you used. What other countries? You are going to gather information. Do the Commies do a better job in child care than we do; or don't you know?

Dr. ZIGLER. Yes; I think I do know. It is interesting that just as we are moving more and more children into centers, they have gone through that episode and they are cutting down on that effort in the nation. They have come to the conclusion that parents will do more for their children for nothing than paid employees will do for something.

Mr. PATTEN. They push the abortion law.

Dr. ZIGLER. It depends on the country. The Russians themselves are moving away from abortion. Their values are becoming different on this issue. Poland is much more abortion addicted. The countries behind the "Iron Curtain" vary on this.

My concern is that it is imperative for us to utilize the knowledge and experience of all of the countries of the world and many countries have tried things we have not begun to try, like the advocacy system in Denmark, and the Children's House in Israel, and the early education system in France, the infant school in England, which is now catching on in this country—that started in England and not the United States. We have been, I think, remiss in not having some agency here in Washington surveying and finding out what these other countries are doing. It doesn't cost very much money to find out what kind of innovations they tried and how they worked so we do not have to perpetuate the same mistakes the other countries made. Let us learn from these experiences.

Mr. PATTEN. Many of our people have been in Korea. They have lived there. We have been there heavily since 1953. We ought to know what Korea does. We ought to know what they do in Vietnam, Australia, and other countries, I would be interested. I would be interested in seeing your appraisal.

Dr. ZIGLER. We will have this appraisal. I will be happy to make it available to you. I will also send you the reports of the White House Conference, because those reports did come out and while there was a certain amount of turmoil, which I think is endemic to any conference in the year 1970, when it was held, or 1971 for that matter, it was a successful conference. The people got their work done and came up with a list of priorities that certainly make me want to respond to them.

UTILIZING EXISTING CHILD CARE AGENCIES

Mr. PATTEN. You hear what I am saying to you. You talk of a few demonstrations for $13 million. When you talk of the problem as I see it, I think we are coming up with a drop in the bucket. Let us take one thing specifically, the day care centers. I will take you through all of Virginia and Maryland, town after town—I am not talking about crisis areas or inner cities—and I will bet throughout this Nation on the whole we do not scratch the surface on day care.

There is one thing we ought to know. Originally when we talked of Headstart and we talked of our help for the children, we emphasized using the existing social agencies. I kind of think we got away from it a little bit.

I know our existing social agencies do a good job.

We had a debate on the floor about Headstart and OEO. The predominant theme was to use the existing facilities of the agencies.

If we don't use the existing agency in our program we lose a lot of strength. I don't know whether you are afraid of mixing religion or something but in my State we are not fully using the existing agencies that have always done a good job in helping people—family care, care of orphans, broken families.

Dr. ZIGLER. My view is that the community action effort did tend to ignore many of the established social institutions of the sort you mention, perhaps to the detriment of programs. It varies so much from community to community.

In certain places Headstart had to start with a YMCA. Other places it did not. So there is great variation around the country because it turned out to be a program without any real national guidelines on that particular issue. It was to let the community decide. Then it came up to the Community Action Agency and that is simply the way the Headstart effort evolved.

These other agencies have much to contribute and are probably being underutilized. There is thinking in the Nation that whatever is new is better. I would take issue with that.

I think you are correct. There are concerned citizens who have always been there and tried to do what they can for every group of individuals. My position and the position of OCD would be to utilize these resources to the fullest.

Mr. PATTEN. I have nothing further.

Mr. NATCHER. Mrs. Reid.

IMPLEMENTING RECOMMENDATIONS OF THE WHITE HOUSE CONFERENCE

Mrs. REID. Thank you, Mr. Chairman.

Doctor, in response to a question from Mr. Shriver you said you would list the priorities and recommendations that came out of the

1971 White House Conference on Children. Do you feel these are priorities which you can set and recommendations you can utilize?

Dr. ZIGLER. Yes, I can. This was the voice of the people at the grassroots. That is what the White House Conference was all about. Four thousand came to Washington and they did a great deal of work and they came out with a list of priorities.

Honestly, even if I didn't think personally these were the correct priorities, I would think them somewhat sacrosanct and would do all I could to put them into effect.

I don't find myself in that kind of conflict. They are thoughtful and have many good viewpoints on the development of children.

The problem I am having with them is not on a conceptual basis but because some of them are amorphous. It is not wrong to say you wanted to do something about racism in the Nation, but the next thing is to figure out what specific actions we can take at State and local levels about this problem.

As I say, we have to move these down from an amorphous level to a little bit more concrete level. In that process, we will use the organizations that Mr. Patten was describing to us to see what specific plans we can come up with. That is what the implementation follow up is all about.

COORDINATING CHILD DEVELOPMENT PROGRAMS

Mrs. REID. I am encouraged by the remarks you made this morning and your statement about your very positive efforts to consolidate into your office the programs which exist, for instance, in HEW. This is something which has concerned all of us, the overlapping of these programs.

I think you are taking positive steps.

FOSTER HOMES

Last year I asked Mr. Sugarman a question about how he planned to go about a program to improve the availability of foster parents, and he said that they were particularly excited by a group in Detroit who had been quite successful apparently. Has this continued?

Dr. ZIGLER. Yes, that has been followed up. In fact I appeared before the First National Conference of Foster Parents that was held in Chicago just about weeks ago, which is an outgrowth of the Christopher Society Group of Detroit.

Foster parents and social workers, people interested in foster care, adoption, came from 49 States to that conference and established the first national organization of foster parents. Their main goal, of course, will be in recruiting other foster parents and given the experience of the Detroit group, teaching another group based on that.

We do have a new national organization on the scene and one I think will be very productive and helpful to really our Nation's most vulnerable 250,000 children who have to have some kind of foster care homes.

Mrs. REID. I suppose one of the difficulties is to move away from the institutional care of children to foster paretns. I would assume that is part of the problem.

Dr. ZIGLER. Yes. There is a continuum of a good life for a child. Extremely bad on that continuum would be poor institutional care.

I have studied institutions myself for over 15 years and can only tell you I am shocked at the abuse and degradation of so many of our children who are institutionalized. That is why we have to develop more foster homes to see that children are not placed in institutions.

Some children do need institutional care, but the vast majority have no business in being institutionalized and can be placed in foster or adoptive homes or can be kept in their own home, which is an effort I am also interested in.

I think institutions in this country are a disgrace. I think the television show "This Child Is Rated X" vividly displays my concern. If children are going to be in them, how can we upgrade the quality of those institutions. That problem is one of the major objectives of the Office of Child Development today.

DIFFICULTIES IN ADOPTING CHILDREN

Mrs. REID. Yet there seem to be many problems at the local level in actually placing children with foster parents many times when there are parents who really want a child.

I had a situation in my district where a fine young couple wanted a child but because of the redtape with the local people, they were not able to adopt one.

Dr. ZIGLER. This is the problem. The fact of the matter is that States and localities in many places are living with what I consider to be archaic rules and regulations based in my estimation on some very questionable values. I want to do something about this too.

We are. We have a project right now in CSA over in SRS where OCD will take the lead in trying to develop guidelines and model legislation for foster care and adoption.

We will be the agency—while CSA will spend the money, we will be the agency that will be concerned about developing the guidelines for the new $175 million item in H.R. 1 having to do with foster care of children.

The problems you are pointing out are very real problems. These are the kind of problems that don't take vast sums of money to solve. They simply demand somebody that is concerned about them, somebody that comes up with a reasonable model for States and localities to follow.

We plan to do this across the child care board—day care, foster care, adoptions, what have you. As I say, this is a very major goal of my office.

RESEARCH INTO INNOVATIVE USE OF TV

Mrs. REID. Are you conducting some kind of research in regard to the innovative usage of television?

Dr. ZIGLER. It is listed in our budget as a major new thrust for 1972. It is a shame I think that we have had this ubiquitous box in our home for 20 years. It has been probably the most important socializing influence in our society after the parent, and in many homes more so than the parent. Yet we know very little about its influence either for ill or for good.

Somebody in Washington is finally going to have to take the lead to find out just what are the harms of television for children as well as what are the potentialities of good.

I think one of the good things about Sesame Street is that it has opened our eyes to the knowledge that the box can be used for something worthwhile as well as just to display people abusing each other physically. We are going to do all that we can to pull the pieces together with respect to the influence of television on children. This is the concern of the AK group in Boston in having to do a commercial. There are many pieces to make a particular package, and we have waited too long to finally try to evaluate and move on to positive innovative kind of efforts. We have a number of those on the drawing board.

I guess that is a long winded way to say yes, we are concerned and we are going to be moving in this direction.

COOPERATION WITH EDUCATIONAL TV PROGRAM

Mrs. REID. Would you be cooperating with the educational television people?

Dr. ZIGLER. Yes. Our group will be taking the lead in HEW. We have been assigned this job by Secretary Richardson, and I work very closely with it. There are only a couple of parts to this action. So far there hasn't been enough done.

The Surgeon General has a little bit going in this direction. It is phasing out. Dr. Marland has a piece of this with "Sesame Street." There are a couple of studies in NIMH. Nothing has been pulled together.

We have not done any kind of longitudinal investigation. It is surprisingly late in the game to mount this particular effort.

As I say, people should have seen 20 years ago what this was going to be doing to the development of children and begun investigating this in a longitudinal way then. You can't just throw up your hands now and say it is too bad that we started late. Let's get started.

Mrs. REID. I hope next year you will be able to report some progress.

Dr. ZIGLER. I hope to be able to report the same kind of progress on this as I have been able to report this year on the foster parents issue.

Mr. MICHEL. Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Michel.

RECRUITMENT OF HEADSTART CHILDREN

Mr. MICHEL. Thank you, Mr. Chairman.

You say only 25 percent of the economically deprived children are now being covered by Headstart. Are those the most difficult ones or the easiest ones to take care of?

Dr. ZIGLER. We have looked at this and it varies. It depends upon recruiting. In this monitoring reevaluation effort we have been doing, one of the aspects we look at very closely is recruiting.

What you find at certain places is that they try to recruit the most needy children, but in other places they do not. Every child who is poor doesn't need Headstart. It is our desire to make sure that children really at the bottom of the heap get this kind of service.

Mr. MICHEL. Does this mean that the 25 percent you are now serving represents the most urgent cases?

Dr. ZIGLER. Not across the board.

Mr. MICHEL. Why aren't we?

Dr. ZIGLER. Because finally this is a local program that does its own recruiting, as long as the children are within the poverty line. There are levels within the poverty line. A child whose parents are making $3,900 a year is in much better shape than one whose parents are making $2,000 a year.

It is up to the local Headstart program to do its own recruiting. All they have to do is live within that kind of legislative limitation. At least 90 percent are poor children. In that respect they are all poor but are they the poorest of the poor? I can't say they all are.

FUNDS REQUIRED TO SERVE ALL ELIGIBLE CHILDREN

Mr. MICHEL. How much of the $393 million will actually go for Headstart?

Dr. ZIGLER. $377 million roughly.

Mr. MICHEL. And if that is only serving 25 percent of the children, would it be appropriate to say that four times that amount would then take care of every child that ought to have Headstart throughout the country? Would it be more or less than $377 million?

Dr. ZIGLER. It would be more than that because this 25 percent includes children who are in 6- or 8-week program, and that kind of program in terms of development of a child is certainly not much more than minimal.

HEADSTART PROBLEMS AND PROGRAM EVALUATION

Mr. MICHEL. Would you provide a brief exposition of your principal problems during the past year with respect to Headstart and what kind of evaluation process you have for the program including what results you have received from the evaluation?

Dr. ZIGLER. Yes; we will do that.

(The information follows:)

THE EVALUATION PROCESS

Evaluations are conducted to obtain systematic information on the extent to which Headstart and other OCD projects are functioning as expected and are reaching their objectives. In addition, evaluations are designed to identify the conditions under which Headstart works best. While the time-frame for decision-making differs for different evaluations (some are only a few months in duration; others many years), all are designed to provide data of direct value to management.

The evaluation process begins with the development of the work plan for the coming year. Departmental and OCD objectives, on-going projects, information about the evaluation and demonstration activities of other agencies, information requiremnts reported by OCD national, regional, and local staff contribute to the initial work plan. The work plan is reviewed for scientific merit and overall direction by the Evaluation Advisory Council; after revision, it is presented to the directors of the Research and Evaluation Division, the Bureau of Headstart and the Office of Child Development. The priorities of the work plan and the general approaches are revised during this review.

When the priority projects are identified, work begins in earnest on developing the specific parameters of the study and the evaluation design. A review panel for the study, composed of outside experts in design and in the subject matter,

OCD national and regional staff, experts from other Federal agencies and outside consultants to the programs, helps develop the strategy, reviews the work statements prepared by evaluation branch staff, reviews proposals, and through quarterly presentations by the contractor or grantee, guides the progress of the work. It takes about 6 months to develop an evaluation project from approval by the Director of OCD to sign-off on the grant or contract.

Reports, both interim and final, are reviewed by evaluation branch staff and the review panel. The panel completes its work by providing guidance on dissemination of findings and counsel on recommendations for OCD policy and practice. Where appropriate, the evaluation branch conducts follow-up studies to assess the effect of the recommendations emerging from the evaluation study.

The evaluation strategy developed for Headstart involves a 5-year scan of the major components, with a major study of two components initiated each year. By the end of fiscal year 1976, all aspects of Headstart (for example, health, nutrition, curriculum, parent participation) will have been intensively evaluated. In addition, longitudinal studies which usually include several components, dissemination projects and descriptive evaluations are carried out each year. Regular reports are available on these studies.

The evaluation process is therefore a cycle in which available information guides the development of specific evaluation studies, which in turn generate information which is disseminated, forming part of the literature and of policy, and the state of information plus current policy issues shape the work plan for future years.

The general theme for evaluation is: "Are we doing what we said we would? Is it having the effects we anticipated? Other effects—both benign and possibly counter-productive? What works best? What is most effective, in what way, for which children? Can we communicate this information effectively to produce improved and up-dated programs?"

WHAT HAVE WE LEARNED FROM EVALUATIONS TO DATE?

In general, evaluation findings have identified both problems and progress in Headstart.

Among the problems which have emerged from our studies, two seem particularly noteworthy:

(*a*) Headstart programs vary substantially in program content and program effectiveness. Our "good" programs are comparable in characteristics and effects with the best "experimental" programs; our "moderate" programs are associated with positive benefits for the children; but there are programs whose characteristics and effects are of concern. We need to work toward ensuring more uniform quality and benefits across hundreds of Headstart classes.

(*b*) Headstart programs have an immediate impact in almost every area we have assessed. The duration of this impact, where follow-up studies are available, indicates the need to move actively to sustain the benefits for children and families, to provide stronger and better bridges to community resources and to improve the educational and other institutions serving Headstart families.

Among the progress which has emerged, one general finding is also noteworthy: Where Headstart programs have articulated their goals clearly and have developed plans for reaching these goals, their success in achieving what they have set out to accomplish is substantial.

Among the studies that support these generalizations are the following:

1. Nationally representative samples of Headstart programs have reported general compliance with Headstart guidelines. These surveys conducted for Headstart by the Bureau of the Census have identified areas where programs can typically be strengthened (e.g., we need more reliable follow-up of medical care) and have also identified areas of shifts toward greater realization of Headstart objectives (e.g., increase in parent employment and volunteer participation over the past 3 years). The data from the census surveys are utilized to provide descriptive information (e.g., ethnic distribution of children served) and to investigate question of policy interest (e.g., characteristics of programs operated by CAA and LEA agencies). The findings are generally presented in a nontechnical report distributed to all Headstart directors plus a technical report for administrators and evaluators.

2. Studies of the impact of the program on child development conducted over a 7-year period have shown, in study after study, that most Headstart programs have an immediate positive effect on the children's cognitive, linguistics, and

personal-social development. The effect is greater for full year than for summer programs, and is greatest when the programs are well-structured and have high parent involvement. The reliability of this finding—of an immediate benefit—has been established over hundreds of Headstart classes.

Studies following-up Headstart graduates indicate that in regular public schools, the rate of gain of Headstart children typically "levels off" while that of control children "spurts," so the controls begin to "catchup." It is important to make these distinctions: typically, the effect of Headstart does not "wash out" or "fade out" during the first 1 or 2 years of public school if this means loss of information acquired or skills. By the end of the third or fourth year, however, the relative standings of both Headstart and control children on measures of general achievement and ability typically does decline.

The findings regarding immediate impact and "catchup" are characteristic of both Headstart and highly regarded experimental programs. The generality of the findings (although there are some exceptions) has directed attention to the circumstances under which gains can be maximized and retention enhanced. High parental involvement, and an articulated, well-planned preschool and primary school program which keeps pace with the child's rapid development appear to be associated with maximum gains and retention. These questions are still being explored.

Based on the Headstart immediate impact and follow-up studies, on the experimental program reports and also on the Westinghouse findings, Headstart initiated the longitudinal planned variation/follow through project, now entering its third and final Headstart year. A report on the first year of implementation in planned variation will be available shortly.

3. Studies of other effects in Headstart have included the pioneering Kirschner community impact study, one of the first research investigations of the effects of a community action program on social institutions. The Kirschner study clearly showed that Headstart is associated with significant changes in health and eduncation institutions in communities. The impact is greatest where Headstart programs include such change as part of their objectives; even where Headstart programs focused on other areas, they served as catalysts for community change. In the 47 communities studied, over 1,500 individual changes were found within a 3-year period.

MONITORING HEADSTART PROJECTS

Mr. MICHEL. Do I understand correctly that there are 150 individual Headstart projects around the country?

Dr. ZIGLER. There have been 150 monitored. There are over 900 full-year projects.

Mr. MICHEL. But only 150 that you have monitored?

Dr. ZIGLER. Yes.

Mr. MICHEL. Why only 150?

Dr. ZIGLER. Because that strained the upper limit of our ability to do monitoring.

Mr. MICHEL. What criteria do you use to determine which Headstart projects will be monitored?

Mr. ORTON. We picked out those that were the biggest so the resources we would put in would get the most payoff. We just started the monitoring program this year. We started off with 150. This year we anticipate we will go well over 200.

Our goal is that we will monitor every program at least every 2 or 3 years. We are working up to that now. How frequently we do it will depend upon the resources that we have.

THE HEALTH SERVICE EXPERIMENT

Mr. MICHEL. I would like more information about how you are setting up your health service experiment. What do you mean when you

say it will emphasize the delivery of preventive and remedial health service and health education? What would this delivery system be like?

(The information follows:)

Preventive aspects of Healthstart are maintaining and continuing good health by means of identification and followup care of existing health problems and prevention of future problems by such treatment as immunizations in medicine and fluoridation and restoration in dentistry.

Healthstart is an administrative mechanism with trained staff who coordinate existing resources (funds and services available) and provide sufficient additional funds where necessary to insure the best possible health care.

Mr. MICHEL. If you set up two programs in every Federal region, what criteria will you use for selecting the location?

(The information follows:)

PURPOSE OF THE PROGRAM

Because of widespread concern about the health of economically disadvantaged children, the Office of Child Development is introducing during summer 1971, on a limited national basis, a new program called Healthstart. This program is designed to provide effective health services to disadvantaged preschool children not presently served by Headstart.

Each of the 10 HEW regional offices is being allocated funds to develop at least two such programs.

SCOPE OF SERVICES

Healthstart plans to offer a comprehensive program of health services for children, including: screening; physical examinations; immunizations; routine blood tests and urinalysis; special tests where needed for such problems as intestinal parasites, sickle cell anemia and lead poisoning; dental exam, prophylaxis and fluoride treatment; vision and hearing testing; diagnostic and treatment services for children needing them; health education for children, parents and staff; maintaining records of each child and forwarding these records as the child enters school or moves to other programs.

As an important part of the summer Healthstart program, there will be followup to make sure that all necessary treatment and other health services will continue after the summer program until all the health requirements of the children are met. Every Healthstart program will have a health coordinator who will follow up the needs of each child for a full year to insure completion of the services the child needs.

SELECTION CRITERIA

(*a*) Assurance that children will be introduced into a system of continuing health care.

(*b*) Uniqueness of service delivery models.

(*c*) Numbers of children to be served in relation to cost.

(*d*) Capability of delivering services.

(*e*) Demonstrated need for services.

(*f*) Demonstrated coordination and involvement of other public health programs.

METHOD OF SELECTION

A joint OCD headquarters/region committee met May 3 through 5 to review community proposals for summer 1971 Healthstart.

Each region representative discussed his community proposals and each submission was followed by questions from other participants.

The joint team reviewed all community proposals and selected those to be funded.

In selecting proposals for funding, an effort was made to test a variety of models for delivering health care to children.

STASTISTICS ON PARENT AND CHILD CENTERS

Mr. MICHEL. The justification refers to three parent and child centers transferred to the Office of Child Development from OEO in 1971 for

which you are requesting $343,000. Where are these three centers located? What is the total number of parent and child centers presently and how many additional centers are you planning on receiving?

(The information follows:)

The PCC program is a pilot program located in 32 communities for families with children under 3 years of age. The main goals of the program are to develop techniques that will maximize the growth and development in very young children and to implement comprehensive services for their families in health, education, and social services.

The program is a component of Headstart, funded under the Community Action Program. When HS was delegated to HEW, OEO retained seven of the original centers. Subsequently, three of those seven programs have been returned to HEW, Office of Child Development.

The three PCC's transferred to OCD from OEO in fiscal year 1971 are located in Jacksonville, Fla.; Minnepalois, Minn., and Portland, Oreg.

There is no current plan to expand the PCC program in fiscal year 1972 above the 32 we now have.

THE PARENTING COURSE FOR ADOLESCENTS

Mr. MICHEL. Would you give us an evaluation of the parenting course for adolescents. How is this course set up and what results have you had so far?

(The information follows:)

The program is designed to develop curricular material in early childhood development for adolescent students. The project will combine for adolescents studies in child development and work in responsible roles and cross-age relationships with children.

Multimedia materials designed for a 1-year course will be available in smaller, discrete units to community, youth and paraprofessional groups. Materials will adapt for students the most relevant works in applied and theoretical research and cross-cultural literature. Written materials will also suggest activities with children, observation techniques, and community survey and action methods. Film heightening sensitivity to individual patterns of development and to the complexities of human relationships will be made; films presenting problem-solving situations will serve as resource materials for students in their varying roles of caretaker, researcher, and child advocate. For the teacher, suggested activities with the students will be developed in teacher training programs.

Dissemination strategies will establish interaction between schools, parents, and such institutions as hospitals and day care centers so that schools do not become an isolated delivery system. In the second year, 10 centers will demonstrate program operation in various models of school-community interaction.

Pretest and pottests, open-ended interviews, classroom environment checklists, observation of student-child interactions, and in-depth studies of individual and institutional response to the program will evaluate changes in the adolescent's sense of competence, attitude toward nurturant roles, understanding of growing up and family roles, and mastery of concepts and interaction skills; the impact of the program on the communities; the dissemination strategy of demonstration centers; and pedagogical techniques in film. The aforementioned materials for this program is now being considered jointly with NIMH. The field test of these materials will commence with the beginning of the September 1971 school year. We should, therefore, have firm results to report on this program in about a year.

DAY CARE MODELS

Mr. MICHEL. What do you mean when you refer to different models of day care?

(The information follows:)

Models in day care can refer to administrative organizations which have implications for the nature of services provided or they can refer to curriculum or programmatic approaches, which have implications for administrative orga-

nization. Considering the first interpretation, at least four models for providing day care services have been identified: care provided primarily in the center, serving 15 or more children (this varies depending of State regulations), group home care involving about 12 children and two adults, family home care, involving one adult and about five children, and at-home care, in which services are provided in the child's home by a caretaker. Variations are evolving in which these models may be mixed: for example, a family day care home in which 3–6 year olds may attend a center during the morning.

The second model refers to the nature of the services provided; i.e., developmental care, which encompasses such different approaches as the parent educator model, the cognitive development model, or the open classroom model. These models are sometimes contrasted with custodial care in which the child's needs for safety, attention, and nutrition are met with less support for his social-emotional, cognitive, and linguistic development. Child development experts, while acknowledging the many questions still remaining regarding developmental day care delivery, uniformly support a developmental child care approach, in every organizational model of delivery.

The Office of Child Development is presently supporting several day care models, or types of programs, which differ in program emphasis. Two such examples of different models for day care services are as follows:

1. A combined home visit and an enrichment center program which attempts to change the child's more permanent environment, the home, by helping parents deal with the changes in children that attendance at the enrichment center brings about or brings to light. These children are followed from infancy to grade school.

2. A study to determine the effectiveness of medical, social, educational, and day care services to a group of disadvantaged children and their families. The development of this group of children will be compared with a control group of children not receiving services directly from Office of Child Development. Also, children in the study program will be compared with each other in an attempt to further assess the effectiveness of this day care model.

PROVIDING A MALE IMAGE TO FATHERLESS BOYS

Mr. MICHEL. How do you plan to provide a male image for fatherless boys?

(The information follows:)

Father absence is a pervasive problem on the American scene, and most small children see little of their fathers, or interact with men. Over 6 million children are actually in fatherless homes at any one time, but because of the increasing frequency of divorce as well as separation, possibly three times that many may experience father absence for some period of time during their childhood. In the 10-year period, 1956–65, almost 5 million children were affected by parents divorce, or 75 per 1,000 children.

The task of supplying adequate male role models cannot be feasibly considered on an individual basis. However, it has been possible to involve men, as volunteers or employees, in the care of young children, both in day care and Headstart centers, or in other programs where they have a responsible relationship with the children.

Several projects have a twofold impact in that high school age youth are involved in projects whose primary goal is teaching the youth to be more adequate parents. At the same time, they are providing some male contact for the young children with whom they are working.

Several current proposals relate to this problem. One investigator proposes to evaluate the effects on the children of a program which will use both high school and college age males from both middle- and lower-class backgrounds. Another investigator proposes to evaluate the effect on boys' attitudes toward school when they have males as teachers in the primary grades.

Because of the complexity of the problem, researchers have had difficulty in designing projects which differ from the big brother approach. We plan, in the near future, to hold a 1-day think session involving interested researchers in an exchange of ideas to stimulate new and creative thinking leading to the funding of a research and demonstration project. This effort is expected to determine conclusively the direction in which the Office of Child Development should go.

DEMONSTRATING INNOVATIVE USE OF TV

Mr. MICHEL. I would like a further explanation of Mrs. Reid's question concerning demonstrations of innovative uses of television for young children and what new ways it would be used.

We have had a lot of testimony by the Commissioner of Education in this field. He gave quite an extensive response informing this committee of what they were doing and how much more money they wanted for innovation and research.

I want to make sure that your request for this function is not a duplication of what the Commissioner has requested.

(The information follows:)

As "Sesame Street" has pointed out, the television medium is an effective one for holding the attention of young children. Moreover, television can be used to teach many simple types of information to children of all ages. One of the most important innovative uses of this medium is in the area of social behavior. Television could be used to help children learn more than discrete pieces of information; e.g., to learn about social skills, to improve the ability to communicate more effectively, and to teach aspects of interpersonal behavior. Programs such as "Misterrogers" have indicated that television has great potential for the development of young children.

There is now experimental use of cable television in several remote parts of the country. Cable television is most promising as a vehicle for developmental programing, inasmuch as it will provide for two-way conversation, on-the-spot monitoring, and specific educational instructions to take place. This type of television programing would allow children to take part in conversation with people on the screen, to play in an orchestra, to act in a drama, etc. Of equal importance, cable television could be used to reach young mothers with a comprehensive program on child care.

Child care instruction could also be provided through cassette tapes that can be played on closed circuit television in day care centers, community centers, and so forth.

The Office of Education currently is supporting "Sesame Street," a new Sesame Street reading program, and some experimental work in a similar program to address the problems and concerns of racism. It also has a television series for school personnel concerned with drug abuse, and a series, now in development, on career training possibilities for high school graduates.

The efforts of OCD will dovetail with the efforts of the Office of Education. We see our concern with respect to television as emphasizing child development, and the involvement of parents in the development of children.

Mr. MICHEL. Thank you, Mr. Chairman.

HOME START

Mr. CONTE. How many families will be involved in the several Home Start demonstration programs that you are planning?

Dr. ZIGLER. It is anticipated that 15 Home Start projects will become operational in 1972, serving an average of 100 families each, or 1,500 families. These projections are, of course, subject to change slightly depending upon community capability and review of grantee applications.

PARENTAL CHOICE

Mr. CONTE. What programs are you developing to provide parents of economically deprived children with a choice as to how their children will be served?

Dr. ZIGLER. Parents of economically deprived children want and desire a choice as to the means by which their children's developmen-

tal needs will be met. OCD proposes to meet these needs by making available different types of developmental services for children. Such alternatives will therefore include Headstart full-day services, Headstart part-day services, Home Start, with variations including home-based services only and a combination of home and center services, and Health Start programs. In addition, we are developing a system for the academic certification of day care services to support FAP and any other day care legislation. We have prepared and will soon publish materials related to developmental day care centers and family day care services. A training and certification system for paraprofessionals in child care is currently being considered for implementation during the latter part of fiscal year 1972 or early in fiscal year 1973. As a result of these efforts, economically disadvantaged parents in need of day care services will have the option of developmental full-day or after-school care of their children by public and privately operated day care centers, family day care providers, or in-home care.

Federal efforts to explain the Headstart program to eligible families include distribution of films to local groups and to the media for distribution. For example, one Headstart film, "Jenny Is a Good Thing," has been shown as a short subject at theaters around the country. Other Federal efforts include news releases, speaking appearances before community groups by various headquarters and regional personnel throughout the year.

Our efforts are multiplied a thousandfold by local agencies that operate Headstart. They reach out and aggressively seek the hard core poor, explain the program, and enroll their children in all 50 States, the Commonwealth of Puerto Rico, and the U.S. trust territories. We encourage and support their efforts.

INNOVATIVE CURRICULUMS

Mr. CONTE. What innovative curriculums are you considering and evaluating in the day care field?

Dr. ZIGLER. We shall be evaluating innovative curriculums in conjunction with our Headstart variations and day care efforts. These include home-based and center-based curriculums such as those developed by Gray, Sheaffer, Weikert, Huntington, Caldwell, and Lalby, which have differences in emphasis on cognitive, language, or socio-emotional development, frequency of interaction sessions, and formality of curriculum design. We recently prepared day care curriculums on materials for infants, preschool, and school-age children. Information from the planned variation Headstart evaluation will provide a basis for future curriculum evaluation and the different behavioral outcome from different curriculums.

EXPANSION OF HEADSTART

Mr. CONTE. Are you satisfied with the fact that the Headstart program reaches only 25 percent of economically deprived children aged 3 to 6? What efforts are you making to expand this program to all who can benefit from it?

Dr. ZIGLER. While Headstart serves a limited number of the identified universe of disadvantaged children aged 3 to 6, a substantial enlarge-

ment of this effort is not warranted at this time. Headstart is the first major Federal program designed to intervene in the lives of young children to assist them in overcoming the effects of poverty and deprivation.

We are still learning from the process Headstart represents; refining program strategies and improving program quality. The next year will be spent in that process and in a continued effort to gather data regarding the efficiency of this effort before we expand program level to accommodate more children in Headstart, per se. At the same time, we are experimenting with other approaches to child care services which are designed to prevent or curb many of the deficits that poverty produces.

Throughout fiscal year 1972 we will be gathering data on these innovations to help guide us in the further development of strategies designed to help young children who face the problems of our current enrollees.

We are therefore of the opinion that the expansion of Headstart should await the result of these new efforts.

CONCLUSIONS EMERGING FROM HEADSTART EVALUATIONS

Mr. CONTE. What general conclusions emerged from your systematic evaluation of 150 Headstart programs?

Dr. ZIGLER. Fiscal year 1971 has been an important year for monitoring activities in Headstart. The Office of Child Development began a program of monitoring 150 full year Headstart programs, in the fall of 1970, and by May 1, 1971, 108 programs had been monitored by regional offices and four by a private contractor.

At the beginning of May 1971, approximately 3,000 mandays had been invested by Headquarters Staff, OCD Regional Staff, Regional Training Officers, the American Academy of Pediatrics, Public Service, and consultants in the monitoring efforts. The ultimate purpose, of course, is to determine deficiencies in program operations and to apply resources and technical assistance to correcting these deficiencies. Some of the major findings of monitoring efforts up to the present time are: additional training for much of the Headstart staff is needed; a program to improve skills in administration for Headstart directors should be implemented; in the area of physical health, the dental program component in many centers should be enlarged; and nutrition and nutrition education need to be more integrated with the total educational process.

In general, program quality is reasonably good, but monitoring results are assisting in the precise determination of what needs to be improved in an effort to have overall high quality Headstart programs.

PUBLIC INFORMATION ON PRE- AND POST-NATAL CARE

Mr. CONTE. What steps are you taking to insure that families previously unaware of needed prenatal and postnatal care that is avialable are apprised of the availability of these vital services?

Dr. ZIGLER. There is good reason to believe that many families, particularly the disadvantaged, are unaware of the need for and availability of essential prenatal and postnatal care services. Many past

efforts to bring people and services together through public information campaigns of simple referrals have proved inadequate, in part because the most deprived are least likely to be reached by information programs and are often fearful of dealing with institutions to which they have been referred. To insure that these services are brought to the forefront, OCD is establishing advocacy programs in six currently functioning parent and child centers. The advocacy centers will be responsible for assessing the needs of children, coordinate service delivery, assure that needs are satisfied, monitor the children's development, stimulate the creation of new services, and evaluate the impact of advocacy in children, families, and the community. The advocacy centers will be especially concerned with the prenatal, newborn, and infancy periods and planning for pregnancy, with special emphasis on health needs. In addition, prenatal and postnatal care are the subjects of revisions of two OCD publications.

WHITE HOUSE CONFERENCE ON CHILDREN

Mr. CONTE. What were the main recommendations of the 1970 White House Conference on Children?

Dr. ZIGLER. The delegates of the 1970 White House Conference on Children ranked the following recommendations as their 10 most important overriding concerns:

1. Comprehensive family oriented child development programs including health services, day care and early childhood education.
2. The development of programs to eliminate the racism which cripples all children.
3. Reordering of national priorities beginning with a guaranteed basic family income adequate for the need of children.
4. Improve Nation's system of child justice so law responds in timely, positive ways to needs of children.
5. A federally financed national child health care program which assures comprehensive care for all children.
6. A system of early identification of children with special needs and which delivers prompt and appropriate treatment.
7. Establishment of a child advocacy agency by the Federal Government and other sources with full ethnic, cultural, racial and sexual representation.
8. Establish immediately a Cabinet post of children and youth in meet needs of all children.
9. Health, welfare, education, and bilingual-bicultural growth of all children must be given top priority.
10. Immediate, massive funding for development of alternative optional forms of public education.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. NATCHER. Dr. Zigler, we want to thank you and the members of your staff for appearing before our committee at this time.

Dr. ZIGLER. I thank the committee for your courtesy.

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF THE SECRETARY

Child Development

Amounts Available for Obligation

	1971	1972
Appropriation	$ 7,817,000	$393,068,000
Transfer to:		
"Operating Expenses, Public Building Service," General Services Administration	-175,000	---
Real transfer from:		
"Higher education facilities loan fund" (Proposed transfer for increased pay costs)	175,000	---
Comparative transfers from:		
"Grants to States for Public Assistance," Social and Rehabilitation Service	2,000,000	---
"Economic Opportunity Program," Office of Economic Opportunity	360,132,000	---
Total, obligations	369,949,000	393,068,000

Obligations by Activity

Page Ref.	1971 Estimate Pos.	1971 Estimate Amount	1972 Estimate Pos.	1972 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
Research and demonstrations	---	$ 5,500,000	---	$ 13,500,000	---	$+8,000,000
White house conference on children and youth	---	2,541,000	---	304,000	---	-2,237,000
Head Start	---	353,587,000 1/	---	369,464,000 1/	---	+15,877,000
Salaries and expenses	419	8,321,000	432	9,800,000	+13	+1,479,000
Total obligations	419	369,949,000	432	393,068,000	+13	+23,119,000

1/ The total estimated appropriations for Head Start are: FY 1971-$360,132,000; FY 1972-$376,817,000. Of these amounts, $6,545,000 in FY 1971 and $7,353,000 in FY 1972 are included in the "Salaries and Expenses" activity.

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Total number of permanent positions	419	432	+13
Full-time equivalent of all other positions	111	67	-44
Average number of all employees	495	493	-2
Personnel compensation:			
Permanent positions	5,124,000	6,063,000	+$939,000
Positions other than permanent	1,184,000	665,000	-519,000
Other personnel compensation	48,000	50,000	+2,000
Subtotal, personnel compensation	6,356,000	6,778,000	422,000
Personnel benefits	487,000	530,000	+43,000
Travel and transportation of persons	1,672,000	984,000	-688,000
Transportation of things	41,000	43,000	+2,000
Rents, communications, and utilities	447,000	512,000	+65,000
Printing and reproduction	559,000	436,000	-123,000
Other services	753,000	283,000	-470,000
Project contracts	14,237,000	14,953,000	+716,000
Supplies and materials	246,000	57,000	-189,000
Equipment	145,000	109,000	-36,000
Grants, subsidies and contributions	345,006,000	368,383,000	+23,377,000
Total obligations by object	369,949,000	393,068,000	+23,119,000

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Total obligations by object	369,949,000	393,068,000	+23,119,000

Summary of Changes

1971 estimate	$369,949,000
1972 estimate	393,068,000
Net change	+23,119,000

	Base Pos.	Base Amount	Change from Base Pos.	Change from Base Amount
Increases:				
A. Built-in				
1. Annualization of increased pay costs in 1971.	---	---	---	$ 223,000
2. Annualization of new positions funded on a part year basis in 1971.	---	---	---	475,000
3. To provide for within grade promotions	---	---	---	100,000
4. To provide for increased cost of teachers salaries, and expendable supplies	---	$329,887,000	---	14,834,000
5. For 3 additional parent and child centers transferred from OEO	---	---	---	543,000
6. For increased costs associated with rent, communications and utilities	---	---	---	175,000
B. Program				
1. For research and demonstrations	---	5,500,000	---	8,000,000
2. For additional cost associated with expanded evaluation of Head Start programs	---	2,500,000	---	500,000
3. For Salaries and Expenses:				
a. For personnel costs and related expenses for 13 new positions and net additional costs for increased average permanent employment	419	8,165,000	13	290,000

	Base		Change from Base	
	Pos.	Amount	Pos.	Amount
b. For conduct of a variety of technical assistance projects	---	156,000	---	216,000
Total program increases	---	---	13	9,006,000
Total increases ..	---	---	13	25,356,000
Program Decreases:				
1. Support of the White House Conference on Children and Youth	---	2,541,000	---	-2,237,000
Total, net change	---	---	13	23,119,000

Explanation of Changes

Built-in Increases:

1. An increase of $223,000 is required in 1972 for annualization of increased pay costs effective January 1971.

2. The increase of $475,000 is required for annualization of salaries, benefits and expenses for 38 new positions authorized and funded for a part of fiscal year 1971.

3. An increase of $100,000 is requested to provide for the net additional costs of statutory within-grade promotions.

4. An increase of $14,834,000 is requested to meet increased costs associated with the operation of the Head Start program. This request reflects a 4.6% overall increase for salaries for teachers and related expenses. These teachers are employed in full-year and summer programs.

5. An increase of $543,000 is required to continue funding three parent and child centers transferred to the Office of Child Development from the Office of Economic Opportunity in 1971.

6. An increase of $175,000 is requested to restore funds transferred to GSA for rental costs in FY 1971.

Program Increases:

1. Research and demonstration

An increase of $8,000,000 is requested to provide for a number of new research projects to focus on problems and issues associated with effective early childhood programs and youth development. Projects will include demonstrations of different models of day care for children of various ages, demonstrations of techniques for providing a male image for fatherless boys; demonstrations of innovative uses of television for young children; demonstrations of ways to involve children from different socio-economic backgrounds in preschool programs, and demonstrations of effective techniques for recruiting adoptive homes for hard-to-place children.

2. Head Start

An increase of $500,000 is required to support research and evaluation utilization efforts in key areas such as training, curriculum and parent participation.

3. Salaries and expenses

a. An increase of 13 positions and $290,000 are requested for fiscal year 1972. The 13 new positions are required to administer the new research and demonstration program and to plan and direct the activities of the recently established National Center for Child Advocacy. In addition to supporting the 13 new positions the increase of $290,000 includes costs associated with an additional 9 man-years of employment associated with positions authorized but not filled at the beginning of FY 1971 but are expected to be filled during all of FY 1972.

b. The increase of $216,000 will provide funds to cover costs associated with the planning and operation of the National Center for Child Advocacy and funds for a university based career development training program for lower grade Federal employees.

Decreases:

1. The decrease of $2,237,000 is due to non-recurring costs of the White House Conference on Children and Youth.

Authorizing Legislation

Legislation	1972 Authorized	1972 Appropriation requested
Selected Provisions of Other Laws Related to the Social Security Act:		
Act of April 9, 1912 -- Children's Bureau	Indefinite	$ 2,751,000
Social Security Act of 1935, as amended:		
Title IV, Part B, Section 426 - Research, Training, or Demonstration Projects ...	Indefinite	13,500,000
Economic Opportunity Act of 1964, as amended:		
Title II, Part B, Section 222 - Financial Assistance to Community Action Programs and Related Activities	1/	376,817,000

1/ Authorization expires June 30, 1971.

SELECTED PROVISIONS OF OTHER LAWS RELATING TO THE SOCIAL SECURITY ACT

ACT OF APRIL 9, 1912

(37 Stat. 79) (42 U.S.C. 191)

An Act to Establish in the Department of Commerce and Labor a Bureau To Be Known as the Children's Bureau

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there shall be established in the Department of Commerce and Labor a bureau to be know as the Children's Bureau.[1] [2] [3] [4]

Sec. 2. That the said bureau shall be under the direction of a chief, to be appointed by the President, by and with the advice and consent of the Senate, and who shall receive an annual compensation of five thousand dollars. The said bureau shall investigate and report to said department upon all matters pertaining to the welfare of children and child life among all classes of our people, and shall especially investigate the questions of infant mortality, the birth rate, orphanage, juvenile courts, desertion, dangerous occupations, accidents and diseases of children, employment, legislation affecting children in the several States and Territories. But no official, or agent, or representative of said bureau shall, over the objection of the head of the family, enter any house used exclusively as a family residence. The chief of said bureau may from time to time publish the results of these investigations in such manner and to such extent as may be prescribed by the Secretary of Commerce and Labor.

Sec. 3. That there shall be in said bureau, until otherwise provided for by law, an assistant chief, to be appointed by the Secretary of Commerce and Labor, who shall receive an annual compensation of two thousand four hundred dollars; one private secretary to the chief of the bureau, who shall receive an annual compensation of one thousand five hundred dollars; one statistical expert, at two thousand dollars; two clerks of class four; two clerks of class three; one clerk of class two; one clerk of class one; one clerk, at one thousand dollars; one copyist, at nine hundred dollars, one special agent, at one thousand four hundred dollars; one special agent, at one thousand two hundred dollars, and one messenger at eight hundred and forty dollars.

Sec. 4. That the Secretary of Commerce and Labor is hereby directed to furnish sufficient quarters for the work of this bureau at an annual rental not to exceed two thousand dollars.

Sec. 5. That this Act shall take effect and be in force from and after its passage.

Approved, April 9, 1912.

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1 Tranferred from Department of Commerce and Labor to Department of Labor by Act approved March 4, 1913 (37 Stat. 737).

2 Transferred, with the exception of the Industrial Division, from the Department of Labor to the Federal Security Agency on July 16, 1946 as directed by the President's Reorganization Plan No.2 (11 Federal Register, p. 7873, July 20, 1946). See p. 896.

3 Transferred January 28, 1963 to the newly created Welfare Administration (now the Social and Rehabilitation Service) in the Department of Health, Education, and Welfare.

4 Transferred September 15, 1969 to the newly created Office of Child Development, Office of the Secretary, Department of Health, Education and Welfare.

RESEARCH, TRAINING, OR DEMONSTRATION PROJECTS
(Social Security Act, as Amended)

Section 426. (a) There are hereby authorized to be appropriated for each fiscal year such sums as the Congress may determine--

(1) for grants by the Secretary--

(A) to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child-welfare activities, for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare;

(B) to State or local public agencies responsible for administering, or supervising the administration of, the plan under this part for projects for the demonstration of the utilization of research (including findings resulting therefrom) in the field of child welfare in order to encourage experimental and special types of welfare services; and

(C) to public or other nonprofit institutions of higher learning for special projects for training personnel for work in the field of child welfare, including traineeships with such stipends and allowances as may be permitted by the Secretary; and

(2) for contracts or jointly financed cooperative arrangements with States and public and other organizations and agencies for the conduct of research, special projects, or demonstration projects relating to such matters.

(b) Payments of grants or under contracts or cooperative arrangements under this section may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants, contracts, or other arrangements.

ECONOMIC OPPORTUNITY ACT OF 1964, AS AMENDED
Title II, Section 222

Special Programs and Assistance

Sec. 222 (a) In order to stimulate action to meet or deal with particularly critical needs or problems of the poor which are common to a number of communities, the Director may develop and carry on special programs under this section. This authority shall be used only where the Director determines that the objectives sought could not be effectively achieved through the use of authorities under section 221, including assistance to components or projects based on models developed and promulgated by him. It shall also be used only with respect to programs which (A) involve activities which can be incorporated into or be closely coordinated with community action programs, (B) involve significant new combinations of resources or new and innovative approaches, or (C) are structured in a way that will, within the limits of the type of assistance or activities contemplated, most fully and effectively promote the purposes of this title. Subject to such conditions as may be appropriate to assure effective and efficient administration, the Director may provide financial assistance to public or private nonprofit agencies to carry on local projects initiated under such special programs; but he shall do so in a manner that will encourage, wherever feasible, the inclusion of the assisted projects in community action programs, with a view to minimizing possible duplication and promoting efficiencies in the use of common facilities and services, better assisting persons or families having a variety of needs, and otherwise securing from the funds committed the greatest possible impact in promoting family and individual self-sufficiency. Programs under this section shall include those described in the following paragraphs:

(1) A program to be known as "Project Headstart" focused upon children who have not reached the age of compulsory school attendance which (A) will provide such comprehensive health, nutritional, education, social, and other services as the Director finds will aid the children to attain their full potential, and (B) will provide for direct participation of the parents of such children in the development, conduct, and overall program direction at the local level. Pursuant to such regulations as the Director may prescribe, persons who are not members of low-income families may be permitted to receive services in projects assisted under this paragraph. A family which is not low income shall be required to make payment, or have payment made in its behalf, in whole or in part for such services where the family's income is, or becomes through employment or otherwise, such as to make such payments appropriate.

Explanation of Transfers

	1971 Estimate	Purpose
Transfer to:		
"Operating Expenses, Public Building Service," General Services Administration	$ 175,000	Transfer of rental costs
Proposed transfer from:		
"Higher Education Facilities Loan Fund"	175,000	To finance the civilian increased pay cost, effective January 1971.
Comparative transfers from:		
"Grants to States for Public Assistance," Social and Rehabilitation Service	2,000,000	To fund the 1971 research and demonstration projects transferred from the Social and Rehabilitation Service to the Office of Child Development. This function is now budgeted in the Child Development Appropriation.
"Economic Opportunity Program," Office of Economic Opportunity	360,132,000	To fund Head Start in the Office of Child Development for 1971 under the delegation of authority from the Office of Economic Opportunity, effective as of July 1, 1969. This function is now budgeted in the Child Development Appropriation.

Office of Child Development

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1971	$ 11,455,000	$7,817,000 1/	$9,317,000 1/	$7,817,000 1/
1972	393,068,000 2/			

1/ Includes supplemental of $1,900,000 for the White House Conference on Children and Youth.

2/ Includes $376,817,000 for Head Start which was funded under the "Economic Opportunity Program", OEO, in 1971.

Justification

Child Development

	1971 Pos.	1971 Amount	1972 Pos.	1972 Amount	Increase or Decrease Pos.	Increase or Decrease Amount
1. Research and demonstration	---	$ 5,500,000	---	$ 13,500,000	---	+$8,000,000
2. White House conference on children and youth:						
Personnel compensation and benefits	---	641,000	---	79,000	---	-562,000
Other expenses	---	1,900,000	---	225,000	---	-1,675,000
3. Head Start	---	353,587,000 1/	---	369,464,000 1/	---	+15,877,000
4. Salaries and expenses:						
Personnel compensation and benefits	419	6,202,000	432	7,229,000	+13	+1,027,000
Other expenses	---	2,119,000	---	2,571,000	---	452,000
Total	419	369,949,000	432	393,068,000	+13	+23,119,000

1/ The total estimated appropriations for Head Start are: FY 1971 - $360,132,000; FY 1972 - $376,817,000. Of these amounts, $6,545,000 in FY 1971 and $7,353,000 in FY 1972 are included in the "Salaries and Expenses" activity.

General Statement

The Office of Child Development was initially established in 1969 to assume responsibility for operating Head Start and to continue those functions of the Children's Bureau as mandated by the Act of 1912. Located in the Office of the Secretary, OCD encompasses two Bureaus--the Bureau of Head Start and Child Service Programs and the Children's Bureau. The Office serves as a focal point for developing and leading DHEW efforts to improve and expand the scope of programs and services designed to improve the quality of life for children and youth throughout the Nation.

The Office of Child Development conducts long range planning and develops concepts for early childhood and youth programs. Its functions include a review of legislative proposals for children's programs planned and administered by the Department. The Office provides technical assistance and guidance to State, local and voluntary organizations interested in programs and services for children and youth.

Through the Interdepartmental Committee on Children and Youth, the Federal Panel on Early Childhood and the activities of the Child Development Secretariat, the Office of Child Development maintains continuing liaison with other Federal agencies. It maintains close working relationships with State and local program operators and beneficiaries of service to ascertain the extent to which national plans and programs are in accord with local needs. The Office publishes and disseminates information on children; develops and reviews proposed policies, regulations, and standards which have a significant impact on children's programs.

Program Emphasis

The Office of Child Development FY 1972 emphasis will be: (1) To help improve family life in the Nation by assisting parents to maximize the development of their children. This may be done through improved day care and child care services for children ages 0-5, parent education programs for teenagers and adults, televised instruction in child development, innovations in the Head Start program, and improvement of the existing Head Start program. (2) The Children's Bureau within OCD shall play the role of advocate for all children and youth by focusing on implementation of the recommendations of the 1970 White House Conference on Children, by demonstrating innovative approaches to the solution of identified problems of children and youth, and by disseminating information and knowledge gained through Federal research and demonstration efforts to public and private groups for utilization in new and ongoing projects.

1. Research and Demonstration

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits ..	---	---	---	---	---	---
Other expenses	---	$5,500,000	---	$13,500,000	---	+$8,000,000
Total	---	$5,500,000	---	$13,500,000	---	+8,000,000

The Office of Child Development, in addition to directing the operations of Head Start and the Children's Bureau, has been given a specific charge to develop priorities and strategies for early childhood research and demonstrations throughout the Department. The primary emphasis is on the development of day care and child care services for children ages 0 - 5. The Office is further charged to investigate and report on conditions which affect children of all ages throughout the Nation. The projects to be financed under this activity will be selected on the basis that they support the overall mission of the Office and that they are consistent with the Department's objectives in the area of early childhood research. The research and demonstration activities of OCD are conducted in close harmony with the research efforts of the Social and Rehabilitation Service, Office of Education, Health Services and Mental Health Administration, National Institutes of Health and the Office of Economic Opportunity.

In support of its role as a focal point in Government for the planning and design of programs and practices to enhance the healthy development of children, the OCD research and demonstration program includes three types of activities: (1) basic investigations aimed at identifying and describing the types of problems which affect the welfare of children and youth; (2) demonstration projects which are designed to test the effectiveness of specific methods or approaches in meeting identified problems; and (3) dissemination projects to ensure that the knowledge gained through investigations and demonstrations will be incorporated into the ongoing programs of public and private agencies as well as parents.

The first direct appropriation of research and demonstration funds to OCD occured in fiscal year 1971. Projects supported by the fiscal year 1971 appropriation include:

-- development of a multi-media course in child care for high school students;

-- design of alternative mechanisms for child advocacy at the local level;

-- demonstration of methods to bring about change in institutional care of children;

-- demonstration of methods to increase the number of adoptive homes for hard-to-place children;

-- demonstration of training programs and support services for foster parents;

-- demonstration parent education programs for mothers using public pediatric clinics;

-- development of curriculum and certification procedures for a new career of child care workers;

-- in cooperation with Model Cities, demonstration of models for community coordination of child care, for day care centers, and for youth services;

-- support of a conference of scholars to examine the current state of knowledge and issues concerning group care of infants.

Research and demonstration objectives, FY 1972

Demonstration of different models of day care. The FY 1972 research and demonstration program will continue to focus on the development of different models of day care for children of different ages. These demonstrations will attempt to put into practice the full array of services and the best knowledge available about how to enhance the developmental process. Program models will provide for variations in such factors as curriculum, staffing, social services and types of local organizations providing services in order to compare relative effectiveness when these factors differ. These demonstrations are expected to provide valuable knowledge which local communities, States and the Federal Government will need in creating large-scale early childhood programs.

Impact of television on young children. Despite the wide-scale use of television in educational and child developmental settings, little is known of the long-range effects of television and the extent to which the television media can be used to enhance the family stability and the child's growth. A research study directed toward television programming will be developed with the focus on the family, the infant and the preschool child. This project will be designed to compare the effectiveness of various technological developments, curriculum variations and scheduling.

Demonstrations to provide a male identity for fatherless boys. Reports have revealed that there are more than 6,000,000 children in this country being reared in single parent families, primarily by the mother. The consequence of this child rearing experience for boys has been studied extensively and the results summarized by several professional groups. These reports reveal that there is a need to develop programs which seek to provide these boys with a male image. Such projects will compare the effectiveness of volunteers, older adolescents, young adults, college students, and retirees in providing boys with a male identity and role.

Child development programs for children from varied socio-economic backgrounds. For several years there has been considerable awareness that children from poor and deprived backgrounds and children from affluent and well-to-do families can profit from a common educational experience. Despite this awareness, much attention is still focused on programs for those in poverty with less attention to the development of programs for children from families with secure backgrounds. A series of demonstrations will be developed that will provide for preschool programs that include children from all social and economic groups.

Demonstrations to increase the adoption of hard-to-place children. A national study supported by the Children's Bureau has revealed that there are more than 3,600 institutions in this country which are attempting to provide care for children who have been removed from their own homes due to problems of unemployment, family instability, and physical or emotional difficulties. This study further revealed that many children in placement in these institutions could profit from placement in foster care or adoption. The Office of Child Development proposes to initiate several demonstrations designed to increase the availability of homes for children who have been defined as hard-to-place and who are stigmatized either by handicapping conditions of age, ethnic identity, or institutional residence.

An increase of $8,000,000 is requested to enable the Office of Child Development to continue research and demonstration efforts initiated in FY 1971 and to conduct further investigations of problems of urgent national concern with respect to child care and child development.

2. White House Conference on Children and Youth

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits	---	$ 641,000	---	$ 79,000	---	-$562,000
Other expenses	---	1,900,000	---	225,000	---	-1,675,000
Total	---	2,541,000	---	304,000	---	-2,237,000

Once each decade since 1909, the President of the United States has convened a White House Conference on Children and Youth. The objectives are to evaluate the overall conditions of children and youth, to advise the American people on current and future problems, and to stimulate action by professional groups, private citizens, public and private agencies in order to develop the full potential of our greatest National resource--America's young people.

Traditionally, the Conference has consisted of a single event for both children and youth. While these two age groups are closely related, the problems and institutions connected with each are often different and should be treated separately. In recognition of these differences, the 1970 Conference was divided into a White House Conference on Children, held December 13 through 18, 1970, and a White House Conference on Youth, to be held April 18 through 22, 1971.

To coordinate the efforts of both follow-up groups, a small staff will be maintained in Washington. The rest of the Conference operation will be phased out.

The request for a Fiscal Year 1972 appropriation of $304,000, a decrease of $2,237,000 from 1971, is designed to meet the following costs:

* Joint publication of Regional Conference reports
* Salaries and fees for members and staffs of follow-up groups
* Travel, meetings and per diem for these groups
* Processing, printing and distribution of both groups' reports
* Phasing out all of the White House Conference operation
* Office rental, equipment and supplies for the remaining core group required to support these activities

No additional funds will be requested for this activity in fiscal year 1973.

3. Head Start

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits	---	---	---	---	---	---
Other expenses ...	---	$353,587,000	---	$369,464,000	---	+$15,877,000
Total	---	353,587,000 1/	---	369,464,000 1/	---	+15,877,000
Subactivities:						
a. Full-year programs	---	278,308,000	---	290,552,000	---	+12,244,000
b. Experimental programs	---	3,200,000	---	3,200,000	---	---
c. Summer programs	---	46,579,000	---	48,920,000	---	+2,341,000
d. Career development and technical assistance	---	18,000,000	---	18,000,000	---	---
e. Evaluation	---	2,500,000	---	3,000,000	---	+500,000
f. Parent and child centers	---	5,000,000	---	5,792,000	---	+792,000
Total	---	353,587,000 1/	---	369,464,000 1/	---	+15,877,000

1/ The total estimated appropriations for Head Start are: FY 1971 - $360,132,000 FY 1972 - $376,817,000. Of these amounts, $6,545,000 in FY 1971 and $7,353,000 in FY 1972 are included in the "Salaries and Expenses" activity.

Head Start is a comprehensive preschool program designed to foster the intellectual, social, emotional and physical development of poor preschool children and their parents. Research has demonstrated that preschool children from poor families are generally denied the learning experiences and atmosphere available in more affluent families. Head Start was developed to correct this imbalance; it provides activities and experiences for poor children designed to help them better develop their innate potential. This encompasses a wide range of social services tailored to individual family needs and a strong emphasis upon parental participation in program activities.

To be effective, child development programs cannot treat the facets of a child's development in isolation. Rather, the child, his family and the surroundings must be treated as an entirety. This philosophy is reflected in the Head Start approach. Parental involvement is essential to the planning and operation of Head Start. Parents are often employed as staff in the child development center and are encouraged to further develop and improve their careers, and thus the status of the entire family. Members of the community are also encouraged to volunteer their services. The following tables reflect Head Start's program data and characteristics:

Program Data

	Children Served		
	1970	1971	1972
Full-year programs: 1/			
Part-day	174,000	174,000	174,000
Average cost per child	$982	$1,014	$1,047
Full-day	89,000	89,000	89,000
Average cost per child	$1,200	$1,240	$1,281
Total, full-year	263,000	263,000	263,000
Average cost per child	$1,056	$1,091	$1,127
Summer programs	209,000	209,000	209,000
Average cost per child	$224	$230	$239
Parent and child centers	5,400	6,600	7,400
Average cost per child	$654	$754	$785
Total children served	477,400	478,600	479,400

1/ Includes children served through experimental Head Start programs.

Program Characteristics

	1970 1/
Number of grants:	
Full-year programs	897
Summer programs	768
Parent and child centers	20
Total	1,685
Number of centers:	
Full-year programs	8,337
Summer programs	4,974
Parent and child centers	29
Total	13,340
Average number of children per center:	
Full-year programs	32
Summer programs	42
Parent and child centers	185

1/ Program characteristics in full-year and summer programs are budgeted at the 1970 level. The decision on conversion of summer programs to full-year is left to the discretion of local grantees.

	1970 1/
Number of classes:	
Full-year programs	15,934
Summer programs	12,929
Average number of children per class:	
Full-year programs	16
Summer programs	16
Number of professional staff:	
Full-year programs	20,111
Summer programs	17,094
Parent and child centers	105
Number of non-professional staff:	
Full-year programs	35,003
Summer programs	28,761
Parent and child centers	387
Number of volunteers:	
Full-year programs	85,222
Summer programs	47,833
Parent and child centers	747
Professional staff/child ratio:	
Full-year programs	1 to 13
Summer programs	1 to 12
Parent and child centers	1 to 5
Total adult/child ratio:	
Full-year programs	1 to 2
Summer programs	1 to 2
Parent and child centers	2 to 1

1/ Program characteristics in full-year and summer programs are budgeted at the 1970 level. The decision on conversion of summer programs to full-year is left to the discretion of local grantees.

A total of $369,464,000, an increase of $15,877,000 over the 1971 level is required to maintain the 1971 enrollment: for 471,600 children in full-year and summer programs, $14,585,000; for 32 parent and child centers serving 7,400 children, $792,000; and for additional cost associated with the evaluation of Head Start programs, $500,000.

a. Full year programs ($290,552,000)

An increase of $12,244,000 over the 1971 level of $278,308,000 is requested to maintain in FY 1972 the FY 1971 full-year enrollment of 262,900 children between the ages of 3 to 5. This increase will provide for the increased cost of teachers' salaries, and expendable supplies. Full-year full day programs operate on an average of 8 hours per day all year long and account for 34 per cent of the children served in full-year programs. Full-year part day programs, which account for the remaining 66 per cent of children served, operate on an average of 4 hours a day for approximately 9 months per year. Full-year programs are tailored to the needs of the individual community, family and child. Each center is concerned with all aspects of the child's development: his physical and mental health, cognitive and social growth.

b. Experimental programs ($3,200,000)

The request for $3,200,000 is required to maintain the FY 1971 level of experimental efforts in FY 1972. Despite much attention and considerable experience, there remains a great deal of uncertainty as to what represents the most effective child development program. There is no clear indication of which specific approaches are most effective in developing children from disadvantaged backgrounds. The purpose of the Head Start experimental program is to determine what effects specific curricula will have on the development of a Head Start child. Several curricula which have been developed and have proven successful under carefully controlled research have been introduced in 37 Head Start centers in order to test their effectiveness under more general operating conditions and to determine their appropriateness for large scale operations.

c. Summer programs ($48,920,000)

An increase of $2,341,000 over the FY 1971 level of $46,579,000 is required to maintain in FY 1972 the FY 1971 summer program enrollment of 208,700 children. This request reflects an overall increase for operations and for salaries of teachers employed in summer programs. The summer program provides the same range of service as full year programs with special emphasis on the detection of medical, dental and other problems requiring immediate attention.

d. Career development and technical assistance ($18,000,000)

The request for $18,000,000 is to maintain the Career Development and Technical Assistance program in FY 1972 at the same level as FY 1971. Since 1969, Head Start grantees have been required to plan and implement a comprehensive career development program for staff. Each grantee is required to establish a career development committee and designate staff to develop a career development system. The primary goal of the CDTA program is to provide job stability and advancement opportunity for Head Start employees and to improve the quality of staff performance, which will have a direct impact on the quality of service provided to Head Start children and the community. The CDTA program provides funds for the following activities:

1. Regional training officer program.--Grants are provided to institutions of higher learning, State and private nonprofit corporations to serve as training resources to local Head Start programs and to provide guidance and assistance in the formulation and implementation of comprehensive training plans ($3,800,000).

2. Leadership development program.--Grants are provided to universities and nonprofit corporations to assist with the development and training of classroom personnel. Training experiences are provided for both professional and nonprofessional personnel who work with children on a day-to-day basis ($4,400,000).

3. Career development program.--This component provides an opportunity for approximately 9,000 local Head Start employees annually to attend local institutions of higher learning to work toward academic certification, Associate of Art or Bachelor of Art degrees ($4,600,000).

4. Technical assistance.--The technical assistance activity provides funds for grants and contracts with profit and nonprofit corporations and for interagency agreements for the provision of expert assistance where no expertise exists. Assistance is provided on an as-needed or preplanned basis and includes specific areas such as curriculum development, program planning and administration ($3,000,000).

5. Special training.--Funds are provided for training in specific program areas such as parent involvement, management techniques and skills ($2,200,000).

The career development and technical assistance program represents a critical element of our drive toward improved quality in all Head Start programs. A variety of career development and training designs are necessary in order to respond to the wide range of needs as defined by local communities.

e. Evaluation programs ($3,000,000)

An increase of $500,000 over the FY 1971 level of $2,500,000 is proposed for expanded evaluation of demonstration projects in key areas such as training, curriculum and parent participation. The primary purpose of the evaluation program is to give to management a continuing assessment of the results achieved by the services provided through Head Start centers and to utilize this information to improve Head Start programs and other programs related to children. Evaluation projects are designed to provide pertinent information about the effectiveness and impact of planned variation experiments, health services, social services and parent involvement on the development of Head Start children and their families. Such evaluation results are essential in determining which program elements should be expanded or instituted on a larger scale within the overall structure of the program. The substantial amount of research and evaluative information bearing on these questions which have accumulated over the past five years must also be utilized fully to aid management decision-making and improve program quality.

f. Parent and child centers ($5,792,000)

A request of $5,792,000 is required to maintain 32 Parent and Child Centers in FY 1972. An increase of $792,000 above the FY 1971 level of $5,000,000 is required to annualize costs for 3 additional centers transferred to OCD from OEO in 1971. The Parent and Child Centers program was established in recognition of the need to start preventative action against the effects of poverty at a very early age. The centers are designed to help the family unit function more effectively while enhancing the opportunity for the children to develop to their full potential. During FY 1972, 2,400 families with 7,400 children will be served in 32 centers.

4. Salaries and Expenses

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits ..	419	$6,202,000	432	$7,229,000	+13	+$1,027,000
Other expenses	---	2,119,000	---	2,571,000	---	+452,000
Total	419	8,321,000 1/	432	9,800,000 1/	+13	+1,479,000

1/ Includes $6,545,000 in FY 1971 and $7,353,000 in FY 1972 for the direction and administration of Head Start.

The Office of Child Development serves as an advisor to the Secretary and the Federal Government on national policies and programs which have a major impact on the development of children and youth. The Office arranges for the accumulation and analysis of information on programs serving children; reviews program plans and budgets in the area of early childhood; coordinates the development of priorities and strategies for early childhood research and demonstrations and seeks to promote the development of institutional arrangements at the Federal, State and local level to facilitate the effective delivery of high quality programs for children throughout the Nation.

This activity provides financing for the administration, management and support of activities associated with the Children's Bureau and the Bureau of Head Start and Child Service Programs. Staff of these two Bureaus are engaged in the provision of technical assistance to State and local organizations and grantees and in the development of policies, program standards and regulations.

Typical of the Office's technical assistance efforts is a joint project with the Office of Economic Opportunity to review State and local day care licensing requirements, including an analysis of current licensing processes in each of the 50 States. This project is designed to engage State and local licensing personnel, administrators and program operators in a thorough assessment of the difficulties involved in qualifying for a day care license. The study will provide the information required to assess the level at which adequate protection of children can be assured while maintaining reasonable licensing standards. A second technical assistance effort involves a cooperative venture with the Appalachian Regional Commission. The Office of Child Development and the Appalachian Regional Commission are engaged in a joint project to demonstrate innovative techniques for working with State and local groups in creating community coordinated child care organizations. This project will aid in clarifying some of the issues involved in coordinating child care resources at the State and local level, as well as problems associated with the development of new child care delivery systems.

62-917 O - 71 - pt. 4 ---40

In addition, the Office provides consultation and guidance to various national organizations and groups interested in child development activities. During FY 1971 the Children's Bureau provided assistance and guidance to the National Christopher Street Society in planning a national conference for foster parents. The purpose of the conference is to identify problems associated with the recruitment, training and support of foster parents and to plan strategies for meeting these problems. The Children's Bureau serves as a "place to go," a resource for information and help with problems related to child rearing and family life.

A total of $9,800,000, an increase of $1,479,000 over the 1971 level, is required to support the activities associated with the Children's Bureau and the Bureau of Head Start and Child Service Programs.

Children's Bureau

The Children's Bureau is responsible for conducting research and demonstration activities in the early childhood area and for developing standards, guidelines and technical assistance materials for use in carrying out children's programs. The Bureau identifies areas requiring new or revised policies and regulations and, in cooperation with State and local agencies and private organizations, works to stimulate increases in the availability and quality of children's services throughout the country. The Bureau is responsible for preparing pamphlets and other materials on child development programs and for leading Federal advocacy efforts on behalf of children.

Head Start

The Bureau of Head Start and Child Service Programs is responsible for the administration of the Head Start programs. It develops policies, guidelines and operating procedures with respect to the various activities associated with Head Start and develops standards and guides for Head Start grantees. It also provides guidance to the Director and regional offices on the effective utilization of Head Start resources.

Research and Demonstration

An increase of 7 positions and $87,000 is requested to provide additional support to carry out effectively the increased research and demonstration responsibilities of this Office. Staff must be recruited with the capability and training to review and evaluate research programs and to provide technical support and direction to local groups, such as Model Cities and planning councils, who are participating with OCD in conducting selected demonstrations.

National Center for Child Advocacy

An increase of 6 positions and $67,000 is requested to direct the activities of the National Center for Child Advocacy. This Center was established in response to the growing concern about the status of children in our society. It encompasses three components: a Child Development Information Secretariat, a Children's Concern Center, and a Division for Vulnerable Children. Its primary aim is to identify and promote improvements in conditions which adversely affect the growth and development of children.

An increase of $166,000 is requested to cover the costs associated with the activities and projects to be sponsored by the Center. These activities will include seminars, conferences and panels to review problems of national concern and to issue special reports regarding specific issues in the area of child rearing and child development.

Career Development for Lower Grade Employees

An increase of $50,000 is requested to continue and expand the university-based career development program for lower grade employees. In response to the growing concern about the lack of career development opportunities for minorities and lower grade employees within OCD and DHEW, a pilot career development program was initiated with the Federal City College during FY 1971. This project enables employees who are selected by the college to acquire a college degree while continuing to work for the Office. This project has received the endorsement of the Civil Service Commission and plans are for continuation and expansion in FY 1972.

Other Increases

An increase of $934,000 is requested to cover additional personnel costs. This request provides $223,000 for annualization of the additional costs of the "Federal Pay Comparability Act of 1970"; $435,000 increase for the annualization of new positions authorized in 1971; $40,000 for additional full year costs associated with new positions; $100,000 for statutory within grade promotions; $136,000 for the net additional cost for the increase in average employment of 9 man-years. Some positions were not filled all of FY 1971 but will be filled during FY 1972.

An increase of $175,000 is required to restore funds transferred to GSA for rental costs in FY 1971. This increase represents the minimum amount needed in FY 1972 to finance costs associated with communications and utility services and rental of space in regional offices.

OFFICE OF CHILD DEVELOPMENT

Child Development

Program Purpose and Accomplishments

Activity: Research and Demonstration (Social Security Act, Section 426)

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$5,500,000	Indefinite	---	$13,500,000

Purpose: The purpose of the program is to provide financial support for (1) special research or demonstration projects in the field of child welfare which are of regional or national significance, and (2) special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare services.

Explanation: Grants may be made at 95 percent cost to the Federal Government to public or other nonprofit agencies and organizations engaged in research or child welfare activities. Grantees are required to provide at least 5 percent of total direct costs.

Accomplishments in 1971: The Office of Child Development received its first appropriation for research and demonstration in FY 1971. Funds provided under the FY 1971 appropriation have supported the following projects: development of a multi-media course in child care for high school students; design of alternative mechanisms for child advocacy at the local level; demonstration of methods to bring about change in institutional care of children; demonstration of training programs for foster parents; development of a parent education program for mothers using public pediatric clinics; and development of curriculum and certification procedures for new career child care workers.

Objectives for 1972: Projects funded under the FY 1971 appropriation will be evaluated for continued funding during FY 1972. The primary emphasis of the FY 1972 research and demonstration program will be on the development and demonstration of different models of day care for children at various ages; the development of projects designed to provide a male identity for fatherless boys; projects to study the impact on children and parents who participate in a socio-economically mixed child development program; and projects to demonstrate innovative uses of television for young children.

OFFICE OF CHILD DEVELOPMENT

Child Development

Program Purpose and Accomplishments

Activity: White House Conference on Children and Youth

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$2,541,000	---	---	$304,000

Purpose: Funds are provided for the White House Conference on Children and Youth convened by the President to evaluate the overall conditions of children and youth, to advise the American people on current and future problems, and to stimulate action by professional groups, private citizens and public and private agencies in order to develop the full potential of our greatest National resource.

Explanation: Once each decade since 1909, the President of the United States has convened a White House Conference on Children and Youth. Traditionally, the White House Conference on Children and Youth has discussed, evaluated and reported on the problems and conditions of both children and youth in a single conference. While these two categories are closely related, the problems and institutions connected with each are often different and should be treated separately. In recognition of these differences, a White House Conference on Children was held December 13 through 18, 1970 and a White House Conference on Youth will be held April 18 through 22, 1971.

Accomplishments: The White House Conference on Children last December discussed those conditions and problems associated with the years from birth to age 14. This Conference involved goal-oriented forums made up of experts from the public and private sectors who discussed and evaluated past and present programs for children and recommended alternative courses of action for policy makers at the National, State and local levels.

The White House Conference on Youth in the Spring of 1971 will deal with the questions associated with young people from age 14 to 24. This Conference will be participation-oriented in the sense that it will attempt to give young people a greater degree of participation in society. The Conference will discuss those issues of greatest concern to young people today (the draft, education, drugs, etc.) and give them an opportunity to relate to adult institutional leaders.

OFFICE OF CHILD DEVELOPMENT

Child Development

Program Purpose and Accomplishments

Activity: Head Start (Economic Opportunity Act of 1964, as amended, Title II, Section 222)

1971			1972 Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$353,587,000 1/	2/	---	$369,464,000 1/

1/ The total estimated appropriations for Head Start are: FY 1971-$360,132,000 FY 1972-$376,817,000. Of these amounts, $6,545,000 in FY 1971 and $7,353,000 in FY 1972 are included in the "Salaries and Expenses" activity.
2/ Authorization expires June 30, 1971.

Purpose: Head Start is a comprehensive preschool program for poor children and their families. It encompasses a wide range of developmental activities in Full Year and Summer programs, a wide range of social services tailored to the individual family needs and a strong emphasis upon parental participation in program activities. In addition, experimental programs are being operated to develop better intervention techniques. A variety of training and technical assistance activities are sponsored to improve the quality of services offered. Experimental Parent and Child Centers which serve families with children under three years of age are operating to prevent the harmful effect of provety.

Explanation: The grants are made to Community Action Agencies and other public or private nonprofit agencies which qualify for Federal assistance. Grants for the operation of Head Start centers are based on an 80 percent Federal share and a 20 percent non-Federal share.

Accomplishments in 1971: In 1971, 262,900 children were served in the Full Year and Full Year experimental programs and 208,700 were served in the Summer programs. As a part of the Full Year program, 37 experimental programs were sponsored utilizing 8 different approaches to early childhood development. Thirty-two Parent and Child Centers were fully operative in FY 1971, of which three were transferred from OEO to OCD during the year.

Objectives for 1972: The Full Year and experimental programs will serve 262,900 children in 1972, the same level as in 1971. The Summer program will also be continued at the 1971 enrollment level of 208,700 children. Thirty-two Parent and Child Centers will continue operation.

OFFICE OF CHILD DEVELOPMENT

Child Development

Program Purpose and Accomplishments

Activity: Salaries and Expenses (Act of April 9, 1912, 37 Stat. 79, 42 U.S.C. 191) (Economic Opportunity Act of 1964, as amended, Title II, Section 222)

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
419	$8,321,000 1/	2/	432	$9,800,000 1/

1/ Includes $6,545,000 in FY 1971 and $7,353,000 in FY 1972 for the direction and administration of Head Start.
2/ Act of April 9, 1912--Indefinite
Economic Opportunity Act of 1964--Authorization expires June 30, 1971.

Purpose: This activity provides financing for the administration, management and support of activities associated with the Children's Bureau and the Bureau of Head Start and Child Service Programs. Staff of these two Bureaus are engaged in the provision of technical assistance to State and local organizations and grantees and in the development of policies, program standards and regulations.

Explanation: Funds are used to support the activities of the Office of the Director and for salaries and related expenses for activities of the Children's Bureau and the Bureau of Head Start and Child Service Programs.

Accomplishments in 1971: A primary focus of the Office of Child Development during FY 1971 was on assessing program activities and on establishing and implementing new operating procedures. Key management processes have been implemented at the National Office to ensure effective planning, coordination and evaluation of ongoing programs. A monitoring design has been developed and implemented at the regional level to assess the operational status of local programs. A Division for Program Management has been established within the Bureau of Head Start and Child Service Programs to serve as a focal point for improving the management and operation of Head Start programs. A National Center for Child Advocacy has been established within the Children's Bureau to coordinate and plan the Federal advocacy efforts on behalf of all children.

Objectives for 1972: Efforts to plan and coordinate child development programs, including research in the early childhood area, will be continued and expanded during FY 1972. Continued emphasis will be placed on improving the quality of Head Start programs through increased experimentation and evaluation. Additional emphasis will be placed on the activities of the Children's Bureau to ensure that the knowledge and information gained through the work of the National Center for Child Advocacy and from research and demonstrations are incorporated into ongoing programs for children and youth.

Allocations to States
Office of Child Development

Head Start

	1970 Actual		1971 Estimate		1972 Estimate	
	Full-Year and Summer Programs	Parent and Child Centers	Full-Year and Summer Programs	Parent and Child Centers	Full-Year and Summer Programs	Parent and Child Centers
Totals	$301,645,378	$2,876,834	$324,887,000	$5,000,000	$339,472,000	$5,792,000
Alabama	9,023,220	---	9,364,706	---	9,788,600	---
Alaska	1,084,054	117,135	1,180,257	175,250	1,234,000	181,000
Arizona	5,757,068	---	5,772,245	---	5,991,000	---
Arkansas	4,706,557	---	4,988,995	---	5,214,800	---
California	22,507,882	68,757	23,904,025	350,000	24,985,900	362,000
Colorado	4,205,638	214,160	4,357,489	71,036	4,552,900	181,000
Connecticut	1,849,947	---	2,194,469	---	2,293,800	---
Delaware	927,705	---	981,999	---	1,026,500	---
Dist. Columbia	2,803,159	166,257	2,746,754	175,000	2,870,100	181,000
Florida	11,294,206	182,645	11,611,776	168,341	12,135,600	181,000
Georgia	5,677,250	---	5,710,794	185,175	5,969,300	181,000
Guam	115,439	---	146,356	---	153,000	---
Hawaii	963,876	---	2,279,418	175,000	2,382,600	181,000
Idaho	1,139,866	---	1,298,477	---	1,356,400	---
Illinois	13,976,267	132,575	13,942,995	350,000	14,574,100	362,000
Indiana	4,688,012	---	5,272,310	---	5,510,900	---
Iowa	2,847,070	---	3,049,732	---	3,187,800	---
Kansas	1,864,760	---	3,099,954	---	3,240,300	---
Kentucky	7,472,258	94,302	8,543,141	331,743	8,929,800	181,000
Louisiana	7,867,013	---	8,354,325	---	8,732,400	---
Maine	1,589,152	---	1,679,250	---	1,755,300	---
Maryland	3,365,903	12,607	3,5[illegible]3,564	203,129	3,704,000	181,000
Massachusetts	6,058,381	---	6,5[illegible]5,589	160,428	6,862,800	181,000
Michigan	7,989,131	---	8,1[illegible]7,425	175,000	8,548,300	181,000
Minnesota	4,194,347	---	4,2[illegible]7,735	---	4,485,800	181,000

	1970 Actual		1971 Estimate		1972 Estimate	
	Full-Year and Summer Programs	Parent and Child Centers	Full-Year and Summer Programs	Parent and Child Centers	Full-Year and Summer Programs	Parent and Child Centers
Mississippi	32,898,548	---	36,148,206	---	37,784,300	---
Missouri	8,297,048	---	8,118,554	190,425	8,486,000	181,000
Montana	1,763,056	---	1,858,534	---	1,933,900	---
Nebraska	1,615,218	142,095	1,470,760	175,000	1,537,300	181,000
Nevada	583,797	---	591,708	---	616,300	---
New Hampshire	782,823	---	866,834	---	906,100	---
New Jersey	7,737,670	---	8,479,619	175,000	8,863,400	181,000
New Mexico	3,086,265	---	3,473,479	---	3,618,600	---
New York	19,932,694	---	22,764,166	175,000	23,794,500	181,000
North Carolina	8,813,228	---	9,488,185	---	9,915,900	---
North Dakota	1,132,140	---	1,129,582	---	1,171,200	---
Ohio	9,666,011	387,851	10,401,440	387,851	10,872,200	362,000
Oklahoma	5,395,097	---	5,748,735	---	6,008,900	---
Oregon	1,524,479	---	1,541,681	---	1,610,300	181,000
Pacific Trust Territories	300,252	---	574,248	---	600,300	---
Pennsylvania	9,881,986	83,283	10,132,152	175,000	10,590,700	181,000
Puerto Rico	6,236,641	---	6,451,552	---	6,743,600	---
Rhode Island	919,114	---	931,113	---	973,300	---
South Carolina	5,314,789	---	5,773,316	---	6,034,600	---
South Dakota	1,393,270	175,000	1,412,338	175,000	1,466,100	181,000
Tennessee	7,100,422	209,784	7,448,876	326,622	7,786,000	362,000
Texas	14,125,288	174,987	15,504,466	175,000	16,206,200	181,000
Utah	1,419,073	---	1,478,876	---	1,542,600	---
Vermont	785,067	262,500	796,745	---	832,800	181,000
Virgin Islands	604,229	---	633,663	---	662,300	---
Virginia	4,974,504	175,000	5,625,643	175,000	5,880,300	181,000
Washington	3,928,136	---	4,148,585	175,000	4,334,000	181,000
West Virginia	3,541,543	---	3,887,888	175,000	4,063,900	181,000
Wisconsin	3,563,255	277,896	4,352,095	---	4,545,000	181,000
Wyoming	365,574	---	580,181	---	605,400	---

New Positions Requested
Fiscal Year 1972

	Grade	Number	Annual Salary
Salaries and Expenses			
Research and Demonstration:			
Social Science Research Analyst	GS-14	1	$20,815
Social Science Research Analyst	GS-13	2	35,522
Research Analyst	GS-11	2	25,230
Secretary	GS-5	2	13,876
		7	95,443
National Center for Child Advocacy:			
Children Program Analyst	GS-13	1	17,761
Secretary	GS-5	1	6,938
		2	24,699
Division for Vulnerable Children:			
Social Science Specialist	GS-13	1	17,761
Secretary	GS-5	1	6,938
		2	24,699
Child Development Information Secretariat:			
Technical Information Specialist	GS-12	1	15,040
Secretary	GS-5	1	6,938
		2	21,978
Total new positions, all activities		13	166,819

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Appropriation Title	1972 Appropriation Estimate Pos.	Amount	Page
Office for civil rights	620	$11,879,000	1
Departmental management	2,617	53,525,000	14
General provisions			74

WEDNESDAY, MAY 19, 1971.

OFFICE FOR CIVIL RIGHTS

WITNESSES

J. STANLEY POTTINGER, DIRECTOR, OFFICE FOR CIVIL RIGHTS; AND ASSISTANT TO THE SECRETARY FOR CIVIL RIGHTS
ROBERT BROWN, ASSISTANT DIRECTOR (MANAGEMENT), OFFICE FOR CIVIL RIGHTS
WILLIAM VAN DEN TOORN, ASSISTANT TO THE DIRECTOR FOR CONGRESSIONAL RELATIONS, OFFICE FOR CIVIL RIGHTS
OWEN KIELY, DIRECTOR, CONTRACT COMPLIANCE DIVISION, OFFICE FOR CIVIL RIGHTS
CHARLES F. KEARNEY, DIRECTOR, DIVISION OF FINANCIAL MANAGEMENT, EXECUTIVE OFFICE, OFFICE OF THE SECRETARY
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

OFFICE FOR CIVIL RIGHTS

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Personnel compensation:			
Permanent positions	4,415	6,554	8,174
Positions other than permanent	107	110	190
Other personnel compensation	64	65	69
Total personnel compensation	4,586	6,729	8,433
Personnel benefits: Civilian employees	415	544	686
Travel and transportation of persons	546	666	719
Transportation of things	6	103	89
Rent, communications, and utilities	145	329	322
Printing and reproduction	26	36	36
Other services	717	831	925
Supplies and materials	32	62	81
Equipment	49	113	102
Total obligations	6,522	9,413	11,393

PERSONNEL SUMMARY

Total number of permanent positions	401	550	620
Full-time equivalent of other positions	14	14	24
Average number of all employees	382	492	598
Average GS grade	9.5	9.7	9.8
Average GS salary	$13,162	$13,584	$14,006

PROGRAM AND FINANCING (In thousands of dollars)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
Office for civil rights (costs—obligations)	6,522	9,413	11,393
Financing:			
Receipts and reimbursements from:			
Trust funds	−856	−947	−1,049
Unobligated balance lapsing	228		
Budget authority	5,894	8,466	10,344
Budget authority:			
Appropriation	5,259	7,927	10,344
Pay increase (Public Law 91-305)	159		
Transferred to other accounts	−20		
Transferred from other accounts	496	116	
Appropriation (adjusted)	5,894	8,043	10,344
Proposed transfer for civilian pay act increases		423	
Relation of obligations to outlays:			
Obligations incurred, net	5,666	8,466	10,344
Obligated balance, start of year		991	1,099
Obligated balance, end of year	−991	−1,099	−1,238
Outlays, excluding pay increase supplemental	4,675	7,969	10,171
Outlays from civilian pay act supplemental		389	34

Mr. NATCHER. We take up next the Office for Civil Rights. We have before the subcommittee J. Stanley Pottinger, the Director of the Office of Civil Rights.

It is a pleasure to have you appear again before our subcommittee. I have examined your statement and you have an excellent statement. With your permission we will insert the statement in the record and take up questions.

GENERAL STATEMENT

Mr. POTTINGER. Thank you.

(The statement follows:)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

"Office for Civil Rights"

Biographical Sketch

NAME	:	J. Stanley Pottinger
POSITION	:	Director, Office for Civil Rights and Assistant to the Secretary for Civil Rights
BIRTHPLACE AND DATE	:	Dayton, Ohio, February 13, 1940
EDUCATION	:	1946 - 1958 - Dayton Public Schools
		1958 - 1962 - Harvard College - Government major
		1962 - 1965 - Harvard Law School
EXPERIENCE		
Present	:	Director, Office for Civil Rights
1969 - March 1970	:	Regional Attorney, DHEW, Region IX, San Francisco California. Devoted majority of work to civil rights matters, especially school desegregation.
1962 - 1969	:	Practicing Attorney, firm of Board, Busterud and Khourie, San Francisco, California.
ASSOCIATION MEMBERSHIPS	:	Commonwealth Club
		San Francisco Bar Association
		San Francisco Barristers Club
PUBLICATIONS	:	Co-author with Professor F. Rabinovitz, "Organization for local Planning: the Attitudes of Director," Journal of the American Institute of Planners, January 1967. (The article dealt with problems or organization in public planning agencies.)
		Arthor of book review, "Manual of Federal Practice," Lavine and Horning (New York, McGraw-Hill, 1967) in California Law Review, October 1968.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Statement by the Director, Office for Civil Rights

on

"Office for Civil Rights"

Mr. Chairman and Members of the Committee:

I am pleased to present the fiscal year 1972 budget request for the Office for Civil Rights.

The fiscal year 1972 budget request would provide 620 positions and $11,879,000, an increase of 70 positions and $2,239,000 above the fiscal year 1971 level.

Contract Compliance

The requested increase of 70 positions is intended to meet additional responsibilities in contract compliance.

The Executive Orders 11246 and 11375 provide that Government contractors shall move affirmatively to bring about equal opportunity in employment. The Department of Labor has established the goal of conducting compliance reviews of at least 75% of covered facilities by the end of FY 1972.

HEW, and specifically the Office for Civil Rights, has been designated as the compliance agency for institutions of higher education, medical and health-related institutions, and certain nonprofit organizations holding nonconstruction Government contracts. In addition, in August 1970 the construction compliance function located in the Office of Education was transferred to OCR.

To meet the Department of Labor goal, the Office for Civil Rights would have to reach a cumulative total of 8,620 review actions by July 1973. Even with the additional 70 positions requested for the next fiscal year, however, it now appears that we will fall short of the goal, primarily because the extra resources planned for FY 1971 were not made available as early as expected. Nevertheless, by the end of FY 1972, we estimate the completion of 5,900 compliance reviews, which will represent about 68 percent of the Department of Labor's performance goal.

It should also be noted in this context that the Office for Civil Rights has begun field reviews of 80 colleges and universities receiving Federal funds and our focus is on both minority employment and alleged sex discrimination.

In the construction field, the Office for Civil Rights is responsible for monitoring the compliance of contractors participating in HEW-funded construction under the "Philadelphia Plan" and under similar plans covering additional cities as these are developed by the Office of Federal Contract Compliance at the Department of Labor. As of April 1, 1971, deficiencies were identified which led to the issuance of 64 show cause notices to prime and sub-contractors engaged in HEW construction in Philadelphia. The usual result of these notices has been to produce corrective action by the deficient contractor. However, we have found it necessary to initiate formal enforcement proceedings against one contractor and are contemplating similar proceeding against several others at this time.

Mandate of Title VI

In addition to enforcement of the Executive Orders by our contract compliance division, it is the responsibility of the Office for Civil Rights to administer Title VI of the Civil Rights Act of 1964, which prohibits discrimination as to race, color or national origin in programs and activities receiving Federal financial assistance. Under the provisions of Title VI, the Department is obligated to ensure that beneficiaries of approximately 200 major programs receive services on a non-discriminatory basis.

Elementary and Secondary Education

Pursuant to the provisions of Title VI and in conjunction with court action, unprecedented progress was made in calendar 1970 toward bringing an end to unconstitutional school segregation in the Southern and Border states. 63% of all Negro pupils in the 11 Southern states were brought under desegregation plans for the first time in the fall of 1970. While serious problems remain, particularly with respect to urban school districts, desegregation is now a fact of life in the overwhelming majority of the former dual systems and the role of the voluntary mechanism provided by Title VI was a major force in achieving the transition. School districts subject to voluntary desegregation plans negotiated by our office were reviewed on-site after the opening of the 1970-71 academic year to measure progress and to assure full compliance.

In fiscal year 1971 the Department undertook to implement, for the first time, the published non-discrimination policies applicable to national origin group minorities. The policy memorandum, issued on May 25, 1970, to school superintendents, sets forth certain prohibited practices which

have the effect of discriminating against national origin group children in the public schools, such as Spanish-speaking Americans. Since issuing the statement, we have sought to develop common analytical criteria for determining non-compliance and to explore in detail the kinds of affirmative action that should be required when deficiencies in educational programs are identified. Also, the effect of local educational practices on national origin group children has been studied in six school districts through on-site reviews.

At the request of the Commissioner of Education, Office for Civil Rights staff assisted in determining the eligibility and civil rights compliance status of individual desegregating districts applying for funds under the Emergency School Assistance Program (ESAP), which got underway last August. In addition, it has been our responsibility throughout this school year to conduct post-grant on-site reviews of grantees, to assess their compliance with the civil rights-related requirements of the program regulations. As of April 23, our staff had concluded on-site visits to 172 school districts under this program.

Outside the former dual school systems we are continuing to investigate school districts where the nature and extent of racial isolation indicate that discrimination may exist. In FY 1971, Federal hearing examiners upheld the position of the Department in finding two Northern school districts in non-compliance with the provisions of Title VI. In addition to the enforcement proceedings against these two systems, the Office for Civil Rights has conducted on-site compliance reviews of 35 school districts in 15 states during the current fiscal year.

62-917 O - 71 - pt. 4 ---41

Some controversy has arisen as to the enforcement of school desegregation outside the South. It should be noted in this regard that the burden of proof is considerable in building a case of discrimination in school districts where the condition of segregation cannot be shown to have resulted from recent State law and is not immediately traceable to official action. Title VI applies equally throughout the country and it has been uniformly applied to all Federally assisted programs. However, the impact of applying Title VI -- required desegregation -- has been unevenly felt not because of any willful disregard of racial separation in the North as opposed to the South but because of the constraints of the statute under which we operate and the thrust of Federal court decisions. These prescribe a sanction and provide a remedy for discrimination, that is to say, officially inspired or State-imposed segregation. Despite these obstacles, the Office for Civil Rights will proceed to implement Title VI just as vigorously in the North as in the South. We hold no brief for racial segregation -- wherever it prevails and whatever its cause.

In FY 1972 we will be focusing attention on the following areas of enforcement:

1. Renegotiation where necessary of Title VI voluntary desegregation plans now in effect which do not meet the principles enunciated by the Supreme Court in Swann v. Charlotte-Mecklenburg Board of Education, a landmark decision handed down on April 20, 1971.

2. Provide assistance to the Office of Education on questions of eligibility and civil rights compliance in administering the Administration's

proposed $1.5 billion Emergency School Aid Act, if and when the legislation is enacted by Congress.

3. Continue the program of compliance reviews of school districts throughout the country and investigate cases of possible in-school discrimination, including alleged discriminatory treatment of black teachers.

4. Enforce the May 25, 1970 memorandum and its policies of non-discrimination in districts with national origin group minorities.

Higher Education

Based on annual surveys of Federally assisted colleges and universities, the Office for Civil Rights conducts on-site compliance reviews of institutions with low minority enrollment to determine whether benefits and services are accorded in a non-discriminatory manner. Normally, such factors as recruiting of faculty and students, social events and organizations, financial assistance programs, housing and employment placement services are examined.

To date, compliance reviews have been undertaken at 125 institutions during the current fiscal year. We project an additional 150 reviews in FY 1972.

Also, HEW has reviewed State systems of higher education which have operated separate institutions by law and desegregation plans have been requested from responsible State officials in 10 States.

Health and Social Services

During fiscal year 1971, the Health and Social Services Division has

continued to focus principally on comprehensive State agency reviews. Such on-site reviews are not limited to Federally-assisted State agencies alone, but extend to their local counterparts and to the associated service facilities such as hospitals, nursing homes, child care centers, rehabilitation workshops and the like which provide direct health and welfare benefits.

Since the process of State agency compliance reviews begun, 40 State agency reviews have been completed. By the end of fiscal year 1971 an additional six reviews will have been completed, bringing to ten the total reviews completed during this fiscal year and to 46 the grand total State agency reviews completed. The 10 State reviews and other compliance review activities involved about 1,129 on-site visits to State and local agencies, hospitals, nursing homes, child care facilities, rehabilitation centers and projects for the aged. Compliance review of all States and jurisdictions will have been completed within the first two quarters of fiscal year 1972.

Follow-up of State review findings and recommendations has involved Health and Social Services staff in 28 training programs involving 300 State agency staff members. These training activities have been conducted in Arkansas, Connecticut, Florida, Kentucky, Louisiana, Maryland, North Carolina, Oklahoma, Pennsylvania, Texas, Virginia and West Virginia.

During fiscal year 1972 it is anticipated that follow-up activities with State agencies, to assure that negotiated agreements are implemented, will receive major emphasis. In addition, compliance staff will continue

routine reviews of a sampling of 7,000 hospitals; 5,000 extended care facilities; 2,000 home health agencies which are Medicare participants; and 1,200 Head Start programs.

Conclusion

In summary, the fiscal year 1972 budget request would provide 620 positions and $11,879,000, an increase of 70 positions and $2,239,000 above the fiscal year 1971 level. We believe the requested level of 620 positions for FY 1972 is the minimum necessary for HEW to enforce in good faith the obligations of Title VI and the Executive Orders.

Non-discrimination in Federally assisted programs is a requirement of law. Our purpose, with the resources made available by Congress, is to ensure that institutions which benefit from Federal funds and serve the public are made fully aware of their responsibilities in this area. In the past the Committee has never failed to appreciate the vital importance of adequate resources in fulfilling the task and we in HEW are grateful for your longstanding cooperation in this regard.

Thank you.

EFFORTS OF TITLE VI ENFORCEMENT STAFF

Mr. NATCHER. You are requesting no additional positions for enforcement of title VI of the Civil Rights Act of 1964. Tell us in general terms what your title VI staff is doing, how you plan to use them in fiscal 1972.

I have in mind, for example, how many are working on desegregation of elementary and secondary schools and how many are working on higher education institutions and how many on hospitals and so on.

Mr. POTTINGER. As you know, sir, we have two divisions which are responsible for the enforcement of title VI of the Civil Rights Act. One is the education division, and one is the health and social services division.

Looking first to the education division, as a general statement of our purpose, we are responsible for insuring that in all federally-funded programs in the education field a recipient of funds does not discriminate on grounds of race, color, sex, or national origin. This means in education we have both the higher education program and an elementary and secondary education program.

Traditionally and at the present time, this program has concentrated on implementing constitutional and title VI standards for the disestablishment of discrimination in schools, whether in regard to the former dual system or the vestiges of the former dual system, or kinds of discrimination outside such a system.

GEOGRAPHIC LOCATION OF STAFF

Mr. NATCHER. Let me ask you this question: Give us some idea as to how your title VI staff efforts are distributed geographically. That question is asked members of the committee from time to time as you know by Members of the House.

Mr. POTTINGER. At the present time, Mr. Chairman, we have 10 regional offices and one central office here in Washington. In Washington, in fiscal 1971 we have 204 positions dealing with title VI and our contract compliance function, including support personnel.

I think if we quickly exclude the contract compliance division in Washington it reduces the number by 18.

In the regional offices the figures are Boston, 21; New York, 38; Pennsylvania, 43; Atlanta, 60; Chicago, 56; Dallas, 50; Kansas, 9; Denver, 12; San Francisco, 48 and Seattle, 10.

The subtotal there of our regional offices is 346.

DISESTABLISHMENT OF DUAL STATE COLLEGE SYSTEMS

Mr. NATCHER. On page 9 of your justification, Mr. Pottinger, you mention you have initiated a program aimed at disestablishing the dual system of State colleges in 10 States which will be expanded to embrace four additional such systems in fiscal year 1971–72. How do you go about doing this?

Mr. POTTINGER. Our first effort is to identify those State systems which have formerly operated a dual higher education system. At the present time as you indicated that consists of 10 States where that identification has been made.

The second step is to notify the State higher education officials of the findings that are made through onsite reviews, and to attempt as best we can to establish a common understanding of the facts we are dealing with.

The next step, having done that, is to deal with what legal provisions there are that call for further action to disestablish that dual system. This consists of both formal letters and exchanges of correspondence as well as meeting together to try to arrive at a common understanding as to what types of affirmative action the State system might take to desegregate pursuant to title VI.

As a practical matter this means at the present time we have engaged in negotiations with a number of State officials and have requested from a number of them an affirmative action plan for a desegregation program.

Several have submitted plans. Those plans are presently under review by our office.

Mr. NATCHER. Are you going to close down the black colleges?

Mr. POTTINGER. No, sir.

ELIMINATION OF DISCRIMINATION ON A LANGUAGE BASIS

Mr. NATCHER. You also mention on page 10 a program for Spanish surnamed and oriental student populations who may be discriminated against by failure of the school districts to help them overcome language barriers.

What do you consider to constitute an acceptable effort by a school district to help children overcome language barriers?

Mr. POTTINGER. We try to identify where school systems discriminate against national origin group children, such as Puerto Ricans of chicanos or orientals in some communities.

We have asked that a school system do certain things affirmatively and not do others in order to overcome this problem.

What we ask them not to do is to assign children who do not have an English capability to classes for mentally retarded, where tests are used for that assignment in English rather than in the native tongue.

We also ask them not to track students in an educational system on the basis of tests that are given not in the child's native tongue, but in English when a child has no English capability.

What we ask them to do on the affirmative side is to develop a program which will teach the child an English-speaking capability in a bicultural setting without deprecating or eliminating his cultural heritage, and to do that as promptly as possible.

Specifically we are developing at the present time a kind of technical assistance package for giving guidelines and assistance to school districts of this kind which will give them not only the general goals they must achieve but specific help as to how to achieve it.

NEED FOR ADDITIONAL CONTRACT COMPLIANCE POSITIONS

Mr. NATCHER. You are requesting 70 additional positions for Federal contract compliance activities.

Mr. POTTINGER. Yes, sir.

Mr. NATCHER. Tell us what these people will do briefly, please?

Mr. POTTINGER. They will be responsible for insuring that the equal employment opportunity provisions of the Executive orders are maintained by Federal contractors. They are responsible for insuring nondiscrimination on grounds of race, color, sex, national origin, and religion on the part of the contractors, which are not recipients of Federal funds as provided in title VI.

Mr. NATCHER. How do you estimate your staffing requirements to do this job? And specifically I have in mind how did you decide that you need 166 positions in order to conduct 5,900 compliance reviews by the end of fiscal year 1972?

Mr. POTTINGER. Our need stems from an administration goal set specifically by the Department of Labor for identifying all Federal contractors that HEW services, and from this overall amount, setting a schedule for onsite reviews of 50 percent by the end of this fiscal year and 75 percent at the end of fiscal 1972.

Given this goal, as I say, which is set by the administration, we then determined on the basis of experience, the size of the contractors that we would have to review, the numbers of contractors, the average manhours it takes to conduct a review under the Executive orders, and the budget requirements that we have set forth here.

I might say that based on the recent need to investigate sex discrimation complaints, which are very rapidly and currently arising, it may be that our goal as we have set it forth is slightly more ambitious than our capability even as we have projected it here.

But our judgment at this time is as realistic as it can be, subject to further evaluations which continue as we do more work in this area.

Mr. NATCHER. Mr. Michel.

LIST OF 80 COLLEGES AND UNIVERSITIES TO BE REVIEWED

Mr. MICHEL. Would you place in the record those 80 colleges and unisities where you have begun the field review?

Mr. POTTINGER. Yes, sir.

(The information follows:)

COLLEGES AND UNIVERSITIES REVIEWED

1. Harvard University
   Boston, Mass.
2. Tufts University
   Medford, Mass.
3. Brown University
   Providence, R.I.
4. University of Massachusetts
   Amherst, Mass.
5. Yale University
   Boston, Mass.
6. University of Pittsburgh
   Pittsburgh, Pa.
7. Pace College
   New York, N.Y.
8. State University of New York
   Buffalo, N.Y.
9. State University of New York
   Albany, N.Y.
10. Rutgers University
    New Brunswick, N.J.
11. University of Puerto Rico
    Rio Piedras, P.R.
12. State University of New York
    Brookport, N.Y.
13. City University of New York
    New York, N.Y.
14. George Washington University
    Medical Center
    Washington, D.C.
15. University of Miami
    Coral Gables, Fla.
16. University of Florida
    Gainesville, Fla.
17. Georgia State University
    Atlanta, Ga.
18. University of Georgia
    Athens, Ga.
19. Albany State College
    Albany, Ga.
20. Kennesan Junior College
    Marietta, Ga.
21. Medical College of Georgia
    Augusta, Ga.
22. Valdosta State College
    Valdosta, Ga.
23. Middle Georgia College
    Cochran, Ga.
24. Georgia Southern College
    Statesboro, Ga.
25. Armstrong State College
    Savannah, Ga.
26. Savannah State College
    Savannah, Ga.
27. University of North Carolina
    Chapel Hill, N.C.
28. Florida Atlantic University
    Boca Raton, Fla.

29. University of Louisville
Louisville, Ky.

30. Vanderbilt University
Nashville, Tenn.

31. Southern Illinois University
Carbondale, Ill.

32. University of Illinois
Champaign-Urbana, Ill.

33. University of Chicago
Chicago, Ill.

34. Loyola University
Chicago, Ill.

35. University of Notre Dame
Notre Dame, Ind.

36. University of Michigan
Ann Arbor, Mich.

37. University of Minnesota
Minneapolis, Minn.

38. John Carroll University
Cleveland, Oh.

39. University of Wisconsin
Madison, Wisconsin

40. Central State College
Edmond, Oklahoma

41. University of New Mexico
Albuquerque, N.M.

42. University of Oklahoma
Norman, Oklahoma

43. Texas Christian University
Fort Worth, Tex.

44. N. Texas State University
Denton, Tex.

45. Rice University
Houston, Tex.

46. University of Houston
Houston, Tex.

47. University of Texas
El Paso, Tex.

48. Louisiana State University
Baton Rouge, La.

49. Southern Methodist University
Dallas, Tex.

50. New Mexico State University
Las Cruces, N.M.

51. University of Texas
Galveston, Tex.

52. University of Oklahoma
Medical Center
Oklahoma City, Oklahoma

53. Louisiana State University
New Orleans, La.

54. St. Mary's University
San Antonio, Tex.

55. University of Arkansas
Medical School
Little Rock, Arkansas

56. Pan American College
Edinburg, Tex.

57. East Texas State
Commerce, Tex.

58. East Central State
Ada, Oklahoma

59. New Mexico Institute of
Mining & Technology
Socorro, N.M.

60. Baylor Medical School
Houston, Tex.

61. Texas A & I
Kingsville, Tex.

62. Southern State College
Magnolia, Arkansas

63. Arkansas A & M
Monticello, Arkansas

64. Texas A & M
College Station, Tex.

65. Loyola University
New Orleans, La.

66. McNeese College
Lake Charles, La.

67. N.W. State College
Natchitoches, La.

68. University of Oregon
Eugene, Oregon

69. University of Wyoming
Laramie, Wyoming

70. University of Utah
Salt Lake City, Utah

71. University of Montana
Missoula, Montana

72. Colorado College
Colorado Springs, Col.

73. University of North Dakota
Grand Forks, N.D.

74. Dakota State College
Madison, S.D.

75. Metropolitan State College
Denver, Col.

76. University of Colorado
Boulder, Colorado

77. Colorado State University
Ft. Collins, Col.

78. University of Hawaii
Honolulu, Hawaii

79. University of Arizona
Tucson, Ariz.

80. Massachusetts Institute of
Technology
Cambridge, Mass.

81. Georgia Institute of Technology
Atlanta, Ga.

82. University of Washington
Seattle, Wash.

Mr. MICHEL. What do you expect to find there?

Mr. POTTINGER. We ordinarily find two kinds of problems, one dealing with race and one dealing with sex.

Mr. MICHEL. Would Dartmouth be in that group because it is an all-male institution?

Mr. POTTINGER. No, sir; we have not taken the position that an all-male institution which does not by its own standards admit women, discriminates against women under the Executive orders.

If Dartmouth were to admit women students and women did apply, as I assume they would, then the issue as to whether there was discrimination could arise, but that does not arise in this case.

Mr. MICHEL. You have covered the sex angle a little bit there. What other kinds of discrimination in the universities are specified?

Mr. POTTINGER. Perhaps, if you don't mind my rephrasing it slightly, it wouldn't be so much that we would expect to find it, but on the basis of experience, we frequently do.

What we frequently find is that a university may not have taken affirmative steps to attempt to employ national origin employees or employees of a different race.

REASONS FOR REVIEWING A COLLEGE

Mr. MICHEL. What causes these 80 colleges to be on your list?

Mr. POTTINGER. We are required to review contractors in the following ways: By regulation any contract which is to be let for more than $1 million requires, under the regulatory scheme, a pre-clearance review by the Department.

Mr. MICHEL. Does that mean each one of these 80 have contracts?

Mr. POTTINGER. Not necessarily. That is only the first standard by which we review.

The second standard is where specific complaints arise of discrimination under the Executive order. Then there again the regulatory scheme calls for us to review and make findings on those complaints.

Finally we have two other standards. One is to review what we call a set of allegations that is not a specific complaint of discrimination but complaints from the community or organization on campus; and finally to do simply self-initiated reviews not required by any outside or third-party source.

I might say because we have been so busy on the other standards we have never yet reviewed a university simply on our own initiative. We have always responded either to a preclearance requirement or a set of complaints.

Mr. MICHEL. Would I expect that next year when you come before us that list of 80 would be larger or smaller?

Mr. POTTINGER. It would cumulatively be greater. There is no doubt about that. That is not to say all of those 80 either now or next year will still be in limbo, in an uncertain status.

REVIEW ON JUNIOR COLLEGES

Mr. MICHEL. Does this group of 80 include any junior colleges?

Mr. POTTINGER. Yes, sir.

Mr. KIELY. There are some in State systems that are junior colleges.

DEVELOPMENT OF COMPLIANCE PLANS BY CITIES

Mr. MICHEL. On the review that is underway in Philadelphia you say in your testimony that in 64 instances of so-called notices, the prime and subcontractors engaged in HEW construction in Philadelphia. Why only Philadelphia? Is this the only place in the country where there is a problem? How did it all happen to center around Philadelphia?

Mr. KIELY. I believe it is fair to say that the initial action has been taken in Philadelphia because that was the first city with a comprehensive plan, the so-called Philadelphia plan.

No, it's clear that Philadelphia is not the only city which has problems of the kind we are dealing with here. Other cities are currently under review for precisely the same kind of problem, and other cities as they develop their home town plan, or if necessary Government-imposed plans, will be subject to the same kind of review.

Mr. MICHEL. Before you put any other cities in this category with Philadelphia, would we expect to have that matter resolved in Philadelphia before you move to some other cities on a similar basis or are your plans moved ahead to such a degree there are some other cities in the wings here to be subject to the same thing within the next year?

Mr. POTTINGER. There are other cities that have already developed home town plans and are developing home town plans where we will be required to take similar action. Pittsburgh is one, Washington, D.C. is one. Omaha, Neb. is right now in the process of concluding a home town plan. Each of these, and I believe the Department of Labor has set a goal of 107 cities, will have to be reviewed along the same lines as the Philadelphia plan has been reviewed.

ADDITIONAL PEOPLE ASSIGNED TO PHILADELPHIA

Mr. MICHEL. Will any of those additional people you are requesting in your shop be detailed specifically to that Philadelphia situation?

Mr. KIELY. Yes.

Mr. MICHEL. How many of the people in your shop currently are detailed to that?

Mr. KIELY. Working in Philadelphia?

Mr. MICHEL. Yes.

Mr. KIELY. There are three.

Mr. MICHEL. And of the new request how many additional ones would be?

Mr. KIELY. It is rather difficult to make an estimate, but for all construction work we would think about one-third of the staffing.

Mr. POTTINGER. You asked about Philadelphia. We would estimate three more people for a total of six.

Mr. MICHEL. Three more of the new positions you are requesting for 1972 would be detailed to the Philadelphia situation?

Mr. POTTINGER. Yes.

Mr. MICHEL. So you would have a total of six?

Mr. POTTINGER. Yes.

Mr. MICHEL. Would those all be lawyers?

Mr. POTTINGER. No, sir, not necessarily. In most instances the contract compliance officers we recruit come from the field of investigation either in contracts or something similar. They may be lawyers or may not be. In many cases they may be former contractors themselves or maybe investigators with the Department of Labor, Equal Employment Opportunity Commission, and the like.

DISPOSITION OF THE ADDITIONAL 70 PERSONNEL

Mr. MICHEL. What, again, is the reason you need the other 70 positions for 1972, in addition to these three to which you have just addressed yourself?

Mr. POTTINGER. I should emphasize here for clarity that we are dealing in the contract compliance division with two kinds of functions. One is construction compliance work and the other is nonconstruction work. We have just recently in the past few minutes been discussing construction work.

The other 70 personnel requested would for the most part go into nonconstruction work. They would be reviewing contractors such as universities and hospitals and other HEW funded facilities to insure that their employees are hired, retained, and treated without regard to race, color, and the like.

AREAS OF WORST DISCRIMINATORY PRACTICES

Mr. MICHEL. In this field what are the most glaring discrimination practices with which you are concerned?

Mr. POTTINGER. I don't know that I could say that one particular area is most glaring, Congressman. I would say that the clear emphasis we have now is both on race and sex discrimination.

Mr. MICHEL. In what and in where? You mentioned hospitals or health agencies. If you are asking for that number of additional people, it seems to me you must have some problem area. If it doesn't come quickly to mind, I get the impression that "if we get a number of people we can go out and recruit the business somehow, some way." I am much more impressed with a request for increased personnel when the witness tells me "we have a most horrible problem on this side of the table and we have to have such and such a number of people to get at this thing."

If you can't come back and tell me quickly what those are, I am not too impressed.

Mr. POTTINGER. My hesitation was just for that reason. When you asked for the most glaring, we have so many problems I find it difficult to state the worst of them. I may have misunderstood the thrust of your question.

Mr. MICHEL. You have the opportunity now.

Mr. POTTINGER. I will be brief but let me give you an idea of the vast numbers of instances that require onsite reviews.

HEAVY COMPLIANCE WORKLOAD IN UNIVERSITIES

Universities might be the best place to begin.

What we find is that universities are very heavily funded on a contract basis by the Federal Government, that universities have a require-

ment under the Executive order to hire both faculty and nonfaculty employees without regard to race or sex. There are perhaps 2,000 universities, each of which has to be reviewed when a complaint is filed or a high amount of money, over $1 million, is involved.

Just considering that alone, without regard to what we find, an on-site review is required within 30 or 60 days; we must have a body, an individual, a contract compliance officer trained and ready to go to make those reviews, make findings, and clear that contract as promptly as possible.

If he does find problems, he must negotiate with the university so they can clear it up and release the contract. This is in order to service the clients of the Federal Government. We consider universities and other contractors to be clients.

We must act promptly, we must act swiftly, we must act carefully to make sure we are not inadvertently either through lack of time or manpower holding up these valuable research and other types of contracts.

That is with universities alone. That does not mention for instance the same kind of problem that arises with other HEW facilities such as hospitals and other grantees or contractors.

What we find frequently when we go into the university is that the university has perhaps a set of allegations made against it or hasn't taken action to hire qualified female employees, both faculty and nonfaculty.

Where we find that to be the case, then it is necessary to spend even a greater amount of time on the campus to go through the data furnished to us to make findings and to negotiate in good faith with university officials to resolve the matter as promptly as possible.

We are perhaps as eager to resolve the matter quickly, not only to assist the contractor but so we are able to free up resources to provide the same kind of treatment to other contractors that have the same kind of needs.

I could elaborate at great length about the particular demand made on the office. If that is not satisfactory to your question in the opening you gave me I would be happy to do so.

TRAINING STATE COMPLIANCE STAFF

Mr. MICHEL. On page 7 you speak of training programs involving 300 State agency staff members, and the followup of State review findings and the training activities in such and such a State. Briefly what are we talking about here?

Mr. POTTINGER. What we find in the area of health and social services is that most States, if not all States, have a State agency which provides the service we are discussing, such as extended day care facility, nursing homes, hospitals, and the like. This is not true in the other areas we deal with, schools, universities, and contractors.

But in health and social service, State agencies are designed to be the conduit for Federal funding. Because of this, we have the advantage and the opportunity to go into that State agency and try to enlist their support, their manpower, and their capability in insuring that title VI and the equal employment opportunity clause are enforced. That means that rather than going directly in every instance to the

ultimate grantee as we must do in schools and most contractors, we go to the State agency and amplify our capability by doing so and at the same time enlist their support and understanding for our program.

This program is designed to train both our people and the welfare agencies in the State.

FISCAL YEAR 1972 TRAINING FUNDS

Mr. MICHEL. How much of your budget goes for that? Supply that for the record and whether or not your 1972 request here represents an increase or decrease in that particular item and in what amount.

Mr. POTTINGER. Fine.

(The information follows:)

TRAINING CONFERENCES FOR STATE AGENCIES

The Office for Civil Rights estimates that for fiscal year 1971, the expense of operating the training conferences will amount to $207,830. For fiscal year 1972, we estimate the total expense will rise to $327,596. The training conferences are considered a normal compliance function under title VI and thus the cost estimates presented here are built into the budget and represent the expenditure of man-hours on the part of our enforcement personnel, and air and ground travel.

Mr. NATCHER. Mr. Patten.

TITLE VI PROHIBITION OF SEX DISCRIMINATION

Mr. PATTEN. I hope you don't take that sex discrimination bill too seriously. That was put in the bill in an effort to defeat our civil rights bill when it came on the floor. We had no hearings, there was no committee report. But one of the opponents of the civil rights bill kept adding amendments hoping to kill the bill. I well remember on the floor some of our best-informed women in the Congress fighting against this amendment and they knew what they were doing.

In my time we discriminate on sex for the benefit of our women. I don't want women to be equal. My training is we glorify our women, we give them any benefits.

Under our pension laws of the Public Service Co. of New Jersey the women can retire earlier than the men. In the Standard Oil pension plan the girls who work in the office are allowed to have a better benefit than the men. I don't want women to be equal.

So don't take this sex business in your work too seriously. You are stuck with the law. Those of us who opposed this are no part of it.

I am a little old fashioned. Some of the sex discrimination is ridiculous. I am going to give the gals the best of it all the time. I open the door for my wife, I carry the luggage. We are not equal. I treat my wife as a doll. She gets the best of it. She is not equal at all. I am always taking care of her.

I think most men have that attitude. Don't get enchanted with this little bit of sex discrimination because it doesn't work.

Mr. MICHEL. I want the record to show you don't have a corner on that market.

Mr. POTTINGER. Could I add to the record I treat my wife like a doll also. If my wife reads the record without my having responded to your statement, I would be in trouble.

Mr. PATTEN. I don't say I will wash the dishes, you empty the garbage. We don't work that way. I do all of the physical work as far as I can. She doesn't have to ask me. I like women to be soft and feminine.

This law has worked against the welfare of women in my State.

I gave you the pension right. Another illustration is the chance for employment. Our plants have all been busy. As a result of this law women have been put out of jobs.

What we did under civil rights was to try to help many good Americans get a square deal before the law. That is your job. Don't worry about your leftwing militant critics because I think we will make more progress with labor and others with the soft sell if we are honest and sincere and determined. I think we are.

So I think you are dedicated. I know you will stick to the goal with the best ideals of the civil rights law. A lot of things are said that aren't relevant. Some fellows want to be chief. This is a hard area. I wish you luck in your work and hope you make progress. Don't destroy the Nation or break it up in all little pieces.

No further questions.

Mr. NATCHER. Mr. Shriver.

COMPLIANCE NEGOTIATIONS WITH WICHITA

Mr. SHRIVER. As you know, Mr. Pottinger, my home city of Wichita has been engaged in long negotiations with your office with regard to compliance. A couple of nights ago our school board voted 8 to 4 to accept the latest agreement which calls for a bussing program in the schools.

Since all of the new programs have been held up pending settlement of this matter, many people will be interested in the timing of action on those projects after plans have been approved.

From your experience could you say when we might expect acceptance of some other projects that have been approved but can't be funded because of the resistance of your office?

Mr. POTTINGER. What we have done is to negotiate, privately and in good faith, on both sides, with members of the school board a few weeks ago.

Mr. SHRIVER. And they have accepted it?

Mr. POTTINGER. As soon as that formal acceptance is communicated to our office, and assuming that the acceptance is, as I am sure it is, of the steps of the agreements that were negotiated, the Office of General Counsel will immediately within a matter of hours review that acceptance, and, again assuming that these standards are met, it will be approved and as is our ordinary method of lifting deferrals, the deferrals will be lifted by telegrams by me, a matter of an hour or two thereafter.

REVIEW OF EMERGENCY SCHOOL ASSISTANCE GRANTEES

Mr. SHRIVER. Relative to the emergency school assistance program, you have had some funds available that we appropriated last year. How are those funds being used?

Mr. POTTINGER. The funds were appropriated to the Office of Education.

Mr. SHRIVER. This is the Department of Health, Education, and Welfare?

Mr. POTTINGER. I only say that to try to preface what I am going to say about the Office for Civil Rights' role in the program.

What we had agreed to do, at the request of the Office of Education and then Acting Commissioner of Education who was responsible for the administration of that emergency program, was to provide a pregrant and postgrant service to him.

What we did on our existing budget was to use our education personnel in the field to do reviews of school systems that applied for and received that money. As promptly as we could, within the administration's guidelines for servicing the emergency nature of that program, we reported to the Commissioner of Education where school districts appeared not to comply with the regulations and the legislation and where they did comply. That was a pregrant function.

In those cases where a grant went forward and a district was funded, we were asked again by the Office of Education to use our compliance officers to do a postgrant review of those same districts where problems appeared to have arisen and to determine for the Commissioner whether those problems violated the terms of the grant.

APPROPRIATIONS FOR EMERGENCY SCHOOL ASSISTANCE

Mr. MILLER. Mr. Shriver, could I add one item to this that may be of interest to the committee?

As I am sure you are aware, we ran into some problems because the money was appropriated just shortly before the school term in the fall. There has been some criticism since then of the wisdom of some of the expenditures.

What we are trying to do this year in order to prevent that situation, is to ask the Senate to have a hearing on this item even though there is not as yet any authorizing legislation. The hearing could well be held this afternoon as a matter of fact. We are hopeful that in one way or another we can get money in the education bill so that we don't get faced with the situation this year as we were last year of having practically no time at all between the appropriation of funds and the need for those funds at the beginning of the school year.

So it is going to be a difficult matter because of this question of authorizing legislation, but we are hoping to work it out so it will be in the education bill.

SWANN *v.* CHARLOTTE-MECKLENBURG SCHOOL BOARD

Mr. SHRIVER. In your statement you referred to the Supreme Court decision of *Swann* v. *Charlotte-Mecklenburg Board of Education.* What will that opinion mean in connection with the activities of your office?

Mr. POTTINGER. Frankly, it puts incredibly intense pressure on our resources. We must now review all of the de jure systems which are subject to that case north and south, although most happen to be south, and determine which of those systems must take further steps to meet the standards of that Supreme Court case.

This means that we are placed in the position not unsimilar to the position we found ourselves in at this time last year when we were

attempting to negotiate with and deal with in excess of 300 school districts in 17 southern and border States. Now we have until the opening of school this fall, perhaps 4 months at most, to begin, move through, and conclude essentially the same process once again.

This particular effort is somewhat seasonal in that regard. It means we will have to do both on-site reviews and negotiations and correspond with a great many school boards. It is not seasonal to the extent we can then let down because as you may know, after the schools open our focus shifts because then it becomes necessary to go through precisely the same kind of on-site reviews the office has engaged in for the past several years.

Mr. SHRIVER. Thank you.

COOPERATION WITH HUD AND OEO

Mrs. REID. Do you work with the Department of Housing and Urban Development and OEO in administering your responsibilities for civil rights compliance? What coordination do you have with these agencies?

Mr. POTTINGER. The Office for Civil Rights maintains formal liaison with the Department of Housing and Urban Development's Model Cities Administration. Informal liaison is maintained with other HUD agencies and its Office of Equal Opportunity.

The primary purpose of this liaison is to make sure that the two departments' programs support each other as much as possible in dealing with the civil right problems, and that in no case do actions by one department impair desegregation activities undertaken by the other. For example, HUD has cautioned some model cities that failure to deal effectively with civil rights problems in schools could result in a finding that model city programs were not making progress in reducing educational disadvantage, and consequently the entire program could be jeopardized.

The Office for Civil Rights maintains informal liaison with the Office of Economic Opportunity's Office of Human Rights, which has civil rights responsibility for OEO, primarily on an as-needed basis.

On a formal basis, the Office for Civil Rights circulates to all Federal agencies the interagency report, covering the status of title VI compliance of all HEW federally assisted institutions in some stage of administrative enforcement proceedings. We are frequently contacted by other agencies which are considering grant programs to these institutions to ascertain the current state of compliance and the nature and impact of the discriminatory activities for which title VI administrative proceedings were initiated. When enforcement proceedings are initiated, other Federal agencies are informed so that they may join us in a consolidated hearing.

AVAILABILITY OF ENFORCEMENT PERSONNEL

Mrs. REID. Have you had any difficulty in finding qualified applicants for your positions in the field of civil rights enforcement?

Mr. POTTINGER. No. When our regional offices have advertised position vacancies the responses, in terms of qualified applicants, have been outstanding. For example, the San Francisco Regional Office for Civil Rights recently advertised six positions of employment and

received responses from 134 qualified applicants. For the Atlanta Regional Office for Civil Rights, 120 qualified applicants responded to 14 advertised positions of employment.

TRAINING FOR NEW EMPLOYEES

Mrs. REID. What type of training is given to your new employees in the field of equal opportunity?

Mr. POTTINGER. Employees who join our Office generally have training and experience in the investigative, negotiation, and communication fields. Accordingly, our training program includes a comprehensive orientation concerning the nondiscrimination requirements of title VI and Executive Order 11246 and extensive field experience. A new employee will generally spend 8 months to a year under the direction of a senior Civil Rights Specialist before operating independently or as a compliance team leader.

ENFORCING COMPLIANCE IN HEALTH FACILITIES

Mrs. REID. Are you having success in regard to enforcing compliance under health facilities—hospitals, et cetera?

Mr. POTTINGER. Yes. Today, almost all of the approximately 7,000 hospitals in this country are in compliance with title VI and eligible to receive Federal assistance. Forty-five termination proceedings have been filed against health facilities, the last in November 1968. In most of these cases, the recipient voluntarily took action to return to compliance status and in a few cases, the recipient withdrew its request for Federal assistance. It has been necessary, therefore, to bring only 13 of the proceedings to termination. At this time, moreover, only one of the terminated facilities remains in noncompliance.

We made a survey in 1969 and found that 75 percent of the approximately 6,500 hospitals surveyed reported minority persons as patients, an increase of 25 percent over the figures in 1966. Although the number of extended care facilities serving minorities increased by about 80 percent in the same period, there are obviously remaining problems in this area since minority group patients constitute still a very low percentage of the total patient load.

CONTRACTOR SUCCESS IN HIRING QUALIFIED MINORITIES

Mrs. REID. Have the contractors working on hospitals or school construction had any difficulty in finding qualified minority workers so they can meet the requirements for equal opportunity hiring?

Mr. POTTINGER. The thrust of contract compliance involving federally assisted construction projects has been through imposed plans, like the "Philadelphia" and "Washington" plans, and hometown plans such as are operating in Pittsburgh and Indianapolis. These plans are based, in large part, on the availability of minority workers as determined from surveys and public hearings. In the implementation of plans, the burden of proof is on the contractor to show that he has undertaken good faith efforts to recruit and employ minority workers.

To date, few HEW contractors have been able to demonstrate inability to recruit and employ minority workers.

Mr. NATCHER. Mr. Conte?

SEX DISCRIMINATION IN COLLEGES AND UNIVERSITIES

Mr. CONTE. How serious a problem has sex discrimination been shown to be from the field reviews of 80 colleges and universities that your Office has begun?

Mr. POTTINGER. Generally, we have found that discrimination on the basis of sex is serious and widespread among Federal contractors. We would equate this discriminatory treatment to that practiced against racial minorities before serious governmental enforcement of equal employment standards was begun in the early 1960's.

EFFECT OF "WHITTEN PROVISIONS"

Mr. CONTE. Would you comment on the effect the so-called Whitten provisions in the education appropriations bill have had in carrying out the duties of your Office?

Mr. POTTINGER. The provisions have not altered desegregation requirements under title VI, nor have they restricted the authority of the Department to administer title VI in accordance with existing procedures and regulations. Broadly speaking, while the legal effect of the provisions has been of no consequence, the Department feels that they tend to confuse local school authorities as to their responsibilities under the Constitution and under title VI of the Civil Rights Act of 1964. Instead of supporting the efforts of local authorities to desegregate pursuant to the nondiscrimination provisions of law, the provisions offer a false promise of relief from an obligation that is in no way diminished.

DESEGREGATING URBAN SCHOOL DISTRICTS

Mr. CONTE. What are the most serious desegregation problems, in your estimation, that still remain in urban school districts and what steps are you taking to solve these problems?

Mr. POTTINGER. The remaining problems, with respect to formerly de jure segregated urban school districts, is to insure that the title VI compliance plans which they are operating meet the principles enunciated in the recent Supreme Court decision. The Office for Civil Rights is currently reviewing those districts to determine whether previously accepted title VI plans require renegotiation. Manifestly, desegregating urban systems is apt to prove more difficult because of sprawling neighborhoods which are, in effect, racially segregated.

NATIONAL ORIGIN MINORITY GROUPS

Mr. CONTE. With regard to discrimination against national origin group children, how successful have your efforts been to develop common analytical criteria for determining noncompliance with published standards?

Mr. POTTINGER. Since the issuance of our memorandum of May 25, 1970, concerning the responsibility of school districts to provide equal educational opportunity to national origin minority group children, techniques for determining compliance have been developed and applied in several reviews of school districts. As a result, one school district has been sent a letter of noncompliance and is now developing a compliance plan to be implemented in the fall of 1971. Simultaneously we have been developing the proper measurements and techniques of assessing school enrollment and other data in order to be able to determine compliance in any given situation.

Mr. CONTE. What have your studies of the effect of local educational practices on national origin group children shown?

Mr. POTTINGER. Where such practices have led to the establishment of ethnic isolation, our findings are that the educational development of children is impeded significantly. We know that it deprives national origin minority group children of the most important resource for English language development—regular interaction with English-speaking children. There is also evidence that ethnic isolation of children can lead to lower self-esteem, and hostility and eventual withdrawal from the educational system.

DESEGREGATION OF HIGHER EDUCATION

Mr. CONTE. What are the 10 States that have been requested to come up with desegregation plans for their systems of higher education?

Mr. POTTINGER. The 10 States requested to submit plans for the desegregation of their systems of higher education are: Arkansas, Florida, Georgia, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, Pennsylvania, and Virginia.

EFFECT OF SWANN DECISION

Mr. CONTE. How many voluntary desegregation plans will require renegotiation as the result of the Swann decision?

Mr. POTTINGER. The Department estimates 100–150 voluntary desegregation plans may require renegotiation in view of this decision.

PROGRAMS INVOLVED IN COMPLIANCE REVIEW

Mr. CONTE. What percent of the programs under the jurisdiction of HEW are currently the subject of compliance reviews?

Mr. POTTINGER. This would vary according to the recipients of assistance. We can provide the following estimated number of reviews for fiscal year 1971.

Of the approximately 18,655 school districts receiving Federal financial assistance, onsite reviews were made in about 811 districts—or 4.3 percent of the total. With respect to colleges and universities, of the approximately 2,300 receiving Federal assistance, the Office reviewed onsite 150—or 6.5 percent of the total.

In the area of health services, about 700 hospitals receiving Federal assistance were reviewed—or 10.3 percent of the total. Of the 4,656 extended care facilities which are receiving Federal assistance, compliance reviews were made of 450—or 9.7 percent of the total.

Comprehensive reviews were made of 10 of the 250 State agencies receiving Federal financial aid, such as those concerned with education, health, welfare, and vocational rehabilitation, and aging (or 4 percent of the total). Only 1 compliance review was conducted of the 216 educational broadcasting facilities receiving Federal assistance (or 0.5 percent of the total).

In addition, under the authority of the executive orders on equal employment opportunity, about 1,400 construction and nonconstruction reviews are to be undertaken in fiscal year 1971.

Mr. NATCHER. Mr. Pottinger, we want to thank you and your associates for appearing before our committee at this time.

Mr. POTTINGER. Thank you, sir.

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office for Civil Rights

Amounts Available for Obligation

	1971	1972
Appropriation	$7,927,000	$10,830,000
Real transfer to:		
"Operating Expenses, Public Building Service", General Services Administration	-4,000	---
Real transfers from:		
Office of Education	116,000	---
"Higher Education Facilities Loan Fund" (Proposed transfer for increased pay costs)	654,000	---
Subtotal, budget authority	8,693,000	10,830,000
Receipts and reimbursements from:		
Trust Funds	947,000	1,049,000
Total, obligations	9,640,000	11,879,000

Obligations by Activity

Page Ref.		1971 Estimate Pos.	1971 Estimate Amount	1972 Estimate Pos.	1972 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
485	Civil Rights	550	$9,640,000	620	$11,879,000	+70	+2,239,000

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Total number of permanent positions	550	620	+70
Full-time equivalent of all other positions	14	24	+10
Average number of all employees	492	598	+101
Personnel compensation:			
Permanent positions $6,763,000		$8,615,000	$+1,852,000
Positions other than permanent	110,000	190,000	+80,000
Other personnel compensation	65,000	69,000	+4,000
Subtotal, personnel compensation .	6,938,000	8,874,000	+1,936,000
Personnel benefits	561,000	721,000	+160,000
Travel and transportation of persons ...	666,000	719,000	+53,000
Transportation of things	103,000	89,000	-14,000
Rent, communications, and utilities	325,000	322,000	-3,000
Printing and reproduction	36,000	36,000	--
Other services	836,000	935,000	+99,000
Supplies and materials	62,000	81,000	+19,000
Equipment	113,000	102,000	-11,000
Total obligations by object	9,640,000	11,879,000	+2,239,000

Summary of Changes

1971 estimated obligations	$ 9,640,000
1972 estimated obligations	11,879,000
Net change	$ 2,239,000

	Base		Change from Base	
	Pos.	Amount	Pos.	Amount
Increases:				
A. Built-in				
1. Annualization of 144 new positions authorized in 1971	---	---	---	+1,073,000
2. Extra day's pay	---	---	---	+6,000
3. Health insurance increase	---	---	---	+10,000
4. Communications and other uncontrollable administrative costs	---	---	---	+23,000
5. Annualization of 1971 pay increase	---	231,000	---	+255,000
Subtotal	xxx	xxx	xxx	+1,367,000
B. Program:				
1. Compliance enforcement	454	7,701,000	---	---
2. Contract compliance	96	1,708,000	+70	+958,000
Total increase	xxx	xxx	+70	+2,325,000
Decreases:				
A. Program:				
Nonrecurring costs related to the 1971 new positions, such as equipment, moving expenses, telephone installation, etc.	---	---	---	-86,000
Total, net change	xxx	xxx	xxx	2,239,000

Explanation of Changes

Increases:

A. Built-in:

1. For the funding of the 144 new positions authorized by the Congress for a full year, $1,073,000 is needed.

2. Fiscal year 1972 contains 262 days; therefore, an extra day's pay ($6,000) is required.

3. Legislation increased the Government's share of health insurance during FY 1970. For that portion which cannot be absorbed, an increase of $10,000 is requested.

4. A minimal amount of $23,000 is requested to cover increased FTS costs and regional services costs.

5. An increase of $255,000 is needed to fund the FY 1971 pay increase for a full year.

B. Program:

1. Contract compliance - An increase of 70 positions is requested in FY 1972 to meet additional contract compliance workloads and responsibilities. It is estimated that with this increase in staff, approximately 5,900 compliance reviews will be accomplished by the end of FY 1972. This would represent 68% of the goal (8,620 reviews) that the Department of Labor has set for agencies having contract compliance responsibilities.

Decreases:

A. Program:

A decrease of $86,000 from the base is due to nonrecurring costs related to the 1971 new positions for equipment.

Explanation of Transfers

	1971 Estimate	Purpose
Real transfer to:		
"Operating expenses, Public Building Service," General Services Administration	$ -4,000	Transfer of rental costs for space in Atlanta, Georgia.
Real transfers from:		
Office of Education	116,000	Transfer of Compliance activity.
"Higher education facilities loan fund"	654,000	Proposed transfer for increased pay costs.

Office for Civil Rights

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1970:1/				
Appropriation...	$5,259,000	$5,259,000	$5,259,000	$5,418,000
SSA Transfer....	856,000	856,000	856,000	856,000
1971:				
Appropriation...	7,927,000	7,927,000	8,874,000	7,927,000
Proposed Supplemental for increased pay cost.....	654,000	654,000	654,000	654,000
SSA Transfer....	947,000	947,000	---	947,000
1972:				
Appropriation...	10,830,000			
SSA Transfer....	1,049,000			

1/ New appropriation in fiscal year 1970; activities previously funded under Salaries and Expenses, Office of the Secretary; carried in fiscal year 1969 as a comparable transfer to Salaries and Expenses, Office of Community and Field Services.

Justification

Office for Civil Rights

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	550	$7,499,000	620	$ 9,595,000	+70	+$2,096,000
Other expenses.....	--	2,141,000	--	2,284,000	--	+143,000
Total.....	550	9,640,000	620	11,879,000	+70	+2,239,000

General Statement

The Office for Civil Rights is responsible for administering Title VI of the Civil Rights Act of 1964, which prohibits discrimination as to race, color or national origin in programs and activities which receive Federal financial assistance. Additionally, this office insures compliance with Executive Orders on equal employment opportunity at universities, hospitals, and other institutions holding Government contracts. Under the provisions of Title VI the Department is obligated to assure that beneficiaries of approximately 200 major programs receive services on a non-discriminatory basis. Federal assistance is provided through 500 State agencies and thousands of school districts, nursing homes, hospitals, colleges, and other similar entities.

An increase of 70 positions is requested for this office in FY 1972 to meet increased workloads in the area of Contract Compliance.

Office for Civil Rights

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	550	$7,499,000	620	$ 9,595,000	+70	+$1,096,000
Other expenses.....	--	2,141,000	--	2,284,000	--	+143,000
Total.....	550	9,640,000	620	11,879,000	+70	+2,239,000
Subactivities:						
Compliance enforcement.	454	7,892,000	454	8,925,000	--	+1,033,000
Contract compliance....	96	1,748,000	166	2,954,000	+70	+1,206,000
Total.....	550	9,640,000	620	11,879,000	+70	+2,239,000

Compliance Enforcement

Accomplishments FY 1970-71

Education - In the area of elementary and secondary education, the Office for Civil Rights has proceeded to negotiate for the implementation of desegregation plans with respect to the former dual school systems. Our approach has been to seek full compliance with the law by the opening of the 1970-71 school year. As this initial enforcement phase is completed, we intend to shift our effort to the monitoring and review of desegregation plans and court orders. In regard to school systems in other parts of the country, the OCR will continue its program of on-site compliance reviews. To date, more than 50 school systems in 16 states have been surveyed and evaluated to determine whether Title VI compliance problems exist.

To date, 2,300 colleges and universities receiving Federal financial assistance have been surveyed by the OCR. On the basis of the data compiled, approximately 1,100 colleges have been selected for compliance reviews. To date we have completed 470 reviews of such institutions.

In FY 1970-71 we expect to complete about 320 reviews of universities and colleges. Additionally, we have initiated a program aimed at disestablishing the dual system of State colleges in 10 states which will be expanded to embrace 4 additional such systems in FY 1971-72.

Health and Social Services - In FY 1970, 12 State health and social service departments were reviewed for compliance with Title VI. These reviews included on-site visits at approximately 200 state and local agencies and 750 hospitals, nursing homes and other facilities; this brings the total to 36 State health and social service departments reviewed with on-site visits to approximately 2,650 local agencies and facilities including about 1,100 hospitals and nursing homes.

Over 450 hospitals and nursing homes were reviewed in routine compliance reviews during FY 1970 other than State agency reviews, as well as investigation of about 150 complaints. Policy manuals, including a Staff Manual for State agency reviews were developed and, as part of the follow-up to State agency reviews, technical assistance was provided to assist State agencies in carrying out their Title VI responsibilities. As part of this assistance 14 training programs with staff of 7 State health and social service departments was provided.

Program Plans FY 1972

Education - On May 25, 1970 OCR published a statement defining the application of Title VI to discrimination on the basis of national origin. The primary beneficiaries of this new program by the Department will be Spanish-surnamed and Oriental student populations who may be discriminated against by failure of the school district to help them overcome language barriers.

Utilizing current resources OCR will investigate in-school discrimination; carry out a stepped-up compliance program, place greater emphasis on national origin minority discrimination; and investigate compliance status of those districts which apply for funds for assistance in desegregation.

Health and Social Services - Utilizing current resources, OCR plans to complete State agency reviews still outstanding and to provide training to additional State agency staff in carrying out their responsibilities for on-site review of agencies and institutions. In addition, staff will be allocated to field offices to augment present staff in carrying out other activities to insure continuing compliance of 7,500 hospitals, 5,000 extended care facilities, 2,200 home health agencies participating in the Medicare program and 250 State agencies receiving Federal financial assistance in the health and social services field.

Contract Compliance

Accomplishments FY 1970-71

FY 1970 Operations - 680 Contract Compliance reviews have been conducted to date. A sampling of 27 of the contractors which have been reviewed more than once showed a net increase in minority group employment of 3,273 or an average increase of 121 per contractor.

FY 1971 Operations - It is anticipated that approximately 2,103 non-construction and 600 construction project reviews will be completed during FY 1971. Using the sample of accomplishment by the 27 contractors referred to above we can project that the net increase in minority group employment by contractors for whom we are responsible will approach 83,000 by the end of FY 1971. Our statistics do not include any measure of results or accomplishments with regard to the employment of women since no historical data are available to provide a statistical base. However, all reviews will include coverage of areas of possible discrimination because of sex. Both the area of sex discrimination and discrimination against minorities in the construction industry, which is benefitting from HEW funded construction, require urgent attention.

Program Plans FY 1972

Workload Statistics - DHEW and OCR have been designated by the Department of Labor as the Compliance Agency under Executive Orders 11246/11375 for all institutions of higher education, medical and health related institutions and certain other nonprofit organizations holding nonconstruction Government contracts, as well as those State and local government agencies holding nonconstruction contracts funded by DHEW.

In August, 1970 the construction compliance function was transferred from the Office of Education to OCR.

Goals - The Department of Labor has set a goal for agencies with contract compliance responsibility to conduct compliance reviews at least 75 percent of its contractor facilities by the end of FY 1972. For DHEW, this would represent a cumulative total of 8,620 review actions from the period of July 1969 to July 1973.

Since budget clearance for FY 1971 was delayed and the resources planned for FY 1971 were not available as early as expected, DHEW cannot achieve the goal previously set out for FY 1971 (3,650 reviews) nor the Department of Labor goal for FY 1972 (8,620 reviews). Given the planned total resources for FY 1971 (96 positions) and the proposed increase in resources for FY 1972 (70 positions), we now estimate accomplishing 5,900 compliance reviews by the end of FY 1972--approximately 68 percent of the Department of Labor performance goal.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office for civil rights

Program Purpose and Accomplishments

Activity: Office for civil rights

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
550	$9,640,000	--	620	$11,879,000

Purpose: The Office for Civil Rights is responsible for administering Title VI of the Civil Rights Act of 1964 which prohibits discrimination as to race, color or national origin in programs and activities which receive Federal financial assistance. Additionally, this office insures compliance with Executive Orders on equal employment opportunity at universities, hospitals, and other institutions holding Government contracts.

Explanation: To provide funding of salaries and expenses for staff of the Office for Civil Rights, both at headquarters and field.

Accomplishments in 1971: Compliance enforcement - To date 2,300 colleges and universities receiving Federal assistance have been surveyed; 1,100 have been selected for compliance reviews with 470 such reviews completed. To date 36 State health and social service departments have been reviewed for compliance with on-site visits to approximately 2,650 local agencies and facilities, including about 1,100 hospitals and nursing homes. Contract compliance - 680 reviews have been conducted to date. It is anticipated that approximately 2,103 non-construction and 600 construction projects reviews will be completed during FY 1971.

Objectives for 1972: Compliance enforcement - In the area of education, OCR will carry out a stepped-up compliance program emphasizing national origin minority discrimination and investigate compliance status of those districts applying for funds for assistance in desegregation. In the area of health and social services, the Office for Civil Rights plans to complete State agency reviews still outstanding and to continue providing training to State agency staffs responsible for making on-site reviews. Contract compliance - OCR plans to complete 5,900 compliance reviews of contractor facilities by the end of FY 1972.

New Positions Requested
Fiscal Year 1972

	Grade	Number	Annual Salary
Contract Compliance			
Supervisory Contract Compliance Specialist	GS-15	7	$ 169,757
Contract Compliance Specialist	GS-14	18	374,670
Contract Compliance Specialist	GS-13	5	88,805
Contract Compliance Specialist	GS-12	4	60,160
Contract Compliance Specialist	GS-11	7	88,305
Contract Compliance Specialist Trainee	GS-9	7	73,290
Secretary	GS-7	4	34,328
Secretary	GS-6	10	77,270
Secretary	GS-5	5	34,690
Clerk	GS-4	3	18,606
Total New Positions		70	1,019,881

DEPARTMENTAL MANAGEMENT

	Page No.
Appropriation language	14
Amounts available for obligation	15
Obligations by activity	17
Obligations by object	19
Summary of changes	20
Explanation of transfers	23
Table on estimates and appropriations	26
Justification:	
1. Executive direction	28
2. Public information	35
3. Community and field services	37
4. Legal services	41
5. Financial management	45
6. Facilities engineering and construction agency	51
7. Administrative management	53
8. Surplus property utilization	57
Program purpose and accomplishments	66

62-917 O - 71 - pt. 4 ---43

WEDNESDAY, MAY 19, 1971.

SOCIAL SECURITY ADMINISTRATION

WITNESSES

ROBERT M. BALL, COMMISSIONER OF SOCIAL SECURITY
JACK S. FUTTERMAN, ASSISTANT COMMISSIONER, OFFICE OF ADMINISTRATION
MRS. IDA C. MERRIAM, ASSISTANT COMMISSIONER, OFFICE OF RESEARCH AND STATISTICS
THOMAS M. TIERNEY, DIRECTOR, BUREAU OF HEALTH INSURANCE
SAMUEL E. CROUCH, DEPUTY DIRECTOR, BUREAU OF DISABILITY INSURANCE
MRS. MILDRED L. TYSSOWSKI, DIRECTOR, DIVISION OF FINANCIAL MANAGEMENT, OFFICE OF ADMINISTRATION
SHERWIN T. MONTELL, BUDGET OFFICER, DIVISION OF FINANCIAL MANAGEMENT, OFFICE OF ADMINISTRATION
CHARLES MILLER, ACTING DEPUTY ASSISTANT SECRETARY, BUDGET

INTRODUCTION OF MR. BALL AND STAFF

Mr. NATCHER. We take up next the Social Security Administration. We have with us Commissioner Robert M. Ball and his staff.

I want you to know, Mr. Ball, as one Member of the Congress, I am of the opinion that you and your associates operate an efficient agency and if all of the other administrations and agencies in our Federal Government operated as efficiently and as well as yours, we would have no trouble. I not only speak for myself but I would speak for I would say every Member of the Congress. I say that to you frankly.

Mr. BALL. We appreciate that very much. I certainly would want to emphasize that we have always had the best possible support from this committee. We couldn't get the job done if you didn't have a perceptive and sympathetic eye on the operations and give us the support we needed to get the job done.

GENERAL STATEMENT

Mr. NATCHER. Mr. Ball, how would you like to proceed?

Mr. BALL. Mr. Chairman, I have a broad, overall statement here on the present status of Social Security administration and something about the things that are on the horizon for us. With your permission I would propose inserting the long statement in the record and perhaps giving the subcommittee some highlights.

Mr. NATCHER. We would appreciate it and your entire statement will be inserted in the record at this point.

(The statement follows:)

STATEMENT BY THE COMMISSIONER OF SOCIAL SECURITY

Mr. Chairman and members of the Committee: I am pleased to be here today, to report on our stewardship of the social security programs and to justify our requests for appropriations for fiscal year 1972. Before discussing each of the appropriation requests, I want to report to you about some of the major new

developments in social security in this country that are in the offing and what this means for the Social Security Administration.

We are pleased that the President and the Congress seem to feel that the Social Security Administration can be relied on to take on the tough jobs that they think need doing. They would not feel this way if they did not think that over the years the Social Security Administration has been able to take on and successfully complete tough new jobs, such as the addition of survivors and disability protection and, later, health insurance to social security. We have now looming ahead of us some major new and additional tasks.

PROPOSED LEGISLATION—H.R. 1

Last year when I was here, I spoke about the key provisions recommended by the President and considered by the Committee on Ways and Means to increase the benefits and extend the protection of the Federal old-age, survivors, and disability insurance system and to deal with the problem of rising costs in the Medicare program. Although time ran out and the proposed legislation was not enacted, many of the same legislative proposals are now in H.R. 1, the bill just reported out by the Committee on Ways and Means. In addition, this year both the Administration and the Committee on Ways and Means have significant new proposals in both the cash benefit and Medicare areas.

SOCIAL SECURITY ADMINISTRATION TO ADMINISTER NEW WELFARE PROGRAM

These anticipated changes in the cash benefit and Medicare programs will be a substantial job for the Social Security Administration to carry out, but if another legislative change which the administration and the Ways and Means Committee have in mind is enacted, the Social Security Administration will really have its hands full. I am referring to the proposal for the Social Security Administration to administer a new Federal program to replace the existing grant programs for the public assistance adult categories: Aid to the aged, the blind, and the permanently and totally disabled. Under this proposal, the Social Security Administration would be dealing with the approximately 3 million people who currently are eligible for public assistance in the adult category portion of the existing program. In addition, the new program, as a result of its uniform income support levels, would cover many who are not now eligible in the States for assistance, bringing the total number of people eligible to about 5½ million, including about a half million people who live in institutions and will receive smaller payments. Initially, we will have to make about one-half as many more new disability determinations as we make in a typical year for social security and take claims from the aged poor equivalent to 75 percent of our current retirement and survivors claims load. We will, for the first time, be administering a needs program rather than one providing benefits based on prior earnings.

And too, if the Congress enacts the President's Family Assistance Plan, the Social Security Administration will be needed to help out in some aspects of administration of that program, such as issuing account numbers to recipients, making available our earnings and beneficiary records, and interfacing our data processing operations with the new programs and perhaps initially making some of our capability in data processing available.

SSA PREPARATION FOR NEW WORKLOAD

By way of preparation for these unprecedented new assignments, the Social Security Administration is making special efforts to clear the decks for what clearly will be a hard pull ahead. Our aim is to reduce pending claims levels, which in some areas, such as in the disability program, are at high levels. The disability pending claims are high because that segment of our work has been impacted by two factors. The first, the rise in unemployment, has resulted in a much larger volume of claims; and the second, the "black lung" program, has added large numbers of additional applications for benefits and also has, in some areas, claimed a large share of our manpower resources. The black lung pending claims also are high because so many of them came at us all at once and our aim here, too, is to dispose of all but the current claims by the end of the fiscal year.

We are moving ahead as fast as our resources permit to develop new operating procedures and new computer applications that will help us do our regular work at less cost and with less manpower. We are enlisting the assistance of our de-

partment and the Office of Management and Budget to obtain the management flexibility and the tools or resources we need to do the job.

With this background, let me turn to a brief discussion of some of the specifics of the new legislation which is emerging from administration proposals and the work of the Committee on Ways and Means, followed by discussion of some of the things we're doing at the Social Security Administration to increase our administrative effectiveness and to improve our service to the millions of Americans who contribute to social security and receive benefits from it.

RECENT BENEFIT INCREASES

In the cash benefit program, as you well know, the Congress has provided three benefit increases within a period of 3 years. A 13 percent increase was effective for February 1968, and another 15 percent increase was approved for January 1970. In March 1971, the Congress provided for a 10 percent increase in benefits retroactive to January 1971. These increases compound to a 43 percent increase over the benefit levels in effect in January 1968. The increases not only have kept benefits current with the rise in the cost of living over the same period of time, but also have improved the basic adequacy of these benefits. In anticipation of a further cost-of-living increase, the Ways and Means Committee has included in the bill another 5 percent increase effective June 1972.

AUTOMATIC ADJUSTMENT IN BENEFIT AMOUNTS AND CONTRIBUTION AND BENEFIT BASE

To meet the problem of keeping benefits in line with cost-of-living increases, the administration has advocated that benefits be automatically increased as living costs measured by the Consumed Price Index increase. Such an automatic adjustment feature would provide statutory assurance that benefits will increase as prices rise and that the purchasing power of the benefits will be maintained Of course, Congress has seen to it that, in the past, benefits have kept pace but the provision would serve to cut down the time lag and insure a more consistent and systematic approach over the years.

The Ways and Means Committee has adopted the automatic adjustment proposal under which benefits would be automatically increased for any year in which prices rise by at least 3 percent if a benefit increase was not enacted or effective in the prior year. The President has proposed, and the Ways and Means Committee bill this year as last year, provides for automatic adjustments of the contribtuion and benefit base, which, as you know, is the maximum amount of annual earnings which is counted toward benefits and on which social security contribtuions are paid—currently $7,800. Under the proposed bill, in any year in which an automatic benefit increase becomes effective, the social security contribution and benefit base would automatically be increased according to the rise in average wages if, of course, wage levels had gone up sufficiently. These automatic provisions are significant changes in the structure of the social security programs. Their effect is to guarantee that the amounts paid to people will be kept up to date with prices—and that there will be a continual adjustment of the contribtuion and benefit base as wages rise.

The Ways and Means Committee bill also provides for increases in benefits for widows, who start getting benefits at age 65 or older, from the present 82½ percent of the primary insurance amount to 100 percent of the worker's old-age insurance benefiit—a proposal also advocated by the present administration. In addition, a special minimum benefit would be provided for people who worked for 15 or more years under social security.. This feature would guarantee to a person who has regularly paid into the social security program that he would receive at least as much as an adult on welfare. The benefit would be equal to $5 multiplied by the number of years of coverage the person has under the social security program, up to a maximum of 30 years. This special minimum would not be raised when automatic benefit increases take place.

OTHER AMENDMENTS

In addition to improving the adequacy of cash benefit amounts, the administration and the Congress have been concerned with certain other aspects of the program. One such aspect treats male workers less favorably than females. In computing benefits for men, all of the years up to age 65 must be taken into

account in determining average earnings, while for women 3 fewer years are used since, in the case of a female worker, only years up to age 62 must be taken into account. Also, benefit eligibility is figured in respect to all the years up to age 65 for men and only up to age 62 for women. The Ways and Means Committee bill would establish the same rules for men as now apply to women. This proposal would apply only to men becoming age 62 in the future.

Another provision of the Ways and Means Committee bill concerns the situation under present law whereby a working couple may get less in total retirement benefits than another couple with the same total earnings where only the husband worked. The proposed bill would permit couples who each have 20 years of coverage under social security after marriage to combine their earnings up to the maximum taxable amount for each year. If they elect to have their earnings combined, each member would receive a benefit equal to 75 percent of the benefit based on their combined earnings. Payments to the surviving spouse based on the combined earnings would continue at the 75 percent rate. The provision would be an alternative to present law only if higher payments would result and would apply only if both of the couple reach age 62 in the future.

The committee has proposed various changes in the disability program. Perhaps the most important one is the proposal to reduce the period a person must wait between the onset of disability and his initial payment. The waiting period, 6 months under present law, will be reduced to 5.

LIBERALIZATION OF THE RETIREMENT TEST

One of the more common criticisms about the social security program comes from people who continueto work with some regularity after becoming entitled to benefits, and pertains to the limitations on the amount of money a beneficiary may earn and still receive all or part of his benefit payments. Today, a beneficiary may earn up to $1,680 a year before any reduction in his benefits is made. (If he is age 72 or over, there is no reduction in benefits regardless of amount earned.) From $1,680 to $2,880, his benefits are reduced by $1 for every $2 earned; if earnings exceed $2,880, the reduction is $1 for $1. The dollar-for-dollar reduction above $2,880 gives rise to well-founded criticism because it can produce a situation in which a person earning less than $2,880 will have more disposable income than a person earning more than $2,880. This comes about because earnings are, of course, subject to taxes, and in addition there is the expense of going to work.

The Ways and Means Committee bill includes a proposal to raise the amount of exempt earnings from the present $1,680 to $2,000 and provides for automatic upward adjustment of the retirement test as earnings levels rise. The committee also included in the bill a recommendation of the administration regarding treatment of earnings above the annual exempt amount. Instead of a dollar-for-dollar reduction above $2,880, benefits would be reduced by $1 for each $2 of all earnings above the exempt amount regardless of how high above that level an individual earns. The change would assure that, in all cases, the more a beneficiary earns, the more spendable income he would have.

MAJOR DEVELOPMENTS IN MEDICARE PROGRAM

Now to turn to the medicare program which protects the aged against a major part of the cost of health care services. Because this program funds almost $8 billion worth of services annually and has, in its short history, had a significant impact on the quality of care, it is a major element in any overall Federal Government attack on the problems of rising health care costs and adequacy of medical services for all the population.

In February 1971, the President submitted his proposals to the Congress for meeting a variety of problems in the entire health care area. Some of these proposals were new; others had previously been advanced by individual members and committees of Congress and by the President. These "cost effectiveness" proposals seek to control cost through the elimination of program abuses so as to prevent excessive utilization of covered services, by setting limits on provider costs considered to be reasonable under medicare and by allowing the prevailing limit on physicians' fees to rise only in accordance with an economic index that would reflect the physicians' cost of doing business and increases in earnings generally. Another proposal would enable us to begin to move toward a

method of determining reimbursement rates to providers of services under medicare on a prospective basis, giving providers an economic incentive to reduce health care costs. And, finally, by improving our opportunity to offer medicare coverage through health maintenance organizations (or group prepayment plans like Kaiser's Permanente in California), the cost effectiveness proposals would encourage the growth and creation of organizations that will emphasize early treatment so as to minimize the need for and the cost of expensive hospitalization and institutional care.

I am pleased to report that all of these proposals for controlling costs to the medicare program and for encouraging efficiency and economy in the delivery of health services have been included by the Ways and Means Committee in its proposed bill for the 1971 Social Security Amendments.

EXTENSION OF COVERAGE OF THE MEDICARE PROGRAM

Under the Ways and Means bill, there would be a significant extension of medicare coverage. Today, although most of the more than 20 million people over age 65 have hospital insurance protection under medicare, some aged are without such protection and find it difficult to obtain private hospital insurance comparable to coverage under medicare. The Ways and Means Committee bill would offer medicare coverage to those persons if they are willing to pay for the cost through a premium beginning at $31 a month.

A more extensive change approved by the committee would extend medicare protection—both hospital and medical insurance—to persons under 65 who have, or could have, been receiving disability benefits for at least 2 years. Those covered would include disabled workers, widows, and other dependents who receive social security benefits because they are disabled, and those entitled to a railroad retirement annuities based on permanent and total disability. At a time when the income and financial ability of the disabled to buy private health insurance protection are sharply curtailed, their use of health services greatly exceeds that of the nondisabled population. Therefore, the committee bill would cover the disabled after they have been receiving benefits for 2 years—that is, after most private insurance protection through employers would have run out. To avoid large premium costs for medical insurance protection, the medical insurance premium for the disabled, according to the committee bill, would be pegged at the same amount as for the aged—the difference in cost to be assumed by general revenues.

CHANGES IN COST-SHARING AND FINANCING

The administration has recommended certain changes in the cost-sharing provisions of medicare—the coinsurance and deductible—and in the basis for determining the medical insurance premium. The Ways and Means Committee also deliberated on this aspect of the medicare program. Recognizing the considerable increase in medical costs since the beginning of the program, the committee has decided that the medical insurance deductible, now $50 a year, should be increased to $60 next January. This would mean that, next year, beneficiaries would bear about the same share of total medical costs as they bore when medicare was first adopted. Also, under the hospital insurance program, cost-sharing in the form of coinsurance payments under the committee bill would begin at an earlier point in a benefit period. A daily coinsurance amount equal to one-eighth of the inpatient hospital deductible would begin with the 31st day of inpatient hospitalization and extend through the 60th day. The present provision for a coinsurance amount for the 61st through the 90th day, equal to one-fourth of the inpatient hospital deductible, would remain unchanged.

At the same time, the committee bill would use the estimated savings from the increased coinsurance I have just described to finance increased protection against the very high costs of prolonged inpatient hospital care, by increasing from 60 to 120 the number of "lifetime reserve" days for which inpatient hospital benefits will be paid.

Another change proposed by the Ways and Means Committee relates to the medical insurance premium. In order to minimize the financial impact upon beneficiaries of medical insurance premium increases, the premium could be increased only in the event of a general benefit increase and could rise by no more than the across-the-board precentage increase in cash benefits. General revenues would cover medical insurance program costs above those met by the premium amounts.

FINANCING CHANGES IN THE PROGRAM

As in the past, the Ways and Means Committee is following a policy of maintaining the social security program on a sound financial basis. The added benefits of the proposed bill price out to $5.4 billion in the first 12 months that they are effective. The cash benefits part of this amounts to $3.7 billion, with over 400,000 persons becoming newly eligible for benefits. Providing medicare for the disabled will create 1.5 million new beneficiaries and result in first-year benefits of over $1.8 billion. In addition to the cost of the proposed legislation, there is a need for added funding to restore the actuarial balance of the hospital insurance trust fund under present law. To meet these needs, the committee bill would increase the contribution and benefit base to $10,200 starting January 1, 1972, rather than to $9,000 as provided under present law.

Actuarial changes in the contribution rates for both the cash benefit program and the hospital insurance program are also included in the bill. For 1972 through 1974 the total contribution rate would be 5.4 percent each for employer and employee compared to 5.2 percent in 1972 and 5.65 percent for 1973 and 1974 under present law. Although this averages to somewhat lower than the rates in present law up to 1975, the proposed bill would increase the contribution rates above present legislated levels beginning with 1975. The ultimate rate under the proposed bill would be 7.4 percent each for employer and employee, to take effect in 1977 as compared with 6.05 percent under present law, to take effect in 1987.

THE ADVISORY COUNCIL ON SOCIAL SECURITY

Over the past 2 years, an advisory council on social security has reviewed all aspects of the social security program, including the status of the four social security trust funds in relation to the long-term commitments of the program, the scope of coverage, and the adequacy of benefits. On March 31, Council Chairman Arthur S. Flemming submitted the Council's findings and recommendations to Secretary Richardson and he, in turn transmitted the findings and recommendations to the Congress and the Board of Trustees of the social security trust funds. The Council made a number of recommendations designed to broaden and improve the social security programs. Many of the Council's recommendations are already included in the Ways and Means' bill. Other recommended changes which are not contained in the Ways and Means' bill are principally in the medicare and disability insurance programs. In medicare, the Council recommended coverage of out-of-hospital prescription drugs and combining the supplementary medical insurance program (now financed by premiums and general revenues) with the hospital insurance program and financing the combined program by contributions of one-third each from employers, employees and general revenues. This is similar to the recommendation of the President in his health message that premium payments for the supplementary medical insurance program be dropped and that the program be financed like hospital insurance out of the regular contributory system of social security.

The Council's recommended changes in the disability program include: (1) Eliminating the requirement of recent covered work to be eligible for disability benefits (H.R. 1 embodies this change for blind workers only); (2) liberalizing the test for engaging in work activities that older disabled workers have to meet to qualify for benefits; (3) providing unreduced benefits to disabled widows and disabled dependent widowers without regard to age; and (4) providing benefits for disabled wives and disabled dependent husbands.

FEDERALIZATION OF WELFARE AND ITS IMPACT ON SSA

As I mentioned earlier, the Social Security Administration may be assigned the huge responsibility for administering the proposed Federal program for assistance to the aged, the blind, and the disabled. Under the Federal program, uniform standards of need, identical eligibility requirements, and the same Federal benefits will prevail in all States.

A person who is age 65, blind, or disabled and whose income and assets are under prescribed levels will become eligible for payments which would vary with the individual's income and could be a maximum, in the third year of the program, of $150 per month for an individual and $200 per month for a couple who had no income and not over $1,500 in resources. If the individual or couple has income, the payment will be reduced in relation to the amount of the income.

As an incentive to work, in determining income, the first $60 per month of earned income plus one-third of the remainder would be disregarded for the aged. For the blind and disabled, the first $85 per month of earned income plus one-half of the remainder would be disregarded. Certain other income exclusions would also be provided. In determining resources, generally the individual's home, household goods, and personal effects will be excluded.

About 2 million aged and about 1 million blind and disabled are now receiving assistance under the State-administered programs. Because of the proposed higher income support levels in the new Federal program, a total of about 2½ million additional aged, blind, and disabled recipients is anticipated. A majority of the newly eligible persons, primarily among the aged, will already be social security beneficiaries. This fact should permit a significant degree of integration of claims and payment processes of the social security and assistance programs.

It is anticipated that the Social Security Administration will handle beginning with the effective date of the program all of the persons newly eligible for assistance. Recipients eligible under the State programs will, on behalf of the Secretary, continue to be handled by the States and will be phased in under Federal administration during a period of up to 2 years. The blind and disabled eligible under State programs when the new program begins will be deemed to be eligible under the Federal program but all new applicants will have to meet the blind or disability requirements of the new program, which are basically the same as for the social security disability insurance group.

It is anticipated that some States will continue to make supplemental payments above those made under the Federal program. Where such payments are made by the secretary on behalf of the State and in accordance with agreement with the State, the administrative costs of processing and mailing the payments to the beneficiaries will be paid from Federal funds. A state which supplements the Federal payments up to the January 1971 level will be guaranteed that it will have to pay no more than it spent for assistance payments in calendar year 1971.

The transition from State to Federal administration will need to be very carefully handled. Much work will need to be done in planning and in working out agreements with all of the States for a smooth transition from the present State-administered programs to the new Federal-administered program. In addition, program regulations and policies and extensive operating procedures must be written and published. The job of recruiting and training thousands of new employees will, by itself, be a tremendous task. The greatest make-ready job to be completed before the July 1972 effective date of the new program will be to take and adjudicate applications from the several million aged, blind, and disabled persons who will be eligible under the Federal program but who are not eligible under the present State programs.

During the same time, the Social Security Administration will also have some involvement in the administrative implementation of the proposed family assistance program. It is anticipated that we will need to issue social security numbers to 8 million recipients of aid to families with dependent children and an additional 6 million members of families of the working poor. This total is more than double the normal annual workload. In addition, the Social Security Administration will have to verify an estimated 11 million account numbers presently held by welfare recipients, and will help in the implementation of the family assistance program in the ways previously mentioned. Current planning is to set up a cross-reference system by issuing numbers to each family member. These numbers would then be cross referred to the number held by the head of that household. This would insure that earnings of the various family members will be reported to that family, and it would minimize the possibility of one individual claiming benefits as a member of two families.

CURRENT MAKE-READY EFFORTS

These new responsibilities will have a major impact on the administration of the present social security program. It is common sense to do as much as we can now to get ourselves in the best possible shape to take on new responsibilities. I have requested all components of the Social Security Administration—as well as State agencies and intermediaries—to take all possible actions to reduce the level of claims pending in the various processing stations.

Another substantial job that has to be completed is the implementation of the benefit increase passed by the Congress in March. The checks for May at the new rate will be sent out June 3d and the retroactive checks for the increase for January through April will be issued later in June. After the checks are released, we will have a good deal of work to do in documenting files and working off work accumulations in other operations caused by the priority effort to convert benefits to the higher rate. We hope to accomplish this with a number of part-time and temporary people.

We will need to husband our manpower resources carefully and try to have people with the necessary skills available in sufficient numbers when the acute need for them arises. We hope, with appropriate approvals, to be able to move as quickly as possible to bring in as early as we can those people who will be working in jobs that require a considerable amount of training. The extent to which we can do this will be limited by available funds and staffing ceilings.

BLACK LUNG PROGRAM

A major task, under present law responsibilities, in the next few months will be the handling of reconsiderations and appeals on decisions made on black lung claims filed since the beginning of that program in December 1969. An individual whose original claim for benefits was denied can request a reconsideration—and, if unsuccessful at that level—a hearing. We will provide this service as promptly as possible and are planning special action to process hearing requests quickly. Special training is being given to our hearing examiners. A National Control Center is being set up to make sure that all prehearing development in black lung cases has been thoroughly documented before the case goes to hearing. Temporary hearings offices will be opened in areas heavily impacted by large volumes of black lung work. We are, and will continue to, detailing examiners into the coal mine areas; and we are taking steps to increase to the extent possible the number of hearing examiners and staff that serves in their support.

IMPROVEMENTS IN SERVICE

As an organization we have always been motivated to provide a highly responsive, efficient, and economical service for the people whose contributions finance the program. One recent innovation in the way we provide service is the greatly increased use of the telephone. More and more people are finding that they no longer have to visit a social security office to file a claim or initiate some other action because successfully we are reengineering our operations to do much of it by telephone. From all reports, the public is finding this approach much more convenient and is well pleased with it. To facilitate and to increase the effectiveness of this way of operating, we are making a number of changes in the type of telephone arrangements in our offices. For example, right here in Washington, we have one telephone number the public can use for all the social security offices in the area. The call goes directly to a central unit where the matter in which the caller is interested is taken care of, or the call is switched to the appropriate office for action by the appropriate staff.

We also are working on other ways to make it easier for people to file claims with us:

We assist large employers—or unions—and other types of organizations in properly training their people to take an employee's claim for benefits on the spot to save him a trip to a social security office. For example, a worker age 65 who doesn't plan to retire but wants to file to get medicare coverage might be able to get all the necessary paperwork done simply by visiting the personnel office of his employer. This saves him the trip to the social security office, and doesn't require time off.

We are giving special help to certain groups of people who we believe need special services. For example, we are making sure that in some areas we have bi-lingual and bi-cultural interviewers available—people who understand not only the language but also are familiar with the customs and culture of the residents of the area. Another example is our present practice of corresponding with blind beneficiaries in braille. Also, we put out a number of informational pamphlets for the blind in braille.

ECONOMIES IN PROGRAM ADMINISTRATION

Even without the added responsibilities I have outlined, the work the offices and bureaus of the Social Security Administration have to do under the present

social security program will increase by 3.6 percent in 1972. To handle the added work at 1971 production rates would require over 2,000 man-years. However, we are budgeting for a decrease of 1,025 man-years in 1972. Thus, the effective reduction in manpower is over 3,000 man-years. The manpower decrease notwithstanding the increase in workload is one of the payoffs from our intensive efforts to improve operating procedures and to automate manual processes.

Our 1972 budget proposes to use trust fund moneys for acquisition of sites and design of buildings for four of our payment centers—in Philadelphia, Birmingham, Chicago, and San Francisco. These centers are housed in most unsatisfactory space—generally broken up in several buildings throughout the city. Housing under one roof and with space layouts geared to the needs of the payment centers will be a big boon to efficiency and employees morale.

One indicator of the relative economy of administration is the extent to which contributions that people pay into the trust funds go for administration rather than benefit payments. In the cash benefit program, administrative costs as a percentage of contributions has dropped from 2.1 percent in 1968 to 1.9 percent in 1970 and is budgeted to drop further to 1.8 percent in 1972. The ratio for the composite of all four trust funds (including the supplementary medical insurance program where the ratio of outgo to income is naturally considerably higher because of the large number of bills calling for small amounts of reimbursement which must be handled) is also dropping slowly—from 2.5 percent of contributions in 1968 to 2.4 percent in 1970 and an estimated 2.3 percent in 1972.

SUMMARY

The social security budget requests now before Congress, which amount to about $4 billion, do not, of course, indicate by themselves the size or impact of programs administered by the Social Security Administration because the appropriation requests do not include over $43 billion annually in benefit payments from the trust funds, for which continuing authority for payment has been granted. About 26.3 million people receive cash benefits each month. These are the people—the retired aged, the widows and orphans, and the totally disabled—who without social security would be among the most economically vulnerable groups in America.

Nine out of ten jobs are covered under social security. Coverage extends to the Armed Forces, the self-employed, farmers, most farm workers, and just about everyone except certain government employees covered by separate systems. Altogether, about 94.5 million people will work in covered employment or self-employment during 1971. About 93 percent of the people reaching age 65 in calendar year 1971 are protected under the cash benefit program; 95 out of 100 children under age 18 and their mothers would be entitled to monthly benefits in the event of the death of the main breadwinner in the family.

The growth of the program in recent years is most significant and can best be seen by comparing the current rate of benefit payments with the rate just before the 1965 medicare amendments. In June 1965, the social security system was paying benefits at an annual rate of $17 billion. By June 1971, the program, including medicare, will be paying benefits at an annual rate of $43.4 billion, or more than a 155-percent increase in 6 years. Medicare payments make up $7.8 billion of the $43.4 billion. Practically all of the more than 20 million people over 65 have hospital insurance automatically, and about 95 percent of these have elected to enroll in the voluntary part of the medicare program, primarily covering physicians' services. Therefore, just about all of the aged have protection against a major part of the cost of health services.

Mr. BALL. Thank you, Mr. Chairman.

I would also say in going over the highlights that I would, of course, be very happy, Mr. Chairman, to entertain any questions as I go.

IMPACT OF H.R. 1 ON SSA

Mr. Chairman, the first thing that I would like to emphasize to the committee is the staggering size of the legislation that has just been reported from the Ways and Means Committee, H.R. 1, as far as its impact on the Social Security Administration is concerned.

There are three different parts of the legislation that very greatly affect the Social Security Administration. I think it might be helpful if I try to keep them separate.

EXTENSION OF MEDICARE BENEFITS TO THE DISABLED

First of all there are major changes in the cash benefit program of social security. Many of these were in the legislation the House and Senate passed last year but as you remember the legislation died before the conference committee could convene and act on it.

The cash benefit and medicare changes contained in H.R. 1 alone, just as one measure of their importance, amount to increases in the first full year of about $5½ billion in the benefit outgo of the program.

Within that $5½ billion there is about $1.8 billion for extension of the medicare program, that is the hospital insurance and physician coverage, to disabled beneficiaries of social security.

There are many, many other detailed changes in the medicare program but the extension of medicare to the disabled is the biggest substantive change. The coverage extends to those entitled to cash disability benefits because they are disabled, after they have been on the roll at least 2 years and therefore are considered to be a stable group.

FEDERALIZATION OF BENEFITS FOR THE NEEDY BLIND, AGED, AND DISABLED

The other thing that the Ways and Means Committee is recommending to the Congress is a new Federal program of assistance for the needy aged and for the needy blind and disabled to replace the existing Federal-State grant program and, as suggested in the committee report, it is their intent that this be administered by the Social Security Administration.

This means for the Social Security Administration a new beneficiary load, of course, determined on a means test basis of probably about 5½ million additional people including about 2½ million not now receiving public assistance. The objective here is I think very important and quite exciting.

In 3 years the committee's objective is to have a Federal standard of assistance for the needy aged, the disabled and the blind that is at least up to what we have currently said is the standard in this country which keeps people out of poverty.

So that assuming that is kept up to date, we would really have a Federal program that guarantees to the aged, all older people in the country, either through social security or a combination of social security and supplementary assistance, enough to take them out from under this poverty measurement that the Federal Government uses.

At the present time about 25 percent of all of the poverty in the United States by this measure is attributed to older people. So here we have a goal which says beginning in July of 1972 there would be a Federal standard of $130 for the single individual and $195 for a couple. Then, of course, from that you subtract any income including social security benefits.

Then the next year it would be $140 and $200 for the couple, and the third year you would hit what is about the poverty standard of $150 for the single person and $200 for the couple.

Mr. PATTEN. Did they increase the couple?

Mr. BALL. It goes from $130, $140, $150 for the single person. The $200 for the couple stays the same the last 2 years. That is because the $200 is about the poverty standard.

EXPANSION OF THE NUMBER OF ELIGIBLES

One aspect of this I think, that is very important for the committee to realize, is that administratively this is not by any means just a taking over of the existing adult assistance category.

Let me say what I mean by that. At the present time the States are paying about 2 million people on old age assistance, 60 percent of whom incidently are also social security beneficiaries but for whom social security isn't quite enough.

But when this new standard goes into effect along with certain other provisions that are in the Ways and Means Committee recommendations, the dropping of relative responsibility and lien provisions, for instance—when you put those together, the new Federal program would make eligible approximately another 2-million-plus aged people not now eligible for assistance.

RESULTING ADDITIONAL SSA WORKLOADS

So from an administrative standpoint just taking the old age assistance part and not including the disabled, in establishing a Federal program, we will be doing two things—taking new applications and making new determinations of need for over 2 million people who weren't previously eligible under the State programs, and then we will be negotiating with the States on how to take over for a Federal program the 2 million people approximately that they have previously been giving support to.

To follow through a little bit on that, I think you see right away that we have together with the States some very important problems of coordination and meshing here to do this well.

It would be in my opinion quite a mistake to have the States staff up to take on this new load of 2 million people that aren't now eligible and then within a short period from the effective date of the legislation have to turn it over to the Federal Government. The problem of the additional employees they had put on would be a major one.

So we are thinking in terms of our starting as early perhaps as next January to assume the responsibility for taking the applications and determinations of need of newly eligible people, through the regular social security district offices and mechanism while the States continue with the people who are eligible under their going programs.

Then in July 1972 when the program really goes into effect we would be able to start payments for the group that we have taken applications from. Also at that point the thought is probably to cut off the State intake entirely so that we would also take the applications from those who are eligible even under the previous State programs.

That would mean the States would have a closed group and as vacancies occur they could start to have their staffs go down and we, of course, would want to be hiring some of their staff.

So we will try to mesh the two things together. So the main thought I wanted to leave the committee with on this is that there are large additional workloads for social security in setting up and establishing

what for us will be a brand new program with an income test both for the disabled and for the aged. And there will probably be perhaps another half a million disability determinations involving people who are not now receiving assistance in the States.

Mr. NATCHER. Thank you, Mr. Ball. We will recess until 2.

AFTERNOON SESSION

WEDNESDAY, MAY 19, 1971.

PAYMENTS TO SOCIAL SECURITY TRUST FUNDS

WITNESSES

ROBERT M. BALL, COMMISSIONER OF SOCIAL SECURITY
JACK S. FUTTERMAN, ASSISTANT COMMISSIONER, OFFICE OF ADMINISTRATION
MRS. IDA C. MERRIAM, ASSISTANT COMMISSIONER, OFFICE OF RESEARCH AND STATISTICS
THOMAS M. TIERNEY, DIRECTOR, BUREAU OF HEALTH INSURANCE
SAMUEL CROUCH, DEPUTY DIRECTOR, BUREAU OF DISABILITY INSURANCE
MRS. MILDRED L. TYSSOWSKI, DIRECTOR, DIVISION OF FINANCIAL MANAGEMENT, OFFICE OF ADMINISTRATION
SHERWIN T. MONTELL, BUDGET OFFICER, DIVISION OF FINANCIAL MANAGEMENT, OFFICE OF ADMINISTRATION
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

PAYMENTS TO SOCIAL SECURITY TRUST FUNDS
OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1970 acutal	1971 estimate	1972 estimate
Grants, subsidies, and contributions	928,151	1,245,282	1,376,400
Insurance claims and idemnities	1,086,413	1,354,604	1,088,897
Total obligations	2,014,564	2,599,886	2,465,297

PROGRAM AND FINANCING (In thousands of dollars)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
1. Matching payments for supplementary medical insurance	928,151	1,245,282	1,376,400
2. Hospital insurance for the uninsured	617,262	878,688	503,351
3. Military service credits	105,000	105,000	235,000
4. Retirement benefits for certain uninsured persons	364,151	370,916	350,546
Total obligations	2,014,564	2,599,886	2,465,297
Financing: Budget authority (appropriation)	2,014,564,	2 599,886	2,465,297
Distribution of budget authority by account:			
Payment to trust funds for health insurance for the aged	1,545,413	----------	----------
Payment for military service credits	105,000	----------	----------
Payment for special benefits for the aged	364,151	----------	----------
Payments to social security trust funds	----------	2,599,886	2,465,297
Relation of obligations to outlays: Obligations incurred, net	2,014,564	2,599,886	2,465,297
Outlays	2,014,564	2,599,886	2,465,297
Distribution of outlays by account:			
Payment to trust funds for health insurance for the aged	1,545,413	----------	----------
Payment for military service credits	105,000	----------	----------
Payment for special benefits for the aged	364,151	----------	----------
Payments to social security trust funds	----------	2,599,886	2,465,297

Mr. FLOOD. The committee will come to order. We are continuing with the Social Security Administration, with the presentation being made by Robert M. Ball, the Commissioner.

I might say, Mr. Ball, in the opinion of this subcommittee, if there is a better Administrator in the Federal Government, better than you, we have never found him or never heard of him or never met him.

Mr. BALL. I appreciate that very much, Mr. Chairman.

Mr. FLOOD. That is the unanimous opinion from this subcommittee. That is praise from Caesar.

This is a pretty tough crowd.

Mr. Ball, I see you have a statement on "Payments to Social Security Trust Funds."

INTRODUCTION OF STAFF

Mr. BALL. Mr. Chairman, I think the committee knows most of the people I have with me, but I might just make sure by introducing them. Mrs. Tyssowski on my immediate left is in charge of Financial Management. On her left is Jack Futterman, Assistant Commissioner for Administration, and on his left is Sam Crouch who is the Deputy Director of the Bureau of Disability Insurance, which among other duties nowadays has the black lung program; Bernard Popick, who would ordinarily be with us is appearing before the Dent Subcommittee on Black Lung.

Mr. FLOOD. Yes; I appeared this morning before that subcommittee on this very subject, with particular reference to the benefits section as distinguished from the safety section.

Mr. BALL. Behind me, Mr. Chairman, is Mrs. Merriam, Assistant Commissioner for Research Statistics and Sherwin Montell, who is the Budget Officer; also, on my right, Tom Tierney who is the Director of the Bureau of Health Insurance, medicare.

BIOGRAPHICAL SKETCHES OF WITNESSES

Mr. FLOOD. We would like brief biographical sketches of these people following yours in the record.

(The biographical sketches follow:)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Social Security Administration

Name: ROBERT M. BALL

Position: Commissioner of Social Security, Social Security Administration, Department of Health, Education, and Welfare since April 17, 1962.

Former Positions: Joined Bureau of Old-Age and Survivors Insurance, Social Security Administration in 1939. Assistant Director, 1949; Deputy Director, 1952-1962.

Assistant Director, Committee on Education and Social Security, American Council on Education, 1946-1949.

Staff Director, Advisory Council on Social Security to U.S. Senate Committee on Finance, 1947-1948.

Education: Wesleyan University, A.B., 1935; M.A. in Economics, 1936. Elected to Phi Beta Kappa.

Publications: Author of many articles and reports on social security.

Affiliations: Committee on Social Security Experts, International Labor Organization; Member of the governing body, International Social Security Association.

Awards: Distinguished Service Award, Department of Health, Education, and Welfare, 1954; Career Service Award, National Civil Service League, 1958; Rockefeller Public Service Award, 1960.

Personal: Born in New York, New York, March 28, 1914.

Married to the former Doris Jacqueline McCord of East Orange, New Jersey. Two children: Jacqueline Elizabeth and Robert Jonathan.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Social Security Administration

Name: JACK S. FUTTERMAN

Position: Assistant Commissioner for Administration, Social Security Administration, Department of Health, Education, and Welfare since June 1965.

Former Positions: Joined Social Security Board in 1936. Various clerical and supervisory positions, 1936-1942; Lieut., USNR, Executive Officer aboard LST in various campaigns in the Pacific Theatre, 1942-1945; Procedural Consultant, 1946; Division Chief, 1946-1948; Bureau of Old-Age and Survivors Insurance (now Social Security Administration) Director of Financial Management and Budget Officer, 1949-1955; Deputy Assistant Director of Program Analysis, 1955-1957; Executive Assistant of the Social Security Administration, 1957-1965.

Education: College of City of New York, 1929-1933, B.S. Cum Laude; 1933-1934, M.S. in Education. Phi Beta Kappa.

Publications: Author of a number of articles and reports on the administration of social security.

Affiliations: International Social Security Association; American Society for Public Administration; American Public Welfare Assocation.

Awards: Distinguished Service Award, Department of Health, Education, and Welfare, 1963.

Personal: Born in New York, New York, July 11, 1912.

Married to the former Marion C. Allen of Washington, D.C. Resides in Ellicott City, Maryland.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
SOCIAL SECURITY ADMINISTRATION
Office of Research and Statistics

NAME:	IDA C. MERRIAM
POSITION:	Assistant Commissioner for Research and Statistics, Social Security Administration, Department of Health, Education, & Welfare, since January 1963.
FORMER POSITIONS:	Joined the Social Security Administration in 1936. Assistant Director, Division of Research and Statistics, 1950-55; Director, Division of Research and Statistics, 1956-63. Technical Adviser on Social Security to the Government of Thailand, for the International Labour Organization, 1955-56. Assistant Professor of Economics, Connecticut College for Women, 1934-36. Assistant Editor, Encyclopedia of Social Sciences, 1928-34.
EDUCATION:	Wellesley, A.B., 1925, Phi Beta Kappa; University of Chicago, 1925-26; Ph.D. in Economics, Brookings Graduate School of Economics and Government, 1926-28.
PUBLICATIONS:	Author of many articles and reports on the development and financing of social security programs and their place in the national economy.
AFFILIATIONS:	American Statistical Association; American Economic Association; American Public Welfare Association; Industrial Relations Research Association; American Public Health Association; Advisory Board of the Journal of Human Resources; Panel of Editorial Consultants for Medical Care; Advisory Committee of the National Bureau of Economic Research Pension Research Project; Chairman, Study Group on Social Security Research, International Social Security Association.
AWARDS:	Distinguished Service Award, DHEW, 1964; Fellow, American Statistical Association, 1965; Federal Women's Award, 1966; National Conference on Social Welfare Distinguished Service Award, 1969.
PERSONAL:	Born in Philadelphia, Pennsylvania, November 6, 1904. Married to Mylon Merriam, Research Cartographer, Army Map Service.

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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Social Security Administration

Name: THOMAS M. TIERNEY

Position: Director, Bureau of Health Insurance, Social Security Administration, Department of Health, Education, and Welfare since April 1967.

Former Positions: President of Colorado Hospital Service (Blue Cross) 1957-1967; board of trustees, American Hospital Association 1966-April 1967.

Education: Attended University of Notre Dame 1936-38; University of Denver, A.B. 1940; L.L.B. 1946.

Publications: Author of many articles and reports on health insurance.

Awards: National brotherhood award, National Conference of Christians and Jews 1967. Honorary fellowship, American College of Hospital Administrators 1967. Mayor's public service award, Denver, Colorado, 1968.

Personal: Born in Colorado Springs, Colorado, February 25, 1919. Married to the former Betty Ruth Fairall. Four sons: Patrick, Thomas, Jr., Dennis and John.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Social Security Administration

Name: SAMUEL E. CROUCH

Position: Deputy Director, Bureau of Disability Insurance since 1967

Former Positions: Joined Social Security Administration in 1950 as Claims Examiner in the Birmingham Payment Center. Various positions in claims operations, personnel, management and policy work in the Social Security Administration. Management experience in the Office of Management Policy, Office of the Secretary, DHEW. Executive Officer, Bureau of Disability Insurance.

Education: BA degree in political science from the University of Kentucky, 1948; elected Phi Beta Kappa; graduate work in political science, University of Tennessee.

Awards: Director's Citation, BOASI - 1962; Commissioner's Citation, SSA - 1971

Personal: Born in Evarts, Kentucky, September 7, 1925. Married to former Doreen Fairhurst of Chorley, Lancashire, England. Two children - Sandy and Penny.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Social Security Administration

Name:	MILDRED L. TYSSOWSKI
Position:	Director, Division of Financial Management, Office of Administration, Social Security Administration since June 1968.
Former Positions:	Social studies teacher at Bloomfield High School, Bloomfield, Iowa, and University High School, Iowa City, Iowa, 1940-1943. Joined Social Security Administration, 1943. Various positions in the Social Security Administration, Veterans Administration, and Department of the Army, 1943-1955. Budget positions in budget management branch, Division of Financial Management, OA, SSA, 1955-1957, Chief of Branch, 1957-1968.
Education:	BA degree in history from the University of Northern Iowa, Cedar Falls, Iowa, 1940; MA degree in political science from University of Iowa, Iowa City, Iowa, 1943.
Awards:	Director's citation, BOASI, 1962; Commissioner's citation, SSA, 1967; distinguished service award, DHEW, 1968.
Personal:	Born in Waterloo, Iowa, September 22, 1920. Married to Joseph R. S. Tyssowski, retired employee formerly with the Social Security Administration. Three children--Judy, John, and Joe, Jr.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Social Security Administration

Name:	SHERWIN T. MONTELL
Position:	Budget Officer, Division of Financial Management, Office of Administration, Social Security Administration since January 1970
Former Positions:	Served on active duty with the U.S. Navy from 1954 to 1957; Budget Examiner National Labor Relations Board 1958 to 1960; Budget Analyst, Office of the Secretary, DHEW from 1960 to 1962; Program Management Officer in Federal Water Pollution Control Program from 1962 to 1965; Special Assistant to Staff Director, U.S. Commission on Civil Rights 1965 to 1968; Management Analyst, Social Security Administration, 1968 to 1970.
Education:	Wesleyan University, Middletown, Connecticut 1947 to 1951, AB Magna Cum Laude, Phi Beta Kappa; Harvard University, Cambridge, Massachusetts 1951 to 1953, MA, Chinese Language and History.
Personal:	Born in St. Louis, Missouri, February 9, 1929. Married to former Graciela Colmenares Vivas of Venezuela. Resides in Columbia, Maryland. One daughter, Gabriela Ann.

General Statement

Mr. Flood. I see you have a prepared statement, Mr. Commissioner. How do you wish to proceed?

Mr. Ball. Mr. Chairman, we had just started this morning summarizing the general statement.

Mr. Flood. I see you have a statement on this particular part of your presentation, "Payments to Social Security Trust Funds."

Mr. Ball. Yes.

Again, Mr. Chairman, it seems to me it might be best if it was agreeable to you and the committee if we were to insert the statement in the record and I give you the highlights.

Mr. Flood. Suppose we do that.

(The statement follows:)

Statement by the Commissioner of Social Security

The first appropriation request covers four Federal fund payments to the social security trust funds, totaling $2,465,297,000. Three represent Federal fund payments to the social security trust funds to put the trust funds in the same position they would have been had they not borne the cost of benefits chargeable to Federal funds. The fourth is a dollar-for-dollar Federal fund matching of premiums paid by or for individuals covered under the voluntary medical insurance program. In all four situations, the amount of the payments to be made derives from the exercise by individuals of their rights under the law and is not subject to administrative control.

The total request for fiscal year 1972 breaks down as follows:

$1.4 billion is the Federal Government's contribution to match premiums paid by enrollees in the supplementary medical insurance program. Premiums paid by enrollees and the Federal matching payment are used to finance all medical insurance benefits paid under the program, as well as related administrative costs.

$503 million is for hospital insurance benefits for individuals who are not entitled to cash benefits under the social security or railroad retirement programs. The number of these uninsured individuals, who constitute a closed group, is declining. For those uninsured individuals attaining age 65 during the period 1968 through 1974, three quarters of credit under social security or railroad retirement for each year starting with 1968 and ending with the year of attainment of age 65 are required for entitlement. This requirement will gradually phase out the provision giving hospital insurance protection payable from Federal funds to the uninsured aged. Those who attain age 65 after 1974 will have to meet the same requirements as do insured persons eligible for cash benefits and hospital insurance protection.

$235 million is for noncontributory military service wage credits. This includes $233 million for the annual installment to pay back the trust funds for free wage credits for military service during World War II and part of the postwar period before servicemen were brought under regular coverage under social security. The remaining $2 million is for noncontributory wages-in-kind which members of the Armed Forces have been granted since January 1968. This allowance was provided for in the 1967 Amendments to the Social Security Act and is included for the first time in the 1972 budget.

$351 million is to reimburse the old-age and survivors insurance trust fund for benefits paid during fiscal year 1970 to certain persons age 72 and over not otherwise eligible for social security benefits or old-age assistance payments.

The total requested appropriation for 1972 is $134.6 million less than the enacted 1971 appropriation. The components of this net decrease include increases amounting to $247.2 million and decreases of $381.8 million.

Of the increases, $130 million relates to noncontributory military service credits. All of the increase, except for the $2 million item included in the budget for the first time for reimbursement for noncontributory wages-in-kind, is the result of a recent redetermination by the Secretary of Health, Education, and Welfare of the proper level of annual reimbursement to the trust funds for military service credits from World War II and certain postwar service. The law

requires such a redetermination once every 5 years. The prior annual payment was $105 million (somewhat lower than the initial actuarial determination of $120 million); the redetermined amount is $233 million. The increase reflects the effect of benefit increases and other amendments to the Social Security Act enacted since the last determination was made in 1965. It is also based on analyses of actual experience which indicated that the prior annual payment was too low.

An increase of $72 million relates to the rise from $5.30 to $5.60 per month in the premium rate effective July 1, 1971, to be paid by enrollees in the supplementary medical insurance program. This rise was necessary because of projected increases of 6.7 percent in physicians' fees and 2 percent in use of physicians' services. The premium increase is a modest one, due in large measure to a reduced need for as large a margin for contingencies as provided for in the current $5.30 rate. When that rate was established the balance in the fund had dropped to a low level, and the need for an adequate contingency was greater. Since the Government matches the premiums paid by individuals, the fiscal year 1972 cost for payments to the supplementary medical insurance trust fund increases accordingly.

The remaining increase of $45.2 million is based on projected increases in hospital costs for the uninsured in 1972 and growth in the aged population paying premiums in the supplementary medical insurance program.

As you may recall, the amounts appropriated each year for deposit in the trust funds for hospital insurance for the uninsured and for supplementary medical insurance matching payments are based on cost estimates made prior to the beginning of that year. To the extent that the estimates vary, up or down, from actual experience, adjustments are made in subsequent years' appropriations. Of the $381.8 million in decreases in the 1972 appropriation request, $367.5 million is for such adjustments to the amounts appropriated for 1970 and 1971—principally because of 1970 experience in the hospital insurance program, where utilization of hospital and extended care services was significantly lower than estimated in the 1970 and 1971 President's budgets.

The remaining decrease of $14.3 million is for lower reimbursements to the OASI trust fund for retirement benefits paid to uninsured persons age 72 and over, related principally to the decline in the number of uninsured persons receiving payments.

REIMBURSEMENTS TO SOCIAL SECURITY TRUST FUNDS

Mr. BALL. This request really covers four different situations in which the Federal funds, general revenues, reimburse the social security trust funds for payments that have been made from the trust funds. These are all items that have appeared before the committee in the past, and the committee is familiar with them in general. If I could just highlight what their purpose is and the amounts for this year, it might be helpful.

SUPPLEMENTARY MEDICAL INSURANCE MATCHING CONTRIBUTION

First of all, you will remember that in the voluntary part of medicare—the part that covers physician services—the way it is financed——

Mr. FLOOD. What do you mean by voluntary?

Mr. BALL. It means the individuals 65 and over elect whether they want to have this coverage or not.

Mr. FLOOD. What kind of coverage?

Mr. BALL. This covers primarily physician services. There is another part of medicare which is hospital insurance and that grows automatically out of the contributions people make while at work.

Mr. FLOOD. In this case they must elect voluntarily.

Mr. BALL. Yes, when they reach 65—during the 3 months before—

Mr. FLOOD. When they make up their minds, what do they do?

A man is now 65 and he is eligible to do this. What must he do? He is sitting at home and he is now eligible, what does he do?

Mr. BALL. Ordinarily he would have to get in touch with the Social Security District Office and he would establish his age just as if he were applying for cash benefits.

Most people are applying for cash benefits at the same time.

Mr. FLOOD. He must affirmatively act.

Mr. BALL. Yes.

While he is in touch with us in connection with his social security he has to sign a form in effect which says he wants to take this additional coverage.

Mr. FLOOD. He is not automatically covered because he is 65.

Mr. BALL. That is correct.

Mr. FLOOD. He must do something.

Mr. BALL. That is correct. About 95 percent say they do want it. What happens then is that for all the people who are social security beneficiaries or railroad retirement beneficiaries or Civil Service retirement beneficiaries, the monthly premium which is currently $5.30 is deducted from their retirement checks. That covers most people.

Mr. FLOOD. By the way, we hear from the members that the cooperation they get from your office and your people is quite a bit above the average from the average Government office, which I think is extraordinary in view of the can of worms you have to handle.

Mr. BALL. I appreciate that.

Mr. FLOOD. I think I could say that to you personally and for your people to know that. This is what we hear and this is what we think.

Mr. BALL. Thank you, Mr. Chairman.

INCREASE IN SUPPLEMENTARY MEDICAL INSURANCE PREMIUMS

On this volunteer physician coverage, the way it is financed, the individual elects it and pays $5.30 currently.

Mr. FLOOD. What do you mean currently?

Mr. BALL. Beginning next July it will be $5.60.

Mr. FLOOD. Why?

Mr. BALL. That increase is the result of an increase in two factors. Somewhat greater utilization of physician services is expected next year. This has been happening year by year.

Physicians' fees also rise somewhat year by year.

Mr. FLOOD. Is this set by law or by regulation of your office?

Mr. BALL. It is set by a promulgation of the secretary each December. He is authorized by law to set the premium rate.

Mr. FLOOD. The secretary is authorized by law to do what?

Mr. BALL. Set the premium rate for the next fiscal year. In December he sets the rate for the next fiscal year.

Mr. FLOOD. Premium rate for what?

Mr. BALL. For covering the physicians' services under this plan. The rate that he sets is the one that is calculated, when matched by an equal amount from the Government from general revenue, to equal the costs of the plan in the next year.

Mr. FLOOD. How does he or you arrive at that $5.30? Why isn't it $5.37?

Mr. BALL. I would not want to argue that our actuaries are so precise as not to be 7 cents off, Mr. Chairman, but it is the result of a great deal of analysis of our current experience under the program and——

Mr. FLOOD. It is not just a whim or fancy?

Mr. BALL. No. This is done by our professional actuarial staff.

Mr. FLOOD. People do not know this. You fellows are so close to the forest that you can't see the trees sometimes. When I ask you what may seem to you to be silly questions, they are not really. People do not know these things.

ACTUARIAL ESTIMATES OF MEDICARE COSTS

Mr. BALL. I think we have a very competent and highly effective professional actuarial staff whose job it is, among other things, to advise us on the rate that will be needed, just like a private insurance company is advised by its actuaries.

Mr. FLOOD. This is what we want to know and the people want to know. This we do not know, so you tell us.

Don't presume that we do know, we don't. Tell us. By "we," I mean the people.

Mr. BALL. The process involves the collection of a great deal of data on the current operations of the program and a projection of that into the next fiscal year based on estimates of the number of people to be covered, how much they will use in the way of services, what physicians fees have been in the past.

Mr. FLOOD. How good have your projections been in the last several years?

Mr. BALL. I would say on this program they have run about 7 or 8 percent short.

Mr. FLOOD. Is that good or bad?

Mr. BALL. For a brand new program, I think that is pretty good. They will increasingly do better.

I would expect this year to be closer and the following year to be somewhat closer again. This is on the physicians coverage. On the hospital insurance part, I have to say at the beginning of the program we were way off.

Mr. FLOOD. When did it begin?

Mr. BALL. It was passed in August 1965, effective in July 1966.

Mr. FLOOD. You were way off.

Mr. BALL. On the hospital part.

Mr. FLOOD. How are you doing now?

Mr. BALL. The bill just reported out by the Ways and Means Committee, H.R. 1 has in it additional financing for hospitals based on the latest estimates and I have very great confidence in those estimates. I think we have now allowed sufficiently for the errors made in the past and we will be in good shape when the bill passes.

Mr. FLOOD. We have a very high regard for your opinion. That is why I want to hear it.

MATCHING PAYMENTS FOR SUPPLEMENTARY MEDICAL INSURANCE

Mr. BALL. So this first item is the matching payment from the Federal fund of the premiums that are paid by the individual himself.

Mr. FLOOD. What do you mean by matching payments?

Mr. BALL. The fundamental financing of this physician coverage is, as we were saying earlier—the individual when he elects to come under the program pays a monthly premium of $5.30——

Mr. FLOOD. How does he pay that? Whom does he pay it to?

Mr. BALL. Most of it is paid by deductions from social security benefits or railroad retirement benefits or Civil Service benefits. If they are not covered by those programs, the premium is paid directly to social security which bills them every quarter. We have a couple of million people on a billing cycle. The fundamental financing is that, in addition to what the individual pays, the general funds of the Federal Treasury pay an equal amount for every person covered. In other words, an individual pays only half the cost and the Federal Government pays the other half.

The first item of $1.4 billion is the amount for 1972 that will be paid out of the general fund.

Mr. FLOOD. You mean 1972 fiscal year?

Mr. BALL. Yes.

Mr. FLOOD. And that begins when?

Mr. BALL. That begins this coming July.

Mr. FLOOD. July 1971 until July 1972?

Mr. BALL. Yes. That is the period during which the premium rate will be $5.60.

This $1.4 billion is that $5.60 multiplied by the estimated number of people covered under the program, which is almost 20 million during that year, and that gives you the Federal share of financing this program.

I think the other point I ought to make is that this is really not a matter of any discretion. This is a matter of fundamental law. The Federal Government has said to these individuals if you elect we will put up half the money.

Mr. FLOOD. The State governments in no way are connected with this operation?

Mr. BALL. In no way connected with this financing. They are allowed to buy in for assistance recipients——

Mr. FLOOD. I mean on the financing.

Mr. BALL. That is right.

Mr. PATTEN. Commissioner, at this point shouldn't you also tell us that the Federal contribution will phase out in a couple of years?

Mr. BALL. Not in this part, sir. This is the going-way of financing the physician service coverage under Medicare. This continues indefinitely under the law.

Mr. PATTEN. How about uninsured individuals?

Mr. BALL. That pertains to hospital insurance.

Mr. PATTEN. They will phaseout.

Mr. BALL. Yes, that is the next item of $503 million.

SUPPLEMENTARY MEDICAL BENEFITS FOR MEDICARE BENEFICIARIES

Mr. FLOOD. Let us finish this item first.

Mr. BALL. Yes, sir.

The continuing way of financing this physician coverage under medicare, under the present law, is that the Government will always

put up half the cost, and the Secretary will set the rates and so these figures are really just the automatic result of that arithmetic.

PAYMENTS FOR THE UNINSURED

Mr. FLOOD. What is next?

Mr. BALL. The next item is also in medicare but it is the hospital insurance part.

We were saying earlier that people's coverage under hospital insurance ordinarily grows out of the contributions they made while they were working.

Mr. FLOOD. What do you mean ordinarily? Isn't it absolute?

Mr. BALL. No. At the beginning of the program the Congress wrote a provision that you might say blanketed-in the people who were already 65 or more and were uninsured under social security on the theory that they never had a chance to contribute to the program.

Mr. FLOOD. That was done by law with automatic coverage.

Mr. BALL. Yes.

Mr. FLOOD. What year was that?

Mr. BALL. The law was passed in August 1965 and effective in July 1966. This coverage of the uninsured individuals is gradually phasing out. All the people who were 65 at that time——

Mr. FLOOD. At what time?

Mr. BALL. When the program went into effect in 1966.

Mr. FLOOD. It went into effect on what date?

Mr. BALL. July 1966. There is a phasing out of this free coverage, you might say, because the people who became 65 in 1968 had to have three quarters of coverage under social security.

Mr. FLOOD. What do you mean by that?

Mr. BALL. That means an individual has to be paid covered wages under Social Security of at least $50 in a calendar quarter.

Mr. FLOOD. What do you mean by a calendar quarter?

Mr. BALL. Four in the year, January, February, and March is one, April, May, June is another and so on. He has to get wages of $50 in a certain number of quarters to be insured under social security.

Mr. FLOOD. What was magical about three?

Who decided three?

Mr. BALL. It was a way of phasing it in.

Mr. FLOOD. Why wasn't it two? Why three?

Mr. BALL. I think there is no valid answer to that question. It could have been two.

Mr. FLOOD. It is three.

Mr. BALL. Yes. If the law started with two it would have taken a little longer to come out at the same place as the basic insurance coverage. It is three for people who became 65 in 1968.

Mr. FLOOD. Why?

Mr. BALL. Here is the point: For people who became 65 in 1969, you require six quarters. The thought was that the younger individuals had had more opportunity to work in covered employment under social security and so you picked up all the ones who were uninsured at the beginning and then gradually you required younger people to have more and more coverage.

Mr. FLOOD. Who decided that?

Mr. BALL. This is a matter of law.

Mr. FLOOD. By act of Congress?

Mr. HALL. By act of Congress. The way it works is that by 1974 a person will need just as many quarters of coverage to get this hospital insurance as he does to get cash benefits.

At that point there is no more special provision. The special provision and the insured status provision for cash benefits come together. The point of this request is that the Congress realized it would be unfair——

Mr. FLOOD. What request?

Mr. BALL. The $503 million in the second item here.

Mr. FLOOD. That you are asking for?

Mr. BALL. Yes.

The Congress realized it would be unfair to put the cost of this hospital insurance coverage for people who never contributed to Social Security on the regular contributory system. For this group that were blanketed-in at the beginning, the Congress said, let that come out of general revenues. As we have been saying, and as Congressman Patten indicated this special provision phases out.

Mr. FLOOD. This was done by Congress and not by some bureaucrat.

Mr. BALL. By Congress.

TRUST FUND EXPENDITURES UNDER THE SPECIAL PROVISION

This appropriation request is for $503 million for the hospital protection of these individuals who were blanketed-in for hospital insurance.

Again this is a matter over which we have no discretion.

Mr. FLOOD. By blanketed-in, what do you mean?

Mr. BALL. I mean people who had not contributed to Social Security but were given this part of medicare protection just the same.

Mr. FLOOD. Automatically by law?

Mr. BALL. Yes.

The cost of this comes from general revenue. That is why there is a request here for that amount.

Mr. FLOOD. What do you mean by "general revenue?"

Mr. BALL. Federal Funds as distinct from the trust funds which are made up of the contribution of employers, employees, and self-employed covered by Social Security.

Mr. FLOOD. The trust fund you have just defined.

Mr. BALL. Yes.

Mr. FLOOD. Besides that funds come from the general fund.

Mr. BALL. Yes.

Mr. FLOOD. These are general Federal funds.

Mr. BALL. Yes. I believe the technical term nowadays used is Federal funds, Mr. Chairman.

REIMBURSEMENT OF TRUST FUNDS BY GENERAL FUNDS

The next item is one you have had before you many times, and this is also a reimbursement of the trust funds. Maybe I better make that clear.

Mr. FLOOD. Make everything clear.

Mr. BALL. All of these items are first paid for from social security trust funds. We go ahead and make the payments. Then we are asking that you reimburse the trust fund as the law provides.

Mr. FLOOD. You have no discretion?

Mr. BALL. We have no discretion.

PAYMENTS FOR MILITARY SERVICE CREDITS

The next item arises from the fact that the Congress gave men in the Armed Forces free wage credits toward social security before there was a regular social security coverage of the Armed Forces.

They granted them $160 a month credit.

Mr. FLOOD. When were the men in the Armed Forces covered by law?

Mr. BALL. I believe that was in January 1957, for the first time. They are covered now and from then on.

Mr. FLOOD. Effective as of when?

Mr. BALL. January 1957.

They now pay contributions just like other workers.

Mr. FLOOD. By "they" you mean military personnel?

Mr. BALL. Yes.

Mr. FLOOD. You include just uniformed personnel or all personnel?

Mr. BALL. I am speaking just of uniformed personnel.

Mr. FLOOD. Does this include all ranks and grades?

Mr. BALL. Yes.

Mr. PATTEN. But not civilians.

Mr. BALL. No.

Mr. PATTEN. It is just the military.

Mr. BALL. Yes.

Before regular coverage was extended the Congress had granted to men in the Armed Forces $160 a month credits for social security purposes and no reimbursement was made. The cost just fell on the trust funds in general. Later on the law was changed so that the trust funds would be made whole. The way it works is that we are required to estimate—originally over a 50-year period—how much in equal annual installments it would take to cover the cost in benefits that were derived from these free credits, plus interest. For many years now——

Mr. FLOOD. How many.

Mr. BALL. Four or five.

This is the fifth year.

The amount of the request was $105 million. We have made a new estimate—we are required to make one every 5 years—for the next 44 years of equal annual installments of $235 million.

Mr. FLOOD. Do you use a crystal ball? What is your yardstick?

Mr. BALL. Again this is a careful estimate by our professional staff of actuaries. The reasons for the fact that this is higher than the original estimate is partly that social security benefits are now higher, so these credits mean more. Partly it is a shorter period; you are projecting this over a 44-year period instead of a 50-year period. Partly the other estimate was just too low. We actually had estimated $120 million and it kept getting reduced in the appropriation process—not in the Congress, but by the review agencies—so

that for these reasons we now are requesting the first new installment for making the trust fund whole—for these military service credits. The amount is $235 million. Again it is a matter of formula in the law applied by our actuaries to expected experience.

Trust Fund Payments to Uninsured Persons Over Age 72

Then the final item to reimburse the trust fund——

Mr. Flood. The important thing I repeat again for purposes of emphasis, this is by act of Congress and not some long-haired guy downtown who thinks this up?

Mr. Ball. Absolutely. We have no discretion on it. The final item is a request for $351 million, again to reimburse the trust funds for payments made. In this case, cash payments, to people who are not insured under social security, who have reached the age of 72. These are special payments to people 72 if they are not insured under social security and are not receiving assistance; they cannot get it if they are receiving assistance.

Mr. Flood. This is male and female?

Mr. Ball. Yes, and payable only at age 72.

Mr. Flood. Married, living together, both are covered.

Mr. Ball. Yes. They get 1½ times the basic amount if they are living together.

Currently beginning January, it is $48.30 for a single person and $24.20 for the wife.

Mr. Flood. How did you reach those figures?

Mr. Ball. We did not. This is a matter of law. It actually came from an amendment on the Senate floor by Senator Prouty many years ago.

Mr. Flood. What did?

Mr. Ball. This whole provision.

Mr. Flood. What is sacred about $48.30?

Mr. Ball. It's not sacred. Originally it was close to the minimum benefit under social security. The original $35 for Prouty has been increased as social security benefits have been increased. It started out to be close to the minimum benefit. Originally it was $35. Again it is a matter of law and we have no discretion and we must ask for the money.

Mr. Flood. This is very important to be understood.

Mr. Ball. That adds up to a total request for reimbursement from the Federal funds of $2,465,297,000 to place the trust funds in a whole position.

Increases in Supplementary Medical Insurance Premium

Mr. Flood. The largest item in this appropriation is the matching payment for the supplemental medical insurance for which you are requesting $1,376,000,000. That is an increase of $131,118,000. As we understand it, (*a*) $29,400,000 of this increase is to make up for underestimates in prior years; (*b*) $20 million is to finance the increase in the number of people covered by the program; and (*c*) $72 million is to provide Federal matching for the increased premium rate of $5.60 per month which goes into effect on July 1.

Now, how much of this increased premium is due to higher physicians' fees? This is the big question.

Mr. BALL. You will immediately see that this whole increase is about a 5-percent increase in premium. To be clear about my response, I need to make the point that we are expecting an increase in physicians' fees that would at least be the full 5 percent and probably more. The reason that we are able to limit the increase to $5.60 and have it to go up only 5 percent is that we are reducing the safety margin that we had in the previous premium.

TRENDS IN PHYSICIAN FEES SINCE MEDICARE'S INCEPTION

Mr. FLOOD. Let me ask you this next question, to tie it together. What has been the annual rate of increase in the physicians' fees since the medicare program began?

Mr. BALL. It has averaged around 7 percent.

Mr. FLOOD. Is that good or bad?

Mr. BALL. My own opinion, Mr. Chairman, is that at the beginning of medicare there was a rather sharp and an unusual increase in physicians' fees for the first year or two.

Mr. FLOOD. When was that?

Mr. BALL. That was in 1966 and 1967. I believe there was a tendency on the part of the physicians just before the program went into effect and in the early years to say—"the Government is going to reimburse us according to our customary and prevailing charges, we will take this opportunity to review our schedules and do any updating that is called for."

Mr. FLOOD. What do you mean by "we"?

Mr. BALL. The physicians. I think the result of that was kind of a peaking-up of increases.

Mr. FLOOD. Is it leveling off?

Mr. BALL. Yes in terms of relation to price and wage increases I was going to say that last year physicians fees increased about 7 percent.

Mr. FLOOD. What do you think about that?

Mr. BALL.That is not very far out of line with what wages increased. As a matter of fact, it is not very far out of line with what prices increased.

If you go way back over a considerable period of years, physician fees and wage increases have gone fairly well together—physician fees a little bit less than wage increases. If we can get back to a place where physician fees are falling between price and wage increases, I think that is probably not unreasonable.

Mr. FLOOD. That is a very important statement you make to us and to the people.

Mr. BALL. Yes.

PROPOSED LEGISLATION LIMITING FEE INCREASE

You will find in last year's legislation, and it is repeated again in H.R. 1 just reported by the House, there is a provision in there to control the maximum limit on increases in physician fees.

Mr. FLOOD. What do you mean by H.R. 1?

Mr. BALL. This is the bill just reported by the Ways and Means Committee.

Mr. FLOOD. That is the number of the bill?

Mr. BALL. Yes.

Mr. FLOOD. In the House?

Mr. BALL. Yes. It deals with medicare, medicaid, and family assistance as well as the social security cash benefit program. It is the big bill in this area this year. In there it is proposed to the Congress by the Ways and Means Committee, and it was recommended by the administration, that physician fees at the maximum—the so-called prevailing level—be allowed to rise in future years only according to an index that would be made up of a combination of a wage and price index. So what I am saying if they are falling now naturally back into increases that are in this range it is right in line with what I think is congressional and administration policy.

IMPACT OF MEDICARE ON PHYSICIAN FEES

Mr. FLOOD. Let me ask you this, then: Do you think that medicare, and just the mere existence of medicare, has caused physicians to increase their fees higher than they otherwise would have?

Mr. BALL. I think that it caused them to increase their fees more rapidly than they otherwise would have at the beginning of the program. I do not see evidence of that now.

Mr. FLOOD. And the program began when?

ADMINISTRATIVE LIMITATIONS ON PAYMENTS TO PHYSICIANS

Mr. BALL. In 1966. I was going to add the point that although physician fees increased about 6 or 7 percent, we recognized in the payments in medicare only about a 2 percent increase. We do not have to immediately recognize all physician increases. We pay on a reasonable charge basis, and we have slowed down the recognition of the fee increase.

Mr. FLOOD. That brings up this question: This is very recent. By recent I mean a year.

Mr. BALL. Yes.

EFFECTS OF REDUCING INDIVIDUAL PHYSICIAN CHARGES

Mr. FLOOD. Are there an increasing number of cases in which physicians charge patients more than medicare is willing to pay, and if so, what can be done about it? We are getting fallout on this.

Mr. BALL. Yes, there is, Mr. Chairman. We are currently reducing about 11 percent of total charges submitted by physicians. Earlier at the very beginning of the program it was much smaller.

Mr. FLOOD. That is quite a lot, is it not?

Mr. BALL. Yes. That 11-percent reduction is very substantial. It resulted, if you want to look at it this way, in about $215 million savings in the first three quarters of fiscal year 1971.

Mr. FLOOD. Saving to whom?

Mr. BALL. To the program.

Mr. FLOOD. You mean to the trust fund?

Mr. BALL. To the trust fund. That $215 million saving to the trust fund is a loss to either the physician, if we are reimbursing him directly—you can do it in two ways—or if he is billing the patient directly it may be a loss to the patient.

Mr. FLOOD. It is a saving to the other participants but not necessarily to the patient.

Mr. BALL. That is right. It is a saving in the premium rate we were talking about earlier.

PROJECTED INCREASE IN VISITS TO PHYSICIANS

I did want to finish out the point that we expect the increases in physician fees to be more than this 5 percent or so increase in premium rates we are allowing, and that there also will be some increase in utilization.

Mr. FLOOD. What do you mean by increase in utilization?

Mr. BALL. That is per person there will be more physician visits than in the previous year. In a program like this there tends to be some increase in the use of covered services as people learn more about the program.

We have been experiencing an increase in the amount of service used at the rate of about 2 percent a year. That is projected again for next year.

INFORMING THE PUBLIC OF MEDICARE BENEFITS

Mr. FLOOD. We are concerned about how people learn about it.

How do they learn about it? What do you do, or who should do what that they all learn about the whole thing?

Mr. BALL. I think we do quite a great deal. Everybody under the program who is eligible or who elects to enroll in this voluntary part of the program gets a very complete medicare handbook. You may have seen those rather large volumes. It is not the sort of thing that a person sits down and reads through, but it is reference material for them.

Mr. FLOOD. That is free to them?

Mr. BALL. Yes. That is given to everyone. It is periodically updated as the law changes.

Mr. FLOOD. They do not have to ask for it?

Mr. BALL. No.

Mr. FLOOD. They get it whether they want it or not?

Mr. BALL. Yes.

We have a variety of specialized pamphlets on particular aspects of the program: extended care facilities, physician coverage, hospitalization.

Mr. FLOOD. Do you get many letters or requests of any sort from the participants?

Mr. BALL. Yes. Our district offices handle hundreds of thousands, or millions, really, of inquiries each year from participants.

Mr. FLOOD. On all phases of the program?

Mr. BALL. Yes, including the medicare program. We were able to hold this premium increase down because the previous rate of $5.30 included a large contingency margin. The trust fund was at a low point and the premium had to be big enough to cover any kind of a contingency, like a flu epidemic, that might arise.

CONDITION OF THE SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND

Mr. FLOOD. Has the trust fund even been or is it now in danger?

Mr. BALL. I would say last year it was very close to the danger point.

Mr. FLOOD. Why?

Mr. BALL. It has now built up.

Mr. FLOOD. Why was it in danger?

Mr. BALL. When the rate was at $4 it was held at that rate for 1 additional year, and that proved to be an insufficient rate. To be fair, and on the record, I should say that the actuaries recommended that it should be more than $4. They recommended a $4.40 rate. But the Secretary at that time decided to leave it at four. I think in his opinion he felt that raising the rate would be an invitation for physicians to increase their fees.

Mr. FLOOD. What do you think, Mr. Ball, as the Commissioner, is the condition as of now?

Mr. BALL. As of now I think we are perfectly safe on a cash flow basis. There is over $200 million in the fund, which is adequate on a cash flow basis.

Mr. FLOOD. It is now very healthy.

Mr. BALL. Yes. If you ask an actuary—I want to make this clear, Mr. Chairman—and the issue is not will you run out of money, but the issue is, do you have enough money in the fund to cover all your outstanding obligations—

Mr. FLOOD. You know people have been worrying about it.

Mr. BALL. Yes. The answer to that is no, there is an accrued liability in this part of the program of $600 or $700 million dollars. But on a cash-flow basis it is perfectly safe.

REASONS FOR INCREASE IN PAYMENTS FOR MILITARY SERVICE CREDITS

Mr. FLOOD. Will you explain briefly why is it necessary to increase this annual payment for the military service credits from $130 million to $235 million? We talked about the service credits, but why is it necessary to make this increase now to that extent?

Mr. BALL. One of the most important reasons is that social security benefits have been increased very substantially. I am not sure that all members of the committee would have added up what has happened in social security in the last few years.

INCREASES IN SOCIAL SECURITY BENEFITS SINCE JANUARY 1968

Mr. FLOOD. What increases have been made in the last few years?

Mr. BALL. If you start with January 1968 the accumulated increases in cash social security benefits will be 50 percent when the 5-percent increase proposed in H.R. 1 is enacted.

Mr. FLOOD. That is across the board?

Mr. BALL. Yes. There was a 13-percent benefit increase in February 1968. There was a 15-percent increase in January 1970. There is a 10-percent increase retroactive to January 1971 that we are putting into effect next month. It will be in the checks next month. That compounds to 50 percent if you anticipate the fact that H.R. 1 has a 5-percent increase in it.

Mr. FLOOD. That is not yet law.

Mr. BALL. That is right. That $160 noncontributory military wage credit is a much more valuable credit for people in the future, because all benefits are higher.

Mr. FLOOD. That is quite a jump.

Mr. BALL. That is right, but that is the main reason. In those cases where the $160 wage credits are used in the benefit computation, they will be worth about half again as much as they were worth prior to these benefit increases. There are other reasons, as well.

Mr. FLOOD. Mr. Michel?

EXTENDED CARE FACILITY BENEFIT RETROACTIVE DENIALS

Mr. MICHEL. Mr. Ball, you remember last year I was in touch with your office with respect to the backlog of claims, particularly with respect to extended care facilities. I referred about 80 specific cases to your office and you were very kind to respond to each one individually.

Of course, my referrals to your office were no more than any other Member of Congress. We were receiving a lot of complaints concerning arbitrary denial of these benefits, particularly after a patient had gone to an extended care facility. Then the nursing homes and extended care facilities were besieging their Congressmen with complaints. What, if anything, have we done to ameliorate this problem? If we have not, should we be preparing legislation to correct this specific problem?

Mr. BALL. I would say yes to both, sir. We have been doing everything that we think we can under the law. We have made a proposal to the Congress which again is included in the recently reported Ways and Means Committee bill, H.R. 1. Let me go into this to some extent.

Mr. MICHEL. I would appreciate a detailed description of the proposal.

Mr. BALL. The problem here, Mr. Chairman, is that the so-called extended care benefit is payable under medicare under relatively restricted circumstances.

DEFINITION OF EXTENDED CARE

Mr. FLOOD. What is extended care?

Mr. BALL. It is the term used in the law for a highly skilled nursing home benefit payable to people after they have been in the hospital under medicare. I say it is quite restricted and it is confusing. Some people thought of it as a general nursing home benefit. It is quite restricted by law in this way. The law says we can pay for the care only if the individual has been in a hospital, and also only if he requires skilled nursing care on a continuing basis.

Many, many very sick people, with a chronic condition, can be cared for without skilled nursing service. If their main need is to be washed and dressed and fed—custodial care—there is no question they have to be in a nursing home or institution—somebody has to take care of them, because they cannot take care of themselves, and their family cannot take care of them. However, they do not meet the legal definition for extended care. We can only pay if skilled nursing service is needed.

ADMINISTRATION OF EXTENDED CARE BENEFITS BY INTERMEDIARIES

Mr. FLOOD. Who decides that?

Mr. BALL. This is decided in the final analysis by the intermediaries that we have hired for this purpose—Blue Cross and commercial insurance companies—but usually the first decision is made by the physician in charge. Insofar as he understands the law there is no problem but there is some confusion on this occasionally——

Mr. FLOOD. It is not some clerk in the district office?

Mr. BALL. No. Even if it is finally decided by the intermediary, say Blue Cross, in a doubtful case it will be reviewed by one of their consulting physicians or by a utilization review committee made up of physicians. I just want to make the point that we are dealing with quite a difficult adjudication here—a restricted benefit. In all honesty, I think what happened historically was that in the early years of the program—say 1966 and 1967—the intermediaries operating this program for us had so many problems along with us in getting medicare off the ground, just paying claims and getting the structure set up and so on, that there was not the careful review of this level of care that really was called for. So a lot of cases were being paid. Then as we got to the place where you could pay attention to these refinements, we started to tighten up with these intermediaries and contractors and told them, in effect, "You are not carefully following the criteria that the law requires." Then they started to disallow claims. The terrible thing about it, as Congressman Michel indicates, is that if you come in after the fact—after the individual has had the service—and after the extended care facility or nursing home thought they were going to get paid, and you deny it retroactively, it creates very difficult problems for everybody. This is the problem.

ASSURANCE OF PAYMENT PROCEDURE

Now to the point of what we have done. We have established what we called an assurance of payment procedure. If an extended care facility can work out with Blue Cross, just as an example, an arrangement where, whenever they have a doubtful case—most of these are clear cut one way or another, they will be covered or not—if they have entered into this arrangement, they can send a doubtful case to Blue Cross and get a prior certification and a decision by them that it will be paid. We have guaranteed that during the time it takes to make the decision, that even if it is adverse, we will nevertheless pay the bill. They cannot do this if the extended care facility is one that has been not very reliable and has been trying to push the line a bit, but if they have a facility which they feel has been conscientiously trying to apply the law, then this assurance of payment procedure really gets you out of the problem of the retroactive denials. About 50 percent of the extended care facilities in the country are now operating under this procedure.

MEDICARE INTERMEDIARIES AND CARRIERS

Mr. MICHEL. When you singled out Blue Cross, I assume the same would apply to any intermediary?

Mr. BALL. Yes. I just meant it as an example so I did not have to repeat each time that it applied to everybody.

Mr. MICHEL. How many intermediaries are there for the medicare program? At one time I believe there were 130 around the country.

Mr. TIERNEY. There are 132, Mr. Congressman, both carriers on the part B side and intermediaries on the part A side. In New York and Ohio there are four or five Blue Cross plans within a State, all of whom participate.

Mr. MICHEL. Could we have placed in the record the States and those agencies that are serving as intermediaries for each of the States?

Mr. TIERNEY. Yes.

(The information follows:)

INTERMEDIARIES AND CARRIERS WHO
PROCESS MEDICARE CLAIMS AS OF MAY 19, 1971

Part A Hospital Insurance	Part B Medical Insurance
Alabama	**Alabama**
Medicare Blue Cross-Blue Shield of Alabama 930 South 20th Street Birmingham, Alabama 35205	Medicare Blue Cross-Blue Shield of Alabama 930 South 20th Street Birmingham, Alabama 35205
Aetna Life and Casualty 1/	
Mutual of Omaha Insurance Company 3/	
Alaska	**Alaska**
Blue Cross Washington-Alaska, Inc. 601 Broadway P.O. Box 327 Seattle, Washington 98111	Medicare Aetna Life and Casualty 522 SW. Fifth Street Portland, Oregon 97204
Arizona	**Arizona**
Associated Hospital Service of Arizona 331 West Indian School Road P.O. Box 13466 Phoenix, Arizona 85002	Medicare Aetna Life and Casualty 3033 North Central Avenue Phoenix, Arizona 85012
Aetna Life and Casualty 1/	
Mutual of Omaha Insurance Company 3/	
Arkansas	**Arkansas**
Medicare Arkansas Blue Cross and Blue Shield P.O. Box 2181 Little Rock, Arkansas 72203	Medicare Arkansas Blue Cross and Blue Shield P.O. Box 2181 Little Rock, Arkansas 72203

California

Hospital Service of Southern California
4777 Sunset Boulevard
Los Angeles, California 90027

Hospital Service of California
1919 Webster Street
Oakland, California 94612

Aetna Life and Casualty 1/

The Travelers Insurance Company 2/

Mutual of Omaha Insurance Company 3/

Kaiser Foundation Health Plan, Inc. 4/

California

Counties of:

Los Angeles	Imperial
Orange	San Luis Obispo
San Diego	Riverside
Ventura	Santa Barbara
San Bernardino	

Medicare
Occidental Life Insurance Co. of California
Box 54905
Los Angeles, California 90054

Rest of State:

Medicare
California Blue Shield
P.O. Box 7968, Rincon Annex
San Francisco, California 94119

Colorado

Colorado Hospital Service
655 Broadway
Denver, Colorado 80203

Aetna Life and Casualty 1/

Mutual of Omaha Insurance Company 3/

Colorado

Medicare
Colorado Medical Service, Inc.
P.O. Box 6410
Denver, Colorado 80206

Connecticut

Connecticut Blue Cross, Inc.
345 Whitney Avenue
New Haven, Connecticut 06502

Aetna Life and Casualty 1/

The Travelers Insurance Company 2/

Connecticut

Medicare
Connecticut General Life Insurance Co.
Meriden, Connecticut 06450

Delaware

Medicare
Blue Cross and Blue Shield of Delaware
201 West 14th Street
Wilmington, Delaware 19899

Delaware

Medicare
Blue Cross and Blue Shield of Delaware
201 West 14th Street
Wilmington, Delaware 19899

District of Columbia

Group Hospitalization, Inc.
550 12th Street, S.W.
Washington, D.C. 20024

Mutual of Omaha Insurance Company 3/

District of Columbia

Medicare
Medical Service of D.C.
1021 14th Street, NW.
Washington, D.C. 20005

Florida

Blue Cross of Florida, Inc.
P.O. Box 2711
Jacksonville, Florida 32201

Aetna Life and Casualty 1/

The Travelers Insurance Company 2/

Mutual of Omaha Insurance Company 3/

Florida

Medicare
Blue Shield of Florida, Inc.
P.O. Box 2525
Jacksonville, Florida 32201

Georgia

United Hospitals Service Association
1010 Peachtree Street, N.W.
Atlanta, Georgia 30309

Georgia Hospital Service Association, Inc.
2357 Warm Springs Road
P.O. Box 1520
Columbus, Georgia 31902

The Travelers Insurance Company 2/

Georgia

The Prudential Insurance Company of America
Mecicare Part B
P.O. Box 7340, Station C
Atlanta, Georgia 30309

Hawaii

Hawaii Medical Service Association
P.O. Box 860
Honolulu, Hawaii 96808

Kaiser Foundation Health Plan, Inc. 4/

Hawaii

Medicare
Aetna Life and Casualty
P.O. Box 3947
Honolulu, Hawaii 96812

Idaho

Idaho Hospital Service Inc.
1501 Federal Way
Boise, Idaho 83707

Mutual of Omaha Insurance Company 3/

Idaho

Medicare
The Equitable Life Assurance Society
P.O. Box 8048
Boise, Idaho 83707

Illinois

Hospital Service Corporation
222 N. Dearborn Street
Chicago, Illinois 60601

Illinois Hospital and Health Service, Inc.
227 North Wyman Street
Rockford, Illinois 61101

Aetna Life and Casualty 1/

Mutual of Omaha Insurance Company 3/

Illinois

Counties of:
Cook Lake
DuPage Will
Kane

Medicare
Illinois Medical Service
222 N. Dearborn
Chicago, Illinois 60601

Rest of State:

Medicare
Continental Casualty Co.
P.O. Box 910
Chicago, Illinios 60690

Indiana

Mutual Hospital Insurance, Inc.
110 North Illinois Street
Indianapolis, Indiana 46209

Aetna Life and Casualty 1/

Indiana

Medicare
Mutual Medical Insurance, Inc.
110 North Illinois Street
Indianapolis, Indiana 46204

Iowa

Hospital Service, Inc. of Iowa
Liberty Building
Des Moines, Iowa 50307

Associated Hospitals Service, Inc.
1622 Pierce Street
Sioux City, Iowa 51105

Aetna Life and Casualty 1/

Mutual of Omaha Insurance Company 3/

Iowa

Medicare
Iowa Medical Service
324 Liberty Building
Des Moines, Iowa 50307

Kansas

Kansas Hospital Service Association, Inc.
1133 Topeka Avenue
Topeka, Kansas 66601

Kansas

Counties of:
Johnson Wyandotte

Medicare
Surgical Care Inc.
P.O. Box 169
Kansas City, Missouri 64141

Kansas (continued)

Blue Cross of Kansas City
3637 Broadway
P.O. Box 169
Kansas City, Missouri 64141

Mutual of Omaha Insurance Company 3/

Kansas (continued)

Rest of State:

Medicare
Kansas Physicians' Service
P.O. Box 953
Topeka, Kansas 66601

Kentucky

Blue Cross Hospital Plan, Inc.
3101 Bardstown Road
Louisville, Kentucky 40205

Aetna Life and Casualty 1/

Mutual of Omaha Insurance Company 3/

Kentucky

Medicare
Metropolitan Life Insurance Co.
1218 Harrodsburg Road
Lexington, Kentucky 40504

Louisiana

Louisiana Hospital Service, Inc.
10255 Florida Blvd.
P.O. Box 1166
Baton Rouge, Louisiana 70815

Hospital Service Association of
New Orleans
2026 St. Charles Avenue
New Orleans, Louisiana 70130

Aetna Life and Casualty 1/

Louisiana

Medicare
Pan-American Life Insurance Co.
P.O. Box 60450
New Orleans, Louisiana 70160

Maine

Associated Hospital Service of Maine
509 Forest Avenue
Portland, Maine 04101

The Travelers Insurance Company 2/

Maine

Medicare
Union Mutual Life Insurance Co.
P.O. Box 4629
Portland, Maine 04112

Maryland

Maryland Blue Cross, Inc.
7800 York Road
Baltimore, Maryland 21203

Group Hospitalization, Inc.
550 12th Street, S.W.
Washington, D.C. 20024

Mutual of Omaha Insurance Company 3/

Maryland

Counties of:
Montgomery Prince Georges

Medicare
Medical Service of D.C.
1021 14th Street, N.W.
Washington, D.C. 20005

Maryland (continued)

Massachusetts

Massachusetts Blue Cross, Inc.
133 Federal Street
Boston, Massachusetts 02106

Aetna Life and Casualty 1/

The Travelers Insurance Company 2/

Michigan

Michigan Hospital Service
441 East Jefferson Avenue
Detroit, Michigan 48226

The Travelers Insurance Company 2/

Mutual of Omaha Insurance Company 3/

Minnesota

Minnesota Hospital Service Association
3535 Blue Cross Road
St. Paul, Minnesota 55111

Aetna Life and Casualty 1/

The Travelers Insurance Company 2/

Mutual of Omaha Insurance Company 3/

Maryland (continued)

Rest of State:

Medicare
Maryland Medical Service, Inc.
Box 202
Baltimore, Maryland 21203

Massachusetts

Medicare
Massachusetts Medical Service
P.O. Box 2194
Boston, Massachusetts 02106

Michigan

Medicare
Michigan Medical Service
P.O. Box 2201
Detroit, Michigan 48231

Minnesota

Counties of:

Anoka	Ramsey
Dakota	Washington
Hennepin	

Medicare
The Travelers Insurance Co.
515 Marquette Avenue, South
Minneapolis, Minnesota 55402

Counties of:

Filmore	Olmstead
Goodhue	Wabasha
Houston	Winona

Medicare
The Travelers Insurance Co.
201 First Avenue, SW.
Rochester, Minnesota 55902

Minnesota (continued)

Minnesota (continued)

Rest of State:

Medicare
Blue Shield of Minnesota
P.O. Box 7899
Minneapolis, Minnesota 55404

Mississippi

Mississippi Hospital and Medical Service
P.O. Box 3614
Jackson, Mississippi 39207

Mutual of Omaha Insurance Company 3

Mississippi

Medicare
The Travelers Insurance Co.
P.O. Box 22545
Jackson, Mississippi 39201

Missouri

Blue Cross Hospital Service, Inc. Of Missouri
1430 Olive Street
St. Louis, Missouri 63103

Blue Cross of Kansas City
3637 Broadway
P.O. Box 169
Kansas City, Mossouri 64141

Mutual of Omaha Insurance Company 3

Missouri

Counties of:

Andrew	Henry
Atchison	Holt
Bates	Jackson
Benton	Johnson
Buchanan	Lafayette
Caldwell	Livingston
Carroll	Mercer
Cass	Nodaway
Clay	Pettis
Clinton	Platte
Daviess	Ray
DeKalb	St. Clair
Gentry	Saline
Grundy	Vernon
Harrison	Worth

Medicare
Surgical Care, Inc.
P.O. Box 169
Kansas City, Missouri 64141

Rest of State:

Medicare
General American Life Insurance Co.
P.O. Box 505
St. Louis, Missouri 63166

Montana

Blue Cross of Montana
3360 - 10th Avenue, South
P.O. Box 2203
Great Falls, Montana 59401

Mutual of Omaha Insurance Company 3/

Montana

Medicare
Montana Physicians' Service
P.O. Box 2510
Helena, Montana 59601

Nebraska

Nebraska Blue Cross Hospital
Service Association
P.O. Box 3248
Main Post Office Station
Omaha, Nebraska 68103

Aetna Life and Casualty 1/

Mutual of Omaha Insurance Company 3/

Nebraska

Medicare
Mutual of Omaha Insurance Co.
P.O. Box 456, Downtown Station
Omaha, Nebraska 68101

Nevada

Aetna Life and Casualty
P.O. Box 3077
Reno, Nevada 89502

Mutual of Omaha Insurance Company 3/

Nevada

Medicare
Aetna Life and Casualty
P.O. Box 3077
Reno, Nevada 89502

New Hampshire

New Hampshire-Vermont
Hospitalization Service
One Pillsbury Street
Concord, New Hampshire 03301

The Travelers Insurance Company 2/

New Hampshire

Medicare
New Hampshire-Vermont Physician
Service
One Pillsbury Street
Concord, New Hampshire 03301

New Jersey

Hospital Service Plan of New Jersey
500 Broad Street
Newark, New Jersey 07102

The Prudential Ins. Co. of America
Tri-City Office, Drawer 471
Millville, New Jersey 08332

New Jersey

Medicare
The Prudential Insurance Co. of
America
P.O. Box 6500
Millville, New Jersey 08332

New Mexico

Hospital Service, Inc.
12800 Indian School Road, NE
Albuquerque, New Mexico 87112

The Travelers Insurance Company 2/

Mutual of Omaha Insurance Company 3/

New Mexico

Medicare
The Equitable Life Assurance Society
P.O. Box 3070, Station D
Albuquerque, New Mexico 87110

New York

Blue Cross of Northeastern New York, Inc.
P.O. Box 8650
Albany, New York, 12208

Blue Cross of Western New York, Inc.
Blue Cross Building
298 Main Street
Buffalo, New York 14202

Chautauqua Region Hospital Service Corporation
306 Spring Street
Jamestown, New York 14701

Associated Hospital Service of New York
80 Lexington Avenue
New York, New York 10016

Rochester Hospital Service Association
41 Chestnut Street
Rochester, New York 14604

Blue Cross of Central New York, Inc.
407 South State Street
Syracuse, New York 13202

Hospital Plan, Inc.
5 Hopper Street
Utica, New York 13501

Hospital Service Corporation of Jefferson County
158 Stone Street
Watertown, New York 13602

New York

Counties of:

Bronx	Orange
Columbia	Putnam
Delaware	Richmond
Dutchess	Rockland
Greene	Suffolk
Kings	Sullivan
Nassau	Ulster
New York	Westchester

Medicare
United Medical Service, Inc.
Two Park Avenue
New York, New York 10016

County of:
Queens

Medicare
Group Health Insurance, Inc.
227 West 40th Street
New York, New York 10018

Counties of:

Livingston	Seneca
Monroe	Wayne
Ontario	Yates

Medicare
Genesee Valley Medical Care, Inc.
41 Chestnut Street
Rochester, New York 14604

New York (continued)

Aetna Life and Casualty 1/

The Travelers Insurance Company 2/

New York (continued)

Counties of:

Allegany	Niagara
Cattaraugus	Orleans
Erie	Wyoming
Genesee	

Medicare
Blue Shield of Western New York, Inc.
298 Main Street
Buffalo, New York 14202

Counties of:

Albany	Montgomery
Broome	Oneida
Cayuga	Onondaga
Chautauqua	Oswego
Cheming	Otsego
Chenango	Rensselaer
Clinton	Saratoga
Cortland	Schenectady
Essex	Schoharie
Franklin	Schuyler
Fulton	Steuben
Hamilton	St. Lawrence
Herkimer	Tioga
Jefferson	Tompkins
Lewis	Warren
Madison	Washington

Medicare
Metropolitan Life Insurance Co.
258 Genesee Street
Utica, New York 13502

North Carolina

North Carolina Blue Cross and Blue Shield, Inc.
P.O. Box 3824
Durham, North Carolina 27702

Aetna Life and Casualty 1/

North Carolina

Medicare
The Prudential Insurance Co. of America
P.O. Box 22067
Greensboro, North Carolina 27420

North Dakota

Blue Cross of North Dakota
301 8th Street, South
Fargo, North Dakota 58102

Aetna Life and Casualty 1/

North Dakota

Medicare
North Dakota Physicians Service
301 Eighth Street, South
Fargo, North Dakota 58102

Ohio

Blue Cross Hospital Plan, Inc.
201 Ninth Street, Northwest
Canton, Ohio 44702

Hospital Care Corporation
1361 William Howard Taft Road
Cincinnati, Ohio 45206

Blue Cross of Northeast Ohio
2066 East Ninth Street
Cleveland, Ohio 44115

Nationwide Mutual Insurance Company
P.O. Box 57
Columbus, Ohio 43216

Blue Cross of Central Ohio
174 East Long Street
Columbus, Ohio 43215

Hospital Service, Inc.
7 Public Square
Lima, Ohio 45802

The Hospital Service Association of Toledo
P.O. Box 943
Toledo, Ohio 43601

Associated Hospital Service, Inc.
2400 Market Street
Youngstown, Ohio 44507

Aetna Life and Casualty 1/

Ohio

Counties of:

Ashtabula	Lake
Cuyahoga	Loraine
Geauga	

Medicare
Medical Mutual of Cleveland, Inc.
2060 East Ninth Street
Cleveland, Ohio 44115

Rest of State:

Medicare
Nationwide Mutual Insurance Co.
P.O. Box 57
Columbus, Ohio 43216

Oklahoma

Group Hospital Service
1215 South Boulder Avenue
P.O. Box 3283
Tulsa, Oklahoma 74102

Mutual of Omaha Insurance Company 3/

Oklahoma

Medicare
Aetna Life and Casualty
7 South Harvey
Oklahoma City, Oklahoma 73102

Social and Rehabilitative Services
Oklahoma Department of Institutions
P.O. Box 25352
Oklahoma City, Oklahoma 73125

Oregon

Northwest Hospital Service
100 SW. Market Street
P.O. Box 1271
Portland, Oregon 97207

Mutual of Omaha Insurance Company 3/

Kaiser Foundation Health Plan, Inc. 4/

Oregon

Medicare
Aetna Life and Casualty
522 SW. Fifth Street
Portland, Oregon 97204

Pennsylvania

Hospital Service Plan of the
Lehigh Valley
1221 Hamilton Street
Allentown, Pennsylvania 18102

Capital Blue Cross
100 Pine Street
Harrisburg, Pennsylvania 17101

The Associated Hospital Service of
Philadelphia
1333 Chestnut Street
Philadelphia, Pennsylvania 19107

Blue Cross of Western Pennsylvania
One Smithfield Street
Pittsburgh, Pennsylvania 15222

Inter-County Hospitalization Plan,
Inc.
Foxcroft Square
Jenkintown, Pennsylvania 19046

Hospital Service Association of
Northeastern Pennsylvania, Inc.
Blue Cross Building
15 South Franklin Street
Wilkes-Barre, Pennsylvania 18701

The Travelers Insurance Company 2/

Pennsylvania

Medicare
Pennsylvania Blue Shield
Box 65
Camp Hill, Pennsylvania 17011

Rhode Island

Hospital Service Corporation of
Rhode Island
444 Westminster Mall
Providence, Rhode Island 02901

The Travelers Insurance Company 2/

Rhode Island

Medicare
Physicians' Service
444 Westminster Mall
Providence, Rhode Island 02901

South Carolina

Blue Cross of South Carolina
Drawer A, Forest Acres Branch
1-20 East at Alpine Road
Columbia, South Carolina 29206

South Dakota

Associated Hospitals Service, Inc.
1622 Pierce Street
Sioux City, Iowa 51105

Aetna Life and Casualty 1/

Mutual of Omaha Insurance Company 3/

Tennessee

Blue Cross-Blue Shield of Tennessee
Blue Cross Building
707 Chestnut Street
Chattanooga, Tennessee 37402

Memphis Hospital Service and
Surgical Association
P.O. Box 98
Memphis, Tennessee 38101

Aetna Life and Casualty 1/

Mutual of Omaha Insurance 3/

Texas

Group Hospital Service, Inc.
Main at North Central Expressway
Dallas, Texas 75222

Aetna Life and Casualty 1/

Mutual of Omaha Insurance Company 3/

Utah

Blue Cross of Utah
2455 Parley's Way
P.O. Box 270
Salt Lake City, Utah 84110

Mutual of Omaha Insurance Company 3/

South Carolina

Medicare
Blue Shield of South Carolina
Drawer F, Forest Acres Branch
Columbia, South Carolina 29206

South Dakota

Medicare
South Dakota Medical Service, Inc.
711 North Lake Avenue
Sioux Falls, South Dakota 57102

Tennessee

Medicare
The Equitable Life Assurance Society
P.O. Box 1465
Nashville, Tennessee 37202

Texas

Medicare
Group Medical and Surgical Service
P.O. Box 22147
Dallas, Texas 75222

Utah

Medicare
Blue Shield of Utah
2455 Parley's Way, Box 270
Salt Lake City, Utah 84110

Vermont

New Hampshire-Vermont
Hospitalization Service
One Pillsbury Street
Concord, New Hampshire 03301

The Travelers Insurance Company 2/

Vermont

Medicare
New Hampshire-Vermont Physician
Service
One Pillsbury Street
Concord, New Hampshire 03301

Virginia

Blue Cross of Virginia
2015 Staples Mill Road
Richmond, Virginia 23261

Hospital Service Association of
Roanoke
1212 3rd Street SW.
P.O. Box 2770
Roanoke, Virginia 24001

Group Hospitalization, Inc.
550 12th Street, S.W.
Washington, D.C. 20024

Aetna Life and Casualty 1/

Mutual of Omaha Insurance Company 3/

Virginia

Counties of:
Arlington Fairfax

City of:
Alexandria

Medicare
Medical Service of D.C.
1021 14th Street, NW.
Washington, D.C. 20005

Rest of State:

Medicare
The Travelers Insurance Co.
P.O. Box 10166
Richmond, Virginia 23230

Washington

Blue Cross Washington-Alaska, Inc.
601 Broadway
P.O. Box 327
Seattle, Washington 98111

Aetna Life and Casualty 1/

Mutual of Omaha Insurance Company 3/

Washington

Medicare
Washington Physicians' Service
Mail to your local Medical Service
Bureau

West Virginia

Blue Cross Hospital Service, Inc.
P.O. Box 1353 Commerce Square
Charleston, West Virginia 25301

Parkersburg Hospital Service, Inc.
203 Union Trust Building
Parkersburg, West Virginia 26101

West Virginia

Medicare
Nationwide Mutual Insurance Co.
P.O. Box 3183
Charleston, West Virginia 25332

West Virginia (continued)

West Virginia Hospital Service, Inc.
21st at Chapline Street
Wheeling, West Virginia 26003

Mutual of Omaha Insurance Company 3/

West Virginia (continued)

Wisconsin

Associated Hospital Service, Inc.
4115 North Teutonia Avenue
P.O. Box 2025
Milwaukee, Wisconsin 53201

Aetna Life and Casualty 1/

Mutual of Omaha Insurance Company 3/

Wisconsin

County of:
Milwaukee

Medicare
Surgical Care
P.O. Box 2049
Milwaukee, Wisconsin 53201

Rest of State:

Medicare
Wisconsin Physicians Service
Box 1787
Madison, Wisconsin 53701

Wyoming

Wyoming Hospital Service
4020 House Avenue
P.O. Box 2266
Cheyenne, Wyoming 82002

Wyoming

Medicare
The Equitable Life Assurance Society
P.O. Box 628
Cheyenne, Wyoming 82001

Puerto Rico

Blue Cross of Puerto Rico
P.O. Box 4431
San Juan, Puerto Rico 00905

Cooperativa de Seguros de Vida de
Puerto Rico
P.O. Box 3428 G.P.O.
San Juan, Puerto Rico 00936

Puerto Rico

Medicare
Seguros De Servicio De Salud De
Puerto Rico
G.P.O. Box 3628
Hato Rey, Puerto Rico 00936

Virgin Islands

Mutual of Omaha Insurance Company
P.O. Box 456 Downtown Station
Omaha, Nebraska 68101

Virgin Islands

Medicare
Mutual of Omaha Insurance Company
P.O. Box 456, Downtown Station
Omaha, Nebraska 68101

American Samoa

Hawaii Medical Service Association
P.O. Box 860
Honolulu, Hawaii 96808

American Samoa

Medicare
Social Security Health Insurance
Pago Pago
American Samoa 96920

Guam

Hawaii Medical Service Association
P.O. Box 860
Honolulu, Hawaii 96808

Guam

Medicare
Aetna Life and Casualty
P.O. Box 3947
Honolulu, Hawaii 96812

NOTE: The Blue Cross Association, 840 North Lake Drive, Chicago, Illinois 60611, is the prime contractor for all Blue Cross Plans participating in the Hospital Insurance Program.

The Aetna Life and Casualty processes claims from providers of service from 25 States; The Travelers Insurance Company from 14 States; Mutual of Omaha Insurance Company from 29 States and the District of Columbia and the Kaiser Foundation Health Plan Inc., 4 States. The main office for each of these companies is listed below.

1/ Aetna Life and Casualty
151 Farmington Avenue
Hartford, Connecticut 06115

2/ The Travelers Insurance Company
Medicare Administration
One Tower Square
Hartford, Connecticut 06502

3/ Mutual of Omaha Insurance Company
Dodge at 33rd Street
Omaha, Nebraska 68131

4/ Kaiser Foundation Health Plan, Inc.
Medicare Liaison Division
508 Sixteenth Street, Room 522
Oakland, California 94612

PROPOSED CHANGE IN LAW TO SOLVE RETROACTIVE DENIAL PROBLEM

Mr. BALL. Now in order to have a legislative base for solving this problem of retroactive denials, we proposed and the Ways and Means Committee has accepted an additional thing, and that is to give us the authority, really by diagnosis, to say that this individual who has been in a hospital, who has been there this long, has this particular kind of illness—on a minimal basis, we will say he needs, without any question, at least 5 days or 10 days in an extended care facility. This is a presumption that cannot be rebutted; it is guaranteed. During the time he is in there, if the physician thinks that this minimum period is not enough, a decision can be made during that time without putting anybody at the risk of not having the bill paid.

We think that will be very helpful to clear up the remaining part of the problem.

PAYMENT FOR PHYSICAL THERAPY

Mr. MICHEL. I would like now to read from a letter which the president of the American Academy of Physical Medicine and Rehabilitation wrote to a good friend of mine who is a doctor at home and concerned about some of the abuses and problems that your shop and the academy are concerned with. He says:

> We are deeply concerned about what we consider a misinterpretation of the purpose of the establishment of rehabilitation agencies as providers of service under medicare provisions. Our understanding of a rehabilitation agency is that it is a multidisciplinary provider of a rehabilitation program which, in addition to physical therapy, has other physical restoration services as well as psychological, social, and/or vocational services.

He goes on to say:

> We understand that some independent practitioners of physical therapy have established rehabilitation agencies and as such are providing physical therapy services primarily to outpatients, and as an agency directly charging the medicare program for the physical therapy services provided. We believe this, to say the least, to be a circumvention of the essential purpose of having rehabilitation agencies since physical therapy, while a component and important in restoration of function cannot by itself provide the other essential components of rehabilitation. Therefore, we believe there is an urgent need to reevaluate the establishment and approval of any rehabilitation agency which provides only physical therapy to the exclusion of other rehabilitation services, and we would suggest that approval of such agencies be held in abeyance until such reevaluation and a development of necessary guidelines which will insure that a rehabilitation agency will actually be able to provide a program of rehabilitation services.

What comment do you have to this kind of advice or admonishment?

Mr. TIERNEY. Mr. Congressman, I am sure the reference is that physical therapy on an outpatient basis is only available under a program if it is incidental to a physician service, if a physician has a physical therapist on his own staff or clinic or it is done through a public health agency or a rehabilitation agency, such as the doctor was discussing. There is no outpatient benefit for pure physical therapy in a physical therapist's office. So we would agree totally with that philosophy that if that is all that was being rendered by an independent physical therapist, we should not be paying for it and should know about it.

LEGISLATIVE CHANGES IN PHYSICAL THERAPY BENEFITS

I think you should know, however, that in the same H.R. 1 the Ways and Means Committee has seen fit to list physical therapy as an outpatient service rendered only by a physical therapist. We had some concerns frankly so they limited it to $100 worth per year.

Mr. MICHEL. Per patient?

Mr. TIERNEY. That is right. This poses a couple of problems. It would be in direct opposition to what the doctor is expressing as his opinion how it should be done and frankly it poses some problems for us in maintaining a record on this physical therapy. If Mrs. Jones is at $42 and Mrs. Smith is at $56 worth it gets to be a very big record-keeping job.

Mr. MICHEL. I welcome your comment here for the record. I intend when we get this bill on the floor to open up a dialogue and discuss some of these items. Of course, your appearance before us today is very timely in that we will reap the benefits of your experience and expertise and thereby aid us in formulating questions that might be appropriate to ask at that time.

Mr. BALL. We would be glad to look into specific situations under present law. As I understood the letter you were reading, the suggestion is that we have approved really incorrectly as a rehabilitation agency some agency that is performing only physical therapy, and we would like to look into that, because it should not be.

THE BUREAU OF HEALTH INSURANCE

Mr. MICHEL. Mr. Ball, you recall that on March 29 of this year I wrote you posing a number of questions having to do with the Bureau of Health Insurance, particularly the program integrity section, et cetera. And you were very kind to respond to my questions in some detail.

I think some of the material would be appropriate at this place in the record. Could I therefore ask you for the number of employees currently in the Bureau of Health Insurance; second, the geographical location of the district and regional offices of the Bureau of Health Insurance; and the number of employees in each office?

Third, a similar statement on the function of the Baltimore office of the Bureau of Health Insurance and the number of employees there; and fourth, the summary statement of current goals sought by the Bureau of Health Insurance during the fiscal year 1971–72?

(The information follows:)

STAFFING, FUNCTION, AND GOALS OF THE BUREAU OF HEALTH INSURANCE

1. As of April 3, 1971, 1,535 employees were on duty in the Bureau of Health Insurance, 1,044 in central office and 491 in the regions.

2. The employees in our 10 regional offices are distributed as follows:

Boston	43	Dallas	51
New York	60	Kansas City	43
Philadelphia	47	Denver	30
Atlanta	62	San Francisco	60
Chicago	70	Seattle	25

The Bureau of Health Insurance has no district offices per se, but does have contact with the public through some 800 district offices that are directed by the Bureau of District Office Operations, Social Security Administration.

3. The central office of the Bureau of Health Insurance has 1,044 employees and provides direction and technical guidance for nationwide administration of the hospital and supplementary medical insurance programs; develops, recommends, and issues substantive policies, procedures, and interpretations to provide program direction to health insurance administration throughout the Social Security Administration, to State agencies, and to intermediaries.

4. The basic goal of the Bureau of Health Insurance for fiscal year 1971–72 is to improve program administration through Bureau reorganization and continued improvement of claims processing systems.

The Bureau is decentralizing some program functions and restructuring and expanding the staff of the regional offices to provide greater expertise and responsibility at the regional level in day-to-day work with contractors and providers. The model claims processing systems are of primary importance to the health insurance program operations since they will establish a standard processing technique for intermediaries, incorporate control checks and balances, facilitate claims processing, and eliminate duplication of systems development costs. Our goal is to have 40 percent of the national part B claims load processed by the model B system and one-third of our part A intermediaries using the model A system by the end of fiscal year 1972.

THE PROGRAM INTEGRITY STAFF

Mr. MICHEL. If I might turn to the program integrity section, Mr. Ball, I would ask for a summary statement of the mission and function of the program integrity division. I would also ask for the geographical location of regional and district offices showing the number of program integrity personnel located in each together with an organizational chart showing the chain of responsibility.

(The information follows:)

Program Integrity

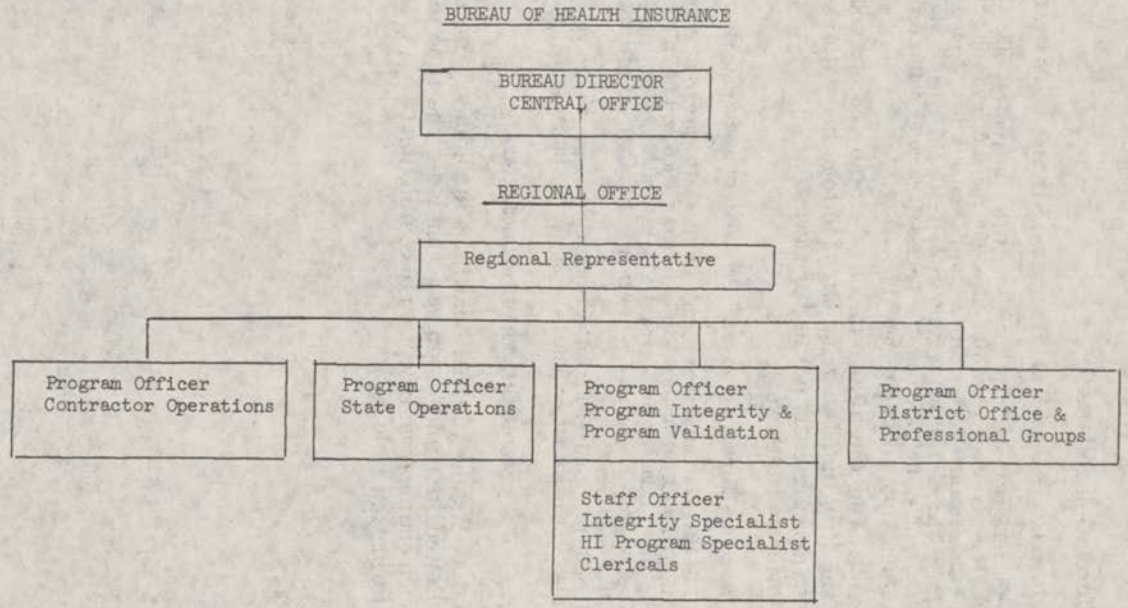
The Program Integrity Staff was formally established in central office during fiscal year 1970. Its primary objective has been to develop overall plans and coordinate bureau activities to insure the integrity of the health insurance program. The Program Integrity Staff works with other components to develop health insurance fraud prevention, detection, reporting, and processing systems. They also work to improve the effectiveness of the intermediaries' and regional offices' fraud activities.

The overall goal of the integrity program is, of course, to protect the Medicare program as completely as possible from fraud and abuse of any kind. To achieve this ultimate goal, we are continually working toward a number of ongoing goals in this and the next fiscal year. They are: to detect and obtain prosecution of sufficient numbers of fraud cases in order to create the deterrence needed to discourage other would-be offenders, and to be able to detect and correct situations of abuse harmful to beneficiaries and the trust funds.

The regional offices' program integrity staffs have a total of 56 employees on duty as of April 3, 1971, located in the following cities:

Boston	4	Dallas	5
New York	7	Kansas City	5
Philadelphia	6	Denver	4
Atlanta	7	San Francisco	6
Chicago	9	Seattle	3

The regional office staffs consist of staff officers, integrity specialists, and clericals who report directly to a program officer. He, in turn, reports directly to the regional representative who reports to the Bureau Director. The attached chart, showing Bureau of Health Insurance Regional Office organization, displays the chain of responsibility for program integrity activities in the regions.


BUREAU OF HEALTH INSURANCE
BUREAU DIRECTOR
CENTRAL OFFICE
REGIONAL OFFICE
Regional Representative
Program Officer
Contractor Operations
Program Officer
State Operations
Program Officer
Program Integrity &
Program Validation
Staff Officer
Integrity Specialist
HI Program Specialist
Clericals
Program Officer
District Office &
Professional Groups

Mr. MICHEL. I would like to have the number of employees in the central office at Baltimore, Md., together with the function of this office.

(The information follows:)

PROGRAM INTEGRITY STAFFING AND FUNCTIONAL DUTIES IN CENTRAL OFFICE

The program integrity staff's primary activities in central office during the current fiscal year have been providing direction for and reviewing the work of the regional offices in their investigation and documentation of suspected fraud and abuse cases. The central office staff on May 12, 1971, had on duty 18 employees and a staffing limitation of 19. This one vacancy will be filled by an employee returning from a detail in June 1971.

Mr. MICHEL. And the total number of employees presently on the payroll of the Program Integrity Division together with existing authorized positions presently unfilled or vacant.

(The information follows:)

NUMBER OF EMPLOYEES IN THE PROGRAM INTEGRITY ACTIVITY

As of April 3, 1971, 74 employees were on duty in the program integrity staffs in the Bureau of Health Insurance—18 in central office and 56 in the regions.

The staffing limitation for fiscal year 1971 in central office is 19 and in the regional offices 58, for a total of 77 positions committed to program integrity work on a full-time basis.

The fiscal year 1972 budget added two more positions to the regional offices to increase the total positions committed to program integrity to 79 positions.

MEDICARE FRAUD PROCEDURES

Mr. MICHEL. Would you, Mr. Ball, list in summary form the procedures followed in fraud claim cases showing the time involved in handling such claims from inception to completion?

(The information follows:)

Procedures Followed in Medicare Fraud and Abuse Cases

The processing of a Medicare fraud or abuse case begins when a beneficiary, or another interested person, makes a complaint about a matter which suggests a wrongdoing on the part of a physician or other supplier of medical services. The complaint may be made to an Administration district office, to a congressman, to the fiscal intermediary, etc. After a brief preliminary investigation--or none at all--the matter is referred to a program integrity specialist in a health insurance regional office. It is usually at this point that substantive development of the matter begins.

The program integrity specialist reviews the material received, to determine the next step. If preliminary investigation was not undertaken, or was not sufficiently extensive to determine whether the problem leading to the complaint was caused by clerical error or some genuine misunderstanding, the health insurance regional office will ask the fiscal intermediary to complete this aspect of the matter. Where the ensuing report suggests that knowingly false statements or representations were made and/or deliberate abuse of the Medicare program took place, the health insurance regional office requests from the fiscal intermediary relevant personal and statistical data concerning the party about whom the complaint was made.

The data furnished by the fiscal intermediary is then analyzed to determine the course of more detailed investigation of the case. Such investigation normally entails the interviewing of several other beneficiaries on whose accounts the suspect has filed claims, the reviewing of various medical records, and, finally, the interviewing of the suspect, who is at that time afforded an opportunity to explain any irregularities disclosed by the investigation.

When all phases of the investigation have been completed, the evidence obtained is evaluated to determine whether it is sufficient for criminal prosecution. Where the evidence is sufficient, in the opinion of the health insurance regional office, the case is referred to the BHI Central Office Program Integrity Staff for final preparation and referral to the Social Security Division of the Office of the General Counsel, Department of Health, Education, and Welfare. The case is referred from that point to the appropriate DHEW regional attorney, who, in turn, refers it to the United States attorney for the Federal judicial district involved. It is at this point that the final decision is made as to whether criminal prosecution will be initiated. The civil fraud aspects of the matter are considered concurrently--but independently--by the Civil Division, Department of Justice. Recovery of any overpayment involved normally flows from action undertaken by one, or both, of these offices.

Where the evidence obtained in the course of the Administration's investigation is not sufficient for prosecutive purposes, or where

the United States attorney declines to prosecute, the overpayment (if any) is computed and restitution sought by the fiscal intermediary. If the overpaid party refuses to make refund, the matter is referred to the General Accounting Office for further collection efforts; such efforts may ultimately cultimate in civil suit.

Time Required to Resolve Medicare Fraud and Abuse Cases

For the period extending from the beginning of the Medicare program (July 1, 1966) through June 30, 1970, the average time required to bring a Medicare fraud or abuse case to conclusion was 131 days. The time is measured from the date a complaint is received to the date the matter was finally resolved. The figure given is not an estimate nor a projection; rather, it is based on review of statistical data pertaining to each of the 2,886 cases closed as of that date. However, it should be considered in light of the facts that:

1. It includes cases for which there was no established line of development, most of which were pursued through whatever seemed to be a reasonable approach at the time.

2. It excludes cases that were developed and brought to satisfactory conclusion without ever finding their way into the statistical summaries. This occurred because, at the outset, there was only the most rudimentary sort of case reporting system.

The cumulative statistical data provided below unavoidably contains the same variable elements described above. However, because of a vastly improved and fully operational computerized case control system, complemented by established and manualized policies and procedures for handling all types of Medicare fraud and abuse cases, the effect of the variable elements is minimal; and in another year it will be virtually insignificant. Therefore, the data shown below may be regarded confidently as being truly indicative of the amount of time required to process cases.

The time frame for the data shown below is as follows: The "closed" figures include all cases reported since the inception of Medicare and brought to conclusion by February 28, 1971; the "pending" figures include all cases reported since the inception of Medicare, which were not concluded by the same date. The "average" figures are based on a 5 percent sample of both "closed" and "pending" cases, and exclude check forgery cases since such cases are not developed by the Administration, but by the Treasury Department.

Closed Cases

Total cases closed		5,875
Fraud cases	2,675	
Abuse cases	3,200	
Average time (days) required to close cases		144
Fraud cases	159	
Abuse cases	131	

Pending Cases

Total cases pending		3,294
Fraud cases	1,843	
Abuse cases	1,451	
Average time (days) case pending		211
Fraud cases	241	
Abuse cases	179	

Prosecution Cases

Within both categories (closed and pending) there is another significant time related figure: Average time, in days, required to complete Administration processing of cases where there is sufficient evidence for referral of the case to the Department of Justice for consideration of criminal prosecution.

It is important to note here, vis-a-vis processing time, that the Administration's influence on this element ends at the time the case is transmitted to the Social Security Division of the Office of the General Counsel, Department of Health, Education, and Welfare. Therefore, the average handling time is computed on the basis of the amount of time between the date the complaint is brought to the Administration's attention and the date the Administration refers the case to the Office of the General Counsel.

Total cases referred for consideration of prosecution	66
Average time (days) required to prepare cases for prosecution	380

There are perhaps 15 additional Medicare-related cases that have been brought to the attention of the Department of Justice for consideration of prosecution. They are not included in the above data because they involve handling of a nonroutine nature, including action instituted directly by a United States attorney, independent of the Administration.

PROGRAM INTEGRITY ACTIVITIES

Mr. MICHEL. Then I would like to have copies of the annual reports of the program integrity division for the years 1968, 1969, and 1970.
(The information follows:)

Report of Program Integrity Activities
1968-1970

While there are no "annual reports" as such for program integrity activities, the following summarizes the Social Security Administration's efforts in this area. Since Medicare began, approximately 9,600 cases of alleged or suspected fraud or program abuse have been reported or otherwise detected. Some 6,350 of these cases have been closed after investigation disclosed that there was insufficient evidence of intent to defraud. Usually the incident which caused the initial complaint was the result of clerical error, oversight or some misunderstanding by one of the people involved. Such cases were closed and action taken to recover overpayments. The remaining cases are now in varying stages of investigation. The significant results of this effort are shown below:

A. Convicted/Sentenced by U.S. District Courts

1. John W. Conway, M.D., Cleveland, Mississippi - Convicted August 18, 1969. Sentenced to pay a fine of $1,000 and 3 years supervised probation.

2. Roy P. Cunningham, M.D., Florence, South Carolina - Convicted December 8, 1969. Sentenced to 8 years in prison. Sentence modified on April 6, 1970, to 1 year imprisonment on each of two counts and 5 years probation.

3. William A. Smidder, M.D., Los Angeles, California - Convicted June 3, 1970. Sentenced to serve 60 days in prison and pay a fine of $2,000.

4. "Doctors" Marino J. Maturo and Luigi P. Vecchiarello, Washington, D.C. - Convicted June 16, 1970. Sentenced to 10 years in prison. These two individuals were misrepresenting themselves as physicians.

5. Apostolos Chakmakis, M.D., Miami, Florida - Convicted October 22, 1970. Sentenced to 120 days in prison.

6. R.M. Williams (Osage Ambulance Company) - Convicted November 3, 1970. Sentencing suspended and defendant placed on probation for 3 years.

7. Martin Wolgin, D.S.C., Philadelphia, Pennsylvania - Convicted October 19, 1970. Sentencing postponed pending a presentencing investigation.

8. Harry W. Breitman, D.O., Philadelphia, Pennsylvania - Convicted January 13, 1971. Sentenced to 6 months in prison and to pay a fine of $10,000 and a suspended 5 years prison term.

9. Frank E. Evans, D.S.C., Sarasota, Florida - Convicted January 25, 1971. Sentenced to a 1 year suspended prison term, 2 years probation and a $1,000 fine.

10. Odis Strong, M.D., Memphis, Tennessee - Convicted February 10, 1971. Sentencing postponed pending presentencing investigation.

11. Matthew Gutowicz, Pod. D., Philadelphia, Pennsylvania - Convicted January 27, 1971. Sentencing postponed pending presentencing investigation.

B. Indicted/Arraigned/Awaiting Trial

1. Harry M. Katz, M.D., Tampa, Florida - Referred to U.S. Attorney January 21, 1969. Indicted with four of his Pinellas Hospital associates in December 1969. Trial presently underway.

2. Morris E. Salkind, D.O., Philadelphia, Pennsylvania - Referred to U.S. Attorney February 4, 1970. Indicted on May 14, 1970. Arraigned October 6, 1970.

3. James A. Haskins, M.D., Lindsay, California - Referred to U.S. Attorney June 1, 1970. Indicted August 27, 1970. Arraigned November 2, 1970.

4. Donald P. Anderson, M.D., Jacksonville, Florida - Referred to U.S. Attorney June 9, 1970. Indicted November 18, 1970.

5. Vernon R. Smith (Madera Ambulance Service), Madera, California - Referred to U.S. Attorney December 8, 1969. Arraigned November 23, 1970. Trial scheduled March 17, 1971.

6. Walter Cloud, M.D., Oakdale, Louisiana - Referred to U.S. Attorney April 6, 1970. Arraigned November 23, 1970.

7. Wesley Kraude, M.D. and Abraham Krems, M.D., Beverly Hills, California - Referred to U.S. Attorney in February 1970. Indicted on February 8, 1971.

8. Jose A. Garcia, M.D., Corpus Christi, Texas - Referred to U.S. Attorney on November 15, 1968. Indicted on February 25, 1971.

9. Selim J. Blazewicz, M.D., Pomeroy, Ohio - Referred to U.S. Attorney on October 15, 1970. Indicted on February 23, 1971.

10. L.S. Phillips, M.D., Trenton, New Jersey - Referred to U.S. Attorney on February 8, 1971. Criminal information filed on March 22, 1971.

11. Jacob M. Levin, D.O., Philadelphia, Pennsylvania - Referred on December 3, 1970. Indicted on April 1, 1971.

C. Under Review by U.S. Attorneys

An additional 25 cases are currently under review by U.S. Attorneys. The 25 suspects include nine M.D.'s, seven Osteopaths, four Podiatrists, two Ambulance Companies, one Hospital, one ECF, and one Home Health Agency.

Thus, there have been 67 cases referred to the Department of Justice and 11 convictions have been obtained. There have been two acquittals, one "nol-pros", and two dismissals; and U.S. Attorneys have declined to prosecute in 14 cases. Eleven cases await trial and 25 others should soon be presented to Federal Grand Juries.

D. Under Review by DHEW Regional Attorneys

DHEW Regional Attorneys are presently reviewing 12 cases which we expect will be referred to the U.S. Attorneys with recommendations for prosecution. The 12 suspects include two M.D.'s, two Osteopaths, five Podiatrists, one Home Health Agency, and two others.

The initial question to these figures is, quite naturally, why have only a small percentage of the total number of cases been referred for prosecution, and given this small percentage, what real value are we deriving from these efforts? First of all, it is necessary to obtain an extensive amount of "solid" evidence to make it feasible to prosecute a case. Obviously, a large percentage of the complaints of fraud we receive cannot be substantiated. However, even without prosecution our investigative activities serve as a significant deterrent to potential violators. The process of conducting investigations and interviewing many individuals lets the public, physicians, providers, etc., know that we are keeping our guard up and this creates a deterrent. That is basically what we are seeking to obtain as a result of these efforts. We have insufficient staff to develop every report and suspicion of fraud to a prosecutable case. We must, however, pursue a sufficient number of cases to successful prosecutions to create an apprehension in the minds of would-be offenders that attempts at fraud against Medicare are ultimately futile. In many of our closed cases, we have been successful in recovering large overpayments.

The Program Integrity Staff conducted a special project to obtain more detailed information about physicians who received unusually large Medicare payments beginning in April 1969. Among other things, the project was designed to test the capability of carriers to detect large physician payments and initiate investigation.

62-917 O - 71 - pt. 4 ---47

From the payment records which carriers submit to the Social Security Administration, approximately 5,000 physicians to whom payments of $25,000 or more had been made during the calendar year 1968 were identified by code number. Those physicians represented about 2 percent of the physician population of the country. Detailed statistical tables were prepared to summarize the information in the tabular listing and to construct distributions of physicians by various characteristics of their reimbursement and the kinds of service they provided. The tables were analyzed to identify physicians whose amounts of reimbursement or whose patterns of practice appeared to be unusual when compared with other physicians in similar specialities. Examples of the criteria used for this purpose were reimbursement amounts which appeared high in relation to the number of beneficiaries treated, unusually high proportions of patients receiving surgical treatment from physicians who were not surgeons, inordinate numbers of services rendered or patients treated and much higher than average proportions of patients receiving medical treatment in extended care facilities. In this way we selected approximately 1,300 cases, representing about .5 percent of all physicians, which required special review.

A questionnaire was designed to obtain even more detailed information in each case about the physician or physicians who billed under the 1,300 identification code numbers. We asked for names and addresses, and a detailed breakdown of the total amount paid during 1968 by the number of patients and kinds of services. Carriers were asked to provide only identifying information about each of the 3,700 physicians who did not appear to have questionable patterns of practice or billing.

The initial review of the completed questionnaires raised more questions about the propriety of many of the payments. Carriers were asked, therefore, to submit narrative reports on the conclusions they had reached as a result of their review. Special instructions were issued in July 1969 describing how carriers should proceed with their analysis. They were asked to explain, for example, the method used to review claims the physician submitted during the period in question, contacts made with the physician or with beneficiaries, the basis for conclusions reached as to propriety of payments, any action taken such as referral to a medical society, any overpayments determined, and plans for recovery of the overpayment.

The largest part of the 1,328 cases of 1968 payments were closed following review without any recovery action on retroactive payments because the carriers concluded that the payments were proper, or stated another way, that the evidence was inconclusive that they were improper. These were cases, in the $25,000 to $45,000 annual Medicare reimbursement range, in which retroactive medical judgments as to the necessity for services are difficult to make and apply, and in which there was no evidence of fraud, intentional misutilization or even overenthusiastic rendering of services. However, our approval of a closeout in each of these approximately 800 cases was not automatic and was conditioned upon an assurance that tighter and more realistic utilization safeguards would be applied in the future.

Carriers determined overpayments in approximately 270 cases totaling about 2 million dollars. About $700,000 has been actually recovered and the balance is being recovered through offset against subsequent valid claims. Some 200 other cases were closed on the basis that the average amount of payment to the members of a physician group billing under a single number was less than $25,000 and there was no evidence of improper billing practices. Another 30 cases were closed because the subject physician was deceased.

Before the review of the 1968 payments was completed, plans were being made for the review of selected 1969 payments. Improved identification techniques produced a listing of 10,000 physicians to whom carriers paid $25,000 or more during 1969. Approximately 2,400 of these cases were identified as requiring special review by the carriers.

The results of this project to date show that 1,720 cases have been closed of which 827 were closed on the basis that payments were proper and 307 because the carrier's intended course of action was approved. Current payments in about 213 cases have been suspended because of apparent overpayments and about 315 have been referred for peer review, which, of course, include some of the suspended cases. To date, carriers have determined overpayments totaling about 4.8 million dollars.

BACKLOG OF FRAUD CASES

Mr. MICHEL. At the beginning of the quarter ending September 30, 1969, there were 682 cases pending and during this period an additional 957 cases were received.

You say that after the necessary development was completed, 438 cases were closed out leaving a pending workload of 1,201 cases. At the close of this quarter prosecution was recommended in 11 cases which were pending with the U.S. Attorneys and one conviction had been obtained.

In the quarter ending December 31, 1969, you say that there were 917 cases received, 461 were cleared, leaving a balance of 1,657 pending.

The pattern would indicate you are getting a bigger and bigger backlog of these cases and it disturbs me. I am wondering what will ultimately happen. Are you going to be requiring more people here to dig into the backlog? How do we intend to attack this?

Mr. BALL. Mr. Michel, I do think there has been a gradual buildup in the program integrity staff and I think there will need to be more. Obviously it is very important to the proper operation of this program that physicians and providers of patient care all know that the Government is alert and concerned and watching any possible attempts to either commit fraud or to abuse the program. Actually there are many, many more cases of what you might call abuse than there are provable deliberate fraud.

So we are watching both very carefully.

TYPES OF MEDICARE FRAUD AND ABUSE

Mr. FLOOD. How could somebody commit a fraud?

Mr. BALL. Mr. Chairman, one type of fraud we have had, the most flagrant sort of thing, is a physician billing us for services to a patient that he never rendered. I think there are about 67 cases we have referred to the Department of Justice. There are 11 convictions and another 11 indictments and some they still have under consideration.

But that is one very obvious abuse. It is to just bill for something you didn't do.

Then we have had instances where, although some services may have been rendered, a very flagrant abuse of the program occurred. For example, we have had situations in which a physician has gone to an institution, like a nursing home, and he has billed us for such a large number of visits in the morning that he couldn't possibly have done more than just pass by each patient's bed.

It is that type of thing we are watching.

Mr. MICHEL. Yesterday when Mr. Twiname was here concerning the medicaid program he displayed one of his printout sheets on how this thing was surfacing in their program reviewing the very point which you discuss here. I made the point then that I suspect there are abuses in the medicare program, probably not as severe or numerous as in medicaid, but that they exist in both programs. Isn't that true?

Mr. BALL. Yes. I think medicaid has a harder task in a way because they cover some areas that are more difficult to control—prescription drugs, dental care and some of the others.

Nevertheless, we have given really great emphasis to this in recent years.

ADMINISTRATIVE MEASURES TO CURB ABUSE

However, I am sure you would want for the record to put this into proper balance and perspective. Let me tell you one thing we did that helps to do that.

We are now on a continuing basis having the carriers and intermediaries check out all of the physicians who have received from the program comparatively large amounts, say more than $25,000 in a single year. Then we cross-refer that information to other data that we have about patterns of that individual's practice.

For example, does his practice show a large number of operations of a certain kind that may be performed by a general practitioner or other physician who ordinarily would not perform this type of operation. And in other ways we have identified within that group what you might call unusual types of practice that we might want to look into—large numbers of injections, for example.

After we did that, we got down in number to about 1,700 physicians who were paid more than $25,000 in 1969, that we thought from this screening ought to be reviewed. That is less than five-tenths of 1 percent of all of the physicians in the country, and most of them checked out all right.

I think it is very important to make these investigations, but I would not want to leave the impression that the medicare program is being taken advantage of by large numbers of physicians, or a high percentage, or by a high percentage of other providers of services. But there is always, I think, in any profession, a group, a small percentage, who will take advantage if you don't watch it pretty carefully.

PHYSICIAN ACCEPTANCE OF MEDICARE ASSIGNMENT

Mr. FLOOD. Are there physicians or surgeons or any people in that whole spectrum who won't have any part of your business at all?

Mr. BALL. Not really, Mr. Chairman. The way the medicare program is set up, they don't have to join. If they want to keep away from the Government entirely, what they do is treat their patient and bill the patient just as they did before medicare and then the patient bills us. So their participation is only to that extent.

Mr. FLOOD. That is what I meant. A few years ago we had a great deal of trouble with that. We don't seem to have so much trouble with that anymore.

Mr. BALL. The proportion of physicians who are willing to deal directly with us and accept the fee that is set by the program has gradually increased and is staying fairly stable now. I think it is about 65 percent that will accept the assignments. Not in all cases, but they will accept assignments at least sometimes. That makes the program work much more smoothly when you can deal directly with the physician and, of course, protects the patient against having to pay any charge over and beyond what the program will recognize.

So we think it is important to try to keep the proportion of assignments high, and that has been done.

I do want to emphasize that by and large we feel that the providers and physicians and other people participating in the program have done an honest, straight forward job but there is this fringe you really have to be very careful about or it might spread. That is why we are putting so much emphasis on the prevention of abuse.

QUARTERLY REPORT AND GOALS OF PROGRAM INTEGRITY STAFF

Mr. MICHEL. Finally, I would ask you to supply a summary statement of the purpose of the quarterly memorandum report and a summary statement of the goal sought by the program integrity division during fiscal years 1971 and 1972.

(The information follows:)

Quarterly Report of the Progress of the Program Integrity Staff

The quarterly memorandum reports which follow are a summation of reports containing case workload information involving situations of both potential and actual fraud or abuse to the program. These figures represent cases in various stages of development ranging from initial allegations of fraud or abuse not yet investigated to completed cases containing evidence of intent to defraud the program and pending with the U.S. Attorneys. The majority of these cases have been reported and investigated since the formation of the Program Integrity Staff in July 1969. However, all cases pending as of that date are included.

For the sake of both clarity and brevity the figures in this report have been compiled on a quarterly basis beginning with the July, August, and September quarter of 1969. Normally these figures are issued on a monthly basis and have been shown as such for 1971 since only a few months are involved.

Quarter Ending September 30, 1969

At the beginning of this quarter 682 cases were pending and during this period an additional 957 cases were received. After the necessary development was completed, 438 cases were closed out leaving a pending workload of 1,201 cases. At the close of this quarter prosecution was recommended in 11 cases which were pending with the U.S. Attorneys and one conviction had been obtained.

Quarter Ending December 31, 1969

During this quarter 917 cases were received and 461 were cleared leaving a balance of 1,657 pending. Another conviction was obtained during this period and 15 cases were pending with the U.S. Attorneys.

Quarter Ending March 31, 1970

Receipts numbered 919 cases and 655 were processed to a final action. Pending cases during this period increased to nearly 2,000. Cases pending with the U.S. Attorneys increased to 20.

Quarter Ending June 30, 1970

The number of cases received increased to 1,123 during this period while the closeouts numbered 699 leaving a pending of over 2,000 cases. Two

more convictions were obtained during this period for a total of four to date. At the close of this quarter, there were 26 cases pending with the U.S. Attorneys.

Quarter Ending September 30, 1970

Cases received totaled 1,269 while cases completed numbered 869 leaving a pending at the close of this period of 2,755. The U.S. Attorneys had 31 cases pending at this time.

Quarter Ending December 31, 1970

This point reflects little change in the total cases pending since receipts were 1,171 and closeouts numbered 1,100. Convictions in this period showed a marked increase over the previous periods since there were six for a total of 10 at the close of this quarter.

Month of January 1971

In this month receipts numbered 523 cases and 475 were closed out leaving a balance of 2,969 pending. In addition, two more convictions were obtained for a current total of 11. The U.S. Attorneys had 30 cases pending. An additional 12 cases were pending with the DHEW Regional Attorneys in the review process prior to being referred to the U.S. Attorney.

Month of February 1971

During this month receipts totaled 532 and closeouts numbered 416 with a remaining total of 3,085 cases pending. There were 33 cases pending with the U.S. Attorneys and 15 with the Regional Attorneys.

Since a formal case control and accounting procedure was initiated, it is noted that total pending cases have increased from an opening pending of 682 in July 1969 to 3,085 cases at the close of February 1971. Receipts have consistently exceeded clearances and based on past experience it is estimated that approximately 9 months work is on hand. A cumulative total of complaints received since the inception of the program up through December 31, 1970, numbers 8,380. Of this total, 5,459 have been processed to a final conclusion. An additional 891 cases were processed in January and February 1971. Of the 8,380 total complaints, 4,325 pertained to allegations of such a nature that they would be classified as fraud if substantiated upon investigation. These classifications include billing

for services not rendered, misrepresenting services, altering of bills or receipts, duplicate billing, falsifying records, kickbacks, embezzlement, and other miscellaneous areas.

The remaining 4,055 complaints involved areas of abuse to the program involving such categories as unnecessary services, breach of the assignment agreement, gang visits, and improper billing practices that would not fall in the criteria for fraud. It is interesting to note that the complaints received nearly equal in number when broken down into the fraud and abuse categories.

As can be seen by the preceding statistics, a very large percentage of the complaints received are closed out after a preliminary investigation. Usually the complaint was initiated due to a lack of understanding of the program by either the beneficiary or in many cases by the physician in regard or to what constitutes the assignment agreement. Many other complaints were resolved when upon investigation it was disclosed that an honest billing error had been made.

Goals of the Program Integrity Staff - FY 1971-1972

The overall goal of the Program Integrity Staff is, of course, to protect the Medicare program including its beneficiaries, trust funds, and reputation, as completely as possible from fraud and abuse of any kind. To achieve this ultimate goal we are continually working toward a number of ongoing goals, viz., to detect and obtain prosecution of sufficient numbers of fraud cases in order to create the deterrence needed to discourage other would-be offenders; to detect and correct situations of abuse harmful to beneficiaries and the trust funds (rendering and billing for unnecessary services, breach of assignment agreements, etc.); and, we think very important, assessment of our operations and procedures to determine whether we are going about the whole thing in the best possible way. Our major objectives or needs, which are consistent with these general goals, are summarized below.

A. Improve our capability to investigate and process suspected fraud cases. Our fraud prevention program is based on the theory that suspected fraud cases are pursued to prosecution in order to publicize those prosecutions and thereby deter others from attempting fraud against the Medicare program. It is virtually impossible to investigate completely every single allegation of fraud we receive simply because we do not have the manpower to do so. Moreover, it would probably not be practical, in terms of the returns on your costs and efforts, to do that. The idea, then, is to

pursue a sufficient number of suspected fraud cases to prosecution to produce the needed publicity which will create the deterrent.

So far we have had moderate success in terms of the number of indictments and convictions obtained as a result of our referrals but we need more, and to accomplish this we must build up a significant number of cases with the U.S. Attorneys in every region. The key to success in this is to develop and process cases as quickly as possible because our witnesses are old to begin with, their memories often poor, records become lost, etc., and these factors affect the desirability of cases from a prosecutor's point of view. This requires sufficient investigating capability so that individuals assigned to develop cases can stay with those cases and complete them without being interrupted to perform other duties.

B. Ongoing analysis of trends and problems identified from the results and findings of the national program integrity operation and, based on conclusions reached, develop and implement changes in policies and procedures for that operation and refer other recommendations to appropriate components.

To date this kind of analysis has not been performed. We have been strictly an operational component responding to individual cases referred to us, although we have managed to produce a minimum of necessary operating instructions to the regional offices. There is an urgent need for this kind of analysis in order for us to assess the effectiveness of our operations and determine whether our efforts are being properly channeled. Our national and regional workloads need to be studied; a system for setting priorities in workloads is needed; procedures and instructions for developing and processing suspected fraud cases require analyses and refining; our record on prosecutions and convictions is not overly impressive but no one can say why with any certainty; there is a need to study the possibilities under civil fraud prosecutions; the SSA district offices need instructions for the recognition and referral of program integrity cases; additional analysis and recommendations in the area of intermediary and carrier techniques for detecting and preventing fraud and abuse are needed; and so on.

Mr. MICHEL. At the hearings last year you stated on page 558:

> We have also recommended a number of other legislative changes aimed at the execution and detection of program abuses and an improvement of utilization review so as to prevent excessive utilization of covered services.

Could we have in the record here those precise recommendations which have been made to correct the situation?

Mr. BALL. Yes.

Mr. MICHEL. Were they given to the Ways and Means Committee?

Mr. BALL. Yes. Every one of them, Mr. Michel, is included in the bill.

Mr. MICHEL. Provide a summary in the record, please.

Mr. BALL. Yes.

(The information follows:)

Proposed Legislation Aimed at Program Abuse and Utilization Review

A major Administration proposal to strengthen program surveillance activities would give authority to the Secretary to terminate payments under the Medicare program for services rendered by any supplier of health and medical services found to be guilty of program abuses. The situations for which terminations of payment could be made include overcharging, furnishing excessive, inferior, or harmful services, or making false statements to obtain payment. In cases involving overcharging or cases involving services which either substantially exceeded the patient's needs or were grossly inferior or harmful to the patient the termination would be contingent upon the concurrence of a local program review team. The Secretary would establish one or more program review teams in each State, composed of representatives of the medical and other health professions, fiscal intermediaries, and consumers. While the entire team would participate in review of cases involving overcharging, only the professional members of the team would review cases involving the furnishing of excessive, inferior, or harmful services.

In addition to reviewing individual cases, the program review team would be responsible for reviewing and reporting on statistical data on program utilization. A provision giving this authority is included in H.R. 1.

The Administration has also endorsed the concept of peer review by Professional Standards Review Organizations (PSRO). Under the Administration proposal, such organizations would be established on a timely basis after experimentation and demonstration with appropriate prototypes. PSRO's would determine (a) the necessity of services provided, (b) whether the quality meets professional standards, (c) whether the service could be provided more economically and effectively in an alternative manner. As a PSRO became functional in an area it would absorb the duties of the program review teams mentioned above. H.R. 1 gives the Secretary authority to experiment with the use of such organizations but does not authorize their establishment on a nationwide basis.

H.R. 1 also includes the Administration's proposal that would authorize the utilization review committee of a hospital or extended care facility to cut off payment after 3 days if, in its sample review of admissions, the committee finds a case where institutionalization is no longer necessary.

CLAIMS BACKLOGS IN ILLINOIS

Mr. MICHEL. Another item has become such a problem in the office that one of my girls who does all of this type of casework formed what she called a caseworker's coalition. It was composed of the girls in the Illinois offices, both Republican and Democrat, who deal with these cases that come to a Congressman's attention.

Apparently, there has been quite a backlog up in Chicago—large enough to move the girls to action. There was a meeting last week and your shop sent over a couple people and I think there were even several representatives of the intermediaries there.

Didn't I understand that in a case like that where the situation becomes a problem we actually have people from your shop in the offices of the intermediaries to see what can be done to loosen up the roadblocks?

Mr. BALL. Right. On a continuing basis in the larger carriers and intermediaries we now have onsite representatives to anticipate problems and help them ahead of time.

If I remember correctly, we actually sent in some additional people in this case to help.

Mr. TIERNEY. We have people in the Peoria office of Continental Casualty.

Mr. MICHEL. I try to keep in close touch with my Peoria office particularly and they do have a good setup. When I appear on these radio talk shows, that was their question and I have to defend the whole shop and say it is not their problem but is really up in Chicago. Of course, if we narrow it down to that being the knot of the problem, I wanted to know what you were doing about it.

Mr. TIERNEY. I think we have made some real progress in the last couple of months. You have had two bad situations in Peoria, the Illinois Medical Service in Chicago with heavy backlogs they didn't get into. As you know we terminated four counties of their jurisdiction around Cooke County effective July 1.

Continental Casualty had a backup on part A inquiries, particularly and they had a computer conversion, and if you know such things, they always seem to entail a tremendous increase in pendings for awhile.

You might be interested, Mr. Michel, that as of May 1 they had a backlog of 84,000 claims. That has been cut in 2 weeks to 71,900. We project that the backlog at the end of June will be 47,000 claims. I think it shows you what kind of progress is being made. We have reason to think they will be on top of it very shortly.

They also had 663 district office inquiries pending which had been received prior to April 7, 1971. I know that this concerned you, and all of these have now been eliminated.

GAO REPORT ON PAYMENT OF MEDICARE CLAIMS FOR RAILROAD RETIREMENT BENEFICIARIES

Mr. MICHEL. Mr. Ball, the Comptroller General issued a report on January 21 of this year which concluded that "The present arrangement in which a nationwide carrier, for instance Travelers, pays medicare claims on behalf of railroad workers and annuitants of the Railroad Retirement Board, a relatively small special group of bene-

ficiaries, is not the most efficient nor the most effective arrangement for making medicare payments."

The report goes on to say that "GAO estimated benefit payments by Travelers were about 2.9 million higher than the payments that would have been made by the SSA carriers for like medical services in fiscal year 1970."

The Comptroller General recommended that the Secretary of HEW should arrange to have the railroad-related medicare claims paid by the carriers paying such claims for all other medicare beneficiaries in the same geographical areas.

I would like to know your reaction to that report and have you taken any action with regard to it?

(The information follows:)

GAO AUDIT OF THE TRAVELERS
RAILROAD RETIREMENT BOARD ARRANGEMENT

In our response to the preliminary draft of the GAO findings, we advised the GAO that we had some basic disagreements with the findings of the audit, and we proposed that the present arrangement be continued, but modified to provide for program experimentation on the most effective and economical ways of determining reasonable charges.

There has not yet been a complete resolution of differing points of view among the organizations involved. However, the Ways and Mean Committee in reporting out H.R. 1 proposes ". . . that the Railroad Retirement Board shall contract with a carrier or carriers for purposes of servicing its beneficiaries with respect to part B benefits, an arrangement presently in effect as a result of the Commissioner of Social Security having delegated his authority to do this to the Railroad Retirement Board. Your committee expects the Railroad Retirement Board to make continuing efforts to assure that there is conformity between reasonable charges for covered services as these are determined by the carrier or carriers under contract with the Board and reasonable charges for comparable services in the same locality as these are determined by carriers acting for the Social Security Administration." In reviewing this provision of H.R. 1, the Department informed the committee that it had no objection to this change in law.

EARNINGS OF THE TRUST FUNDS

Mr. MICHEL. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Smith.

Mr. SMITH. Mr. Ball, how many trust funds are there?

Mr. BALL. Four.

Mr. SMITH. What is the average amount of the trust fund?

Mr. BALL. I can give you approximate figures off the top of my head.

First of all, the Old Age and Survivors Insurance Trust Fund is the largest one. The closing balance for the end of fiscal year 1971, next month, will be about $35 billion.

For disability insurance, a separate fund from which disability cash benefits are paid, the balance at the end of fiscal year 1971 will be $6.4 billion. For the hospital insurance, part of medicare, the balance is $3 billion. For the supplementary medical insurance we have been talking about so much, that is physician coverage, the balance is $0.3 billion.

Mr. SMITH. What is the average rate of earnings on each of those funds?

Mr. BALL. They differ quite significantly because the old age and survivors being the oldest fund has investments still from quite a

while ago, 15 years or so, when there was a 2½ percent bond as you know. I would guess it varies from around 5 percent for the old age and survivors insurance trust fund to about 6½ for the supplementary medical insurance trust fund.

Mr. SMITH. Would you put in the record the average amount for each of the last 10 years for each of the funds?

Mr. BALL. The earnings?

Mr. SMITH. Yes. Of course some of the funds are not 10 years old.

Mr. BALL. Yes, sir.

(The information follows:)

Amount of Interest Income and
Average Rate of Interest Earned,
Calendar Years 1961-70
(Amounts in Millions)

Cash Benefit Program

Calendar year	Old-Age and Survivors Insurance Trust Fund		Disability Insurance Trust Fund	
	Interest income	Average rate earned	Interest income	Average rate earned
1961	$548	2.77%	$66	2.82%
1962	526	2.80	68	2.86
1963	521	2.87	66	2.91
1964	569	3.07	64	3.06
1965	593	3.22	59	3.27
1966	644	3.38	58	3.50
1967	818	3.72	78	4.20
1968	939	3.84	106	4.29
1969	1,165	4.27	177	5.09
1970	1,515	4.96	277	5.86

Medicare Program

Calendar year	Hospital Insurance Trust Fund		Supplementary Medical Insurance Trust Fund	
	Interest income	Average rate earned	Interest income	Average rate earned
1961	--	--	--	--
1962	--	--	--	--
1963	--	--	--	--
1964	--	--	--	--
1965	--	--	--	--
1966	1/	1/	1/	1/
1967	$51	4.55%	$24	4.65%
1968	74	4.77	21	5.05
1969	113	5.07	18	6.00
1970	158	5.71	12	6.48

1/ 1967 is the 1st full year of operations of the HI and SMI trust funds.

I want to be sure you understand how this operates. The earnings on the fund derive either from special obligations issued solely to the trust funds or from publicly issued securities. The managing trustee of the fund is empowered by law to go in and buy public issues in the open market. We have done that to some extent, but nearly all of the investments are in special issues to these funds and the rate of return on these issues is set by law.

The rate of return is the same as the yield rate on all marketable outstanding obligations of the United States not due or callable for 4 or more years from the time the special obligations are issued. So the attempt is to make these funds earn the same rate as the market produces.

Mr. SMITH. That is what my next question gets to. When there is a rising market as we had 2 years ago, the fund contains securities paying less than the current market, but when there is a falling market, it tends to go on the high side. Is that right?

Mr. BALL. When the yield on long term Government obligations in the market was 6½ or 7 percent, any special issues that were bought at that time would have had not the coupon rate but the yield rate of all of the outstanding obligations of the Federal Government.

Mr. SMITH. But the average of all of the outstanding obligations of the Federal Government would be lower than what could be bought if you were in the market on that day buying the best you could buy?

Mr. BALL. Only slightly. Because if you are going on the yield rate, the value will have——

Mr. SMITH. When you say slightly on $35 billion, you are talking about a lot of money.

LEGAL RESTRICTIONS ON TRUST FUND INVESTMENTS

Mr. BALL. I think that, under present law, the only way one can say that these funds are at a disadvantage as compared with the results that a prudent manager could obtain in the open market relates to the maturity dates on these special issues.

As you know, there is a general provision of law that says you cannot have a rate on a long term bond—that is, an obligation with a maturity date that exceeds 7 years—of more than 4¼ percent. That means that the managing trustee has had to set up these special obligations to the fund not as long term bonds but as notes with a 7-year maturity date.

As a result, the trust funds are disadvantaged because, when the rates are more than 4¼ percent, we have to set short term maturity dates of 7 years. On the other hand, when the rates drop to 4¼ percent or lower, we follow the policy set many years ago of having the maturity date set at 15 years. Since it seems as if the 4¼ percent ceiling is not likely to be raised, we plan to recommend a change in that policy. The 1971 Advisory Council on Social Security, in its recently released report recommends an approach that would take care of the maturity problem. The Council recommends that special obligations bear maturity dates equal to the maximum maturity date of Treasury notes, which at present is 7 years.

In general, I think the formula to determine the interest rate for the special issues is a pretty fair one when viewed over the long term. But I would like to see the maturity problem corrected.

PUBLIC MISUNDERSTANDING OF INVESTMENT POLICY

Mr. SMITH. I have heard a lot of complaints about the fund not earning as much as it should. Most of the complaints came during the period of from 2 years ago until 6 months ago during this period when one could buy 4½'s of 1990 for something like 70 with an effective yield of over 6.

Mr. BALL. Yes.

Mr. SMITH. And you were not permitted to buy those old issues; were you?

Mr. BALL. The interest rate on new special issues would take into account the yield on those public issues.

Mr. SMITH. These are not new issues.

Mr. BALL. I was referring to the rate on our new investments. In your example, the 4½'s drop to 70. Let's suppose the yield on those 4½'s was, say, 6½ or 7 percent. The coupon rate on our new investments at that time would not be 4½ percent but the average yield on all outstanding public long term issues—which would include your 4½'s yielding, say, 6½ percent or 7 percent.

I think the complaints were probably based on some misunderstanding. I think there was a feeling on the part of some people that the funds were being mistreated because we still had some old investments at 2½ or 3 percent. But you know it wouldn't be fair to go in and redeem those old issues at full face value and reinvest that money, because no private investor can do that.

Mr. SMITH. I don't say mistreated, but I think a lot of people thought because that day you could go with a certain amount of money and get 6½, your whole fund ought to have 6½.

Mr. BALL. That is what I mean. They thought you ought to be allowed to redeem the 2½'s at full face value even though they weren't selling at full face value.

Mr. SMITH. That is a matter of judgment. You don't know for sure what the market is going to do and you might get hooked on the deal too. One may think this is a time to convert everything to bonds and maybe the market will go the other way.

Mr. BALL. If we are going to act like a private investor, which I think is the object of our investment policy, we should be allowed to redeem only at the market price.

Mr. SMITH. I think so too, and that is why I want to get it in the record, the difference between you and a private pension fund during that period of time was that a private pension fund probably would have gotten in some long term high interest securities and locked some high rates in on a long term basis.

Mr. BALL. I think that a policy, under which 15-year maturity dates are set when interest rates are low and 7-year maturity dates are set when rates are high ought to be changed. Otherwise, the funds are disadvantaged.

Mr. SMITH. If you had a private pension fund, you would have purchased some long term high interest bonds.

Mr. BALL. Yes. We were prevented by the 4¼ percent ceiling.

POSSIBLE CHANGES IN INVESTMENT POLICY

Mr. SMITH. I don't want the fund where you can gamble with it and I think some of the private pension funds are gambling. I believe you should establish some kind of an investment formula where you will under circumstances like that be able to bring your fund up on a more stable basis. You are making an actuarial evaluation the fund will receive a certain percentage of return, 4½ or 5 or whatever it is. If you assume that and don't have some long term securities, a few years hence it can come up way short on your long term assumption.

Mr. BALL. I think the important thing is that the same policy be followed when rates are low and when rates are high. Since the programs are long term in nature, variations in the interest rates will balance out.

The disadvantage to the funds arose from the fact that when the 15-year maturities were put on, the rates were low and when the 7-year maturity dates were put on, the rates were high.

If the Congress is going to maintain a 4¼ percent ceiling, what I propose we do is always invest social security funds in 7-year notes.

Mr. SMITH. Would this need to be a restriction in the law, then, to prohibit investing in long term securities when below 4½, so you will not invest in a longer term than you do when the interest rate is above 4½?

Mr. BALL. What I am talking about would be a change in investment policy by the Board of Trustees.

Mr. SMITH. Has the policy been changed?

Mr. BALL. No, it has not. But I think it should be. I agree with you. If the Congress wished, of course, they could say that all special issues of the social security trust funds should be in maturities of 7 years.

Mr. SMITH. Why can't a policy be established without a change in the law requiring it?

Mr. BALL. I think it could. I will undertake to raise it as an agenda item on the next meeting of the Board of Trustees.

Mr. SMITH. Would you then report back and tell us what the results are?

Mr. BALL. I certainly will.

Mr. SMITH. That is all, Mr. Chairman.

RATIONALE FOR SOCIAL SECURITY TAX INCREASES

Mr. FLOOD. Mr. Shriver.

Mr. SHRIVER. Mr. Ball, I wish to congratulate you along with the others for a job well done under difficult circumstances.

Mr. BALL. Thank you.

Mr. SHRIVER. They might get worse before they are better.

Mr. BALL. We are going to get more work—I can see that.

Mr. SHRIVER. I am getting some mail pointing to a growing concern on the part of young and middle-aged workers, taxpayers, to the growing burden of payroll taxes to finance additional increases in Social Security benefits. I know these increases and benefits are needed.

Will you comment on that problem?

Mr. BALL. Yes, Mr. Shriver. I think two or three points can be made.

One is that in spite of a lot of effort we have not been nearly as successful as I wish we had been in conveying to younger people that social security is a lot more than a retirement fund. I think a lot of these younger people say in effect, "I am 30 years old. My problem is taking care of my two youngsters and my wife. I could care less about when I am 65."

Yet when you say social security to most people, they think of those benefits at 65. Whereas the same young worker, the 30-year-old worker with two children, on the average will have survivorship protection worth to him $60,000 or $65,000 and they really don't know it. That is part of the problem. He also has disability insurance protection he really can't buy anywhere else.

If he should become totally disabled, expected to last more than 12 months, he and that family as a matter of right get this disability protection. That is current protection for him.

We have done a lot but the story hasn't really been fully gotten across.

INVESTMENT VALUE OF THE PROPOSED INFLATION PROVISION

The other thing I think is going to help a lot on this same point, Mr. Shriver, is that the President recommended, and it is included in H.R. 1 that the benefit amounts under social security will be inflation-proof and that the dollars that are written into the law today aren't the dollars that you are going to get later on. You are guaranteed increases in benefits as the cost of living rises.

For a young worker, that really means a great deal. Unlike the civil service cost-of-living arrangement this isn't just a matter of having your benefits kept up to date after coming on the rolls. That is what we do in civil service and the military.

Under this proposal in social security, every time the cost of living goes up, benefits for everyone covered under the program—the whole 95 million contributors—become more valuable, as the tables in the law are rewritten.

So when that young worker does become disabled or does retire, he has protection that with his rising earnings over the years, and with these increases related to the cost of living, that is much, much more valuable protection than he would realize if he just looked at the dollar figures in the law today.

I stress that because you have all probably been aware, too, over the last 5 or 10 years every once in a while some columnist—I remember the Wall Street Journal did it one time with an article by a couple of college professors—sits down and figures out how much is this young worker going to pay for social security, with interest, and how much the employer is going to pay; then they look in the table in the law and they say if you just look at retirement benefits compared to all the money he has put in, then, he is not going to get his money's worth.

With the automatic provision in the program for keeping up to date with cost of living the way I have described, it is certainly no longer legitimate to do that. The young worker looking ahead to what benefits he is going to get is not going to get just what is in the law now but an inflation-proof, kept up-to-date benefit which is a lot more valuable than the benefit table shows.

So I am really saying we have a job to do first in making clear the kind of protection social security provides in addition to retirement and then what the benefits will be worth to him over and beyond what the dollar amounts are now.

I wouldn't, even so, want to dismiss the concern about the contribution rates completely. There is a serious problem concerning the contribution rates in social security. It is a lot of money.

ADVISORY COUNCIL RECOMMENDATIONS FOR FINANCING BENEFITS

Mr. SHRIVER. Do you think more support for future benefit increases should come from general revenues?

Mr. BALL. I personally have not taken that step as of this time.

Let me make this point to you: We have just had a report from the Advisory Council, an outside group that by law reports on the program every 4 years. It is a different group each time but every 4 years a group is established. This is a very distinguished council. It had Arthur Flemming as chairman. Public members included Kermit Gordon, president of Brookings and former Director of the Budget, a lot of capable insurance people, actuaries, Whitney Young. It was one of the last things Whitney did. The report came out 2 or 3 days after his death, actually.

They are recommending that we take a different approach to the financing of the program and not put into the law rates that would build up huge trust funds with the idea that earnings on those funds would help keep costs down 50 years from now.

They are suggesting rather the program be put on more of a pay-as-you-go basis, keeping income and outgo quite closely in balance.

As a matter of fact this has been the situation in practice even though the law has these high rates scheduled for the future. The Council also suggests a different assumption in the actuarial cost estimate. I'll just give you the conclusions without going into detail, although you may want to read the House document which is available.

If you follow the Council's recommendations you can have level social security rates, for example the rate in effect now, and support the cash benefit part of the program to about the year 2020 or the year 2030 without increasing the rate. The buildup in the rates that you see in the schedules going from 5.2 up to 7.4 in the Ways and Means Committee bill is largely necessary only for costs that are way off in the year 2020 or 2030. The Council felt it really wasn't fair to the present generation of workers to ask them to pay more than is really needed to support the program now on the theory that such extra payment would hold down future rates since circumstances are pretty speculative as far off as 2020 or 2030.

If you follow the Council's ideas, this problem of the buildup in the rates could at the very least be postponed for a very long time.

Then the question of whether you had a general revenue contribution—the question you asked me—might well come into the picture at the point, if it ever did, in 2020 or 2030 where you had to go to higher rates.

Mr. MICHEL. Will the gentleman yield?

Mr. SHRIVER. Yes.

RATIONALE FOR INCREASING THE WAGE BASE

Mr. MICHEL. You spoke of the rate. Of course, there is also this tremendous increase in the base. I am reminded when it was back at $3,600, $4,200, $4,800, and $6,600. We are now at $7,800 and going up to $9,000 under present law, and H.R. 1 now proposes $10,200. The higher we go, the fewer number of people we actually have in that bracket to be able to pay the brunt.

So in the future if we increase that base, we have got to go by much larger increments than we have in the past because we are covering a fewer number of people in order to pick up sufficient money to pay the freight. Doesn't that concern you, too?

Mr. BALL. Mr. Michel, the situation is different if you look at this in terms of the relative situation, not in absolute numbers. As you were just saying, the dollars have gone up, but, you know, actually today the person who was earning $3,000 when this program went into effect in 1937—wage rates have gone up so much—he is really a $16,000 person. It is really hard to realize but almost 97 percent of all of the wage earners and salaried employees in the country were at $3,000 or below in 1937. When this program started with that $3,000 base, we taxed 92 percent of all of the payrolls in the country.

We let that stand until in 1950 the amount was raised to $3,600. Then you had a very different situation; $3,600 resulted in coverage of 80 percent of the payroll. What the Congress has done in all of the changes since right up until the very last change to $9,000 for next year is to keep that same 80 percent of payroll taxed.

Therefore, I would say that $9,000 next year is about like $3,600 was in 1950. If you want to go back to the beginning, you would have to have a wage base of about $16,000.

Mr. MICHEL. I hadn't realized it was that dramatic.

Mr. BALL. If you look at it from a benefit standpoint, you almost have to keep that wage base going up in order for people to get benefits that are a reasonable proportion of their earnings. Think what it would be today if we were basing benefits on $3,000.

COSTS OF PRIVATE VS. SOCIAL SECURITY INSURANCE

Mr. SHRIVER. Mr. Smith handed me a question I am going to repeat. If a participant with full coverage purchased survivor's insurance and disability insurance, how much would the premiums be?

Mr. BALL. Is the question if he were to purchase it from a private carrier for the same coverage?

Mr. SHRIVER. Yes.

Mr. BALL. I would like to have the privilege if I could of supplying an answer for the record. If I could just say here there isn't anything exactly comparable. You have to say that first. Then I think I would like to give it to you on two bases: One would be what is the actuarial value of the protection? If you just did that alone, what would be the value of premiums set just in terms of covering the cost, which is a different matter than when you load it with selling and advertising and other costs we don't have, but a private company does have or at least we don't have to the same extent. What you can buy something for is not the same as the actuarial value.

I would be glad to supply it.

(The information follows:)

One Year's Premium for Term Insurance
Equivalent to Social Security Coverage

I. Net premiums before provision for administrative expenses and profit [1]:

Age	Survivor Insurance	Disability Insurance
25	$165	$43
35	142	77
45	113	95
55	230	181

II. Gross premiums (on a group basis) including administrative expenses and profit:

Age	Survivor Insurance	Disability Insurance
25	$190	$49
35	163	89
45	130	109
55	265	208

Assumptions:

A. Male worker, entry into system at age 21 with maximum taxable wages since.

B. Age 25 - assume married with two children (just born)
Age 35 - assume married with two children (age 10)
Age 45 - assume married with two children (age 20, only one in school)
Age 55 - assume married without young children

1/ This is pure insurance unaffected by administrative costs and thus unaffected by group or non-group basis.

FEASIBILITY OF CYCLING BENEFIT PAYMENTS

Mr. SHRIVER. Every year I think I have asked this. Is there any further consideration given to the idea of cycling the social security checks instead of sending them all out at once?

Mr. BALL. Yes, Mr. Shriver, that still is an active project. I think we have come to this much of a conclusion, and that is that it would be quite a problem to take existing beneficiaries, the 26 million who today are used to getting their check on the third of the month and try to change them over.

I think everybody to whom you said, "Wait to the 21st" would say "Let the other guy wait until the 21st." So we see real problems on a shift over for the present load.

But the kind of thing we have been considering is whether it would be feasible to start new beneficiaries at different points in a month. So far our systems people have been quite concerned about, in effect, having therefore two different operations going, one where everything is working on the third and another that is cycled, until you get to the point where they are all under a cycle. It is worse than today from our standpoint for quite a transition period.

One partial help along this line is that we might consider as we start the Federal assistance program for the old age assistance and disabled, whether those receiving assistance only could be paid at an entirely different point in the month. This could introduce some balance.

Originally the Post Office was very much interested in cycling and they probably still have some interest in it, but not as much as they had before we were able to deliver the checks to them already sorted down to the ZIP code. They have much less of a problem than they used to.

I understand that the Treasury is still interested in cycling because they have to maintain bank balances higher than they otherwise would at certain times of the month because of the need to cover the social security checks. There would be advantages.

Mr. FUTTERMAN. The Post Office still has a problem of the delivery of the checks to the individual homes even though we deliver it presorted.

Mr. SHRIVER. Thank you.

Mr. FLOOD. Mr. Patten.

UNEMPLOYMENT INSURANCE

Mr. PATTEN. Is unemployment insurance under the social security law?

Mr. BALL. It is in the Social Security Act but we have no administrative connection with it. The Labor Department has the Federal responsibility.

SOCIAL SECURITY'S IMPACT ON OLD AGE ASSISTANCE

Mr. PATTEN. You know I started to work under the old age assistance program 40 years ago. It brought me in contact with the people that made application. We had about 3,600 cases in the county in 1931.

Theoretically when social security came in, we felt that old age

assistance would phase out on the theory that by now all of those who are eligible in 1931 would be dead. When social security came in, the broad coverage would include all Americans and there would be no need for old age assistance. But you are asking hundreds of millions of dollars here yet for old age assistance aren't you?

Do I read it wrong in your talking about a provision of people over 72 not covered by old age assistance?

Mr. BALL. That provision is not for old age assistance.

Mr. PATTEN. Do you handle that?

Mr. BALL. No, that is social and rehabilitation service in the Department of HEW.

Mr. PATTEN. It is not you?

Mr. BALL. No. But I was referring to the fact that Ways and Means has now proposed a Federal program of old age assistance we would administer. That is not yet law.

I would like to comment on your basic thesis there. I think it has worked better than it might seem at first appearance. Social security has really been responsible for cutting the rate of old age assistance recipients about in half since 1950. I said rate, not total numbers, although the number has declined. There are a lot more older people today as you know. In 1950, 20 percent of people over 65 received old age assistance. Today about 10 percent receive old age assistance. That is mostly because of social security.

Mr. PATTEN. I am surprised even at 10 percent but that is out of your line.

Mr. BALL. It is because social security for people who have only been under it part-time does not give enough to live on.

ELDERLY ALIENS NOT ELIGIBLE FOR OLD AGE ASSISTANCE

Mr. PATTEN. A little observation. The director of local assistance tells me that the largest part of our local assistance group are older people who came to this country from Hungary, Poland, and Russia before World War I who are now over 65 and not eligible for old age assistance because they are not American citizens.

The old age assistance requires you to be a citizen?

Mr. BALL. Yes, frequently.

Mr. PATTEN. Our town has 273 cases.

Mr. BALL. You understand that is a State law?

Mr. PATTEN. I know.

Mr. BALL. The Federal Government would participate——

Mr. PATTEN. U.S. is paying 50 percent but not out of your money?

Mr. BALL. Yes, but——

Mr. PATTEN. That is a little aside because it surprised me. I didn't realize so much of my local assistance recipients were old timers who weren't eligible for the other programs and not covered by social security.

Mr. BALL. That is interesting.

Mr. PATTEN. There are not many. 270. It is a small load. But they make up 90 percent of our local assistance.

It is only 270 some and that will phase out. We didn't have that type of immigration later on.

PROPOSED MINIMUM BENEFIT OF $150 IN H.R. 1

Mr. BALL. You will be interested in one other provision in H.R. 1. I think it is quite related to your point. They are suggesting a minimum benefit under social security in the Ways and Means Committee bill for the person who contributes for a long time. Under this proposal anybody under social security for at least 30 years would get $150 social security benefit. That would be high enough so he wouldn't have assistance supplementation. So they recognized that social security ought to phase out the need for assistance over time for at least the worker who is regularly under social security.

I don't think you can expect a contributory social security program to take on the responsibility of paying that high a minimum to people who may be under it now and then.

THE PROFITABILITY OF MEDICARE REIMBURSEMENT

Mr. PATTEN. My town originally only had one five-story building. We did get a 10-story office building. But under construction right now as we sit here are two at least eight stories high for old age assistance, old age people. Under HUD the United Auto Workers are putting up an eight-story building for retirees. We also have a private agency putting up an eight-story building for a nursing home.

The United Auto Workers you will understand. That is their building under HUD for their retirees. The other building is a group of private individuals who really have a chain of nursing homes. They don't use that term. In the light of H.R. 1 I think there may be a new outlook about how attractive this type of investment is.

When they can receive $800 a month from a person who is under custodial care, I suppose this type of investment would be profitable with the help of medicare and the other programs.

Mr. BALL. I think there was a feeling on the part of many investors when the medicare program was passed that it might be a very profitable area, and there was a lot of moving into this. But I think some of them have been disappointed. Our reimbursement principles are really not that generous.

CASES OF MEDICARE ABUSE

Mr. PATTEN. Let's part with this observation: We are hit with the first two things you touched upon, namely the interpretation under the extended care facility and the denial of medicare on the ground they are only getting custodial care.

Mr. BALL. Yes.

Mr. PATTEN. This has been very difficult. I would urge you to adopt your conclusive presumption for a 5- or 10-day period to avoid a lot of difficulty we have been in.

Now that you have done that, there is an area here for shenanigans. I know what you mean. One doctor can prescribe for a patient who is really a custodial care case and make prescriptions for ailments, so for the record he is treating that person.

The effort is made to help the patient collect the medicare benefits. You will come across this. I know it to be a fact.

Mr. BALL. We partly rely on the requirement that there be utilization review committees who come to independent judgments from the attending physician. Nevertheless you are right.

Mr. PATTEN. Another thing that is a fact is that some of our doctors have found it is nice to give a lady a little 5-day rest by ordering her in the hospital, now she has the medicare benefit, because she is under strain from cooking and taking care of four or five kids and they suggest putting them in the hospital 4 or 5 days for a little vacation. Somebody will serve her meals.

I didn't want to believe that at first but I have checked it and people with no particular troubles have enjoyed 5 days up in the hospital and they enjoyed it. I understand it has happened a number of times and two or three doctors in particular have suggested it and their patients loved it.

Mr. BALL. You wouldn't want to let me know who they were would you? We would like to look into it.

Mr. PATTEN. I know you would.

If H.R. 1 is 800 pages long, and considering how all Congressmen must be really part-time clerks under Social Security and the members of our staff and public relations work handing out information and what not, and considering all of the information factors, I am going to stop now. But it is not because you are not a bread and butter issue and your Department as we go back in the area. You are 20 percent of my life to say the least.

Mr. BALL. And vice versa.

Mr. PATTEN. We could stay here all night asking questions about this program.

Mr. Chairman, out of respect for you and the hard program you have, I am not going to ask any more questions.

Mr. FLOOD. Mr. Smith.

BENEFICIARIES OUTSIDE THE UNITED STATES

Mr. SMITH. How many beneficiaries are receiving their checks outside of the United States?

Mr. BALL. I think now about 230,000 or 235,000.

Mr. SMITH. Is that number going up?

Mr. BALL. It goes up gradually just as the total numbers in the program go up. As a percentage it doesn't go up.

Mr. FLOOD. Mr. Conte?

COMPETENCE OF SSA TO ADMINISTER PUBLIC ASSISTANCE

Mr. CONTE. Should the proposal for the Federal Government to administer a new program to replace the existing grant programs for the public assistance adult categories be enacted, do you feel the Social Security Administration has the managerial competence to administer a needs program rather than one providing benefits based on prior earnings?

Mr. BALL. We are confident that given the resources to do the job, the Social Security Administration can take on the task of administering the determination of eligibility and the payment of assistance under this new Federal program. We are not equipped, nor do we

contemplate taking on the rendering of social services. The Social Security Administration has demonstrated over the years its ability to take on new and major responsibilities: For example, in starting up the disability insurance program in the mid-1950's, and the medicare program in 1965. The medicare program, particularly, introduced completely new concepts into the social security programs.

The new assistance program, based on need, does have a different philosophical base than these other programs based on employment; and there is no point in minimizing the administrative difficulties. However, many of the people under the assistance program now are also beneficiaries under social security and social security offices often refer beneficiaries and applicants to welfare offices. While the social security programs philosophically are not based on a needs concept, Social Security Administration personnel have long recognized that many of its applicants and beneficiaries are needy and our staff people have been sensitive to their needs. This would stand in good stead in administration of the new program since, while needs of the individual are a factor, treatment of all applicants—needy or not—is based on the dignity of the individual.

There are a number of other very good reasons why the Social Security Administration can do the job. We already have a nationwide system of offices and work processes which could accommodate a new program. We know how to use the computer and we already have a national beneficiary roll which, when merged with a national roll of beneficiaries for the assistance program, would allow for tighter administration and effective constraints against abuse, and reduction of delays currently experienced in establishing eligibility under differing jurisdictions. And certainly the integration of assistance programs with the social security insurance program would in time conserve overhead and permit savings due to a larger scale of operations than possible in an individual State.

PLANS TO REDUCE CLAIMS BACKLOGS

Mr. CONTE. What specific steps are you planning to reduce pending claims levels?

Mr. BALL. The Social Security Administration has always had, as a continuing objective, keeping the number of claims pending at various work stations throughout the organization at lowest practicable level. Our ability to accomplish this objective varies, of course, with the adequacy of our resources and with the trend in workload receipts. For example, the large one-time workload of black lung claims coupled with rather significant increases in filings for disability insurance benefits during the last couple of years have resulted in the growth in pending workloads in disability claims and subsequent reconsiderations and hearings of both black lung and disability insurance claims.

Currently our most serious problem area is the rapidly growing backlog of requests for hearings by hearing examiners. We are trying to streamline the hearing process to the extent we can so that the hearing examiners, who make the decisions on appeals, are free of some of the less complex work. For example for the black lung program we are setting up a special staff who will make sure that all that can be done in the way of documentation and development of an appealed

case is done before the hearing by the examiner and we are taking steps to increase the hearing examiners support staff. Of course, we are also giving specialized training to the hearing examiners themselves and increasing the number of examiners to the extent that we can. We are also setting up some temporary offices in areas hard hit by the large volume of black lung claims and will be detailing hearing examiners from around the country into those offices.

In addition to these special actions designed to lessen the problem of pending claims in the hearings area, we are making a concentrated effort to reduce pendings in all our operations—an effort we refer to as "clearing the decks" so that we can better take on the new responsibilities that we anticipate will come out of legislation in this session of Congress. As I mentioned earlier, the Ways and Means Committee bill will make for a tremendous increase in work for us and we are doing everything we can to get our claims and other workloads in good shape now. We are working out a process through which the payment of benefits on some initial claims can be triggered directly from our district offices to eliminate the need for certain clerical operations in the payment centers as well as speeding up the payment of claims. We plan to limit the central office review of State agency decisions on disability claims in additional types of claims. On the management side we are trying to obtain more flexibility by establishing task forces or work groups without regard to fixed duty stations or assignments to concentrate on moving backlogs in various offices around the country. These are but illustrative of the types of action we are taking to reduce existing backlogs before we are faced with large new areas of work.

BLACK LUNG CLAIMS

Mr. CONTE. Approximately how many additional applications for benefits have resulted from the black lung program?

Mr. BALL. By the middle of May 1971, we had taken 291,000 claims. Of this total, 172,000 claims were filed by June 30, 1970, with 128,000 of these being filed in the first 3 months after the enactment of the legislation.

STEPS TO INCREASE PROGRAM EFFICIENCY

Mr. CONTE. Would you elaborate on the new operating procedures you are developing in order to handle your workload with less cost and manpower?

Mr. BALL. Changes in existing operating procedures are the most effective way to reduce costs and use of manpower throughout the Social Security Administration. Every day we are looking at the way we take claims, interview people, establish proofs and evidence, and process new claims from receipt right through to a check and letter in a beneficiary's hands, to establish better and less costly ways of doing the job. We have returned again and again to each step in the processing of new claims, in establishing and maintaining the master beneficiary rolls, and in maintaining records of lifetime earnings of workers in this country, to refine or eliminate various procedures. Similar analyses are made of our processes in the medicare program, with the objective of more efficient performance of our responsibilities in that program as well. The centralization and mass handling possible by using compu-

ters for clerical functions have been a major direction of improvement. Further and more effective use of information already stored in our computer tape records has yielded major savings. Cutting down the number of reviews in our process has yielded major savings. In our 1972 budget, we have estimated that this continuing search for better ways to do our job will yield savings of 3,050 man-years and $34.9 million from 1971 cost of operations.

These budgeted savings are based on a number of improvements which are in the planning stage at this time or have been implemented for part of fiscal year 1971 and by being in effect for a full year in 1972, will result in added savings in that year. One example which comes to mind involves the big job of keeping up to date with the beneficiary rolls, which contain over 26.3 million persons. In sending out checks, we know that many checks will be returned, most often because someone has died, or a child has married, someone has returned to work, or someone has moved and forgot to put in a change of address, to name some of the reasons. We have been able to improve our capacity to automatically cancel these returned checks and simultaneously update our computer records. Of course, in the case of a changed address, a new check is immediately issued as soon as we receive and make the address correction. We save in several ways—directly, because manpower is reduced in the automated system, and indirectly because the increased speed of posting information means our master beneficiary records are more up-to-date and therefore more accurate. This one change is expected to yield savings in fiscal year 1971 amounting to 62 man-years and additional savings of 42 man-years in 1972. With this improvement, we will also make money for the trust funds—almost a half-million dollars in additional interest on an annual basis because the returned checks are canceled and deposited back into the trust funds more quickly than under the old procedure.

Significant changes in the way we maintain our beneficiary rolls have been made in prior years and are expected to continue in 1972. As you know, changes in the status of beneficiaries constantly occur and must be recorded. Also, the rolls increase by the addition of new beneficiaries at a greater rate than terminations. To use computers most effectively, the methods of informing the computers of this new information should be as simple as possible. It is inefficient to repeat information which the computers already have available which has not changed. We plan to implement before the end of fiscal year 1972 a simplified system of introducing information, and further refinement of the ability of computers to take complete actions using information already available. We will be better able to have computers prepare internal records and notices to beneficiaries as well. Several clerical operations performed in our paymyent centers and disability payment branches will be eliminated when the changes are fully implemented. Although this new procedure will be in effect for only part of fiscal year 1972, we expect it to produce manpower savings of about 100 man-years in that year. Furthermore, the length of time involved in processing changes to our beneficiary rolls should be reduced.

We also obtain manpower and money reductions through obtaining more efficient equipment. For example, during 1972, we plan to install magnetic encoder equipment to replace keypunch equipment. These encoders are at least 20 percent more efficient than the keypunch ma-

chines and ultimately will result in a significant manpower reduction. The new equipment will be used in the data processing operations, disability operations and in the payment centers. Savings in 1972 are expected to total 86 man-years.

THE EFFICIENCY OF AUTOMATIC INFLATION ADJUSTMENTS

Mr. CONTE. Would enactment of an automatic cost of living adjustment in benefit amounts have any effect in reducing your costs of administering the program?

Mr. BALL. Yes; an automatic cost-of-living adjustment would allow us to introduce several economies into the processes used to increase benefit amounts. First of all, the additional planning time made available would enable us to more thoroughly analyze our procedures and improve the utilization of our resources. In addition, all the increases would be prospective in nature, as opposed to what has been the usual practice of the Congress to make the benefits retroactive for a few months. Where increases in benefits are prospective only, a greater degree of automatiton can be used to make the adjustments in benefit amounts. You see, whenever a retroactive payment is involved, there is always the possibility that the beneficiary's status has changed. For example, during the retroactive period, the beneficiary may have died, in which case we would begin underpayment development; or the beneficiary may have been subject to work deductions under the retirement test, and not entitled to receive benefits for all or part of the retroactive period. With retroactivity, all of these possibilities regarding the beneficiary's prior status have to be identified in the computer programs to ensure proper payment, and the more difficult cases cannot be handled by the computer. Also, the Congress has always felt it desirable to issue a separate check for the retroactive period to reduce confusion on the part of the beneficiary as to what is the new monthly rate as distinguished from the retroactive amount. There are also administrative advantages in issuing a separate check. The cost of issuing and mailing these retroactive checks would be saved when benefit increases are put on an automatic basis.

Of course there is nothing in the legislation which would prevent the Congress from providing ad hoc increases from time to time. The savings to which I refer would be achieved when the automatic adjustment method is used by itself to determine and implement increases in benefit amounts. Our administrative costs for any other benefit increase would be determined by the nature of the legislation just as they are today.

COVERING PRESCRIPTION DRUGS UNDER MEDICARE

Mr. CONTE. What is the position of the Social Security Administration on the Advisory Council's recommendation that out-of-hospital prescription drugs be covered under medicare?

Mr. BALL. As you know, while recommending that prescription drugs be covered under medicare, the Council recognized, as have others, that such coverage involves significant problems of financing and administration that will take some time to resolve. The Social Security Administration is currently engaged, through a special task

force, in studying various administrative systems which could reduce or eliminate the problems inherent in a drug coverage program under medicare. The task force is researching, for example, methodology for efficient claims processing and reimbursement, data processing procedures, drug price determination, and utilization review.

The Council's recommendation was that coverage of drugs not be effective until January 1974. In our view such a deferral is appropriate.

THE EQUITABILITY OF UNIFORM WELFARE PAYMENTS

Mr. CONTE. In view of the fact that the cost-of-living varies significantly in various sections of the country, do you feel that the setting of uniform standards of need under the proposal to federalize welfare payments is equitable?

Mr. BALL. There is of course appeal to the idea of taking into account the cost-of-living in various sections of the country in determining the amount of the basic Federal benefit amount under the proposed Federal adult assistance payments program. Such a provision, however, would add enormous administrative difficulties on the already massive task of absorbing the State adult assistance rolls into a single Federal program. Also, and perhaps more importantly, it would seem more desirable to have the Federal income guarantee set at a uniform amount—as is the Federal income tax exemptions, minimum wage, and veterans pensions—and leave to the States the responsibility of determining what amount, if any, they would wish to pay on top of the basic Federal benefit, to take into account regional differences in the cost-of-living and other factors.

COST REDUCTIONS THROUGH INCREASED USE OF TELEPHONES

Mr. CONTE. Has your increased emphasis on the use of the telephone resulted in any cost reductions?

Mr. BALL. The primary goal of our expanded use of telephones—we refer to it as "teleservice"—is to proivde prompt, easy, and accessible service to the public. Public response to this service has been most favorable both from those making use of teleservice and from those who continue to prefer to visit our offices in person. Many people express surprise that a government agency offers them the chance of transacting business over the phone. Some people have told us that using the phone avoids a difficult and time-consuming trip to our office in this era of the traffic jam and parking problems, to take care of some matter which may only take a few minutes once they are there. Those who prefer to visit our offices, tell us that they do not have to wait as long now to see an interviewer. Although the early results of teleservice are not yet conclusive, it appears that the total time required from a person's initial contact with our office to the payment of his first check may be reduced somewhat by this technique.

It is still too early in our experience with this expanded service to clearly identify cost reductions. We expect a reduction in expenditures for travel to remote service points. In some cases, we have been able to reduce the number of our employees who are sent to these remote service points since teleservice has decreased the number of public visitors at these service points. We hope that teleservice will permit

shorter and perhaps fewer interviews than have been possible in some face to face situations. For example, a person calling from his home can refer to his records so that a second interview is unnecessary. On the other hand we have had the added initial cost of improving telephone facilities—such as providing more lines and installing automatic answering equipment where large call volume can be handled centrally. On a continuing basis telephone costs will be higher as a result of these added facilities and toll-free access to our offices for people in distant towns. On balance, the added telephone costs are expected to be largely offset by savings in salary and travel costs. More important, we believe that this expanded telephone service concept fills a strongly-felt need for easier accessibility to government offices on the part of a significant portion of the public.

Mr. FLOOD. Mrs. Reid?

MEDICARE COVERAGE OF PRESCRIPTION DRUGS

Mrs. REID. One aspect that I am questioned about at home is why medicare does not provide prescription drugs for the elderly. I note from your statement that the Advisory Council on Social Security recommended such coverage. What is the estimated cost of providing this benefit?

Mr. BALL. I would say that medicare does not include the coverage of prescription drugs for the elderly partly because of the cost and partly because of the major administrative problems inherent in such coverage.

The 1971 Advisory Council on Social Security recommended that medicare coverage be expanded to include out-of-hospital prescription drugs. Such drug coverage would apply to both the elderly covered under present law and the disability beneficiaries to whom the council recommended medicare protection be extended. The estimated level cost of the coverage, assuming as the council did a contribution base of $9,000 in 1972 and increasing thereafter as earnings increase, would be 0.47 percent of taxable payroll. In recognition of the fact that there are administrative problems involved, the council's recommendation was that such coverage not be effective until January 1974.

The Social Security Administration is currently working to develop an effective drug coverage proposal that can be administered efficiently without too high an administrative cost. A special task force is studying the various administrative functions involved in a drug coverage program including, for example, methodology for claims processing and reimbursement, drug price determination, and utilization review.

COVERAGE OF HOME HEALTH SERVICES

Mrs. REID. What is the present policy regarding home health services for patients under medicare? Which services are allowed and which are denied?

Mr. BALL. Medicare pays for home health services to persons who are confined to home and under a doctor's care—and who need part-time skilled nursing care or physical or speech therapy. The person's doctor makes up a plan of treatment and a home health agency—such as, a visiting nurse agency or a hospital-based home health program—

furnishes the home health services. If a person needs skilled nursing care or physical or speech therapy, the home health benefit will pay for this and will also take care of certain other home health services—such as, occupational therapy, use of medical supplies, medical social services, and the part-time service of home health aides.

I think it is important to stress that the key to the home health benefit, as with medicare benefits in general, is the level of service needed. The home health care needed must require the skill of a licensed nurse or there must be a need for physical or speech therapy. If this type of skilled care is not needed—if what the person needs is care of a more custodian nature—medicare does not cover any of the home health services. If the skilled services are required, medicare will pay for these and certain other related home health care.

STAFFING NEEDED TO ADMINISTER NEW LEGISLATION

Mrs. REID. Have you made any estimates of the number of new employees that will be needed to administer the new responsibilities which may be assigned to social security?

Mr. BALL. Yes; we have made some very rough order of magnitude estimates of what the effect will be on the Social Security Administration. I think you will appreciate that with the newness of some of the more significant proposals, and considering that many unresolved questions must be answered as to how the new responsibilities will be administered, only very rough estimates could be made at this time. For instance, we do not know yet to what extent the administration of the present social security insurance programs can be integrated with the proposed Federal adult assistance programs. Also, the requirements of the law as finally enacted may vary considerably from the provisions of the original committee bill.

Assuming enactment of H.R. 1 in the fall of 1971, we think that the combined effect of the proposals for federalization of the payment of assistance to the aged, blind, and disabled, the changes in the cash benefit and medicare provisions of social security and the extensive account number enumeration job that we would have to do for the implementation of the new welfare proposals for families to replace AFDC, would require an additional 11,000 to 13,000 man-years of work in fiscal year 1972. Because of the short timespan involved, we would not be able to recruit and train new employees fast enough to do the job in 1972 and would have to use large amounts of overtime.

During fiscal year 1972 much of our added work will be taking applications for assistance payments from an estimated 2½ million individuals made newly eligible for benefits under the categorical welfare programs. During fiscal year 1973, we will begin the transition from the State to the Federal Government of existing welfare programs. By the end of fiscal year 1973 we estimate a need for about 15,000 employees to handle the adult assistance programs and another 3,000 employees to perform the added work resulting from changes in the cash benefit and medicare programs contained in H.R. 1 and providing some help to the organization administering the family assistance program. Of course, the majority of these employees would

be in the district offices and other field installations throughout the country.

COVERAGE OF CHIROPRACTIC SERVICES

Mrs. REID. Has the Advisory Council on Social Security given any consideration to coverage of chiropractic services under medicare?

Mr. BALL. The Advisory Council on Social Security considered the question of covering chiropractic services under medicare and decided that a recommendation would be premature in the light of the expressed intent of the Committee on Ways and Means to have the Secretary of Health, Education, and Welfare study the question. Under the social security bill reported by the Committee on Ways and Means last year—but not enacted—and the social security bill now under consideration by the committee the Secretary would be required to conduct a study to determine whether chiropractic services should be covered under medicare giving particular attention to the limitations that might be appropriate for such coverage.

The Health Insurance Benefits Advisory Council, a group charged with advising the Secretary of Health, Education, and Welfare on matters of general policy concerning regulations and administration of medicare, has considered the appropriateness of covering chiropractic services under medicare. This Council's views are expressed in a letter to former Secretary Robert H. Finch, which I could supply for the record.

(The letter follows:)

HEALTH INSURANCE BENEFITS ADVISORY COUNCIL,
January 14, 1970.

Hon. ROBERT H. FINCH,
Secretary of Health, Education, and Welfare,
Washington, D.C.

DEAR MR. SECRETARY: The Health Insurance Benefits Advisory Council (HIBAC) has become aware of the existence of a very well-organized campaign by the Nation's chiropractors to obtain coverage for their services under the medicare program. This campaign which began in October of last year has concentrated upon securing support in the Congress for legislation which will bring about that goal. By late December a large number of bills for such coverage had been introduced in Congress, and support for the chiropractors' objective had been expressed by some members of the House Ways and Means Committee.

The Council strongly opposes the payment of medicare benefits for chiropractic services. The Council is unanimously of the view that such services have no medical value. Indeed, its encouragement by the Federal Government through recognition of a role for it in medicare might actually result in harm to medicare beneficiaries because they would delay or avoid seeking proper medical care. Also, the additional funds necessary to make such payments would add substantially to the financial burdens of the medicare program, and might require another increase in the part B premium to be borne by all beneficiaries including those who disapprove of chiropractic.

Therefore, we respectfully urge you, Mr. Secretary, to take all action you deem necessary to discourage the coverage of chiropractic services under medicare, including, if you determine it desirable to do so, the transmission of the Council's opinions on this matter to the appropriate committees of the Congress.

In making this recommendation, the members of the Council, jointly and individually, stand ready to be of assistance in any way they can.

Cordially,

CHARLES L. SCHULTZE, *Chairman.*

NUMBER OF PROUTY AMENDMENT BENEFICIARIES

Mrs. REID. How many persons over age 72 who had not contributed to social security are receiving benefits under the special program?

Mr. BALL. At the end of March about 515,000 persons aged 72 and over who are not insured for social security benefits were receiving payments under this special program which resulted from an amendment to the Social Security Act sponsored by Senator Prouty.

STATUS OF TRUST FUNDS

Mrs. REID. Many people are of the opinion that no money is in the trust fund—that it has all been loaned to the U.S. Government to use for other purposes. Would you tell us the present status of the trust fund?

Mr. BALL. It is true that trust fund moneys are invested in securities—those owned or guaranteed by the U.S. Government—which I'm sure you will agree are the safest investments. If the trust fund moneys were not invested, I believe we would face criticism—and justifiably so—because the interest earned by the investments would be lost. This interest helps to hold down what people have to pay in. For example, the interest we are earning this year comes to almost twice as much as we are spending to administer the social security program.

No one need worry that there will not be money in the funds to pay benefits. The Treasury Department cashes in some securities every month to make sure there is always enough cash on hand to pay the current benefits and any other social security expenses.

As you may know, a concern is also sometimes expressed by the press and other parts of the public sector that the reserves of the trust funds are inadequate to meet future obligations. We often receive a question about this because some people try to judge a compulsory social insurance system by the same test you judge a voluntary private insurance system. What I mean is that a private insurance system, to be considered soundly financed, has to be able to pay off all of its obligations in the event it never sold another policy. This has never been the view taken of a compulsory social insurance plan. Outside people—actuaries from private insurance companies for example—have all looked at the program and said the right test for financial soundness of this sort of program is that the contribution rates in the law plus the interest earnings on the reserve should meet all benefit costs and administrative costs as they fall due. The program fully meets that test. If you were to take the other view, a huge Government trust fund would be necessary although it would not serve any very useful purpose.

In line with this view of a compulsory social insurance plan, the financing of the social security programs provides for sufficient income to keep enough money in the trust funds to pay benefits for about 1 year. For instance, as of March 31, 1971, the four trust funds had a balance of about $42 billion in investments and cash on hand. Total benefit payments in fiscal year 1970 were about $36 billion so you can see there are ample amounts in the funds for current needs.

The long-range status of the trust funds is under continuous study by the Social Security actuaries, and Congress is advised of any changes needed in the financing provisions to keep the funds actuarially sound. The current long-range cost estimates for the old-age, survivors, and disability insurance program indicate that the program is in close actuarial balance or stated another way, can be considered financially sound.

The cash benefit program will have sufficient income from contributions—based on the tax schedule and taxable earnings base now in the law—and from investments to meet the cost of benefit payments and administrative expenses under present law both for the next 15 to 20 years and for the distant future. In fact, the board of trustees of the trust funds believes that the contribution rates for the old-age, survivors, and disability insurance program that went into effect on January 1, 1971—that is, a combined employer-employee rate of 9.2 percent—need not have been so large. It believes that the total contribution rate for old-age, survivors, and disability insurance and hospital insurance could well be left unchanged—that is, a combined employer-employee rate of 10.4 percent—but a larger portion needs to be allocated to the hospital insurance program because the most recent long-range actuarial cost estimates for that program indicate that present financing provisions are inadequate. Such a distribution of the present contribution rate to correct the unfavorable actuarial balance in the hospital fund has been made in the Ways and Means Committee bill, H.R. 1.

As you know, the financial status of the supplementary medical insurance program is reexamined annually and adjustments are made in premium rates to the extent required for adequate financing of the program. The $5.30 premium rate in effect for the remainder of the current fiscal year, and the $5.60 premium rate promulgated for fiscal 1972, is expected to prove adequate for the immedate period ahead.

COSTS OF H.R. 1

Mrs. Reid. What effect generally will the new proposals of the Committee on Ways and Means have on the trust fund?

Mr. Ball. Of course the proposals on federalization of the adult categories of public assistance and on the family assistance plan will have no effect on the trust funds. These welfare reforms will be financed from Federal funds. The proposals contained in the Ways and Means Committee version of H.R. 1 pertaining to the social security cash-benefit program and the Medicare program will add benefit costs of about $5½ billion in the first 12 months that they are effective. The cash benefits part of the committee bill amounts to $3.7 billion and providing Medicare for disabled beneficiaries will result in first-year benefits of over $1.8 billion. I will provide for the record a table which itemizes these costs.

(The information follows:)

First-Year Benefit Costs of Old-Age, Survivors, Disability, and Medicare Provisions of H.R. 1

(Amounts in millions)

	First-year benefit costs [1]
Total	$5,438
Cash benefit changes applicable to both present and future beneficiaries:	
5 percent benefit increase—effective June 1972	2,073
Other cash benefit changes—generally effective January 1972:	
Retirement test changes:	
$2,000 exempt amount; one for two above $2,000	473
Earnings in year of attainment of age 72	11
Increased benefits for widows and widowers to 100 percent of PIA (limited to OAIB)	764
Children disabled at ages 18–21	14
Noncontributory credits for military service after 1956	39
Election to receive larger future benefits by certain beneficiaries eligible for more than one actuarially reduced benefit	20
Eliminate support requirement for divorced wives and surviving divorced wives	18
Student child's benefits continued after age 22 to end of semester	16
Special minimum PIA up to $150	30
Liberalized workmen's compensation offset (80 percent of high 1 year)	4
Liberalized disability insured status provision for the blind (drop 20/40 requirement)	29
Increased allowance for vocational rehabilitation expenditures	17
Subtotal	3,508
Cash benefit changes applicable only to future beneficiaries—effective January 1972:	
Age 62 computation point for men	6
Benefits based on combined earnings of husband and wife	11
Credit for delayed retirement	11
Additional drop-out year for every 15 years of coverage	17
Reduce disability waiting period to 5 months	105
Subtotal	150
Total, cash benefit changes	3,658
Medicare benefit changes:	
Hospital insurance for disabled beneficiaries [2]	1,500
Supplementary medical insurance for disabled beneficiaries [2]	350
Change in supplementary medical insurance deductible—effective January 1, 1972	−70
Total, Medicare changes	1,780

[1] Represents additional benefit payments in the 12-month period beginning July 1, 1972.
[2] Effective July 1, 1972.

Mr. BALL. In order to finance the cost of the proposed legislation, and also to restore the actuarial balance of the hospital insurance trust fund under present law, the Committee on Ways and Means proposes to increase the contribution and benefit base to $10,200 starting January 1, 1972, rather than to $9,000 as provided under present law. H.R. 1 also includes actuarial changes in the contribution rates for both the cash benefit program and the hospital insurance program. Under the bill, the rate would be 5.4 percent each for employers and employees and would increase over the years to an ultimate rate of 7.4 percent to take effect in 1977.

I will provide for the record a table which shows the progress of the Old-Age and Survivors, the Disability and the Hospital Insurance Trust Funds under present law and as modified by the Ways and Means Committee version of H.R. 1. Since the Supplementary Medical Insurance Trust Fund is financed on a "current cost" basis, the progress of this fund will depend on adjustments of the premium rates and the general revenue financing.

(The information follows:)

PROGRESS OF THE TRUST FUNDS UNDER PRESENT LAW AND UNDER THE SYSTEM AS MODIFIED BY H.R. 1 AS REPORTED BY COMMITTEE ON WAYS AND MEANS

[In billions]

Calendar year	Income		Outgo		Excess of income over outgo	
	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill
OASI TRUST FUND						
1971	$36.7	$34.5	$36.7	$34.5	$2.1	$2.1
1972	41.9	36.4	40.4	38.4	5.5	2.0
1973	49.0	37.9	43.6	41.4	11.1	2.2
1974	52.1	39.4	46.6	44.4	12.8	2.2
1975	55.2	40.9	57.6	46.5	14.3	11.2
DI TRUST FUND						
1971	5.1	5.1	3.9	3.9	1.2	1.2
1972	5.9	5.1	4.2	4.4	1.7	.7
1973	6.3	5.4	4.4	4.8	1.9	.6
1974	6.7	5.8	4.6	5.2	2.1	.7
1975	7.1	7.0	4.8	5.4	2.3	1.6
HI TRUST FUND						
1971	6.0	6.0	6.6	6.6	−.6	−.6
1972	6.6	13.2	7.8	8.5	−1.1	4.6
1973	7.4	14.1	9.1	10.9	−1.7	3.2
1974	8.1	15.2	10.3	12.4	−2.2	2.8
1975	8.4	16.0	11.7	14.1	−3.2	1.9

Mrs. REID. Thank you, Mr. Ball.

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Payments to Social Security Trust Funds

Amounts Available for Obligation

	1971	1972
Appropriation	$2,599,886,000	$2,465,297,000

Obligations by Activity

Page Ref.		1971 Estimate	1972 Estimate	Increase or Decrease
10	Matching payments for supplementary medical insurance	$1,245,282,000	$1,376,400,000	+$131,118,000
12	Hospital insurance for the uninsured	878,688,000	503,351,000	-375,337,000
14	Military service credits	105,000,000	235,000,000	+130,000,000
16	Retirement benefits for certain uninsured persons	370,916,000	350,546,000	-20,370,000
	Total obligations	2,599,886,000	2,465,297,000	-134,589,000

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Grants, subsidies and contributions	$1,245,282,000	$1,376,400,000	+$131,118,000
Insurance claims and indemnities	1,354,604,000	1,088,897,000	-265,707,000
Total obligations by object	2,599,886,000	2,465,297,000	-134,589,000

Summary of Changes

1971 obligations	$2,599,886,000
1972 estimated obligations	2,465,297,000
Net change	-134,589,000

Increases	Change from Base 1/
A. Built-in	
1. Recalculation of annual payment for military service credits	+$130,000,000
2. Increase of $0.30 in SMI standard premium rate effective July 1, 1971	+72,000,000
3. Increase in aged population covered by SMI program (at prior year premium rate)	+20,000,000
4. Cost of providing hospital insurance for the uninsured	+25,241,000
Total increases	+247,241,000
Decreases	
A. Built-in	
1. Cost of retirement benefits for certain uninsured persons	-$14,320,000
2. Difference between amounts in 1972 estimate and in 1971 appropriation for adjustments to prior years' appropriations for actual or revised estimates of program costs	-367,510,000
Total decreases	-381,830,000
Total change	-134,589,000

1/ Except for those items concerned with adjustments to prior year appropriations, the amounts of the increase or decrease are from program costs of the prior year rather than appropriated amounts.

Explanation of Changes

Increases

A. Built-in

1. Recalculation of annual payment for military service credits..... +$130,000,000

In accordance with the law the Secretary has redetermined the level of reimbursement required for noncontributory military service credits. The law requires such a redetermination every five years. The increase reflects the effect of: (a) cash benefit increases enacted since the last determination, made in 1965; (b) experience since the last determination, which shows that the $105 million per year appropriated for fiscal years 1966-1971 was not sufficient; and (c) the provision of the 1967 Amendments to the Social Security Act which beginning January 1968 granted noncontributory credits for wages in kind received by military personnel.

2. Increase of $0.30 in SMI standard premium rate effective July 1, 1971..... +$72,000,000

As authorized by section 1839 of the Social Security Act, the Secretary has promulgated a new standard premium rate of $5.60 a month for the fiscal year beginning July 1, 1971. The present premium rate is $5.30 per month. The Federal Government must match the increased premiums out of general revenues. The increase is due principally to higher physicians' fees and greater utilization of physicians' services.

3. Increase in aged population covered by SMI program (at prior year premium rate)..... +$20,000,000

This represents the increase in Federal fund contributions to the trust fund due to an estimated increase in the average number of enrollees from 19.5 million during 1971 to 19.8 million during 1972.

4. Cost of providing hospital insurance for the uninsured..... +$25,241,000

Benefit payments to the uninsured increase from $576,000,000 in fiscal year 1971 to $602,000,000 in fiscal year 1972. Although the number of uninsured individuals covered by the program will continue to decrease, from 1.7 million in 1971 to 1.6 million in 1972, the advancing age of the uninsured group is expected to result in increased utilization of services; and hospital costs are rising. The increase of $26,000,000 in benefit payments is partially offset by the decrease in administrative costs from $17,995,000 in 1971 to $17,236,000 in 1972.

Decreases

A. Built-in

1. Cost of retirement benefits for certain uninsured persons..... -$14,320,000

The 1972 appropriation provides for reimbursement to the OASI trust fund for retirement benefits paid to uninsured persons during fiscal year 1970, related administrative costs, and interest lost to the trust fund. The net decrease results from the following:

-$35,478,000 due to the decline in the number of uninsured persons receiving these payments from 635,000 to 567,000 between the end of June 1969 and the end of June 1970;

+$17,000,000 from the increased benefit amount provided in the 1969 Social Security Amendments effective with the payment for January 1970;

-$733,000 in administrative costs due to the decrease in new beneficiaries to be serviced; and

+$4,891,000 in interest income, which is related to the higher interest rates experienced since 1969.

2. Difference between amounts in 1972 estimate and 1971 appropriation for adjustments to prior years' appropriations for actual or revised estimates of program costs..... -$367,510,000

Each year's appropriation request provides for an adjustment between amounts previously appropriated and actual or revised estimates of program costs. In the 1971 appropriation, a total of $232,824,000 was provided to cover underfinancing in prior years' appropriations, principally for hospital insurance for the uninsured. The estimates which were the basis for this adjustment proved too high; therefore, the 1972 appropriation request contains a downward adjustment of $134,686,000. The difference between the plus adjustment item in the 1971 appropriation and the minus adjustment in the 1972 request amounts to -$367,510,000.

Payments to Social Security Trust Funds 1/

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1966	$472,800,000	$230,800,000	$230,800,000	$230,800,000
1967	1,029,050,000	1,029,050,000	1,029,050,000	1,029,050,000
1968	1,384,659,000	1,384,659,000	1,384,659,000	1,384,659,000
1969	1,690,772,000	1,690,772,000	1,690,772,000	1,690,772,000
1970	2,014,564,000	2,014,564,000	2,014,564,000	2,014,564,000
1971	2,599,886,000	2,599,886,000	2,599,886,000	2,599,886,000
1972	2,465,297,000			

1/ Prior to 1971 the components of this appropriation were requested as separate appropriations. The figures shown here combine these past year appropriations in order to be comparable to the present budget structure.

Justification

Payments to Social Security Trust Funds

	1971 Estimate	1972 Estimate	Increase or Decrease
Grants, subsidies, and contributions	$1,245,282,000	$1,376,400,000	+$131,118,000
Insurance claims and indemnities	1,354,604,000	1,088,897,000	-265,707,000
Total	2,599,886,000	2,465,297,000	-134,589,000

General Statement

This appropriation request covers four Federal fund payments to the social security trust funds. Three of these payments are to put the trust funds in the same position they would have been had they not borne the cost of benefits chargeable to Federal funds. The fourth effectuates dollar for dollar Federal fund matching of premiums paid by or for individuals covered under the voluntary medical insurance program.

Activity 1 - Matching Payments for Supplementary Medical Insurance

	1971 Estimate	1972 Estimate	Increase or Decrease
Grants, subsidies, and contributions	$1,245,282,000	$1,376,400,000	+$131,118,000

Background

The Social Security Act provides a voluntary medical insurance plan for which almost all persons aged 65 and over are eligible. About 95 percent of those eligible have chosen to enroll in the plan, which covers the costs of physicians' services, home health services not covered under the hospital insurance program, outpatient services, and certain other medical costs, subject to certain deductible and coinsurance amounts. Medical insurance benefits are financed from payments of monthly premiums by enrollees in the voluntary medical insurance program and by dollar for dollar matching Federal contributions. The premium rate is promulgated by the Secretary of Health, Education, and Welfare for the fiscal year for which funds are appropriated. The amount of the premium is based on an actuarial determination of the amount required to finance the accrued costs of the program for that fiscal year.

Explanation of Fiscal Year 1972 Estimate

The estimate of $1,376,400,000 is composed of:

1.	1972 requirements.....	$1,347,000,000
2.	Adjustment for underfinancing of 1971 costs.....	13,500,000
3.	Adjustment for underfinancing of 1970 costs.....	15,900,000
	Total	$1,376,400,000

1972 Requirements

The average number of enrollees in the supplementary medical insurance program is expected to grow to 19,800,000 during 1972 from an estimated 19,500,000 during 1971. At a standard premium rate of $5.60 per month, 1972 premium collections are estimated at $1,347,000,000. These must be matched with Federal funds.

The standard premium rate of $5.60 per month per enrollee (promulgated by the Secretary of Health, Education, and Welfare on December 30, 1970) represents an increase of 30 cents over the $5.30 rate effective through June 30, 1971. The increase is the net effect of the following:

1. An increase of 50 cents comprised of:

   31 cents to cover an estimated increase of 6.7 percent in the level of physicians' fees recognized by the program in fiscal year 1972.

   About 10 cents to cover an estimated increase of 2 percent in the utilization of physicians' services.

   9 cents to cover an estimated increase of 15 percent in cost and utilization of institutional services covered by the program (for example, hospital outpatient and independent clinic services)

2. Reduction of 20 cents in the margin for contingencies.

Because the $4.00 premium rate in effect through June 30, 1970, was inadequate and had depleted the Supplementary Medical Insurance Trust Fund, it was necessary to include a 4 percent margin for contingencies in the premium increase to $5.30 which was effective July 1, 1970. Due to a variety of administrative actions which have helped to hold down program costs, and the resulting growth in the trust fund, the margin for contingencies can now be safely reduced.

Underfinancing of 1971 and 1970 Costs

Actual 1970 supplementary medical insurance premium collections were higher than the appropriated amount of Federal matching funds. Estimated 1971 premium collections are also higher than appropriated Federal matching funds. This underfinancing is mainly due to a slightly higher than estimated average number of enrollees and a greater than estimated number of enrollees who pay more than the standard monthly premium rate (because of late enrollment). A summary of the underfinancing of 1970 and 1971 costs follows:

Prior Year Underfinancing

1970	
Actual premium collections.....	$936,000,000
Federal matching funds appropriated..	922,000,000
Difference (amount underfinanced)....	14,000,000
Interest on 1970 deficiency.....	1,900,000
Sub-total, 1970.....	15,900,000
1971	
Estimated premium collections.....	$1,255,000,000
Federal matching funds appropriated..	1,242,000,000
Difference (amount underfinanced)....	13,000,000
Interest on 1971 deficiency.....	500,000
Sub-total, 1971.....	13,500,000
Total prior year underfinancing.....	29,400,000

Activity 2 - Hospital Insurance for the Uninsured

	1971 Estimate	1972 Estimate	Increase or Decrease
Insurance claims and indemnities	$878,688,000	$503,351,000	-$375,337,000

Background

The Social Security Act provides a hospital insurance plan to pay, for most individuals age 65 and over, the costs of hospital and related post-hospital services subject to certain deductibles and coinsurance requirements. Coverage extends to all persons entitled to social security or railroad retirement benefits and to practically all others age 65 and over not entitled to benefits under those systems. The hospital insurance benefits and administrative costs for those on the social security or railroad retirement rolls are financed from a separate payroll tax on employees, employers, and self-employed persons. Costs of providing benefits to individuals not entitled to cash benefits under the social security or railroad retirement programs are financed with Federal funds. However, for those uninsured individuals attaining age 65 after 1967, a minimum amount of wage credit under social security is required for entitlement, on a sliding scale, from 3 quarters of coverage for those attaining age 65 in 1968, to 21 quarters of coverage for those attaining age 65 in 1974. This requirement will result in a gradually decreasing number of uninsured persons eligible for hospital insurance benefits. The uninsured include persons who retired before their occupations were covered by social security (such as teachers and other State and local employees), and widows whose husbands died prior to earning coverage under social security.

Explanation of Fiscal Year 1972 Estimate

The estimate of $503,351,000 is composed of:

1.	1972 program costs:	
	a. Benefit payments	$602,000,000
	b. Administrative costs	17,236,000
2.	Adjustment for 1970 costs, including interest	-50,963,000
3.	Adjustment for 1971 costs, including interest	-64,922,000
	Total	$503,351,000

Benefit Payment Estimate - 1972

It is estimated that during fiscal year 1972 the number of uninsured individuals on the hospital benefit rolls will decline to an average of 1.6 million from the average of 1.7 million in fiscal year 1971. The resulting decrease in benefit outlays is partially offset by increases in the cost and utilization of covered services. Utilization of covered services by the uninsured increases both as part of a general trend (by age group and sex) for all beneficiaries of the hospital insurance program and because the uninsured as a group are advancing in age and can therefore be expected to require more services.

Administrative Cost Estimate - 1972

Detail supporting the estimates of administrative costs for the hospital insurance program for both the insured and uninsured groups is contained in the Salaries and Expenses, SSA, appropriation request. The distribution of costs between the insured and uninsured groups is based on an identification of costs which are 100 percent chargeable to Federal funds and adding to that amount a pro rata share of other hospital insurance costs based on the ratio of benefit payments for the uninsured group to total hospital insurance benefit payments (9.0 percent in fiscal year 1972). Estimated administrative costs in 1972 are $17,236,000 or 2.9 percent of estimated hospital insurance benefits for the uninsured group.

Adjustment for 1970 and 1971 Costs

The adjustments for 1970 and 1971 costs are principally due to the effect on benefit payments of lower than estimated hospital and extended care facility utilization rates than predicted for fiscal years 1970 and 1971 in the 1971 President's budget. The prior estimates assumed that a year-to-year increase of approximately 2 percent in utilization rates would be experienced during fiscal years 1970 and 1971. Analysis of actual data for 1970 (which combines the insured and uninsured groups) shows that there was no increase in utilization of hospitals in fiscal year 1970 and there was a decrease from the prior year in use of extended care facilities.

Greater than estimated administrative costs for 1970 and 1971 partially offset the downward adjustment in benefit payments. The higher administrative costs are due primarily to increases for the December 1969 civilian pay raise which was not contained in the estimates. This produced a higher unit cost for processing claims filed by uninsured persons to establish eligibility for hospital insurance protection. In addition, the number of these claims is higher than previously estimated.

The principal elements making up the adjustments follow:

Derivation of Adjustments for 1970 and 1971 Costs

	Benefit Payments	Administrative Costs	Total
1970 Program			
Total estimated requirements	$550,000,000	$19,849,000	$569,849,000
Total appropriated	595,000,000	18,811,000	613,811,000
Difference (adjustment)	-45,000,000	1,038,000	-43,962,000
Interest on adjustment	-7,166,000	165,000	-7,001,000
Total--1970 adjustment	-52,166,000	1,203,000	-50,963,000
1971 Program			
Total estimated requirements	$576,000,000	$17,995,000	$593,995,000
Total appropriated	637,000,000	17,236,000	654,236,000
Difference (adjustment)	-61,000,000	759,000	-60,241,000
Interest on adjustment	-4,740,000	59,000	-4,681,000
Total--1971 adjustment	-65,740,000	818,000	-64,922,000

Activity 3 - Military Service Credits

	1971 Estimate	1972 Estimate	Increase or Decrease
Insurance claims and indemnities	$105,000,000	$235,0000,000	+$130,000,000

Background

Prior to 1957, contributions to the trust funds based on earnings of individuals in the military service were not required by the Social Security Act. In 1956, the Servicemen's and Veterans' Survivor Benefits Act amended the Social Security Act to provide for contributions based on military service effective January 1, 1957. Amendments to the Social Security Act in 1946 and later years provided for: (1) Paying benefits to survivors of certain World War II veterans based upon their military service; and (2) granting gratuitous wage credits of $160 for each month of active military service from September 1940 through December 1956.

To finance the additional costs incurred since September 1, 1950, in paying these benefits, which are based on periods of military service for which no contributions were made, the Social Security Act provides for reimbursement to the Old-Age and Survivors Insurance, the Disability Insurance, and the Hospital Insurance Trust Funds. (For costs incurred prior to September 1, 1950, the Old-Age and Survivors Insurance Trust Fund was reimbursed almost $15,500,000.) A 50-year period for reimbursement was established in the 1965 Social Security Amendments and the Secretary of Health, Education, and Welfare was instructed to determine by September 1965 (and each fifth September afterwards ending September 2010) the amount of reimbursement in equal annual installments necessary to place the trust funds in the same position on June 30, 2015, as they would have been if noncontributory military service credits had not been provided. After June 30, 2015, annual appropriations for current costs are authorized.

The Social Security Amendments of 1967 further amended the Social Security Act to provide that, after December 1967, the pay of a person in the uniformed services would be deemed to be up to $300 a quarter more than his basic pay to cover the cost of wages-in-kind--such as food, shelter, and medical services. The additional cost of paying the benefits resulting from these wages-in-kind now deemed additional earnings will be financed with Federal funds. Under the law, the Secretary of Health, Education, and Welfare is instructed to determine annually the amount of the additional costs. The minimal actuarial data necessary for this estimate first became available late in 1970, and based upon this data the amount of the first reimbursement to the trust funds, for fiscal years 1968 and 1969, is contained in this appropriation request.

Estimated Annual Payment

For the period 1966 through 1971, annual appropriations of $105,000,000 were made under the provisions of the 1965 Amendments to the Social Security Act which provided for annual installments over a 50-year period to amortize past and future amounts owed the trust funds. Also in accordance with requirements of these amendments, the amount of the annual installment was refigured late in calendar year 1970. The new annual estimate is $233 million, a substantial increase over the $105 million appropriated annually for 1966-1971. The major factors contributing to this increase follow:

62-917 O - 71 - pt. 4 -- 50

1. The 1967 Amendments to the Social Security Act provided, effective February 1968, a cash benefit increase of at least 13 percent for all beneficiaries on the rolls--and for some beneficiaries substantially more than 13 percent.

2. The 1969 Amendments to the Social Security Act provided, effective January 1970, an across-the-board cash benefit increase of 15 percent.

3. Actuarial analysis of experience during the 5-year period since the first determination was made shows that the $105 million appropriated annually during that period was lower than the amount actually required, even excluding the effect of the 1967 and 1969 amendments. This is especially true for hospital insurance costs. The initial determination was made in September 1965, before any experience with the cost of hospital insurance under Medicare was available. During the past 5 years, there were great increases in the cost and utilization of hospital services compared with the levels originally estimated in 1965.

In addition to the $233 million annual payment, an additional $2 million is requested to cover the estimated additional amounts expended in fiscal years 1968 and 1969 that were attributable to noncontributory credits for military service performed after 1967, in accordance with provisions in the 1967 amendments.

The total payment of $235 million will be distributed by trust fund as follows:

OASI Trust Fund	-	$137,000,000
DI Trust Fund	-	50,000,000
HI Trust Fund	-	48,000,000
Total		$235,000,000

Activity 4 - Retirement Benefits for Certain Uninsured Persons

	1971 Estimate	1972 Estimate	Increase or Decrease
Insurance claims and indemnities	$370,916,000	$350,546,000	-$20,370,000

Background

Benefits were provided in P.L. 89-368 (The Prouty Amendment) to afford some protection for certain persons or their surviving dependents, who retired before the enactment of social security legislation or before their occupations were covered by social security. To be eligible an individual must have less than three quarters of coverage and have attained age 72 before 1968. The benefit was first paid in November 1966 and amounted to $35 a month for an individual plus $17.50 for an eligible wife. It was increased effective February 1968 to $40 and $20 respectively and again by the Tax Reform Act of 1969 to $46 and $23 respectively effective January 1970. If an individual is receiving a governmental pension or payments under a federally aided public assistance program, payments must be reduced or withheld. The number of persons receiving benefits under this provision reached a peak of 734,000 in December 1967, and since then has been gradually decreasing as the size of the aged population meeting the eligibility requirements decreases.

Explanation of Payment

Section 228(g) of the Social Security Act, as amended, authorizes appropriation of Federal funds for the amount which is necessary to place the Federal Old-Age and Survivors Insurance Trust Fund in the same position as it would have been if the special retirement benefits paid from the trust fund during the second preceding fiscal year and all fiscal years prior thereto to persons with fewer than three quarters of coverage had not been made. The first such authorized appropriation was for the year ending June 30, 1969, for payments made in the year ending June 30, 1967. Similar appropriations are authorized for each fiscal year thereafter.

The 1972 request is for a payment of $350,546,000 to the Federal Old-Age and Survivors Insurance Trust Fund as reimbursement for funds expended in 1970 for payment of retirement benefits to certain uninsured individuals aged 72 and over less adjustments for prior years' benefit payments. The total includes reimbursement for benefit payments actually made, related administrative expenses for establishing entitlement to such benefits and maintaining the beneficiary roll, and interest lost to the trust fund.

Explanation of Fiscal Year 1972 Request

The estimate of $350,546,000 is composed of:

1. Reimbursement for 1970 program costs:

a.	Benefit payments	$298,953,000
b.	Administrative costs	3,836,000
c.	Interest lost to the trust fund	48,503,000
	Sub-total 1970 program	$351,292,000

2.	Adjustment in reimbursement for 1969 program costs:	
	a. Benefit payments	-$314,000
	b. Administrative costs	-8,000
	c. Interest lost to the trust fund	108,000
	Sub-total adjustment for 1969 program	-214,000
3.	Adjustment in reimbursement for 1968 program costs:	
	a. Benefit payments	-221,000
	b. Administrative costs	-13,000
	c. Interest lost to the trust fund	-162,000
	Sub-total adjustment for 1968 program	-396,000
4.	Adjustment in reimbursement for 1967 program costs:	
	a. Benefit payments	-102,000
	b. Administrative costs	-24,000
	c. Interest lost to the trust fund	-10,000
	Sub-total adjustment for 1967 program	-136,000
	Total	$350,546,000

The adjustments made for the 1967-1969 programs are principally related to program costs which were previously charged to Federal funds, but which should have been borne instead by the trust fund. This occurred when benefits were paid to certain persons who met the age requirement and who had fewer than three quarters of coverage, but who were later found eligible for a regular social security benefit. Adjustments are made for the benefit payments involved, related administrative costs, and interest.

SOCIAL SECURITY ADMINISTRATION

Payments to Social Security Trust Funds

Program Purpose and Accomplishments

	1971 Amount	1972 Authorization	1972 Budget Estimate Amount
1. Matching payments for supplementary medical insurance (Section 1844 of the Social Security Act)	$1,245,282,000	Indef.	$1,376,400,000
2. Hospital insurance for the uninsured (Section 103(c) and 111(d) of the Social Security Amendments of 1965)	$878,688,000	Indef.	$503,351,000
3. Military service credits (Section 217(g) and 229(b) of the Social Security Act as amended)	$105,000,000	Indef.	$235,000,000
4. Retirement benefits for certain uninsured persons (Section 228(g) of the Social Security Act)	$370,916,000	Indef.	$350,546,000
Total	$2,599,886,000		$2,465,297,000

Purpose: Three of the four activities represent payments to reimburse the trust funds for benefits chargeable to general revenues. The fourth effectuates dollar for dollar matching from Federal funds of premiums paid by or for individuals covered under the voluntary supplementary medical insurance program. In all four situations, the amount of the payments to be made derives from the exercise by individuals of their rights under the law and is not subject to administrative control.

Explanation: The amount of funds required for Federal matching of premiums paid by or for individuals in the voluntary medical insurance program is dependent on the number of persons enrolled in the program and the premium rate which has been promulgated by the Secretary of Health, Education, and Welfare for the fiscal year for which funds are appropriated.

Appropriation estimates for payments to the trust funds for the cost of hospital insurance for the uninsured, noncontributory military service credits and retirement benefits for certain uninsured persons aged 72 and over are based on benefits paid or to be paid to individuals protected by these provisions of law and the related administrative and interest costs.

Accomplishments in 1971: During fiscal year 1971, the average number of enrollees in the supplementary medical insurance program is estimated at 19,500,000. Of these, 9,500,000 are expected to receive reimbursed medical services and over $2 billion in benefits is expected to be paid. Uninsured persons eligible for hospital insurance benefits will number 1,700,000 during 1971, and benefits for this group are estimated at $576,000,000.

Federal fund payments made to the trust funds in 1971 for hospital insurance for the uninsured, military service credits and retirement benefits for certain

uninsured persons helped put the trust funds in the same position they would have been in had these various provisions not been in effect.

Objectives for 1972: The average number of enrollees in the supplementary medical insurance program is expected to grow to 19,800,000. The standard monthly premium rate and the Federal matching payment will be increased from $5.30 to $5.60 effective July 1, 1971, essentially for increases in the utilization and cost of covered services. Approximately 9,800,000 individuals will receive reimbursed services and $2.3 billion in supplementary medical insurance benefits will be paid. In 1972 approximately 1,600,000 uninsured persons (100,000 less than in 1971) will be eligible for hospital insurance and an estimated $602,000,000 in benefits will be paid for this group.

Federal fund payments to the trust funds for hospital insurance for the uninsured, military service credits and retirement benefits for certain uninsured persons are to reimburse the trust funds as explained above. The payment for military service credits has been substantially revised based upon a new determination by the Secretary of Health, Education, and Welfare of the required annual amount. The new determination, required by law every five years, is based upon actuarial analysis of the cost of noncontributory military service credits.

WEDNESDAY, MAY 19, 1971.

SPECIAL BENEFITS FOR DISABLED COAL MINERS

WITNESSES

ROBERT M. BALL, COMMISSIONER OF SOCIAL SECURITY
JACK S. FUTTERMAN, ASSISTANT COMMISSIONER, OFFICE OF ADMINISTRATION
THOMAS M. TIERNEY, DIRECTOR, BUREAU OF HEALTH INSURANCE
MRS. IDA C. MERRIAM, ASSISTANT COMMISSIONER, OFFICE OF RESEARCH AND STATISTICS
SAMUEL CROUCH, DEPUTY DIRECTOR, BUREAU OF DISABILITY INSURANCE
MRS. MILDRED L. TYSSOWSKI, DIRECTOR, DIVISION OF FINANCIAL MANAGEMENT, OFFICE OF ADMINISTRATION
SHERWIN T. MONTELL, BUDGET OFFICER, DIVISION OF FINANCIAL MANAGEMENT, OFFICE OF ADMINISTRATION
CHARLES MILLER, ACTING DEPUTY ASSISTANT SECRETARY, BUDGET

SPECIAL BENEFITS FOR DISABLED COAL MINERS

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Personnel compensation:			
Permanent positions	1,947	6,646	5,925
Positions other than permanent	314	693	
Other personnel compensation	812	2,078	675
Total personnel compensation	3,073	9,417	6,600
Personnel benefits: Civilian employees	194	647	481
Travel and transportation of persons	313	442	516
Transportation of things	7	52	11
Rent, communications, and utilities	18	139	204
Printing and reporduction	20	14	18
Other services	389	6,130	1,331
Supplies and materials	22	45	39
Equipment	9	339	
Lands and structures		6	
Insurance claims and indemnities	10,000	238,000	375,000
Total program costs, funded	14,045	255,231	384,200
Change in selected resources	2,633	−2,633	
Total obligations	16,678	252,598	384,200

PERSONNEL SUMMARY

Total number of permanent positions	155	610	205
Full-time equivalent of other positions	57	140	0
Average number of all employees	[1] 195	[1] 718	524
Average GS grade	6.9	6.9	7.0
Average GS salary	$9,419	$9,626	$9,787

[1] Excludes overtime equivalent as follows: 1970, 65 man-years; 1971, 186 man-years; 1972, 61 man-years.

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
1. Benefit payments	10,000	238,000	375,000
2. Administration	3,928	14,654	9,200
3. Environmental control	117	2,577	
Total program costs, funded	14,045	255,231	384,200
Change in selected resources [1]	2,633	−2,633	
Total obligations	16,678	252,598	384,200
Financing: Unobligated balance lapsing	56		
Budget authority	16,734	252,598	384,200
Budget authority: Appropriation:			
Definite	10,000		384,200
Indefinite	6,734	252,598	
Relation of obligations to outlays:			
Obligations incurred, net	16,678	252,598	384,200
Obligated balance, start of year		6,298	17,702
Obligated balance, end of year	−6,298	−17,702	−17,902
Outlays	10,381	241,194	384,000

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1969 $0; 1970, $2,633 thousand; 1971, $0; 1972, $0.

RECONSIDERATION OF REJECTED CLAIMS

Mr. FLOOD. Mr. Commissioner, now we go to the special benefits for disabled coal miners. I don't think it is necessary for me to hasten to add my concern on this matter.

As you know I appeared this morning before the Dent Subcommittee of the Committee on Labor and Education. Mr. Dent as I am sure you know was operated on on Monday and will be out a while.

You recall I spoke to you and said I would like you to meet in my office with Mr. Dent and myself to discuss the possibilities in reconsideration of denied claims, that we would hope administratively many of these things could be approved rather than amending the act. You said you would rather do so.

I told Mr. Dent but then this unfortunate thing developed so we will be delayed probably for several weeks before the three of us can get together on this.

I see you have a statement on this subject. How do you wish to proceed?

Mr. BALL. Mr. Chairman, if it is acceptable to you and the committee, I would suggest the same procedure, that is, insertion of the full statement in the record and my selection of certain highlights.

Mr. FLOOD. I am sure that will be all right.

You are aware, of course, at the hearings this morning I referred to there were three bills proposed. The great emphasis was on the matter of reconsideration of rejected claims and the hope that we could deal with many, many of these problems administratively.

(The statement follows:)

STATEMENT BY THE COMMISSIONER OF SOCIAL SECURITY ON "SPECIAL BENEFITS FOR DISABLED COAL MINERS"

The program providing "Special Benefits for Disabled Coal Miners" was authorized by title IV of the Federal Coal Mine Health and Safety Act, which was enacted December 30, 1969, and is funded from general revenues of the Treasury. The chairman of this committee, I know, is very familiar with this legislation since he was one of its sponsors. Title IV provides for the payment of monthly

cash benefits to miners totally disabled because of pneumoconiosis, commonly referred to as black lung disease, and to widows of miners who were entitled to these benefits or whose deaths were due to this disease.

ADMINISTRATION OF THE PROGRAM

The Social Security Administration was given the job of handling all claims for these benefits filed on or before December 31, 1972. Since there was no provision for the payment of retroactive benefits, we moved quickly to inform all potential beneficiaries that they should quickly file applications, since benefits start with the month in which they file. We immediately began to develop regulations, policies, and operating procedures for payment of these claims. I know that the members of this committee appreciate that it is a difficult task to set up a new benefit program involving making disability determinations on many thousands of applications, even when one has the luxury of a long leadtime. In this case the law was effective upon enactment, and leadtime for advance planning did not exist. The staff, in my opinion, has performed very creditably under difficult conditions with this large administrative task. The first task then was to let people know their rights and to take protective signed statements from thousands of applicants who came to Social Security district offices, which, for the most part, are small ones, in the coal mining regions. While these protective statements and, later, formal applications were being taken in the field, the staff at headquarters put all possible resources into the job of: writing regulations, operating policies and procedures; publicizing the new program; training staff; and recruiting and shifting manpower resources into the areas hard hit by the new program. We started making the first benefit payments at the end of April 1970.

CURRENT CLAIMS SITUATION

By the fall of 1970, the operation was in high gear and claims processing increased rapidly. By the middle of May 1971, we had taken 291,000 claims and 255,000 determinations had been made. Of these, 125,000 claims have been awarded—72,000 miners and 53,000 widows amounting to $269 million in annual payments. About 130,000 applications had to be denied because it was found in the initial determination that the requirements in the law—total disability or death from pneumoconiosis in underground coal mine employment—had not been met. Thus, we have largely completed the handling of the large backlog of initial claims from persons immediately entitled upon enactment and new claims for benefits are being processed largely on a current basis.

APPLICANT APPEALS

Applicants under the black lung program have appeal right largely comparable to those for the social security program and by the middle of May 55,000 persons had filed requests for reconsideration of the initial denial of their claims. We are receiving reconsideration requests at a rate of 2,500 per week and can expect this rate to continue for some time to come.

Individuals whose claims are denied upon reconsideration are entitled to take their case before a hearings examiner of the Bureau of Hearings and Appeals within 6 months after a reconsideration denial. Although we have only had a handful of hearings to date because the reconsideration denials are so recent, our budget request conservatively anticipates 13,000 requests for hearings in the 2 fiscal years, 1971 and 1972.

We have a massive job facing us in the reconsideration and appeals area in the regular social security program as well as the black lung program. Reconsiderations have sharply increased due to a combination of factors—increased filings of nonvalid disability insurance claims, growth in reconsiderations of medicare claims, and now reconsiderations of black lung decisions. In fiscal year 1968 we received 121,000 requests for reconsiderations as compared with 276,000 we expect to receive for all programs in fiscal year 1971. Increases in the reconsideration loads in 1 year are generally followed by increases in hearings loads in the following year. In fiscal year 1972 we expect to receive 83,000 requests for hearings as contrasted with 34,000 received in fiscal year 1969. In the latter year we had 255 hearing examiners on duty; in fiscal year 1972 we plan to have 470 on board. Despite this staffing up, we estimate that we will have pending at the end of fiscal year 1972 a total of 36,000 hearings cases.

For the black lung program the pending at end-of-year workloads which we estimate for fiscal year 1972 would be much higher were we not taking the following special measures to insure the expeditious handling of black lung appeals:

1. We are giving special training on the black lung program to hearings examiners;
2. We are setting up a national control center to make sure that all prehearing development in black lung cases has been accomplished and thoroughly documented so that the hearing examiner can spend all of his time in conducting the hearing and making a decision;
3. We are opening temporary hearing offices in areas heavily impacted by large volumes of black lung claims;
4. We are taking steps to increase to the extent possible the number of hearing examiners and support staff throughout the country; and
5. We will detail examiners whose home offices are in noncoal-mining areas into the coal mine areas to help with the peak workloads.

APPROPRIATIONS HISTORY

In 1970, $10 million was appropriated to begin implementation of the Federal Coal Mine Health and Safety Act of 1969. Of this amount, $7,250,000 was allocated to the Social Security Administration for title IV purposes. In addition, the 1970 HEW Appropriation Act contained language which authorized the obligation and expenditure of funds for benefit payments and administrative expenses for the black lung program and provided that such charges be made to subsequent appropriations. The 1971 HEW Appropriation Act also contained language which authorized the obligation and expendtiure of funds for benefit payments and administrative expenses for the program and provided that such charges be made to subsequent appropriations. Thus the budget request before you includes a request for additional funds for fiscal year 1970 and for funds for fiscal year 1971 as well as for fiscal year 1972.

BUDGET ESTIMATES

The total appropriation request amounts to $644,249,000, of which $259,634,000 is for obligations incurred in prior fiscal years and $384,615,000 represents the estimated cost of the program in fiscal year 1972. Benefit payments in fiscal year 1972 are expected to total $375 million. This estimate is based on the assumptions that 329,000 claims will have been filed under the program by the end of June 1972 and awards made to 103,000 miners and 75,000 widows. Of this number, we estimate that 90,000 miners and 70,000 widows will still be receiving benefits for themselves and 100,000 dependents at the end of fiscal year 1972.

Shortly before the 1972 budget was submitted to the Congress, new and higher estimates of benefit payments and administrative costs were prepared on the basis of the most current experience with the new program. Although the estimates for fiscal year 1972 in the President's budget substantially reflect these new estimates, the prior estimates were retained for 1971. The differenece of about $69.4 million between the revised and prior estimates for fiscal year 1971 is shown in our budget justification as a line item called administrative adjustment. If it turns out that the fiscal year 1971 estimate is in fact understated by an amount approximating the administrative adjustment a budget amendment reflecting the most up-to-date data will be submitted. The budget amendment will also provide funds which are not included in this request for the effect of the Federal pay raise effective January 1, 1971, on benefit payments in both fiscal years 1971 and 1972. As you may recall, the basic benefit rate is equivalent to 50 percent of the minimum monthly benefit under the Federal Employment Compensation System for a totally disabled employee at grade GS-2.

The estimates of cost for administering the black lung benefit program have, for the most part, been developed on a workload and production rate basis, taking into account current experience under the black lung program and costs for similar functions in the social security disability program. Because of certain characteristics, the estimates of administrative costs generally reflect lower unit costs for the handling of workloads for the black lung benefit program than for the social security disabilty program.

Total manpower estimated in the budget for administration is 1,310 man-years in 1971 and 585 man-years in 1972. There are 601 positions included in the

budget for fiscal year 1971, and the budget projects employment of 205 persons in permanent positions by the close of fiscal year 1972.

BLACK LUNG AND MINER'S ASTHMA

Mr. FLOOD. This is my pet project.

Mr. BALL Yes, Mr. Chairman.

Mr. FLOOD. I come from a district which is in the anthracite coal field, so-called hard coal. There for generations we have used the term "miner's asthma." Then somehow or other of recent years the soft coal people became aware of this problem. It always astounded us why they were not as active in this matter as we in the hard coal fields were for some long time.

Now the term "black lung" came from the soft coal people and is now accepted by everybody, hard and soft coal. So when we use the term "black lung", it means both things.

PROCESSING THE INITIAL APPLICATIONS

Mr. BALL. Mr. Chairman, where we are administratively on this program at the present time is that in initial claims we are largely current now. We have taken in total applications something over 290,000 from the beginning of this program. We have made a determination initially on 250,000 of them. By the end of this next month I would think we would be dealing only with applications of very recent origin.

In passing I might say that we did have very large backlogs, and this was really to be expected out of the nature of the program and its administrative development.

You will remember that the legislation did not provide for any retroactivity. In other words, benefits were payable to an individual depending on the month in which he filed his application.

Incidentally, the Social Security Administration didn't know it was going to administer this program until it passed. So we took off from zero base faced with the question of needing to get applications from everybody who might be entitled or they would lose benefits. So our first big task was to get a signed statement from everyone who might conceivably be eligible.

Mr. FLOOD. You shouldn't be surprised about that because everybody else is too. I introduced this bill first in 1945. So you can imagine everybody was as surprised as you were.

REASONS FOR HIGH DISALLOWANCE RATE

Mr. BALL. I guess we thought the Labor Department was going to do it up to the last minute.

Our first job was to get these applications. We wanted everybody to sign who thought there might be any chance of getting it because if he didn't sign in that month, we couldn't pay retroactively. That almost inevitably ended in people making applications under law that turn out not to meet the conditions. We thought it was better to protect their possible rights and make the determination later.

Mr. FLOOD. I did exactly the same thing to everybody that wrote to me or talked to me—I said by all means file.

Mr. BALL. However, this means a fairly substantial disallowance rate. We have a substantial disallowance rate in our regular disability program over the years, too. Over the years it has run, in all, that about two-thirds of those who filed disability applications are allowed on disability grounds and the other third has been turned down. That has shifted slightly and is now about half and half.

Mr. FLOOD. So the percentage of denials are not peculiar to the Black Lung Act?

Mr. BALL. No. It is now running very close to what it is in our regular program. If anything it is even more understandable I think in the black lung area.

Mr. FLOOD. You are speaking about claims for disability filed under the social security law?

Mr. BALL. Right; where about twice as many people now file as we can allow under the law. That is partly a result of increased unemployment.

RECONSIDERATION OF DENIED CLAIMS

On the initial claims determinations we are pretty close to current. But we have got about 55,000 people now who have filed an application for a reconsidreation of this determination and we are now in the process of looking at these claims again and looking at any new evidence they have, and the next step after that, which will be a very heavy load for us, will be their right to have a hearing in person.

Mr. FLOOD. Let me ask you this. How many persons in the last year have requested reconsiderations and hearings on an original black lung claim and what percent does this constitute of the total number of claims filed?

Mr. BALL. The total number of reconsideration requests is very close to the 55,000 I referred to and that is out of a total number originally filed of 290,000. It is a much higher percentage, of course, of the disallowed cases. The people we allowed didn't ask for reconsideration. So I think you probably want to relate the 55,000 requests for reconsideration to the disallowances which are about 130,000.

THE APPEALS PROCEDURE

Mr. FLOOD. Will you tell us the procedure after the first determination? Is it any different than the regular social security procedure?

Mr. BALL. No. We are following the same procedure. They first have a——

Mr. FLOOD. It is no different than the regular social security procedure?

Mr. BALL. That is right.

Mr. FLOOD. What is the regular social security procedure?

STEP 1: RECONSIDERATION

Mr. BALL. The first step is a reconsideration of the decision.

Mr. FLOOD. This must be requested by the applicant?

Mr. BALL. Yes; and he is given assistance in gathering any new evidence and presenting the case.

Mr. FLOOD. Assistance by whom?

Mr. BALL. By the district office people in the area. He would contact them and ask for reconsideration.

If the claimant has additional evidence, of course, that will be considered. It is considered by a different group of people than made the original decision. That is very important to understand. It is not the same person reconsidering his own decision; it is a different group. It is a matter of looking at new evidence he has and reviewing the original evidence.

Mr. FLOOD. Must there be new and additional evidence?

Mr. BALL. No.

Mr. FLOOD. It can be a reconsideration by a separate group of the original evidence?

Mr. BALL. Yes; and I would say more frequently than new evidence.

Mr. FLOOD. However, new evidence can be submitted?

Mr. BALL. That is correct.

STEP 2: APPEARING BEFORE HEARING OFFICER

The next step after that is, if the individual is still dissatisfied with the decision, he may request a hearing, and this is before a hearing officer assigned to a separately organized bureau.

Mr. FLOOD. An examiner do you call him?

Mr. BALL. Yes. He is an individual especially protected under the Administrative Procedures Act. These are individuals appointed from a certificate furnished by the Civil Service Commission.

Mr. FLOOD. Where is that hearing held?

Mr. BALL. That hearing is held as close as we can to the locality where the individual lives. Our general policy is to try to be within 75 miles at least.

Mr. FLOOD. And the applicant appears in person?

Mr. BALL. Ordinarily. Almost always.

Mr. FLOOD. Can he bring witnesses with him?

Mr. BALL. He can bring witnesses and can be represented. Of course he could be represented earlier in the process, too.

Mr. FLOOD. When I say him, it applies to a widow as well.

Mr. BALL. Yes. At the hearing this hearing officer reviews the record and takes new evidence. He has the power of subpena, he can call witnesses and of course they can have their own witnesses.

The hearing officer's posture is not one of defending the previous decision. His job is to arrive at the correct decision and the hearing examiners have no hesitancy whatsoever in overturning earlier levels of decision.

STEP 3: APPEAL TO APPEALS COUNCIL

If the claimant is dissatisfied with the decision of a hearing—this will apply in black lung also—he can go to the Appeals Council and then to court.

Mr. FLOOD. What is the Appeals Council?

Mr. BALL. It is a seven-man body. The chairman of it is the head of the Bureau of Hearings and Appeals for whom these hearing examiners work. If the individual is dissatisfied with the decision of the individual hearing examiner, he can request the Appeals Council to review his case.

Mr. FLOOD. That must be done by the applicant in writing?

Mr. BALL. Yes.

Mr. FLOOD. And the applicant does not appear before the appeals council.

Mr. BALL. That happens on occasion but ordinarily not.

MEMBERS OF THE APPEALS COUNCIL

Mr. FLOOD. Will you list for us the present appeals council by name and title?

(The information follows:)

SOCIAL SECURITY ADMINISTRATION, BUREAU OF HEARINGS AND APPEALS

Acting Chairman, Appeals Council: Charles M. Erisman, LL.B.
Appeals Council Members: John T. Allen, LL.B.; Lucille V. Covey, LL.B.; Herman Elegant, LL.B.; Norman S. Kerns, B.A.; Carl Monk, LL.B.; Lester Schuker, LL.B.; Jackson C. Smith, certificate of law.

STEP 4—RIGHTS BEFORE FEDERAL COURTS

Mr. BALL. Just as in the case of Social Security the individual has recourse after these administrative hearing procedures to the Federal courts, starting in the district court.

Mr. FLOOD. U.S. District Court.

Mr. BALL. Yes.

Mr. CROUCH. The right of appeal to the courts is somewhat more limited than under social security, but on the substantive issues of disability or death due to——

Mr. FLOOD. What is that?

Mr. CROUCH. The right of appeals to the courts is somewhat more limited.

Mr. FLOOD. Why?

Mr. CROUCH. The law gives the applicant the right to appeal a denial on the basis that he was found not to be disabled or in the case of a widow it was found that her husband's death was not due to black lung. Those two issues can be appealed to the courts. Such things as benefit amounts, family relationship, the question of whether or not the woman is a widow under State law, these kinds of things cannot be appealed.

HIGH PUBLIC EXPECTATIONS OF PAYMENTS

Mr. BALL. Mr. Chairman, the volume that I would anticipate in reconsideration of hearings, I think, is partly attributable to the fact that we did take so many applications deliberately to protect people's rights and partly to the great difficulty of making clear to the public as a whole the exact conditions that have to be met under this program. As you know, there are quite detailed provisions that must be complied with. I am afraid that there is some feeling on the part of some people who have applied for benefits that if they have been in the mines for a considerable period of time, and they are disabled, and particularly if they are disabled from a disease of the lungs, that it is the intention of the statute that they be paid, whereas the statute limits eligibility to where there is a finding that the cause of the disability is

pneumoconiosis. There is greater expectation for payment than we can actually deliver on under the terms of the law.

DIFFICULTIES IN DETERMINING CAUSE OF DEATH

Mr. FLOOD. That is one of the things Mr. Dent and I want to discuss with you. We have this problem of a man who works in the mines for 30 years. I do not know what you know, but I know anybody who works in the hard coal mines for 30 years, if he does not have miner's asthma it is a miracle beyond the concept of Congress. But the cause of death is a mine accident, a crushed skull, a broken back, or in those days the doctors were family physicians—general practitioners, horse and buggy and the early Fords and so on—and they just did not keep records. The hospitals did not have X-rays or records. The cause of death will say, arteriosclerosis, or cancer of the lung, or all sorts of things, which were probably the causal connection with the death. But it is inconceivable for us from the coal fields, even if he was hit with a truck going home, that a man who had been in the mines x number of years did not contract this condition.

Mr. BALL. I think these widows cases are particularly difficult, because, as you suggest, the evidence one way or another is not convincing.

Mr. FLOOD. I have a case where a man worked in the mines 30 years. Everyone knew he had black lung. We know those things, we can hear them across the street breathing. We can see them when they walk into the house. We know this man has miner's asthma, now called black lung. Because of the conditions that this produced in this man he shot his wife.

He didn't kill her, but paralyzed her for life and committed suicide. The death certificate said "suicide." Of course, it was suicide, but the man had miner's asthma for years and years, spitting up blood into the coal bucket in the kitchen, that we all knew. It is this kind of thing.

Mr. BALL. Have you sent that particular case to me?

Mr. FLOOD. Yes, it is in channels. There are many variations of these things. Is there anything else you want to say?

FISCAL YEAR 1972 BUDGET COVERS OBLIGATIONS INCURRED IN PRIOR YEARS

Mr. BALL. I think the only other point I would like to make is that this is the first specific request for an appropriation in this area. You remember we were operating previously under broad language. Therefore, it is a request for part of 1970, 1971, and 1972, that totals $644,249,000, of which $259,634,000 is for the obligations incurred in prior fiscal years, and $384,615,000 represents the estimated cost in fiscal 1972.

BLACK LUNG PAYMENTS IN LUZERNE COUNTY, PA.

Mr. FLOOD. I think you might know that in my county of Luzerne we have had 20,000 applications filed in your district office in Wilkes Barre. Over 82 percent have been paid.

About $35 million a year comes into that one county from about 15,000 applications now being paid; about $1,700,000 a month to the

disabled miners, and $1,200,000 to widows, under this bill. But the problem is with the 1,500 or so that are in process.

PROPOSED APPROPRIATION LANGUAGE

The appropriation language that you are proposing for fiscal year 1972 contains several legislative provisions. This always causes us concern in an appropriations committee, as you know. Will you explain why these provisions are necessary?

Mr. BALL. Mr. Chairman, the first one here is for the payment of cost of travel on the part of a claimant who has appealed an earlier decision and needs to have a hearing, as we were discussing earlier, or needs an examination by a physician, and this parallels what we have for the social security program for people under disability insurance. It seemed to us only reasonable to allow appropriated funds for the purpose of the individual having to get a medical examination for us to evaluate his case just as in social security. Another one is also similar to what we are requesting in social security, and that is the use of franked mail in the States when they are operating for us in this area, which would save the program some money, both in the black lung and in the regular social security activity subject to working out an agreement with the Post Office Department. Then we have another provision that I think is really necessary to protect the beneficiaries under the program. Up until now, as we were saying earlier, we have been operating under a kind of open ended arrangement. People meet the conditions of the law and we are authorized to make the payments. Now that we will be under a specific appropriation, I think we need to protect against the situation of insufficient funds at the end of a fiscal year. For the last 2 months of a fiscal year we are asking that if the appropriation is insufficient for the benefit payments that it would be possible to charge the excess against the appropriation for the next year. This is the same arrangement, as I understand it, that present law provides for assistance payments between the Federal Government and the States. The purpose is to avoid getting caught in a situation where people suffer because maybe we made a bad estimate or it was not possible to get a supplemental in time, or something of that sort.

LATEST ESTIMATES OF 1971 AND 1972 BENEFITS PAYMENTS

Mr. FLOOD. Your budget justification predicts benefit payments of $301 million for 1971 and $375 million for 1972. How long ago were those estimates prepared in your shop?

Mr. BALL. That was back a ways. It was January.

Mr. FLOOD. I would guess that. What is your current estimate of benefit payments for 1971 and 1972?

Mr. BALL. It would be higher. Our current estimate would be $753 million all together, which is made up of $5 million for 1970, $320 million for 1971 and $428 million for 1972.

Mr. FLOOD. Will you explain what you call administrative adjustment of $69,335,000 shown on page 23 of your justification?

Mr. FUTTERMAN. When in January we sent this latest estimate up, Mr. Chairman, we were half way through fiscal year 1971. We took that part of the estimate that related to fiscal year 1972 and reflected

it in this document. We left open the matter of final settlement of what we would incur in the way of costs for 1971. The administrative adjustment, if you subtract that from the $301 million, reflects what we are really asking for fiscal year 1971 costs in the $644 million. Our intent, because there are some very questionable costs—I mean questionable from the point of view of making an accurate estimate—to wait until fiscal year 1971 is complete. Then we will know precisely what costs we have incurred in 1971, and we will price that out. We will include a cost factor that is not reflected here, that is the recent pay raise for Federal employees, which means an increase in benefits for black lung recipients that is not reflected here. We will send that up as an amendment request. This would be in addition to the $644 million which is reflected.

Mr. FLOOD. How much does the budget request fall short of the full amount required for 1971 and 1972?

Mr. FUTTERMAN. At the time we sent this up the administrative adjustment reflected how much that estimate showed we were falling short. But as of now we have a newer estimate, and it is another $80 million more than that. This $69 million did not reflect the federal employee pay raise which increased the benefits of black lung beneficiaries and did not reflect other high costs.

REDUCTION IN BLACK LUNG PERSONNEL

Mr. FLOOD. I heard, Mr. Ball, something that concerns me quite a good deal, and the people who are concerned about this program. Your budget request has a very large reduction in the staffing for the administration of this program. Will this reduction result in longer delays in handling the claims and the benefit payments?

Mr. BALL. Mr. Chairman, I think it is reasonable to have a substantial reduction related to the anticipated change in workload. When we started the program, we picked up all the widows who were then widowed, and we picked up all the retired miners who were then retired, and as a result we have had this very large load of almost 300,000 claims. But in a going year—having worked out of the backlog by the end of next month—say in 1972, we would have only in effect mostly new people, widows who were newly widowed, and miners who stopped working and were retired. So you would have a much, much lower workload, 37,000 for 1972 as compared with almost 300,000 for the first 18 months. Of course, much of our work on reconsiderations and hearings will take place in fiscal year 1972.

Mr. FLOOD. Will you be able to administer the program expeditiously and efficiently with the staff you are proposing for 1972? You are not economizing now at the expense of the beneficiary?

ANTICIPATED APPEALS BACKLOGS

Mr. BALL. I would want to say that in the appeals area we are faced with a problem for the large number of appeals that will be coming along that just additional staffing authorization cannot help on. As you know so well, this load is concentrated in just a few States. At the same time, we cannot put on grade 15 hearing examiners—they are just not available in large numbers—for a short time. You cannot even find that many. What we are having to do is detail people into

these areas from all over the country where these particular claims are, and at the same time I want to make the point that our going disability program also has very heavy appeals loads right now. I want you to be aware that although a substantial reduction in manpower as compared with this year for the initial claims load and even reconsideration is justified, that we just have to anticipate problems in the hearing area. There will be backlogs and there will be waiting for those hearings, which I am very sorry about, but I do not see any way out of it in the short run.

AVERAGE BLACK LUNG CLAIMS PROCESSING TIME

Mr. FLOOD. That makes me ask this question: What is the average time required to process a claim under this act?

Mr. BALL. It has been changing very rapidly. On a current basis from now on I would think it would probably be about like any disability claim, 70 to 75 days for an initial determination. When we had that big backlog before we worked into the current situation we had some claims that were 9, 10 months old.

PERCENT OF CLAIMS DISALLOWED

Mr. FLOOD. What percentage of the claims filed have been turned down to date?

Mr. BALL. The total percentage turned down I guess is nearly 60 percent all across the country.

Mr. CROUCH. I believe it is closer to 50.

Mr. BALL. It is a little more than 50.

Mr. FUTTERMAN. On the widows it is one-third and about 60 percent for the workers.

There are twice as many workers.

Mr. BALL. The correct answer is a little over 50 percent as a whole.

POTENTIAL ADDITIONAL FISCAL YEAR 1972 PERSONNEL NEEDS

Mr. FUTTERMAN. Mr. Chairman, may I supplement the answer that Mr. Ball gave you on the question of staffing? In the schedule on page 24, we do show for 1972 a total number of 205 positions, a reduction from the 601 of the previous year. The point Mr. Ball made is very valid and explains the need in the hearing situation. We have been having discussions with the Department and they in turn with the Office of Management and Budget, and not only are we waiting to get a better fix on the total money expended that will have to be reimbursed but the question of total staff we will need for 1972 is under consideration. The exact figure is not yet agreed on. It may be of the dimensions of two to four hundred additional above the 205.

STATE VARIATIONS IN APPROVAL OF CLAIMS

Mr. FLOOD. How do you explain the wide variance in the black lung claims approved among the several States?

Mr. BALL. We have tried to analyze the wide variance among States with respect to the proportion of black lung claims approved. As you

know, the allowance rate ranges from a high of 70 percent in Pennsylvania to a low of 29 percent in Kentucky. One reason for this wide range appears to be the larger ratio of widow claimants in Pennsylvania. The nationwide allowance rate for widows is almost 66 percent, compared to about 42 percent for miners. In Pennsylvania, widows claims are over 43 percent of the total load while, in Kentucky, widows account for 23 percent of the load.

Having a larger proportion of widow claimants is therefore considered to be an important reason for the higher allowance rate in Pennsylvania. In addition, there appear to be differences in mining conditions and in economic and other factors which explain why 66 percent of the claims from miners in Pennsylvania are allowed as compared with 22 percent in Kentucky. Variations in the types of coal mined and the methods and conditions of mining are known to exist in various geographical areas and are believed to have a significant bearing on differences in the prevalence of pneumoconiosis among miners. Also, we have noted that the Kentucky miner applicants are significantly younger as a group than those from Pennsylvania and as a result they may have had less mine work experience, and therefore less coal dust exposure, than the older group in Pennsylvania with longer mine work experience.

Differences in economic conditions may also account for more total mine work experience and, therefore, coal dust exposure, among miners as a group in one area compared to another, as well as accounting for variations in filing rates and incidence of severe disability among miners in different areas. Also, a factor of self-selection of claimants may be operating in Pennsylvania where they already had comprehensive black lung benefit program and many individuals had previously received a determination of whether they were disabled due to pneumoconiosis.

USE OF X-RAYS TO DETECT PNEUMOCONIOSIS

Mr. Flood. Please justify—with medical evidence—the contention of the Social Security Administration that X-ray is the best technique known to detect and categorize pneumoconiosis.

Mr. Ball. The Social Security Administration established in its black lung benefit regulations the requirement for an X-ray as the primary means of diagnosis only after extensive consultation with the Public Health Service and the medical community at large. It was the overwhelming view of physicians most knowledgeable in this field that X-ray or biopsy other than needle biopsy, was the only way known to medical science of diagnosing pneumoconiosis in a live individual. There is no other way to distinguish whether the disease is pneumoconiosis or numerous other diseases affecting the lungs not related to pneumoconiosis.

A consensus of radiologists is in agreement as to the appearance of pneumoconiosis on X-ray. Two standardized systems of classifications—the International Labour Organization and the Union International Contra Cancer—are universally accepted in the medical community and have been incorporated in the black lung regulations for establishing the existence and category of pneumoconiosis. Also, the irrebuttable presumption provided in the law where the individual

has complicated pneumoconiosis refers to the classification system of the International Labour Organization.

SUPPLEMENTING X-RAY EVIDENCE

Mr. FLOOD. Do you believe other medical analyses are useful in supplementing X-ray in the detection of pneumoconiosis?

Mr. BALL. The prevailing medical judgment is that in the absence of positive X-ray evidence, pneumoconiosis does not exist or exists to a degree that would have no significant effect on the claimant's functional capacity.

Once pneumoconiosis is established by X-ray evidence, other medical analyses such as pulmonary function studies can be helpful to determine the severity of the impairment.

The Social Security Administration and the Public Health Service are collaborating in a pilot project to evaluate the effectiveness and feasibility of providing exercise tolerance testing for black lung benefit claimants. The project will assess results and identify any problems encountered in such exercise testing on a relatively large scale for claimants under this program. This is expected to lead the way to the establishment of additional methods and criteria for evaluating total disability due to pneumoconiosis under this program, as well as to the availability of more adequate medical facilities in the coal mine areas to perform this testing.

TREATING BLACK LUNG BENEFITS AS WORKMEN'S COMPENSATION

Mr. FLOOD. Mr. Ball, please justify the policy of the Social Security Administration in respect to treating the black lung benefits program as workmen's compensation for purposes of offsetting disability insurance benefits—especially, in light of the fact that the legislative history of the progam is clearly and repeatedly emphatic in disclaiming such.

Mr. BALL. We have relied on the written documentation of the legislative history to determine whether or not it was the intent of Congress that the black lung benefits should be treated as workmen's compensation. Neither the committee reports on the bill that was finally enacted nor the debates in the Senate on the bill offered us an authoritative basis for determining the congressional intent regarding the nature of black lung benefits. In the debates in the House of Representatives, there were expressions both ways.

The administration's regulations dealing with social security disability insurance benefits treat both injury and occupational diseases as basis for workmen's compensation offset. It is clear from the legislative history of section 224 of title II of the Social Security Act, which deals with workmen's compensation offsets, that the basic purposes for enactment of that section were twofold: One, to prevent the erosion of State workmen's compensation programs; the other, to prevent duplication of benefits to the extent it would be more profitable for a beneficiary not to work than to work. Neither of these purposes would be served by differentiating out occupational diseases.

A Social Security ruling has been issued on this question for black lung benefits. Designation of Federal black lung benefits as workmen's

compensation is consistent with the pattern of title IV in its entirety—to provide benefits in cooperation with States for miners totally disabled due to pneumoconiosis and their surviving dependents. The part of title IV administered by the Social Security Administration is the interim and short-term part of the payment program. Payments under the longer term part of the program, which is to be administered by the Department of Labor and the State workmen's compensation agencies, are clearly workmen's compensation for purposes of offsetting social security disability insurance benefits. Since benefits under both parts of the program are payable to the same class of beneficiaries and for the same causes, it is consistent to consider the black lung benefits paid by the Social Security Administration as workmen's compensation for purposes of offsetting social security disability benefits.

The issue also was treated in the statement of the President on December 30, 1969, when he signed the Federal Coal Mine Health and Safety Act. This statement indicated that black lung benefits should be viewed to be comparable to benefits for other occupational diseases for purposes of offsetting disability insurance benefits under social security.

I would like to point out that only about 5 percent of the black lung beneficiaries are affected by the offset of black lung benefits against social security disability payments. The proposed changes in the offset provision for workmen's compensation in H.R. 1 would make the number of black lung beneficiaries subject to the offset even smaller.

FUTURE BLACK LUNG BENEFITS COSTS

Mr. MICHEL. Mr. Chairman, I was about to make the observation that you have so thoroughly and intensely explored this area with the witness that there is not one shred of anything I could add.

Mr. FLOOD. I hope the people back home read that.

Mr. MICHEL. But I am going to ask one very brief question of the witness and then I am going to ask one of you. The one of the witness has to do with the number of persons we have now qualified for the benefits. Do we have any projections yet of what the ultimate cost will be, taking their life expectancy into account, say 5 or 10 years from now?

Mr. BALL. We have not made those estimtes, Mr. Michel, but I think we are rapidly getting into a position where one could make a reasonable estimate. I must say it surprised us that there were as many valid claims as there were in this area. I do not think it had been anticipated that there would be quite so many.

Mr. FLOOD. They surprised everybody in both the soft coal and the hard coal fields.

Mr. BALL. By the end of the fiscal year when we get the backlog pretty well processed and we work through the reconsiderations, then we will know the load and will have a fairly good idea of what the accretion per year will be. I presume you mean a going program regardless of who administers it?

DISEASE PRODUCING PROPERTIES OF HARD AND SOFT COAL

Mr. MICHEL. That is right. Then my question to you, Mr. Chairman, is, from an old corn, soybean grower, and cattle breeder, why is an

anthracite or hard coal miner more susceptible to black lung disease than a soft coal miner?

Mr. FLOOD. I am not sure. There is perhaps this—it might be from the very terminology. Hard coal is self-definitive. It is hard. The dust particles are harder than the so-called dust from the soft coal. It is actually a very hard thing and the soft coal is not quite that texture. On the other hand, I think there is probably more dust in the average soft coal mine. There are dusty places as compared to clean places. Some places are dusty slopes, others are not.

In the soft coal mine you will find more such dusty places than the hard coal mine. But basically it is probably the particle itself, the thing itself is harder, and hence more dangerous and deadly.

Mr. MICHEL. We are going to be mining coal, hopefully, for many years to come yet.

Mr. FLOOD. We have 200 years supply of hard coal up there.

Mr. MICHEL. That is all, Mr. Chairman.

Mr. FLOOD. Mrs. Reid?

ELIGIBILITY OF WIDOWS FOR BENEFITS

Mrs. REID. What criteria have been established for determining the eligibility of a widow for benefits under the Federal Coal Mine Health and Safety Act?

Mr. BALL. The law provides for payment of benefits to the widow of a miner who was entitled to total black lung benefits at the time of his death, or who was suffering from "complicated" pneumoconiosis, the advanced stage of the disease. In these situations the actual cause of death is immaterial.

In addition, the law provides that the widow of a miner who was employed for at least 10 years in underground coal mines and died of pneumoconiosis may be eligible for benefits. Similarly, if a miner with at least 10 years' employment in the underground coal mines died of a respirable disease, his widow may be eligible for benefits unless the evidence shows that he did not, in fact, have pneumoconiosis. Regulations establish that a miner is considered to have died of a respirable disease when the cause of his death is ascribed to a chronic dust disease or other chronic disease of the lung which could have been easily confused with or mistaken for pneumoconiosis.

The law also provides that a finding of death due to pneumoconiosis may be made in other situations, even when the miner was employed for less than 10 years in underground coal mines. However, it must be established that the miner's death was due to pneumoconiosis and that the disease arose out of his employment in underground coal mines. Consideration is given to all evidence submitted with a claim which has a bearing on cause of death and origin of any pneumoconiosis.

RETROACTIVE PAYMENTS

Mrs. REID. You state that benefits are paid from the month in which the claim is first filed—does this mean the claimant would receive a retroactive check if his claim is finally approved after an appeal?

Mr. BALL. Yes, that is correct. If the initial determination is an allowance, the claimant is paid retroactively to the month in which the claim was filed. If the claim is denied and the claimant is found

entitled upon reconsideration or appeal he is still paid from the month the initial claim was filed.

There is a difference between the social security program and the black lung program as far as eligibility for benefits prior to filing a claim. Under the social security law payment can be made for up to 12 months before the date of filing if the claimant meets all other eligibility requirements. However, under the black lung program, payment can begin only with the month of filing. For that reason, upon enactment of the black lung law, we immediately began to take signed statements from thousands of applicants to protect their filing dates. Later, formal applications were used, but allowances are paid retroactively to the month the protective statement was filed.

REIMBURSEMENT FOR COSTS OF ESTABLISHING ELIGIBILITY

Mrs. REID. Are claimants reimbursed for any reasonable expenses incurred in establishing claims?

Mr. BALL. Yes; reimbursement to claimants for reasonable medical expenses is specifically provided for in the law. This has permitted reimbursement for the reasonable cost of pertinent medical evidence in both miners' and widows' claims. In addition, we make arrangements through State agencies for necessary tests to determine whether a claimant is totally disabled. These tests are paid for by the Social Security Administration.

USE OF STATE AGENCIES

Mrs. REID. To what extent are the State agencies involved in adjudicating claims?

Mr. BALL. The black lung law authorizes us to work with State agencies in administering the black lung program in much the same manner as we do in the regular social security disability program. Under the social security disability program, the States, under contract with SSA, perform such tasks as developing medical evidence including arranging for consultative examinations, making determinations of disability in both initial and reconsidered cases and investigating continuing eligibility for benefits. Because the workloads under the black lung program fall principally on about eight States, it has not been practical to staff up the disability units in these States to handle the black lung work in the same manner as they are handling the social security disability work. Therefore, for the black lung program, we have used the State agencies primarily to assist in gathering medical evidence, obtaining X-rays and arranging for pulmonary function tests. The determinations of disability are for the most part being made by the Social Security Administration.

Mrs. REID. Thank you, Mr. Chairman.

Mr. FLOOD. We have several more social security items to cover, so we will meet again at 10 tomorrow morning.

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Social Security Administration

Special Benefits for Disabled Coal Miners

Amounts Available for Obligation

	1971	1972
Appropriation (definite)	---	$384,615,000
Appropriation (indefinite)	$252,900,000	---
Comparative transfer to "Departmental Management"	-120,000	---
Total, budget authority (obligations)	$252,780,000	$384,615,000

Obligations by Activity

Page Ref.	1971 Estimate Pos.	1971 Estimate Amount	1972 Estimate Pos.	1972 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
32 Benefit payments	---	$301,000,000	---	$375,000,000	---	+$74,000,000
33 Administration	601	21,135,000	205	9,615,000	-396	-11,520,000
Total estimate	601	322,135,000	205	384,615,000	-396	+62,480,000
Administrative adjustment	---	-69,355,000	--	--	--	+69,355,000
Total obligations	601	252,780,000	205	384,615,000	-396	+131,835,000

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Total number of permanent positions	601	205	-396
Full-time equivalent of all other positions	262	---	-262
Average number of all employees 1/	1,013	524	-489
Personnel compensation:			
Permanent positions	$8,241,200	$6,275,000	-$1,966,200
Positions other than permanent	1,406,900	---	-1,406,900
Other personnel compensation	3,297,000	715,000	-2,582,000
Subtotal, personnel compensation	12,945,100	6,990,000	-5,955,100
Personnel benefits	772,700	506,000	-266,700
Travel and transportation of persons	1,145,325	516,000	-629,325
Transportation of things	61,200	10,550	-50,650
Rent, communications, and utilities	183,800	203,950	+20,150
Printing and reproduction	30,850	18,000	-12,850
Other services	555,750	255,500	-300,250
Payments to States	5,372,940	1,075,700	-4,297,240
Supplies and materials	52,435	39,300	-13,135
Equipment	14,900	---	-14,900
Insurance claims and indemnities	301,000,000	375,000,000	+74,000,000
Total estimated obligations by object	322,135,000	384,615,000	+62,480,000
Administrative adjustment	-69,355,000	--	+69,355,000
Total budgeted obligations	252,780,000	384,615,000	+131,835,000

1/ Excludes overtime equivalent as follows: 1971, 297 man-years; 1972, 61 man-years.

Summary of Changes

1971 estimated obligations	$322,135,000
1972 estimated obligations	384,615,000
Net change	+62,480,000
Administrative adjustment	+69,355,000
Budgeted net change	+131,835,000

	Base		Change from Base	
	Man-years	Amount	Man-years	Amount
Increases:				
A. Built-in:				
1. Benefit payments for new awards made in fiscal year 1972			--	+$102,000,000
Decreases:				
A. Built-in:				
1. Reduction in level of benefit payments for awards made in 1970 and 1971	--	$301,000,000	--	-28,000,000
2. Reduction of 55 percent in cost of administrative work:				
-- 46 percent in SSA	1,310	15,762,060	-725	-7,222,760
-- 80 percent in State agencies	--	5,372,940		-4,297,240
Total, decreases				-$39,520,000
Total, net change				+62,480,000
Plus administrative adjustment				+69,355,000
Total, net budgeted change			-725	+$131,835,000

Explanation of Changes

Increases:

An estimated 37,000 awards will be made in 1972 to 23,000 miners and 14,000 widows for a total of $102,000,000. The average monthly family benefit payable at the end of fiscal year 1972 is estimated at $205 for miners and $156 for widows (excluding the effect of the Federal pay raise enacted January 8, 1971).

Decreases:

1. The benefit payment estimate of $301,000,000 for 1971 (excluding the effect of the 1971 pay raise) includes benefits payable in 1971 related to the 14,000 awards made in 1970 and to the estimated 127,000 awards in 1971. However, many thousands of awards made in 1971 included retroactive payments for up to seven months of 1970 and these retroactive payments will not be payable in 1972. Also, attrition due primarily to death will occur in the beneficiary rolls. These two factors result in a reduction of $28,000,000 in the 1972 level of benefit payments for awards made in 1970 and 1971.

2. Current estimates for administrative expenses for title IV of the Federal Coal Mine Health and Safety Act of 1969 anticipate receipt of 292,000 claims through June 1971 and an additional 37,000 claims in fiscal year 1972. About 268,000 of these claims will be processed in 1971 and 43,000 in 1972. Other workloads, such as reconsiderations of initial denials and requests for hearings on denied claims will begin in 1971 but the greater effect will not be felt until 1972. However, the processing of a large backlog of initial claims, the principal administrative job, will be completed in 1971, resulting in a 55 percent decrease in administrative expenses in 1972. The cost of work performed by components of the Social Security Administration will decrease by 46 percent and the cost of work performed by State agencies will decrease by 80 percent. Man-year requirements for the Social Security Administration decrease from 1,310 man-years in 1971 to 585 man-years in 1972. Position requirements decrease from 601 to 205 respectively.

Administrative adjustment 1971

Shortly before the 1972 budget was submitted to the Congress, new estimates of benefit payments and administrative costs were prepared on the basis of the most current experience with the new program. Although the estimates for fiscal year 1972 in the President's Budget substantially reflect these new estimates, the prior estimates were retained in the 1971 column. The difference between the revised and prior estimates for fiscal year 1971 is shown in this budget justification as a line item called "administrative adjustment".

The use of an administrative adjustment for fiscal year 1971 stems from the uncertainties relating to the new black lung program that existed at the time the budget was prepared, and still exist to some degree. The uncertainties relate largely to the number of claims for benefits that will be denied initially and the number of these denials that will be reversed upon reconsideration of the initial decision or hearings on the reconsideration decision. These unknowns make it difficult to accurately project costs through 1972. In view of these uncertainties, and because the 1972 appropriation request covers both 1971 and 1972 costs, it was decided to show 1972 costs on the basis of the most recent estimates, while retaining the previous estimates for 1971. It was not essential to change the 1971 estimate since the 1971 appropriation language will insure that beneficiaries are protected. After the close of fiscal year 1971, when more complete data for estimating costs are available, a budget amendment reflecting the most up-to-date data will be submitted. The budget amendment will also provide funds for the effect of the Federal pay raise effective January 1, 1971 on benefit payments in both fiscal years 1971 and 1972. (The basic benefit rate is prescribed by law as 50 percent of the minimum monthly benefit under the Federal Employees Compensation System for a totally disabled employee at grade GS-2, and when the GS-2 salary goes up, so does the benefit rate.)

Explanation of Transfers

Comparative transfer to:	1971 Estimate	Purpose
Departmental management	-$120,000	Transfer of funds to the Office of the General Counsel for legal advisory services rendered on behalf of the disabled miner's benefit program. In 1972, this function is budgeted in the Departmental management appropriation.

Special Benefits for Disabled Coal Miners

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1970	---	---	$10,000,000	$10,000,000 1/
1971	---	---	---	--- 2/
1972	$644,249,000	---	---	---

1/ In 1970, $10,000,000 was appropriated to begin implementation of the Federal Coal Mine Health and Safety Act of 1969. Of this amount, $7,250,000 was allocated to the Social Security Administration for title 1V purposes and $2,750,000 was allocated to the Environmental Control Administration. In addition, the 1970 DHEW Appropriation Act contained language which authorized the obligation and expenditure of funds for benefit payments and administrative expenses for title IV of the Federal Coal Mine Health and Safety Act of 1969, and provided that such charges be made to subsequent appropriations.

2/ The 1971 DHEW Appropriation Act contained language which authorized the obligation and expenditure of funds for benefit payments and administrative expenses for title IV of the Federal Coal Mine Health and Safety Act of 1969, and provided that such charges be made to subsequent appropriations.

Justification

Special Benefits for Disabled Coal Miners

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	601	$13,717,800	205	$7,496,000	-396	-$6,221,800
State agencies...	---	5,372,940	---	1,075,700	---	-4,297,240
Other expenses...	---	2,044,260	---	1,043,300	---	-1,000,960
Subtotal.....	601	21,135,000	205	9,615,000	-396	-11,520,000
Benefit payments.	---	301,000,000	---	375,000,000	---	+74,000,000
Total.....	601	322,135,000	205.	384,615,000	-396	+62,480,000
Administrative adjustment.....	---	-69,355,000	---	---	---	+69,355,000
Budgeted total.	601	252,780,000	205	384,615,000	-396	+131,835,000

General Statement

To carry out the provisions of title IV of the Federal Coal Mine Health and Safety Act of 1969, an appropriation of $644,249,000 is requested for benefit payments and administrative expenses. This request includes obligations for fiscal year 1970 to the extent that total obligations in that year exceeded the $7,250,000 available from the $10,000,000 appropriated, and obligations to be incurred during fiscal years 1971 and 1972. The Department of Health, Education, and Welfare Appropriation Acts of 1970 and 1971 granted authority to charge obligations and expenditures to subsequent appropriations. Budgeted obligations for the three years are as follows:

	FY 1970	FY 1971	FY 1972
Benefits.....	$10,000,000	$301,000,000	$375,000,000
Administration.....	3,984,000	21,135,000	9,615,000
Total current estimate.....	13,984,000	322,135,000	384,615,000
Administrative adjustment.....	---	-69,355,000	---
Total budgeted obligations..	$13,984,000*	$252,780,000	$384,615,000

* $7,250,000 of this amount was funded by 1970 appropriation.

Summary of Provisions

On December 30, 1969, the President signed the Federal Coal Mine Health and Safety Act of 1969, P.L. 91-173. The Act established nationwide health and safety standards for the coal mining industry. In addition, title IV provided for the payment of cash benefits to coal miners who are totally disabled due to coal workers' pneumoconiosis ("black lung") and to widows of coal miners who died from

pneumoconiosis. Pneumoconiosis, for the purpose of these benefits, is defined as a chronic dust disease of the lung arising out of employment in the Nation's underground coal mines. Under the Act, the Secretary of Health, Education, and Welfare is responsible for the processing of claims filed prior to January 1, 1973. Most claims filed after December 31, 1972, will be handled by the Department of Labor and the State workmen's compensation agencies.

Entitlement to Benefits Under Title IV of the Act

Coal miners who are totally disabled due to pneumoconiosis resulting from employment in underground mines are entitled to benefits at a rate equal to 50 percent of the minimum monthly payment to which a disabled Federal employee in grade GS-2 would be entitled at the time of payment. It is immaterial how long ago the miner may have become disabled or how old he is at the time of filing.

Widows of coal miners whose deaths were determined to be due to pneumoconiosis or whose deaths occur while receiving total disability benefits under this Act are entitled to benefits at the rate prescribed for totally disabled miners. Benefit rates for miners and surviving widows are increased by dependents (a spouse or child) at the rate of 50 percent for one dependent, 75 percent for two dependents, and 100 percent for three or more dependents.

The law also provides that the Federal benefits for miners and widows are to be reduced by the amount of any payments based on the miner's disability payable under State workmen's compensation, unemployment compensation or State disability insurance programs.

Implementation of the Provisions

The law was enacted in the closing days of the first session of the 91st Congress, and since no provision was made for the payment of retroactive benefits under title IV, the Social Security Administration had to take quick action to protect beneficiary rights and to begin to develop regulations, policies and operating procedures for the payment of these claims.

As soon as the President signed the bill, a teletype was sent to all social security district offices instructing employees to take statements from potential claimants which would protect their rights to benefit payments from the earliest possible date. Within the first week 18,000 people had signed these statements. By the middle of April 1970 over 140,000 of these statements and applications had been filed. About 172,000 claims were filed during fiscal year 1970 and another 120,000 are estimated in fiscal year 1971.

As soon as possible after the law was signed, informational material was developed to acquaint potential beneficiaries with their rights under the law. Press releases were prepared and distributed to newspapers and trade publications, radio and television announcements were prepared and distributed. Application statements that could be clipped, completed and mailed to the local district office appeared in local papers. Posters, leaflets, and displays were prepared and distributed in coal mining areas.

In accordance with requirements of the law regulations were published in the spring of 1970 establishing the medical and other criteria for making determinations of total disability and death due to pneumoconiosis. In line with congressional intent and the presidential directive, the level of disability required for the social security disability insurance program was, to the extent possible, established as the required level of disability for eligibility under the pneumoconiosis benefit provisions.

After policies and procedures were prepared, claims processing increased rapidly. By the middle of fiscal year 1971, 250,000 claims had been received and about 150,000 determinations had been made of which 90,000 were awards. By the end of fiscal year 1971 an estimated 292,000 claims will be received and about 284,000 of these will be processed, including 141,000 awards.

Activity 1 - Benefit Payments

	1971 Estimate	1972 Estimate	Increase or Decrease
Benefit payments, current estimate.....	$301,000,000	$375,000,000	+$74,000,000
Administrative adjustment.....	-63,000,000	--	+63,000,000
Budgeted obligations.....	$238,000,000	$375,000,000	+$137,000,000

The basic benefit rate upon which the estimate has been developed is prescribed by law as 50 percent of the minimum monthly benefit under the Federal Employees Compensation System for a totally disabled employee at grade GS-2. The disabled miner or the eligible widow receives the basic benefit of $144.50 ($153.10 for months after December 1970 due to Federal pay raise). If the disabled miner or the widow has dependents, the benefit increases with the number of dependents--an extra 50 percent for one dependent, 75 percent for two dependents, and 100 percent for 3 or more dependents. It is estimated that about 100,000 dependents will be represented in the benefit payments by the end of 1972.

The current estimates of $301,000,000 for 1971 and $375,000,000 for 1972 are based on the assumption that benefits will have been awarded to 80,000 miners and to 61,000 widows by the end of fiscal year 1971 and that additional awards will be made in 1972 to 23,000 miners and to 14,000 widows. The estimates exclude the effect of the Federal pay raise enacted January 8, 1971 (P.L. 91-656).

Activity 2 - Administration

	1971 Pos.	1971 Amount	1972 Pos.	1972 Amount	Increase or Decrease Pos.	Increase or Decrease Amount
Current estimate:						
Personnel compensation and benefits 1/.....	601	$13,717,800	205	$7,496,000	-396	-$6,221,800
Payments to States.....		5,372,940		1,075,700		-4,297,240
Other expenses.....		2,044,260		1,043,300		-1,000,960
Total obligations.....	601	$21,135,000	205	$9,615,000	-396	-$11,520,000
Administrative adjustment.....		-6,355,000	--	---	--	+6,355,000
Total budgeted obligations.....	601	$14,780,000	205	$9,615,000	-396	-$5,165,000
1/ Total man-year estimates are as follows:						
Regular.....		1,013		524		-489
Overtime.....		297		61		-236
Total.....		1,310		585		-725

Scope of Program

Funds requested provide for: (1) accepting applications and making the initial determination of entitlement for disabled miners and surviving widows of disabled miners; (2) re-evaluating the initial decision upon the claimant's request; (3) making changes to the beneficiary rolls to assure proper and correct payment of benefits; (4) determining the beneficiary's continuing entitlement to benefit payments; and (5) administrative services and policy formulation.

Administration

The total job of administering the new benefit program includes the determination of the existence of disabling pneumoconiosis in the living miner applying for benefits and in the case of the widow who applies for benefits, the determination as to whether the miner's death was due to pneumoconiosis. Other factors to be considered in determining entitlement to benefits and the amount of benefits to be paid include years of employment in underground mines, number of dependents, and the offsets to the benefit amount due to other types of payments received by the claimant such as State workmen's compensation. It is the responsibility of the SSA to be certain that all valid claims are paid in a timely and accurate manner and that only those eligible receive benefits in the amounts provided by law. The greatest administrative impact is in 1971 and 1972 when the huge backlog of initial claims will be completely processed plus most of the reconsiderations and hearings resulting from these claims. After December 31, 1972, new claims will be the responsibility of the Department of Labor and the State workmen's compensation agencies. However, the SSA will continue to be responsible for setting standards for determining whether a miner is disabled by pneumoconiosis or if a miner's death is due to pneumoconiosis, as well as certifying benefit payments and maintaining the beneficiary rolls for most claims filed previously.

Workloads

In fiscal year 1970, the largest workload was the taking of 172,000 applications for benefits and the making of a determination to award or deny benefits in 16,200 of these cases. In fiscal year 1971, another 120,000 claims will be filed and several follow-up workloads will begin: (1) reconsideration of original determinatons; (2) appeals from reconsidered determinations and (3) the normal maintenance of the beneficiary roll, such as change of address, change in number of dependents, change in work status of miners, and terminations due to death or marriage. In 1972, only 37,000 new claims are estimated; but the bulk of work resulting from reconsiderations and hearings of claims filed in 1971 and 1972 will be processed to completion in 1972, with most of the hearings workload falling in the latter part of the year.

The basic workloads for this program are estimated as follows:

	Fiscal Year 1970	Fiscal Year 1971	Fiscal Year 1972	Three Year Total
Initial claims				
Received	172,000	120,000	37,000	329,000
Processed	16,200	267,800	43,000	327,000
Pending at end of year	155,800	8,000	2,000	
Reconsiderations				
Received	--	60,000	12,700	72,700
Processed	--	20,500	50,500	71,000
Pending at end of year	--	39,500	1,700	
Hearings				
Received	--	3,000	10,200	13,200
Processed	--	1,000	9,200	10,200
Pending at end of year	--	2,000	3,000	
Additions, terminations and other changes to the beneficiary rolls	14,500	184,000	114,000	312,500

Computation of Administrative Expenses

The cost of administering the black lung benefit program is estimated at $21,135,000 in 1971 and $9,615,000 in 1972. The administrative expenses estimate has for the most part been developed on a workload and production rate basis, taking into account current experience under the black lung program and costs for similar functions in the social security disability program.

The estimates of administrative costs generally reflect the handling of workloads for the black lung benefit program at a lesser cost than in the social security disability program. This is due to several factors, the principal ones being: (1) the one-time peaking of black lung claims in relatively few States permitting handling on a mass basis; (2) the fact that 32 percent of the claims are from widows and do not involve procurement of medical examinations; and (3) the availability of pre-existing data in social security files, State workmen's compensation agencies, and other sources. (About 88 percent of black lung beneficiaries as of the end of December 1970 were also social security beneficiaries and some data already on file in connection with their social security claims were used in adjudicating the claims for black lung benefits.)

62-917 O - 71 - pt. 4 -- 52

The estimated payments to State agencies are based on the assumption that the States' principal role in the black lung benefit program is to procure additional medical evidence when SSA has determined that such evidence is needed to make a decision in an initial claim or a reconsideration case. It is assumed that additional evidence will need to be obtained by the States in 50 percent of the claims filed. Generally, the additional medical evidence obtained by the States will be x-rays, pulmonary function tests, and in some instances, physical examinations, electro-cardiograms, and other medical examinations and laboratory tests.

The estimates of "other objects of expense" represent those costs of travel, space, printed materials, and other items which are directly related to the administration of the black lung program.

Manpower Requirements

Total manpower estimated for administration of the program is 1,310 man-years in 1971 and 585 man-years in 1972. The necessary manpower is to be obtained by:

(1) Filling 600 permanent jobs in 1971 and most of 1972
(2) Filling up to a maximum of 400 temporary jobs in 1971
(3) Working overtime

The man-years derived from these sources are budgeted as follows:

	Man-Years	
	Fiscal Year 1971	Fiscal Year 1972
Permanent full-time positions	751	524
Temporary positions	262	--
Overtime	297	61
Total	1,310	585

State Agency Costs

	1971	1972
Personal services and related costs.....	$1,724,340	$397,725
Procurement of x-ray and other medical evidence.....	3,648,600	677,975
Total	$5,372,940	$1,075,700

SOCIAL SECURITY ADMINISTRATION

Special Benefits for Disabled Coal Miners

Program Purpose and Accomplishments

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
601	$322,135,000	Indefinite	205	$384,615,000
	-69,355,000 1/		--	---
601	$252,780,000		205	$384,615,000

1/ Administrative adjustment represents a difference between the President's Budget and the current actuarial estimate for 1971. The budget has not been amended at this time because the fiscal year 1971 appropriation language, which authorizes the administering agency to incur obligations to be charged to subsequent appropriations, insures that all beneficiaries will receive their due payments, and for this reason it makes more sense to amend the budget later on the basis of more current experience.

Purpose

Funds are used: (1) to administer title IV of the Federal Coal Mine Health and Safety Act of 1969, and (2) to provide monthly benefits to coal miners who are or who become totally disabled due to pneumoconiosis and to the widows of miners whose deaths are due to this disease.

Explanation

Under the Act, the Social Security Administration is responsible for processing of claims filed prior to January 1, 1973. From that date most claims will be handled by the Department of Labor and the State workmen's compensation agencies. However, for most claims originally processed by SSA, benefit payments will continue to be made by SSA for some years to come.

Applications for benefits are filed by individuals through the SSA district offices. Determinations of awards are made by the SSA with the assistance of State agencies under contract to secure additional medical evidence. Benefits are certified for payment and beneficiary rolls are maintained by the Social Security Administration. Benefit checks are issued by the Treasury Department.

The 1972 appropriation request includes funds for 1971 obligations and for 1970 obligations not previously funded.

Accomplishments in 1971

From the date of enactment of the law through fiscal year 1971, an estimated 292,000 claims will be received, about 284,000 of these will be processed, and about 141,000 awards will be made. By the end of the fiscal year, an estimated 73,000 miners and 59,000 widows will be receiving monthly benefits for themselves and 85,000 dependents.

Objectives for 1972

The large backlog of claims resulting from this program will be processed by the end of fiscal year 1971. Work will shift in 1972 to handling reconsiderations and hearings on denied claims. In addition, a small volume (about 37,000) of new claims will be received and there will be continuing workloads relating to events affecting beneficiaries on the rolls, such as death, change in number of dependents, change of address and similar actions. By the end of the fiscal year, an estimated 90,000 miners and 70,000 widows will be receiving monthly benefits for themselves and 100,000 dependents.

THURSDAY, MAY 20, 1971.

SOCIAL SECURITY ACTIVITIES OVERSEAS

WITNESSES

ROBERT M. BALL, COMMISSIONER OF SOCIAL SECURITY
JACK S. FUTTERMAN, ASSISTANT COMMISSIONER, OFFICE OF ADMINISTRATION
MRS. IDA C. MERRIAM, ASSISTANT COMMISSIONER, OFFICE OF RESEARCH AND STATISTICS
THOMAS M. TIERNEY, DIRECTOR, BUREAU OF HEALTH INSURANCE
MRS. MILDRED L. TYSSOWSKI, DIRECTOR, DIVISION OF FINANCIAL MANAGEMENT, OFFICE OF ADMINISTRATION
SHERWIN T. MONTELL, BUDGET OFFICER, DIVISION OF FINANCIAL MANAGEMENT, OFFICE OF ADMINISTRATION
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

SOCIAL SECURITY ACTIVITIES OVERSEAS SPECIAL FOREIGN CURRENCY PROGRAM

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Program by activities: Social security research (dollar equivalent) (costs—obligations)			750
Financing: Budget authority (appropriation)			750
Relation of obligations to outlays:			
Obligations incurred, net			750
Obligated balance, end of year			−600
Outlays			150

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Travel and transportation of persons			15
Other services			735
Total obligations			750

Mr. CASEY. Mr. Ball, we are ready to hear from you again this morning.

GENERAL STATEMENT

Mr. BALL. This request is for a new appropriation for the Social Security Administration. It would authorize us to purchase from the Treasury Department $750,000 of foreign currencies derived from the sale of surplus agricultural commodities, authorized by the Agricultural Trade Development and Assistance Act of 1954, as amended,

and determined to be in excess of the normal requirements of the U.S. Government.

We are asking for the authority to purchase this amount for the use of some comparative research projects in the social security area in the countries involved, following really a precedent of several other agencies who have made good use of these funds in the vocational rehabilitation area and in other areas of the Department.

Mr. Chairman, in accordance with the procedure we have been following in relation to the other items in the Social Security request, I would like to suggest my statement be put in the record and that if you would agree, we proceed to questioning.

Mr. CASEY. That will be fine. Without objection the statement will be made a part of the record.

(The statement follows:)

STATEMENT BY THE COMMISSIONER OF SOCIAL SECURITY ON "SOCIAL SECURITY ACTIVITIES OVERSEAS"

This request is for a new appropriation for the Social Security Administration. It would authorize us to purchase from the Treasury Department $750,000 of foreign currencies derived from the sale of surplus agricultural commodities, authorized by the Agricultural Trade Development and Assistance Act of 1954, as amended, and determined to be in excess of the normal requirements of the United States Government.

The Social Security Administration does of course carry out a vigorous domestic research effort—one called for in the Social Security Act—for the broad purpose of recommending the most effective methods of providing economic security to the American people through social insurance. For fiscal year 1972, we are requesting this new appropriation to enable the Social Security Administration to finance a few studies of various aspects of the social security systems of other countries that will complement our domestic research effort. A number of other agencies of the Department of Health, Education, and Welfare have had good experience with research abroad financed by excess foreign currencies and have found such research most helpful in respect to United States domestic governmental programs. These research efforts, properly selected and designed, also benefit the foreign countries involved and contribute to the strengthening of United States ties with them.

Some of the excess foreign currency countries have social insurance systems which have existed longer than our own. Their problems of administration and of adequately meeting the needs of beneficiaries—the aged, the young survivors, the disabled, and those in need of medical care—are in some respects similar to those we face in the United States. We believe that we could benefit from the past and present experience in social insurance of these countries. By using methods similar to those in our domestic research efforts, and with the cooperation of foreign experts, we expect to obtain information about how other people with similar or different economic, social, demographic, and health characteristics live under various social conditions and social insurance systems—information that we can compare with similar information about our own system. The basic thrust of this research effort under Public Law 480 will be towards the more effective appraisal and the general improvement of the social security system in the United States.

Since this is a new program, definite projects have not yet taken shape and there have been no negotiations with excess foreign currency countries. Should the Social Security Administration be authorized this new appropriation, we expect that the initial projects probably will be undertaken in Yugoslavia and Poland with emphasis on studying the retirement process and the cost-sharing, financing, and national-local relationships involved in providing medical care. Although the actual studies will be performed by an agency of the Government or an institution of higher learning within the foreign country, the Social Security Administration staff will negotiate and draft or provide consultation on the research specifications and be responsible for periodic reviews and reports on the performance of the projects.

REASON FOR ESTABLISHING THE PROGRAM

Mr. CASEY. Mr. Ball, have you had a foreign currency program before?

Mr. BALL. No, Mr. Chairman, this is our first request for this authorization.

Mr. CASEY. You have been doing all right without it. Now you say you need them for comparative studies.

Mr. BALL. Yes. In at least two of the countries involved, Yugoslavia and Poland, there are very long established social insurance programs, and we have in mind some studies—which, as you know, would be conducted under contract with us by people in those countries—that we think would be useful in shedding some light on possible developments here.

As an example of that, in Yugoslavia they have just reintroduced in their medical program the concept of having the beneficiary pay for a substantial part of the care as he receives the services. This is a very major issue in health insurance in this country. There is a raging argument, you might say, between those who believe any health insurance program ought to provide for first-dollar coverage, and others who feel it is an important part of cost control that the beneficiary pay deductibles or coinsurance as he receives the service.

Here we have an interesting case of a country that has had——

NUMBER OF FOREIGN COUNTRIES INVOLVED

Mr. CASEY. How many countries are you planning to study?

Mr. BALL. I would think it would be almost entirely in those two, Poland and Yugoslavia, as far as this amount is concerned. They are the main countries that we have thought of at this point.

But, here we do have a chance to see why is it that when they had care from the beginning without coinsurance and deductibles, they now feel it is necessary to have the patient sharing in the cost. We would like to take a look at that in relation to its effect on our own planning.

DOMESTIC RESEARCH EFFORT

Mr. CASEY. How much are you spending on domestic research now?

Mrs. TYSSOWSKI. We have in our salaries and expenses budget approximately $3.8 million for research projects in fiscal 1971.

STAFF REQUIRED FOR OVERSEAS PROGRAM

Mr. CASEY. How large is your research staff? Are you going to put new people on for this overseas study or going to use existing people?

Mr. BALL. The existing staff is about 400 people, but the major part of conducting any studies abroad would be by the citizens of that country where you are doing the study, and our responsibilities would be related to negotiating a contract with them for them to carry out. At the most, this would require not more than one or two people on our staff.

Mr. CASEY. One or two people of your staff?

Mr. BALL. Yes. It is a contract arrangement.

Mr. CASEY. You wouldn't need any new people on your staff?

Mr. BALL. Certainly not more than one or two. We are not asking for any new positions for this specifically but as we recruit additional people generally, one or two of them might be assigned to this responsibility. I want to be clear on that.

POTENTIAL BENEFITS OF FOREIGN RESEARCH

Mr. CASEY. Do you think research in countries like Poland and Yugoslavia where they have these excess foreign currencies and where the economic and political and social conditions are very different from the United States will produce some results that will be useful for this country?

Mr. BALL. I think it has to be on a highly selective basis, Mr. Chairman. There obviously would be no point in studying some things just because of the differences that you suggest.

But concerning a question such as, "Should you supply health insurance to people without their paying anything or should you make them pay part of the cost?" I think the experience of almost any country with the same general kind of health insurance system we are talking about would have bearing and would be useful additional information. There is a long standing controversy in the area of health insurance on this issue.

STUDY OF U.S. CITIZENS ABROAD

Mr. CASEY. How about U.S. citizens who are in foreign countries and recipients of social security? Are you going to study them? Is that part of this study?

Mr. BALL. No, it hasn't been considered as part of the plans we have had so far in mind, but I should make clear we have not as yet defined in detail the exact studies we would conduct under this request. We have here some illustration of the type of thing that we might do.

The U.S. citizens abroad are, of course, receiving their benefits almost entirely under the conditions set up by the U.S. Social Security Act. So there would be some interesting things to learn about them from the research standpoint—how they got along in that country in comparison with other people in the country. We hadn't thought of that as a primary focus, however.

Mr. CASEY. Have you made any inquiry to see whether similar studies have been made by some of the committees of the Congress like Ways and Means or the Senate Finance Committee?

Mr. BALL. I am sure they have not. I am very well acquainted with the work of those two committees in the social security area. I know of no studies that they have made at all of this type.

Mr. CASEY. Mr. Michel.

SPECIFIC GOALS OF THE PROGRAM

Mr. MICHEL. Mr. Commissioner, over the years I have never been too critical about the use of these foreign currencies for these purposes, particularly research. But by the same token I don't think members of this committee are as sympathetic as they might be to utilizing those funds and giving carte blanche for everyone in the Gov-

ernment, feeling they are there and let's use them up any way we possibly can.

So when the requests are made to us by various departments for utilizing these funds, particularly for research, I am a little bit more persuaded when there is a specific goal in mind distinguished from "Well, we know it is there and there probably are some things we could research."

STUDY OF YUGOSLAV HEALTH INSURANCE PROGRAM

You single out the proposition of Yugoslavia?

Mr. BALL. Yes.

Mr. MICHEL. Is it considering the change?

Mr. BALL. They have made the change to participating charges to beneficiaries.

Mr. MICHEL. It really wouldn't take much but a simple inquiry to ask Yugoslavia, for example—"You were operating your health insurance program before on such and such a basis, then you switched. Why?"

If I would answer my own question, they would probably say "It got so expensive we decided to slow it down somewhat so we are going to try this out."

Isn't that about the answer we are going to get without spending millions of dollars to research that question?

Mr. BALL. Let me make two points. One is we are only asking for $750,000.

Mr. MICHEL. That is a modest request admittedly. However, I would be willing to make a little wager with you in friendly fashion that if we get started this year, next year it will be double and triple as all of these things usually go.

Mr. BALL. On your fundamental point, this would not be just an inquiry into why the Administrator and the Government thought they ought to change, but an actual study of the utilization pattern before and after. You have a kind of little laboratory where we would go into the data that led them to the conclusion that they needed to change.

Mr. MICHEL. How long has it been since they made their switch?

Mr. BALL. I think just in the last year. Then, what we look at is how is the program operating today. We would also ask their contract people, say, professors in the universities, to study how their system operated before. Did the change really accomplish what they had in mind? I am sure they had the motivation you suggest.

This argument, as I say, has been going on for 50 years, but to my knowledge with very little basis in the way of really good comparisons on a before and after basis. Everybody has an opinion and, if you ask them, they will give you an opinion. I think this is chance to compare utilization rates before and after. I think this is a study we would undoubtedly implement if we had the authorization.

Mr. MICHEL. You single out three-quarters of a million dollars that would be involved in both Yugoslavia and Poland?

Mr. BALL. Yes.

POSSIBLE PROJECTS IN POLAND

Mr. MICHEL. Have you anything specifically in mind in Poland that might be explored?

Mrs. MERRIAM. It is difficult to be too precise on any of these. You have to find the right researcher. The right topic. After we look at it, we see, yes, there is a real research project and somebody who is free to do it. We don't want to just spend the money.

Mr. MICHEL. The point I am getting at, when you made your request to us, you should have had something specifically in mind like the one to which the Commissioner just referred. That makes sense. I want something else.

Mrs. MERRIAM. In Poland, for instance, there have been some rather interesting surveys of aged people in Poland done under Public Law 480 by the Social and Rehabilitation Service. We know from them that they are doing some rather interesting studies on this subject.

Here is another problem. I think that with any industrialized country, the differences in the economic setups don't matter. But the relationship between medically oriented institutional care, custodial care, and other similar types of arrangements are important and worth studying.

There has been some background research, so we won't be starting completely cold. As a matter of fact, in Poland we have an idea as to where we can find some good researchers. Until we really have the money, I have been reluctant to approach anybody to get their help. I think that could be done there.

AREAS OF RESEARCH IN OTHER COUNTRIES

We had not in our planning really put much emphasis on Israel because the amount of Public Law 480 funds available for that country is limited. Should it be possible to do something; a study in Israel should be rather interesting. We are convinced in connection with disability that, for a lot of people, re-engineering the job is quite as important as rehabilitating the people. Experiments in this area are now going on in Israel, as well as Yugoslavia, which we think may be worth looking into.

In every case, what you do is to get, usually, an academic person, a researcher, in the foreign country. We develop the design for the study, that is, what we want to get at.

Another possible area we have had in mind is some studies on widows, and in particular, the problems in the first years of widowhood. For example, we would like to know whether a lump sum payment, which some countries have, would be helpful or whether some other type of financial arrangement would provide needed assistance.

Mr. BALL. If I could expand on that—you remember in the American social security system we do not pay a widow a benefit on a continuing basis, unless she has children in her care, until age 60. That is the earliest point.

Mr. MICHEL. And if her children become of age before she reaches the age of 60, it lapses?

Mr. BALL. Yes. We do have lump sum funeral benefits, the maximum of which is $255. But there are in several other countries what you might call kind of a "tiding-over sort of a benefit." If a woman becomes widowed, the thought is that if she is at a younger age she will go to work, if she doesn't have young children to care for. But during the period of time between the death of her husband, perhaps,

and when she gets a job, she will receive some financial assistance. Many of these countries pay for about a year. This is another area that we thought might be interesting to research.

Mrs. MERRIAM. One other I might mention. We are doing all kinds of studies and are very much interested in the whole question of the relation between private and public pensions, in some countries called "occupational" pensions. Here, again, while our primary interest has been in Western Europe, there are some similarities in other countries, such as Israel.

If it became possible, we might want to do something in this area. Again, I can't be specific on precisely what research studies will be performed but we know there is something worthwhile to study.

COOPERATION WITH SOCIAL AND REHABILITATION SERVICE ON OVERSEAS RESEARCH

Mr. MICHEL. You had singled out the Social and Rehabilitation Services as having done some work here. If I remember the figures correctly, they had a significant increase in the request in their budget. Suppose they are doing the same kind of things you want to do and we were more inclined to give the money to them. Are you working in conjunction with them?

Mrs. MERRIAM. We know what they are doing. We are aware of these surveys of the aged they have been doing, which, of course, are very close to our interests.

I might mention we also know a lot about what the vocational rehabilitation people are doing, and in anything we did in the disability area we would certainly build on what they have done and would be working with them. We have had some discussions with them.

The Social and Rehabilitation Service is much more interested in service, social work activities, and so forth. We are really trying to get at something which has to do with the basic income program and how it operates.

SIZE OF DOMESTIC RESEARCH STAFF

Mr. MICHEL. Since we do get into the research angle in S. & E., probably any further questions might be more appropriately directed to the S. & E. side.

Did I understand you to say, Mr. Ball, that we have 400 people in Social Security involved in research?

Mr. BALL. Yes, in research and statistics.

Mrs. MERRIAM. At least half of those are clerks.

Mr. MICHEL. That figure struck me as being a tremendously large amount of researchers in your particular shop because there really weren't that many innovative things happening. Is that a wrong conclusion?

Mr. BALL. I think, Mr. Michel, we are talking here about, currently, more than a $40 billion a year program which involves the very complicated and new program of Medicare with all of the interest that the whole country and the Congress has in how this is working out, and the utilization and cost control possibilities.

We think it is really very much worthwhile to make a significant investment in the collection of information and data and the analysis and the study of how these programs are going.

Then, of course, you have the older programs on the cash side where disability is really not at all a cut and dried matter. So much of the decisions about disability involve subjective considerations and labor market considerations that it is a matter for continuous study and analysis.

Then, of course, a considerable part of the research is devoted to possible changes and improvements. I think it is really not an oversized effort, considering the fundamental size of the program and the newness of some of the approaches.

OVERSEAS CONTRACTING PROCEDURES

Mr. MICHEL. If this request should be approved and you should negotiate one or a number of contracts to do this work in say Yugoslavia, those contracts would be with private individuals?

Mr. BALL. With approval of the Government.

Mr. MICHEL. Or is it a consortium of researchers? It isn't a Government thing?

Mrs. MERRIAM. We operate through our State Department and their government has to approve in principle. The detailed contract, I think, would be with either the university or whomever would do the study. It would vary from project to project. It has to be approved. Indeed this appropriation request, before it came to you had to go to the State Department. Every individual project requires both the State Department and the foreign government's approval.

Mr. MICHEL. Do you have some people or a university or some entity in Yugoslavia specifically in mind now?

Mrs. MERRIAM. I am sorry to say I do not know the answer to that. We have talked again primarily with the people in the Public Health Service and in vocational rehabilitation. We have some contacts. We have several names there but I don't think at this point we know which one we would take.

Mr. MICHEL. That is all, Mr. Chairman.

Mr. FLOOD. Mr. Smith.

Mr. SMITH. Is all of the money in the contract area to go to contractees in foreign countries?

Mr. BALL. Yes. The $735,000 for contracts would all be spent there in those countries by individual researches there.

Mr. SMITH. You don't make a contract with somebody here who in turn lets a contract there?

Mr. BALL. No. As I was suggesting earlier, we would have maybe one or two of our own employees negotiating the contracts. Somebody from here would have to go over there and negotiate the contract and there would be travel expenses involved.

Mr. SMITH. They would be your employees doing that?

Mr. BALL. Yes.

DEATH BENEFITS

Mr. SMITH. You mentioned something I was going to ask you about, death benefits.

Mr. BALL. Yes.

Mr. SMITH. I still hear some complaints, perhaps it is not a big percentage, about the regulations not permitting in some instances the

person that pays the funeral expenses to get the $255. Do you get complaints about that?

Mr. BALL. This is a matter of law, Mr. Smith. The law provides that if there is a surviving spouse, the payment is made automatically to that spouse; the concept being that it isn't solely a funeral benefit, but it might be for a last illness expense. So it is automatically paid to any surviving spouse. If there is no surviving spouse, then the payment is made to the person who has incurred the funeral expenses or an arrangement can be made to pay the funeral director directly.

Mr. SMITH. In the cases I know there is a surviving spouse and she doesn't have any money and someone else pays the bill.

Mr. BALL. Yes.

Mr. SMITH. If somebody else pays the funeral expenses, can she get the money?

Mr. BALL. The spouse is the first and automatic recipient. She doesn't have to pay the funeral expenses at all. As I say, the Ways and Means Committee report, when this provision went in, indicates that although it is popularly called a funeral benefit, that was not the sole idea——

Mr. SMITH. I think they do not understand that.

Mr. BALL. —last illness expense or whatever it is. It was partly, I think, as a matter of simplicity, too, that when there was a spouse, just pay it without question and only if there wasn't one, to look at whether there had been funeral expenses incurred.

Mr. SMITH. That is all.

Mr. FLOOD. Mrs. Reid?

OTHER GOVERNMENT OVERSEAS RESEARCH

Mrs. REID. Thank you, Mr. Chairman.

How much has been spent previously on research overseas?

Mr. BALL. You mean by the Government as a whole?

Mrs. REID. Yes.

Would you have that figure?

Mr. BALL. I really do not. As you know this is the first time we have made a request.

Mrs. REID. I realize that.

Mr. BALL. We would supply it.

GOVERNMENT RESEARCH ON THE AGED

Mrs. REID. You were mentioning the research on the aged.

Mrs. MERRIAM. Yes.

Mrs. REID. Apparently this is something of which you were aware. What has been done in this particular area.

Mr. BALL. We would undertake to supply for the record what the Social and Rehabilitation Service——

Mr. MILLER. That figure is $10 million for 1972.

Mrs. MERRIAM. The great bulk of the funds historically have been spent by the NIH for health research.

Mr. MILLER. SRS is $10 million and health is large and education is large. I may be wrong and I will correct it, but I think HEW's request is more than $15 million.

TRAVEL EXPENSES PAID BY FOREIGN CURRENCY

Mrs. REID. Can any of these local currencies be used for travel outside the country where the currency is available?

Mrs. MERRIAM. To this extent: Some of the airlines, for instance—let's say, we were sending a staff member to Yugloslavia to look into something on an American airline and Pan American does accept the currencies because they have installations where they can use it—if the airline accepts the currency, the ticket will be paid. A ticket for somebody from here today would be paid for. Foreign currencies can also be used to bring someone over here from that country but only if the foreign country allows conversion of its currency to dollars, or the American airline accepts the money. As for per diem, foreign currencies can be used only if the foreign country allows the conversion of its currency.

Mrs. REID. Thank you.

RESEARCH ON FOREIGN MEDICAL PROGRAMS

Mr. SMITH. Does any of this relate to research on medicare or medical programs in those other countries?

Mr. BALL. Yes, Mr. Smith. One that we do have in mind as a possibility is in Yugoslavia which would bear on this old issue of what the effect of having the patient pay part of the cost has on utilization of the medical system, since they used to give it without coinsurance and now have reintroduced coinsurance. We have a chance to study this change in policy and this would have some bearing on possible policy determinations here in the United States.

Mr. SMITH. Would it become involved with the delivery system or that aspect?

Mr. BALL. We didn't have that in mind. The Yugoslav and Polish delivery systems are substantially different from ours. I don't know how much real value the study in that area would have. I don't want to rule it out, but we haven't thought of such a study.

Mr. FLOOD. Mr. Patten.

USING PUBLIC LAW 480 FUNDS TO PAY OVERSEAS STAFF

Mr. PATTEN. I have one question. You justify using this counterpart by saying it is to carry on research and learn something about how you do it. Does anyone have an idea how many payees you have outside of the continental United States? How many checks do we send out?

Mr. BALL. It is about 232,000 a month.

Mr. PATTEN. It is quite a few?

Mr. BALL. Yes.

Mr. PATTEN. You had not intended to give any of these people living in Spain or Italy, wherever they are, if 50,000 in Italy and 10,000 in Ireland, service with counterpart money?

Mr. BALL. No. As part of our regular administrative costs, Mr. Patten, we have the responsibility of policing that part of the program.

Mr. PATTEN. Do you have an office in Paris or London?

Mr. BALL. No. We actually have some staff abroad, but mostly we operate through the U.S. embassy staff.

Mr. PATTEN. Why can't we pay your staff abroad with this kind of money?

Mr. BALL. We do not have any staff in countries where there are these counterpart funds.

Mr. SMITH. You have a staff in Italy.

Mr. BALL. Italy is not one of these excess foreign currency countries, and we do not have SSA employees in Italy.

Mr. PATTEN. How about Israel?

Mr. BALL. No. We operate through the Embassies in most places. A few places where there has been a large concentration like the Philippines or Greece, we have had one person.

TOTAL HEW REQUEST FOR PUBLIC LAW 480 FUNDS

Mr. MILLER. Mrs. Reid, may I correct the record? The total HEW request for Public Law 480 money is $38 million plus the $750,000. There is $25 million in health, $10 million in social and rehabilitation services and $3 million in education.

Mr. FLOOD. Thank you, Mr. Ball.

(The justification follows:)

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Social Security Activities Overseas
(Special Foreign Currency Program)

Amounts Available for Obligation

	1971	1972
Appropriation	---	$750,000
Total obligations	---	750,000

Obligations by Activity

Page Ref.		1971 Estimate Amount	1972 Estimate Amount	Increase or Decrease Amount
45	Social security research	---	$750,000	+$750,000
	Total obligations	---	750,000	+750,000

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Travel and transportation of persons	---	$15,000	+$15,000
Other services (program contracts)	---	735,000	+735,000
Total obligations by object	---	750,000	+750,000

Summary of Changes

1971 estimated obligations	---
1972 estimated obligations	$750,000
Net change	+750,000

	Base Amount	Change from Base Amount
B. Program increases:		
1. Research in excess foreign currency countries	---	+$750,000

Explanation of Changes

In fiscal year 1971 the Social Security Administration had no program of research financed with excess foreign currencies. It requests an appropriation for such a program for fiscal year 1972. Comparative research projects abroad will assist in the evaluation of the old-age, survivors, disability, and health insurance provisions of the social security program.

Authorizing Legislation

Agricultural Trade Development and Assistance Act of 1954
Public Law 83-480, Section 104 (k)
(as amended by PL 85-477, PL 86-108, PL 86-341, and PL 89-808)

"For carrying out programs of United States Government agencies to--

. . . . . .

"(3) collect, collate, translate, abstract, and disseminate scientific and technological information and conduct research and support scientific activities overseas including programs and projects of scientific cooperation between the United States and other countries such as coordinated research against diseases common to all mankind or unique to individual regions of the globe, and promote and support programs of medical and scientific research, cultural and educational development, family planning, health, nutrition, and sanitation;"

Social Security Activities Overseas
(Special Foreign Currency Program)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1971	--	--	--	--
1972	$750,000			

Justification

Social Security Activities Overseas

(Special Foreign Currency Program)

	1971 Estimate Amount	1972 Estimate Amount	Increase or Decrease Amount
Social Security Research...	---	$750,000	+$750,000
Total.....	---	750,000	+750,000

General Statement

For fiscal year 1972, the Social Security Administration requests $750,000 under authority of section 104(b)(3) of Public Law 83-480, the Agricultural Trade Development and Assistance Act of 1954, as amended, by the Food for Peace Act of 1966, Public Law 89-808. The total request is for the purchase of foreign currencies derived from the sale of surplus agricultural commodities, and excess to the normal needs of the United States.

The proposed international research program is intended to supplement domestic research which backstops the evaluation of the operations of the social security program in the United States, by providing a measure of comparison for determining whether the U.S. patterns are typical, unusual, or require modification. The pertinent foreign programs are considerably older than our own, have faced similar problems, and have achieved or failed to achieve satisfactory solutions. The analysis of these systems by trained persons abroad will thus complement U.S. research and permit foreign experts to devote time and skills to research in problems for which the United States is also seeking new or better solutions.

Funds requested will make it possible to add another dimension to U.S. domestic investigation of significant problems, to benefit the cooperating foreign country by strengthening its potential for research competence and by deepening the scope of the communication of knowledge now carried out through membership in the International Social Security Association.

For fiscal year 1972, $750,000 is requested for the use of local currencies in the fields of retirement, medical care and disability insurance in countries which have relevant ongoing programs.

Since this is a new program without an appropriation, definite projects have not yet taken shape, and there have been no formal negotiations with excess foreign currency countries. The following are some of the kinds of projects contemplated:

Retirement Patterns

One of the purposes of social security research is to provide information to be used in the constant development and adaptation of a social security program to current needs. Specifically, in order to know what effect the U.S. system of benefits has on people's retirement behavior it is necessary to compare the U.S.

62-917 O - 71 - pt. 4 -- 53

process of retirement with those of countries with different systems. In some technical ways the nature of research in the U.S. is limited by the large size of the population. With trust fund financing, the Social Security Administration has underway a retirement history study which follows Americans over 10 or more years of pre- and post-retirement experience. In designing this study, economic considerations led the SSA to choose to observe a non-random but nationally representative sample of the population. We cannot, as a result, learn as much about the causes of various retirement patterns as would otherwise be possible. In smaller foreign countries, random sampling would be less costly than in the U.S., and parallel retirement studies compared with our own would add to the accuracy of what we are learning about Americans.

The methodology would involve questionnaires and interviews containing items comparable to the basic inquiries of the Retirement History Study done in this country. The results from each country would be analyzed and compared with those available from comparable studies in other locations through data processing techniques.

Poland and Yugoslavia are possible countries in which to initiate such studies. In these countries social science researchers of skill and experience are available and survey research is an accepted practice.

Medicare

In view of the trend of health insurance costs, a study and analysis will be made of pertinent experience in selected foreign countries, such as Yugoslavia or Poland, focusing on federal-local sharing of costs, success with delivery of medical care at no direct cost to the patient, "participating" charges to the patient, variations in local options for financing within the individual countries, and an examination of the rationale for recent significant legislative changes.

For example, the Social Security Administration might explore the reasons for and effects of a change in Yugoslavia from a medical care system which guaranteed universal health services without any substantial direct patient charge, to one which guarantees "basic" health services to its citizens without charge, and other services with "participating" charges to be established at the discretion of local authorities.

In view of the recent national interest and concern about health care protection, it would be of benefit to us to understand why these changes have occurred in Yugoslavia and the effects of them.

Disability Insurance

Studies in excess foreign currency countries which provide data on the kinds of disability, the economic characteristics of the disabled population (including income from social security and other sources), medical care and rehabilitation of the disabled in the foreign country compared with the U.S., could provide information which would be useful in recommending improvements to the U.S. system of disability insurance.

SOCIAL SECURITY ADMINISTRATION

Social Security Activities Overseas
(Special Foreign Currency Program)

Program Purpose and Accomplishments

Activity: Social Security Research

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	---	---	---	$750,000

Purpose: This new program will enable the Social Security Administration to engage in comparative studies abroad which will supplement and complement the domestic research conducted by the Office of Research and Statistics, Social Security Administration, in the evaluation of the old-age, survivors, disability, and medical care provisions of the Social Security Act. It is anticipated that the overseas research program will enable the U.S. to benefit from the experience of other countries in dealing with social and health insurance problems similar to our own and to avail ourselves of unique talents and capabilities of foreign researchers. Such a research program also benefits the foreign countries involved and contributes to the strengthening of United States ties with them in furtherance of our Nation's foreign policy aims.

Explanation: Funds appropriated will be used to purchase from the Treasury Department certain foreign currencies which are determined to be in excess of the normal requirements of the United States. These currencies are used to fund research projects in the respective excess foreign currency countries. The SSA will negotiate for specific studies to meet its research needs and contract with an agency of the host country or an institution of higher learning to perform each study.

Objectives for 1972: Retirement, medical care, and disability studies are planned. Probable countries are Yugoslavia and Poland. Since this is a new program without an appropriation, definite projects have not yet taken shape.

THURSDAY, MAY 20, 1971.

LIMITATION ON SALARIES AND EXPENSES

WITNESSES

ROBERT M. BALL, COMMISSIONER OF SOCIAL SECURITY
JACK S. FUTTERMAN, ASSISTANT COMMISSIONER, OFFICE OF ADMINISTRATION
MRS. IDA C. MERRIAM, ASSISTANT COMMISSIONER, OFFICE OF RESEARCH AND STATISTICS
THOMAS M. TIERNEY, DIRECTOR, BUREAU OF HEALTH INSURANCE
SAMUEL CROUCH, DEPUTY DIRECTOR, BUREAU OF DISABILITY INSURANCE
MRS. MILDRED L. TYSSOWSKI, DIRECTOR, DIVISION OF FINANCIAL MANAGEMENT, OFFICE OF ADMINISTRATION
SHERWIN T. MONTELL, BUDGET OFFICER, DIVISION OF FINANCIAL MANAGEMENT, OFFICE OF ADMINISTRATION
CHARLES MILLER, ACTING DEPUTY ASSISTANT SECRETARY, BUDGET

LIMITATION ON SALARIES AND EXPENSES

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Personnel compensation:			
Permanent positions	448,811	494,185	511,386
Positions other than permanent	7,183	7,269	6,623
Other personnel compensation	28,870	22,962	10,757
Special personal service payments	90	174	152
Total personnel compensation	484,954	524,590	528,918
Personnel benefits: Civilian employees	36,650	42,881	44,865
Travel and transportation of persons	8,361	10,264	10,647
Transportation of things	1,537	1,895	1,582
Rent, communications, and utilities	54,856	62,408	67,042
Printing and reproduction	4,831	7,493	6,859
Other services	310,369	358,877	403,248
Supplies and materials	5,280	7,484	6,496
Equipment	5,249	15,547	4,021
Lands and structures	1,102	898	616
Administrative expenses included in schedule for fund as a whole	−924,311	−1,028,777	−1,076,000
Total costs, funded	−11,122	3,560	−1,706
Change in selected resources	11,122	−3,560	1,706
Total obligations			

PERSONNEL SUMMARY

Total number of permanent positions	50,029	52,703	53,358
Full-time equivalent of other positions	1,485	1,625	1,474
Average number of all employees [1]	50,811	53,442	53,574
Average GS grade	6.9	6.9	7.0
Average GS salary	$9,419	$9,626	$9,787

[1] Excludes overtime equivalent as follows: 1970, 2,837 man-years; 1971, 2,063 man-years; 1972, 906 man-years.

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
1. Old-age and survivors insurance	385,122	424,727	417,787
2. Disability insurance	185,012	220,233	237,942
3. Health insurance:			
(a) Hospital insurance	127,505	136,942	148,768
(b) Supplementary medical insurance	215,550	250,435	269,797
Total program costs, funded	913,189	1,032,337	1,074,294
Change in selected resources [1]	11,122	−3,560	1,706
Total obligations	924,311	1,028,777	1,076,000
Financing: Unobligated balance lapsing	19,188		25,000
Limitation	943,499	1,028,777	1,101,000
Budget authority:			
Appropriation	911,350	997,461	1,101,000
Pay increase (Public Law 91-305)	32,209		
Transferred to other accounts	−60	−230	
Limitation (adjusted)	943,499	997,231	1,101,000
Proposed increase in limitation for civilian pay act increases		31,546	
Relation of obligations to outlays:			
Obligations incurred, net	924,311	1,028,777	1,076,000
Obligated balance, start of year	40,578	70,786	78,563
Obligated balance, end of year	−70,786	−78,563	−83,563
Outlays, excluding pay increase supplemental	894,103	991,025	1,069,429
Outlays from civilian pay act supplemental		29,975	1,571

[1] Selected resources as of June 30 are as follows:

	1969	1970	1971	1972
Stores	2,612	2,999	3,179	3,439
Unpaid undelivered orders	5,620	16,355	12,615	14,061
Total selected resources	8,232	19,354	15,794	17,500

Mr. FLOOD. Mr. Ball, the next item is limitation on salaries and expenses.

Mr. Commissioner, how do you want to proceed on this?

GENERAL STATEMENT

Mr. BALL. Mr. Chairman, I have here a summary statement on this item and I would like to request it be put in the record in full.

Mr. FLOOD. Your statement will be inserted in full in the record.

(The statement follows:)

STATEMENT BY THE COMMISSIONER OF SOCIAL SECURITY

The salaries and expenses request is for authority to spend $1,134,640,000 from the trust funds to administer the cash benefit and medicare programs. As in the past, this request includes a $25 million contingency reserve to cover workloads not anticipated in the budget estimate and to meet mandatory increases in the costs of medicare intermediaries and State agencies which assist in the administration of the social security program.

The fiscal year 1972 requests, in terms of obligations, includes $735 million for the bureaus and offices of the Social Security Administration; $291.7 million for the carriers and intermediaries who assist in administering medicare; and $83 million for payments to State agencies which assist in the administration of the disability and medicare programs. As you can tell from these figures, more than one-third of estimated administrative expenses for fiscal year 1972 is for

the costs of third parties who assist in carrying out the provisions of the Social Security Act.

The amounts required for administration of the social security program in large part derive directly from workloads which result from provisions of the law which define protection afforded people under the social security program. The size of these loads is of course also a function of objective factors, not subject to control, such as growth of population, level of employment, incidence of illness among the aged, and mortality rates. Thus, the amount of work that has to be done is dependent primarily upon the interaction of demographic factors and the provisions of the law and neither of these, as I have indicated, is subject to any significant degree of administrative control. Even in the absence of legislative changes to the program which provide new or liberalized benefits and result in added work, the volume of work to be processed by the Social Security Administration will increase each year for many years to come just from population growth.

In fiscal year 1971, the volume of work received by the Social Security Administration has been influenced by the downturn in the economy. Often, older workers are among the first to be let go and when they cannot find other jobs, many of them decide to file claims for retirement benefits. In addition there is a tendency on the part of unemployed persons with some degree of disability to feel that there is nothing to lose by filing for disability benefits, even though the prospects for approval of their claims may be poor. As a result of the impact of economic conditions on our work, the workloads contained in the fiscal year 1971 base for the 1972 budget are higher than those on which the 1971 appropriation request was made. Also, the workload and mandatory costs of medicare intermediaries are higher than contained in the 1971 appropriation estimate. For these reasons, the SSA was authorized to use the full $25 million contingency reserve in the 1971 appropriation, after it absorbed over $17 million in higher than budgeted costs.

An increase over the fiscal year 1971 base of about $65 million in obligations is budgeted for fiscal year 1972. Most of this increase ($53.5 million) is for mandatory cost items. These include: $17.7 million for carrying the recent Federal pay increase that was effective for about a half of fiscal year 1971 for a full year in 1972; $24.4 million for higher wages and increased prices of materials and services provided by medicare, intermediaries, and State agencies including Federal financing of a greater and more equitable share of the indirect costs of State agencies who assist us in the disability and health insurance programs; and the remainder, approximately $11.4 million, is for mandatory increases in the wages of SSA employees due to annual within-grade increases, promotions, increased health benefits and one more extra day of pay above the standard 260 days, in 1972 than in 1971.

The remainder of the increase ($11.5 million) is the net effect of many pluses and minuses. On the plus side it reflects the cost of handling a composite increase of 5.1 percent in the workloads of SSA bureaus, medicare intermediaries and State agencies. It also reflects increased costs for renting office facilities. On the minus side there are projected cost reductions which will permit us to absorb over 60 percent of the cost of additional workloads. Also budgeted for fiscal year 1972 are reductions in overtime costs and a lower volume of nonrecurring expenses such as purchases of ADP equipment.

I believe it is important to highlight the fact that although the workload to be handled by SSA bureaus is projected to increase by 3.6 percent in fiscal year 1972, the manpower required to handle this added work will be fully absorbed and on top of this we are planning to reduce the total man-years of effort by 1,025 man-years. We expect to achieve these manpower savings through continued efforts to automate the claims and benefit payment processes and to streamline our work processes in a variety of ways.

The Social Security Administration, like all Federal agencies, accomplishes its work by the use of manpower derived from three sources: permanent employment, temporary and part-time employment, and overtime. The 1972 budget reflects a continued effort to reduce the use of overtime. Thus although in fiscal year 1972, as a result of actions to improve efficiency of operations, we are budgeting a substantial reduction in man-years the appropriation request before you asks for an increase of 655 permanent positions (from 52,703 permanent employees on June 30, 1971, to 53,358 on June 30, 1972). The budgeted decrease of 1,157 man-years in overtime (from 2,063 man-years in 1971 to 906 in 1972) far exceeds the increase in man-years for permanent positions. This re-

duction in overtime will save $3.4 million in fiscal year 1972 that we otherwise would have to incur as premium costs for overtime work. Overtime is a useful device for handling one-time peakloads but it is an expensive way of processing regular recurring work. Moreover, it is essential that our plans for administering the existing program reflect a greatly reduced dependence upon overtime because if the Social Security Act is amended we will be required to call upon our employees' full capability to work overtime if we are to successfully cope with the added work during the time staff is being recruited and trained for the new jobs created as a result of legislation.

EXPENDITURES FOR CONTRACTOR SERVICES

Mr. BALL. This item is a request for the authority to spend from the social security trust fund for the administration of the social security program both for salaries and expenses of our own employees and by now a very substantial part of the request is for contractors who perform major roles in the administration of medicare.

Mr. FLOOD. What is a contractor?

Mr. BALL. In the medicare program it is Blue Cross, Blue Shield, and private insurance companies who perform defined functions in the administration of medicare.

Mr. FLOOD. They have a contract with you?

Mr. BALL. Yes.

Mr. FLOOD. Year by year?

Mr. BALL. It is a year-by-year contract with automatic renewal unless one of the parties intervenes during a specified period before the expiration date. I think we have five now to whom we have given a contract for less than a year because we are not fully satisfied with their performance. The other type of contract operation is with the State agencies, almost entirely in the disability program, the vocational rehabilitation agencies, who make an initial determination of disability for the cash disability program.

So if I could just break down the amount we are requesting between social security proper, salaries and expenses, and these contractors—what we have in total request is $1,134,640,000——

SOCIAL SECURITY'S PUBLIC IMAGE

Mr. FLOOD. The people back home think you are a classic example of a horrible bureaucracy—your office, the districts. They think you are exhibit A. You are a great big octopus. Are you?

Mr. BALL. I had not realized that was the opinion, Mr. Chairman.

Mr. FLOOD. It is.

Mr. BALL. Where the people meet social security, ordinarily it is in a district office in the locality staffed with local people and the offices are relatively small.

SOCIAL SECURITY CONDUCT TOWARD THE PUBLIC

Mr. FLOOD. Do you know the manners and conduct of your people in the local offices? Are they nice, are they kind? Do you check this?

Mr. BALL. Very carefully, sir.

Mr. FLOOD. We hear sometimes that your people are rather brusque. Of course, they can be tired, you know, at 4 o'clock and so on, because they are human. Are your people ordinarily gracious and helpful?

Mr. BALL. I would say that over the years almost always. As you say, there are some exceptions on occasion. We have received very good

testimony from the public in terms of the sympathetic and courteous treatment they get in Social Security offices. I have had literally hundreds of letters from the public coming from all walks of life, testifying to the real warmth of the Social Security office.

Mr. FLOOD. We know about frustration and lack of understanding but we do get this.

Mr. BALL. I think there is this to be said: If an individual's claim has been turned down so that he does not get paid, and he feels, for whatever reason, that he really should get paid, it very often is his reaction that he has been treated unfairly.

DISTRICT OFFICE LOCATION AND ACCOMMODATIONS

Mr. FLOOD. Your regional office or district office—a person comes in, into this Taj Mahal sort of building, and there are your people—does she sit down there or stand up or what happens?

Mr. BALL. First, by and large our offices are not large offices. They are not of a Taj Mahal type.

Mr. FLOOD. They are not?

Mr. BALL. No. They are small, comfortable.

Mr. FLOOD. You do not want them to be marble and brass and this sort of thing?

Mr. BALL. No. I think they are typically comfortable and inviting offices, though there are some places in the country where we definitely want to improve them. We have a building program going on, as you know.

We also, have as a matter of policy in recent years, established neighborhood offices in the large cities to get away from the large downtown office solely.

Mr. FLOOD. In a large city—what do you mean?

Mr. BALL. Take a city like Washington, we now have five branch offices in the neighborhoods of Washington.

Mr. FLOOD. But it is an adjunct of a central office.

Mr. BALL. Yes, they are under the direction of a central office.

Mr. FLOOD. Do you call them regions or districts, or what?

SSA REGIONAL OFFICE ORGANIZATION

Mr. BALL. District offices are what you and I are now talking about. There is, over them, a regional office which is purely supervisory.

Mr. FLOOD. Will you describe the regions as opposed to districts?

Mr. BALL. Yes.

Mr. FLOOD. What is a region?

Mr. BALL. The regional office is solely supervisory. The individual citizen does not go to the regional office. That is where the administrators who have the responsibility for operating the whole program work from. They may be specialized in part of the program, such as in medicare or in retirement and survivor's insurance and so on.

Mr. FLOOD. From the region the next step is to you?

Mr. BALL. Yes.

Mr. FLOOD. A region has how many districts on the average?

Mr. BALL. I would say, on the average, almost 60. There are some with more and some with less.

Mr. FLOOD. Must they go through the region before they go to you, or what?

Mr. BALL. Ordinarily they would go through regional supervision before a district manager was directly in touch with me.

Mr. FLOOD. You see our people are so concerned about the importance of you people, the image of the commissioner and the regions and the districts. It scares them because it is so impressive.

DISTRICT OFFICE SIZE, PERSONNEL AND MANAGEMENT

Mr. BALL. I think so far as the public is concerned, in dealing with us, almost entirely they go to or telephone this local district office which is small. It ranges from six or seven people in some small branch office to almost never more than 100 people in the largest offices. There they are greeted and interviewed by people who come from that community. I am really very proud of the fact that over the years they have earned a reputation for being sympathetic and responsive to the individual.

Mr. FLOOD. Do you try to employ at the districts local people if they are qualified? Would you like to have local people if they qualify?

Mr. BALL. Yes. Many of our managers——

Mr. FLOOD. What is your policy?

Mr. BALL. ——have been there for years and years.

Mr. FLOOD. What do you think?

Mr. BALL. I think it is desirable in the majority of the jobs for the people to be local people. Let me qualify that in terms of executives who are moving on up in the organization.

If there is a young man who is going to become a district manager, about the only way he can move is to go from a smaller office to a larger one. Although many, as I say, have been in the community for years, some of the younger men and women moving up have to move geographically. The great bulk of the people who interview the public, though—a high proportion are women, as you might expect, and their husbands have jobs in that community and they are located there.

TREATMENT OF THE PUBLIC

Mr. FLOOD. We are very concerned with your people at the district—how they act, how they think, how they feel, how they talk to people. This is an especially personal thing.

Mr. BALL. Yes. From the beginning even before I was commissioner——

Mr. FLOOD. We do not like cold professional bureaucrats at this kind of job.

Mr. BALL. I agree 100 percent.

Mr. FLOOD. It might be all right for the Bureau of Mines or someplace.

Mr. BALL. These people are dealing typically with an older person who has recently retired, a disabled person, or someone recently widowed. If you would like to accept it at this point in the record, I would like to have inserted a statement of the objectives of the Social Security Administration that are related to these points. Every new employee of social security gets a statement of what we expect in the way of standards of treatment of individuals who come to the offices which I would like to offer for the record, if I may.

(The information follows:)

The Objectives of the Social Security Administration

The following statement is an excerpt from Part I. "Responsibility to the Public" of the publication The Objectives of the Social Security Administration which is distributed to every new social security employee.

Responsibility to the Public

The Social Security law is a statement in detail of the rights and obligations of people. The Social Security Administration is responsibile for translating these statutory rights and obligations into precise and detailed operating policies and practices which guarantee that the rights are fulfilled and the obligations carried out. The responsibility has two aspects.

In the first place, we have the duty of performing the many concrete tasks necessary to protect and maintain the rights earned by those who participate in the program. In the second place, and equally important, we must through the way we perform these tasks create for the organization a personality and a character appropriate to a program based on the concept of earned right.

The social security program is supported by the contributions of those who have protection under the program and their employers. The Trust Funds to which contributions are made, and from which benefit payments come, are in a very real sense the property of contributors. To preserve the rights of the group as well as of the individuals who compose it, each benefit payment must therefore be exactly what is due the individual. Since our administrative expenditures are also charges against the Trust Funds, we have a special obligation to give the best service for each administrative dollar.

Beyond the day-to-day tasks, we have the same sort of long-range responsibility that the management of a private corporation has to its investors. Our policies, our organization, our administrative procedures, our staffing practices must all be developed with the permanency of the program in mind. In each of our actions we must build for the future no less than for the present. Persons just beginning their working life must have the same assurance of protection deriving from the soundness of our management as do beneficiaries currently receiving payment.

There are ten objectives bearing directly on our responsibility to the public:

OBJECTIVE 1: Pay initial claims as soon after entitlement as practicable and process post-entitlement actions promptly and accurately so that all benefits are paid on time.

Most people who get a social security check depend on it for the necessities of life. No goal of the Administration, therefore is more important than seeing that people get their benefit checks every month at the right time and in the right amounts; and that both the initial payment of claims and the reinstatement of benefits are as prompt as we can make them. Promptness and accuracy--the right check, to the right person, at the right address, on time--are the very essence of our service.

OBJECTIVE 2: Provide objective, uniform and equal treatment of people under law.

Who is entitled to benefits, how much and under what circumstances, is a matter of national law. Our job is to apply the law under a great variety of circumstances and conditions in such a way that all people can depend on getting equal treatment regardless of who they are or where they come in contact with the organization. We have a special obligation to protect the rights of the disadvantaged and the uninformed.

The uniform administration of law is based upon an organized system of national policies and procedures in the form of written regulations, instructions, and manuals. Training programs, conferences, and similar devices are used to promote common understanding on the part of all those who administer the program across the nation. A carefully designed system of review and measurement helps insure that the final actions on claims are objective, uniform, and in accordance with the law. Finally, every individual has the right to appeal decisions to a separately organized Bureau of Hearings and Appeals and to the courts.

OBJECTIVE 3: Treat everyone who comes to a Social Security Administration district office or telephones or writes to any part of the organization as deserving of respect and entitled to prompt service of high quality provided in a courteous, friendly and helpful manner.

Social Security is the translation into operations of the spirit and objectives of contributory social insurance. The way the program is administered determines almost as much as the statute itself what the concept of "right" means in practice. We are, of course, firm about requirements and must sometimes take actions contrary to what our "customers" want, but our goal under all circumstances is to carry out the program in a way that is friendly, courteous and sensitive and responsive to the feelings of others.

OBJECTIVE 4: Operate under policies and procedures that are as little burdensome on the public as possible but at the same time offer adequate assurance that the statutory provisions are being carried out.

We have an obligation not only to see that people get what is due them but to protect the Trust Funds against improper payments, and we strive to earn the respect of the public for the integrity of our administration as well as for its helpfulness and its humanity. This means for one thing the adequate documentation of the claim. We want proof of disability, proof of age, proof of coverage and earnings. The presumptions we use must be tested to determine their validity. We must provide for measurement and review, for checks and balances, to insure that initial awards of benefits are correct, and that continued payments are proper. On the other hand, we must guard against procedures and policies that go beyond what is needed to insure the integrity of the program, for respect on the part of the public for tight administration can easily turn to impatience with red tape. Above all we must be alert to the unusual, to the situation that doesn't fit the rule, and strive to see our policy, our procedure, our action as it seems to others.

OBJECTIVE 5: Secure and maintain accurate records of all covered wages and self-employment income in a way which makes it as easy as possible for the public to do what is required.

To protect people's rights, reporting of wages and self-employment income must be complete, accurate and available on time. At the same time, it is important to our public relations and to the public relations of Government as a whole, that our procedures impose minimum costs and difficulties upon the employers and the self-employed persons who make the reports.

OBJECTIVE 6: Maintain an organization in which the public has a high degree of confidence and with which it is willing to cooperate.

The effectiveness and economy of our administration depend upon an underlying willingness on the part of the public to cooperate. We could not force, without prohibitive expense, what is now done willingly. What people think of us, the picture of the organization they carry in mind, derives from the type of personnel we select to represent the organization, how we train them, what our offices look like, the attitude of friendly and dependable service we adopt in all our public contacts, the tone of our correspondence and the promptness with which we answer inquiries, the soundness of our policies, the correctness of our decisions under these policies, and the clear evidence that we practice the democratic principles of equality of treatment, equality of service, and equality of employment opportunity--really what each of us does everyday. It is these everyday tasks done well that are the foundation of our public relations.

OBJECTIVE 7: Provide a helpful referral service to other programs.

The people who come to our offices often bring with them problems and questions which are outside our own program and competence. While maintaining a clear focus on our own responsibilities, we should know about community resources, participate in their development, and operate a helpful referral service.

OBJECTIVE 8: Maintain levels of service that are appropriate to an insurance program based on the concept of earned right and that will protect and maintain the rights of program participants.

Inherent in the maintenance of program rights is the need to obtain and maintain adequate resources to do the work. We must develop sound budget estimates and base them on firm documentation to ensure authorization by Congress of administrative expense funds in the amounts needed. The number, qualifications and training of staff, and housing, equipment, and technical facilities must all be matched to the kinds of jobs we do and the quality with which we must perform them. Particularly at the place where the public meets the program our facilities should fully reflect the character of the program and the way it is administered. It is an important part of this objective to have facilities in the field which in type of space, location and number will provide convenience and comfort to the public and reflect credit on the program and the organization.

OBJECTIVE 9: Let people know about their rights and responsibilities under the program.

People need to be informed before they can act to obtain the program rights to which they are entitled and to discharge their obligations under the law. Moreover, the purpose of the program requires that people know ahead of time what rights they have, for security is not only a matter of getting the money when it is due but of being conscious ahead of time that the protection is there.

OBJECTIVE 10: Attain the Social Security Administration objectives at as low an administrative cost as possible.

We take very seriously the fact that every dollar spent on administration comes from the contributions people have made for their security. We strive to cut all unnecessary expense but, at the same time, we believe that the contributors to the program want and are entitled to a high level of service. Thus, we accept the obligation to scientifically study process and organization. We seek the latest money-saving machinery, improved methods, simplified procedures, and all ways in which an economical and efficient job can be done without lowering quality. There are always improvements to be made. By refusing to be satisfied with what we have achieved, we will retain the spirit of innovation, the willingness to experiment, the desire to consider new things, the capacity to evaluate the old, and the willingness to drop it in favor of something better.

Mr. FLOOD. Do you have people who monitor these things?

Mr. BALL. Yes, indeed. That is the responsibility not only of the manager of the office but the traveling supervisors from the regional office. This is one item of very great attention.

CLERICAL STAFF IS HIRED LOCALLY

Mr. FUTTERMAN. Might I add in relation to the question the chairman asked about the hiring, the majority of the staff in the district offices that we are speaking about are what we call clerical. They go up to grade 6. They are hired locally.

Mr. FLOOD. They are civil service?

Mr. FUTTERMAN. Yes. They are hired locally. The majority of the clerical staff are hired locally by the district office manager from civil service lists—the people who live in that general area.

The technical staff is hired——

TREATMENT ACCORDED BENEFICIARIES IN DISTRICT OFFICES

Mr. FLOOD. I do not mean that. You know what I mean. We are very concerned in a program like yours that in your district when Mrs. Jones walks in—you know what I mean.

Mr. FUTTERMAN. Yes. These are people who are familiar with the community, who have the qualifications for the job, and who generally, at least at the start of their employment with Social Security, begin work in offices located in the communities they come from.

Mr. FLOOD. Here is district A in Mr. Patten's hometown, you have x number of people, who selects them? How do you interview your employees? Is it mere paperwork?

Mr. BALL. No. The people who are going to be in these interviewing jobs, which I believe is the key job we are talking about——

Mr. FLOOD. That is what I mean. This lady walks in, it is half past 9, and what happens?

Mr. BALL. First there is a receptionist in this office who will inquire into her interests. She will be greeted in a friendly and helpful manner

Letters I have received said that they were surprised that a Government office was this interested in people, to be as responsive and helpful as they are. Then when she determines what the lady is interested in, if it is to file a claim, she will assign her to what we call a claims representative. She will be shown to a desk where this claims representative is sitting and he will be seated beside her for an interview which will last anywhere from 15 minutes to an hour depending on the nature of the case.

Mr. FLOOD. This does not scare her. She is not afraid?

Mr. BALL. I think many people who come into a Government office come in with some concern and do not know what to expect, and our job is to reassure them.

Mr. FLOOD. You make a point of this thing?

Mr. BALL. A very great point of it.

Mr. FLOOD. We consider this terribly, terribly important.

Mr. BALL. I would say it was the key element in what I consider the public relations success of Social Security, that is, the attitude of these claims representatives and other people in district offices and how they have dealt with the public over the years. Without that attitude, Social Security would be a very much less popular program.

BREAKDOWN OF THE SALARIES AND EXPENSES REQUEST

Mr. Chairman, we are at the point where I was saying the total request was for $1,134,640,000, of which $735 million is for the salaries and expenses of Social Security Administration employees and $291.7 million for these carriers and intermediaries we have talked about in the medicare program, and $83 million for payments to state agencies which make the disability determinations in the first instance, and also to State agencies under contract with us to apply Federal health standards to extended care facilities and hospitals in the medicare program.

EXTENDED CARE BENEFITS

Mr. FLOOD. What do you mean by extended care? What is extended care?

Mr. BALL. Extended care is the benefit under medicare, Mr. Chairman, that is payable to a person after he has been in a hospital but needs a somewhat lower level of care. It is a highly skilled nursing benefit.

Mr. FLOOD. How will Mrs. Jones find that out? Who would tell her?

Mr. BALL. She would know that in a variety of ways. First of all, at the time she applied for medicare she would have the interview we are talking about, where the program is explained. She is also given literature; she is given a handbook that she can refer to. When she has questions, she can come back to the office to ask or call up. There are question and answer columns in newspapers and radio and television programs and so on. Beyond that when she has to go to the hospital her physician has also been subjected over the years to a great deal of information about medicare, and he is aware that if a patient is able to leave the hospital but not yet well enough to go home, if she needs continuous skilled nursing care, he can enter her into an extended care facility. The hospital administrators know it. In all these different ways, at the time she needs to know, she does know.

Mr. FLOOD. She knows what is going to happen to her and what it is going to cost. She knows the whole thing.

Mr. BALL. I do not want to give you the impression that everything is perfect. As we were discussing yesterday in this extended care area we have been concerned about a minority of cases where the individual has been entered in the extended care facility even if he does not meet the standard of needed care in the law. In such cases, the claim later has to be denied. We were talking yetsreday about a change in the law that we had requested.

Mr. FLOOD. Your service is so important in this country.

Mr. BALL. Yes, Mr. Chairman, I frequently think that the way a large part of the population feels about the U.S. Government as a whole is in major part influenced by their contact with just a few agencies. Almost everybody is in touch with the Social Security Administration at some time.

DISABILITY CLAIMS BACKLOGS CONFRONTING DISTRICT OFFICES

Mr. FLOOD. As the boss, what are the three things in a district office that you consider a problem as of this morning vis-a-vis people?

Mr. BALL. I would say that the biggest problem right now, sir, is that we still have, particularly in the disability area, including black

lung, but disability in general, somewhat higher backlogs than I would wish that we had. Therefore, it is taking somewhat longer to make those payments, and consequently that is of concern to the public and to us. We have people working overtime to reduce this backlog.

Mr. FLOOD. I mean public relations. What three things do you have a problem with this morning. The lady walks in and what do you think you have trouble with as of this morning?

Mr. BALL. I do not think, focused on the point you have made, I would see a problem there. People's reactions to the program are very much affected by how long they have to wait for a payment. That is the one I see—the backlog of work in disability. I think in almost all offices the attitude of responsiveness and concern shown to the individual as he comes in is good. I did get some complaints in a few of the offices where at the beginning of the black lung program—when we had the tremendous influx of black lung claims—there was a feeling on the part of some—I think not entirely justified—that they had not been given the attention and sympathetic consideration they should have. This was in a few offices greatly overwhelmed with tremendous numbers of new claims.

NONPOLITICAL NATURE OF DISTRICT OFFICES

Mr. FLOOD. This is a very important question. Of course, all of mine are. Your district managers in district offices are not politicians, are they?

Mr. BALL. No, there is nobody who works for the Social Security Administration throughout the whole 55,000 people who are anything except civil servants with two exceptions. I am a Presidential appointee and approved by the Senate but I was appointed from the career ranks.

Mr. FLOOD. I mean the district offices.

Mr. BALL. None. All district office employees are civil servants. The Deputy Commissioner of Social Security is a schedule C and the head of the Bureau of Hearings and Appeals a schedule A. All the rest are in the regular career service.

Mr. FLOOD. Is there anything else?

Mr. BALL. Mr. Chairman, I would like to stress the strategy of this request——

Mr. FLOOD. Local politicians, congressmen and so on, mayors, they cannot go to a district office and twist someone's arm, can they?

Mr. BALL. No; we certainly hope that they do visit district offices and they are well treated, but——

Mr. FLOOD. I do not mean that.

Mr. BALL. They cannot influence a decision. There are careful safeguards against that sort of temptation in that these claims are reviewed separately at a different point in our so-called payments center.

Mr. FLOOD. A Social Security district office is not an adjunct of some political party or politician.

MANPOWER REQUEST REFLECTS INCREASED EFFICIENCY

Mr. BALL. No, it certainly is not.

This request, Mr. Chairman, in the salaries and expense item for social security proper calls for a reduction of 1,025 man-years, even though we have a three and a half percent increase in workload.

Mr. FLOOD. You must be reading my mail. I am going to ask you about that.

Mr. BALL. This is a continuation of our ability to do more work with less manpower—a continuation of what has been going on in social security for a long time. That is, an increase in productivity through improved methods and the application of the computer to work that used to be hand-done. Just to give you a feel for the general direction over time—we are asking for slightly less manpower, in the 1972 request before you, than we actually had in 1968, even though the workload will be 20 percent larger than it was in 1968. This is not a reflection of any deterioration in service. It is a reflection in part of greater application of the computer to those parts of the job that are behind the scenes. It is not a reduction in service at the district office level.

LOCAL PERSONS IN DISTRICT OFFICES

Mr. FLOOD. How many districts do you have?

Mr. BALL. There are over 800 district offices and branch offices together. Over 600 are what we strictly call district offices.

Mr. FLOOD. Do you have a local man or woman in charge of a district any place?

Mr. BALL. Yes, local in the sense that they have been there for many years—I would say that would be typical of more than half. Perth Amboy—the present Director of Disability Insurance was Manager of Perth Amboy in 1942 or 1943. I think there have been a couple since then. I think the present man has been there quite a while.

Mr. PATTEN. That is right.

THE QUALITY OF DISTRICT OFFICE MANAGEMENT

Mr. FLOOD. You do feel that your district offices are well administered and conducted?

Mr. BALL. Yes, within human fallibility.

I am very proud of them. I think they do an excellent job and particularly in the area of responsiveness that you have been stressing.

Mr. FLOOD. We think so, but this year we want to know about these little things.

Mr. BALL. As you suggest, Mr. Chairman, this is a very important matter bearing on the attitude of people toward their whole Government. It is very important that people be treated well in these Federal offices when they come to them. I believe in social security they are.

Mr. FLOOD. We are so concerned here about stuffed shirts.

Mr. PATTEN. Mr. Chairman, may I interject at this point, your man in New Brunswick and your manager in Perth Amboy devote a lot

of their nights, Saturdays and Sundays, to spread the story of social security at their service clubs and other groups. They contribute to the daily newspaper beautiful articles. I am sometimes amazed at how hard they work over and beyond an office hour deal. They do it intelligently and effectively. They do many things.

Mr. BALL. Yes.

Mr. PATTEN. Wherever they go they carry enthusiasm for the program and for its integrity.

Mr. BALL. I am very glad to hear that. I really believe it is quite typical. There are very few social security employees that I know to whom this is just another job. They take great interest in the fact that they are bringing security to widows and orphans and older people and disabled people.

Mr. FLOOD. Mr. Patten, I would like to say that in Wilkes-Barre, Pa., you have a man, Perine, you could not possibly do better.

DISTRIBUTION OF THE REQUESTED INCREASE

Mr. BALL. I am glad to hear that, Mr. Chairman. This increase is, specifically for both social security and the contractors, a $65 million increase over last year. It is made up almost entirely of mandatory items related to the Federal pay increase and for higher wages and increased prices of materials that the contractors have to meet, and for mandatory increases such as within-grade increases for employees.

As I suggested, we have been able to not only absorb the additional workload, but to reduce the manpower in total.

FILLING OF ADDITIONAL POSITIONS AUTHORIZED FOR FISCAL YEAR 1971

Mr. FLOOD. Last year you requested, and we approved, 1,811 additional jobs mainly to permit you to reduce overtime costs. Did the Department allow you to fill those jobs we approved?

Mr. BALL. I think we are getting full approval now, are we not?

Mr. FUTTERMAN. We originally received authority for something like 1,050, I think.

Mr. MILLER. My understanding, Mr. Chairman, of the situation—and we will be talking about this later at the next hearing—we did permit social security to fill all the increase that you gave them last year. However, because of employment ceilings, and we will be talking about that later, they have not filled all the budgeted positions they have.

Mr. FLOOD. There was no objection to it at all. Nobody here objected?

Mr. MILLER. No; I understand. As we will be talking about at a later hearing there is a difference between the budgeted positions that the Congress authorized and the employment ceiling that we are authorized by the Office of Management and Budget.

REDUCTION OF OVERTIME IN FISCAL YEAR 1971

Mr. FLOOD. Have you been able to reduce this overtime as you told us you would hope to when you were here last year?

Mr. BALL. Yes. The amount of overtime we have been using in fiscal year 1971 is very much below what we used in 1970, just as we planned it should be. We are still using very substantial amounts of overtime; however, partly because of the fact that we have not been able to fill all

of these jobs, but also, to be completely fair on the matter, the workloads are beyond what we estimated in the last budget, particularly because of the economic slowdown. We always receive more claims in a period of unemployment. Partly disabled people file an application when jobs are scarce to see if they could not possibly get a disability benefit.

Mr. FLOOD. Your employees have been squawking about this, you know.

FISCAL YEAR 1972 POSITION INCREASE AIMED AT OVERTIME REDUCTION

Mr. BALL. Yes. Once again in this budget for salaries and expenses, although we are reducing total manpower, we are asking for an increase in the number of positions of a little over 600, so that we can again aim at bringing the overtime down very substantially.

Mr. FLOOD. I do not mean your people are unhappy. They are a pretty dedicated crowd, but they are upset about this matter.

Mr. BALL. I think, Mr. Chairman, it is really inexcusable to continue with a going program at a level of overtime for work that could be performed by regular staff. You have to use overtime to carryout new legislation that is going into effect quickly. You ought to always keep overtime for a time when you have peak loads and you have to use it. If you use overtime all along you are in trouble when a peak comes.

Mr. FLOOD. I do not think there is any shop in the business that has this problem like you have because of the volume of paperwork. It is not planned.

Mr. BALL. Year in and year out with the present size staff, about 8 or 900 man-years of overtime would be reasonable to level out certain peaks. You do not want to staff for your highest point. So there is always some overtime, but we have been working at the level of a couple of thousand man-years of overtime and that does not make any sense. It costs more. In this budget, once again we have a planned approach of bring that overtime down to about 900.

REDUCING MAN-YEARS BY INCREASING EFFICIENCY

Mr. FLOOD. In your 1972 justifications you expect to reduce your total employment, including overtime, you say by about 1,000 man-years.

Mr. BALL. That is correct, sir.

Mr. FLOOD. Is that a lot?

Mr. BALL. Yes, indeed. Out of about 55,000 man-years, that is a lot. It is a lot when you consider that the workload for social security will increase by 3½ percent.

Mr. FLOOD. I was just going to say you must be Houdini, because how can you do this when your workload is increasing? Does this mean the service deteriorates, the people cannot be promptly handled? How can you possibly do this?

Mr. BALL. It does not mean a deterioration in service, Mr. Chairman. It is accomplished by the greater application of computer techniques to what were previously hand jobs, mostly behind the scenes, and secondly by some procedural changes that are not computer-based. Let me just illustrate rather than leave it so abstract. We have just completed a conversion of the benefit rolls, as you know, for a 10-

percent benefit increase that Congress voted. It will be retroactive until last January. People will be getting this new amount in June.

Mr. FLOOD. And you have another one coming up?

Mr. BALL. Yes. There is another one proposed in H.R. 1. This current one, the people will get in the June 3, 1971 check and they will get a retroactive amount on June 22.

Mr. FLOOD. How are you going to do this?

Mr. BALL. We are talking about over 26 million people.

Mr. FLOOD. You are not bucking for stripes. You do not have to.

Mr. BALL. No, I am saying how it is that we can perform more work with less people. When we used to do these conversions—and across the board benefit increases in Social Security have been common since 1950—when we first undertook them through computer operations there was a large fallout from the mechanized operation that had to be then done by hand. It is very expensive and time-consuming work. In 1965 this fallout amounted to 5 percent of the total. This last conversion that we just completed, because we have continued to work on the programs to be able to do more complicated work on the computers, there will be less than 2 percent of those complicated claims that will fall out and have to be handled by hand. It is becoming almost an entirely mechanized operation.

Mr. FLOOD. Are your people squawking about that?

Mr. BALL. No.

Mr. FLOOD. I have not heard any.

Mr. BALL. You have the situation where the growth of the program as a whole has been such that we have not had to on an overall basis reduce the number of permanent positions. We are doing more work with less manpower. You can react to it in terms of somewhat less overtime, which they like, as you said.

INCREASE FOR INDIRECT STATE AGENCY COSTS

Mr. FLOOD. You want an increase of $6,542,000 for what you call indirect costs of State agencies.

Why is that increase necessary?

Mr. BALL. Mr. Chairman, the fundamental amounts that we pay to State agencies are for two purposes. One is to vocational rehabilitation agencies who make determinations of disability under the program, and the other is to State health agencies to apply Federal health standards to participating institutions under medicare. This increase is related to the servicing and supervision that those specific agencies receive from other State Government agencies, and for their share of overhead in the broader sense.

DETERMINING DIRECT AND INDIRECT COSTS

Mr. FLOOD. What are the direct costs of the State agencies?

Mr. BALL. The direct costs for 1971 are about $50 million, which is, of course, payment for the salaries and expenses of those State people

directly engaged in this work. This excludes about $1½ million for indirect costs budgeted in 1971 and $19½ million for consultative examination costs for the disability program.

Mr. FLOOD. What would be the percentage?

Mr. FUTTERMAN. Indirect costs were about 3 percent of direct costs in 1971.

Mr. FLOOD. What is the percentage of indirect costs in 1972?

Mr. FUTTERMAN. With the $6½ million increase budgeted, the percentage becomes about 13 percent of direct costs.

Mr. BALL. These amounts are now determined, I believe, governmentwide under general OMB instructions.

Mr. FUTTERMAN. Office of Management and Budget Circular A–87 tends to standarize as a whole for the Government the procedures for reimbursement to States. Heretofore there were some States that charged these indirect costs and some did not. Each agency treated them differently. This is an attempt to standardize for the Federal Government as a whole.

Mr. FLOOD. This is very, very new.

Mr. BALL. Yes.

REASONS FOR DISABILITY INSURANCE INCREASE

Mr. FLOOD. We know Mr. Schultz very well, you see. He sat where you sat for some time. What accounts for this very large increase that you are asking for the disability insurance program?

Mr. BALL. This is primarily, Mr. Chairman, an increase in the workload in disability insurance. As I suggested, we are actually overrealizing our estimate from last year very considerably now. There is a normal growth each year anyhow, and putting those two things together we are anticipating a considerable workload increase which this is very largely related to.

Mr. FUTTERMAN. 11.3 percent workload increase.

TRENDS IN CLAIMS PROCESSING TIME

Mr. FLOOD. In order to conserve time, and to allow other members of the subcommittee to question you, I am going to ask you several questions. You can supply the answers for the record. What has been the trend over the past several years in the average length of time required to process claims for: (*a*) Old-age and survivors benefits; (*b*) disability insurance; and (*c*) health insurance? Is it getting shorter or longer?

Mr. BALL. We can provide that.

(The information follows:)

PROCESSING TIME IN CALENDAR DAYS

Month ending	Median time for all awards (date application filed to date payment is certified)	
	Retirement and survivors insurance awards	Disability insurance awards
June 30, 1968	57	NA
Sept. 30, 1968	51	78
Dec. 31, 1968	47	79
Mar. 31, 1969	43	84
June 30, 1969	41	72
Sept. 30, 1969	43	78
Dec. 31, 1969	39	77
Mar. 31, 1970	36	72
June 30, 1970	41	77
Sept. 30, 1970	39	86
Dec. 31, 1970	40	85
Mar. 31, 1971	42	98

The above table reflects the amount of time elapsing between the date the claim was filed and the date that the initial benefit was certified for payment. Because many claimants file their claims before they are eligible for benefits (before they reach age 65 or age 62 or before the disability waiting period of 6 months expires), there is included in this time series a significant number of days during which the claim is just held in Social Security waiting for the claimant to reach the appropriate age or for the disability waiting period to expire. If this "holding factor" is excluded, the time series is as follows. This latter series represents the time for administrative handling of the claim and is one of the measurements used by the Social Security Administration to evaluate the effectiveness of its claims processing.

	Retirement and survivors insurance awards	Disability insurance awards
June 30, 1968	46	NA
Sept. 30, 1968	39	30
Dec. 31, 1968	35	23
Mar. 31, 1969	33	18
June 30, 1969	30	17
Sept. 30, 1969	30	23
Dec. 31, 1969	28	33
Mar. 31, 1970	27	35
June 30, 1970	31	33
Sept. 30, 1970	28	36
Dec. 31, 1970	27	48
Mar. 31, 1971	28	24

PROCESSING TIME IN CALENDAR DAYS FOR HOSPITAL INSURANCE BILLS—MEDIAN TIME

Month	1968	1969	1970
March	10.1	9.1	5.8
June	10.5	8.4	6.6
September	9.0	9.0	6.3
December	9.3	8.3	6.2

PROCESSING TIME IN CALENDAR DAYS FOR MEDICAL INSURANCE BILLS—MEDIAN TIME

Quarter	1968	1969	1970
January-March	19.2	19.1	17.8
April-June	18.8	19.9	15.8
July-September	18.4	17.7	14.1
October-December	15.5	14.0	14.4

TREND IN CLAIMS ERROR RATES

Mr. FLOOD. What is the trend in your error rate; that is, people getting the wrong amount, wrong check, no check at all, et cetera?

(The information follows:)

TRENDS IN ERROR RATES

For the individuals filing claims for benefits under the retirement and survivors insurance, disability insurance, and supplementary medical insurance programs, the Social Security Administration conducts a continuing appraisal of quality of its product. The tables below show the percent of cases found to be without error in the period 1968 through 1970.

Accuracy of retirement and survivors insurance claims

PERCENT FREE OF PAYMENT-RELATED INACCURACIES [1]

Period:	
1968	95.3
1969	95.2
1970	95.2

[1] This is a measurement of the volume of cases in which the decision on entitlement to benefits is correct and the amount of the benefit payment is correct.

Accuracy of disability insurance claims

PERCENT OF CASES FREE OF EVALUATION INACCURACY [1]

Period:	
1968	97.7
1969	98.4
1970	98.4

[1] This is a measurement of the volume of cases in which the decision on entitlement to disability benefits is correct.

PERCENT OF CASES FREE OF PAYMENT INACCURACY [1]

Period:	
1968	96.2
1969	97.1
1970	97.0

[1] This is a measurement of the number of cases in which the amount of the disability benefit is correct.

Accuracy of supplementary medical insurance payment records

PERCENT OF RECORDS FREE OF INACCURACY [1]

Period:	
July–December 1968	97.5
1969	98.6
1970	99.4

[1] The Social Security Administration reviews payment records of the carriers who pay bills submitted under the supplementary medical insurance program. These figures represent the percent of payment records reviewed in which no inaccuracy was found in either eligibility for payment or the payment itself.

RATIONALE FOR PROPOSED LANGUAGE CHANGES

Mr. FLOOD. Please explain briefly the reasons for the two language changes you are proposing.

(The information follows:)

EXPLANATION OF PROPOSED LANGUAGE CHANGES

The first change will enable SSA to reimburse claimants for travel to State agencies to discuss the basis for a State's decision to uphold upon reconsideration the initial denial of a disability claim. SSA has found it difficult to explain to individuals by letter why their claims were denied initially and denied again upon reconsideration. SSA would like to experiment in reconsideration cases by having a personal interview with the claimant to explain the basis for supporting the original denial upon reconsideration. SSA believes this is an appropriate Government expense and is, therefore, proposing that the cost of this travel be financed from the salaries and expenses appropriation. In addition to providing the claimant with a somewhat better understanding of the action taken on his case, SSA believes the money spent on these interviews will result in fewer claimants pursuing their case to the next appellant level, which is request for a hearing by the hearings examiner.

SSA is facing a serious problem in handling on a timely basis the growing volume of requests for disability hearings. If the reconsideration interview procedure can reduce the number of hearings, the savings should far outweigh the cost of these interviews. This same language has been requested for the black lung program.

The second proposed change will permit the States to make use of Government franked mail. Under the present system, considerable development of evidence for making disability determinations is done by State agencies through the use of business reply envelopes which under the postal rate effective in May, cost 10 cents when returned. If franked envelopes were used, postage would be 8 cents for each reply. Under current operations, a saving of about $30,000 in the disability program would result. However, a change in the procedure has been initiated in the disability program which will, over the next several years, transfer to State agencies from SSA district offices much of the responsibility for contacting physicians and hospitals in the development of medical evidence for disability claims. This change in procedure will substantially increase the use of mail by the State and thereby increase the savings.

RATIO OF ADMINISTRATIVE TO BENEFIT COSTS

Mr. FLOOD. What is the ratio of administrative costs to benefits paid in each of your programs? How does it compare with previous years?

(The information follows:)

ADMINISTRATIVE COSTS AS PERCENT OF BENEFIT PAYMENTS UNDER EXISTING LAW

	1969 actual	1970 actual	1971 estimate [1]	1972 estimate [1]
Percent of benefits:				
Old-age and survivors insurance	1.92	1.85	1.74	1.60
Disability insurance	5.60	5.45	5.36	5.18
Hospital insurance	2.44	2.85	2.68	2.43
Supplementary medical insurance	11.55	10.79	12.15	11.86
Cash benefit program-composite	2.27	2.20	2.10	1.95
Medicare program-composite	4.82	5.16	5.09	4.85
Composite-all programs	2.76	2.76	2.75	2.71

[1] Cost of the recently enacted 10-percent cash benefit increase which was retroactive to Jan. 1, 1971, is included.

Note: Percentages are based on trust fund expenditures adjusted to reflect expenses by fund in the year in which they were incurred.

NON-FEDERAL EMPLOYEES SUPPORTED BY SSA

Mr. FLOOD. Do you have figures for 1970, 1971, and 1972 on the number of man-years of non-Federal employment in State and local agencies and fiscal intermediaries which are supported from this appropriations? If so, please supply them for the record.

(The information follows:)

NONFEDERAL EMPLOYMENT SUPPORTED BY SALARIES AND EXPENSES APPROPRIATION

Fiscal year	State and local agencies	Fiscal intermediaries	Total
1970	3,432	19,672	23,104
1971	4,020	21,239	25,259
1972	4,293	22,211	26,504

Note: The above data is in terms of man-years of work performed, including full-time and part-time employment and overtime.

COSTS TO SSA OF ASSUMING INTERMEDIARY WORKLOAD

Mr. SMITH. I notice you have allocated your administrative expense dollars, 27 cents of the dollar goes to intermediaries and carriers. Is that commensurate with the percentage of the workload that they take care of, in your judgment?

Mr. BALL. Mr. Smith, I am not sure we can work it out quite that way.

Mrs. TYSSOWSKI. I do not think we have analyzed it in that manner.

Mr. BALL. You are comparing very different things and we have just not done that analysis. You are comparing handling physicians' bills and hospital bills with taking care of retirement survivors and disability claims, for example.

Mr. SMITH. Let us put it a different way. How does the total amount of money paid to intermediaries compare to what it would cost you to do it in-house?

Mr. BALL. We are really not able to answer that, Mr. Smith. I should say right away that the basic law does not allow any profit for the carriers or intermediaries. It is set up entirely on a reasonable cost reimbursement.

Mr. SMITH. Whether there is profit involved or not does not have too much to do with my question.

Mr. BALL. I think you are right. The question could well arise whether some geographic areas that the carriers cover are the most efficient workload areas, and things of that sort.

Mr. SMITH. It is something that ought to be looked at after this length of time. We have tried it for 3 or 4 years, and it seems to me we ought to be looking at this question.

Mr. BALL. Basically we would have to do the same work the carriers do.

Mr. SMITH. Surely.

Mr. BALL. How much, if any, savings there would be in our being able to handle it directly depends on whether there are real savings from consolidations, and beyond that whether we could perform the work more efficiently than some contractors.

Mr. SMITH. Perhaps it would show you save money contracting for the service.

But it seems to me we should have an estimate of the relative situation.

ORIGINAL REASONS FOR USING INTERMEDIARIES AND CARRIERS

Mr. BALL. As I am sure you realize this was set up as it is for reasons that were not entirely related to economy and efficiency. There was the very important public relations question in the hospital area of the hospitals of the country feeling quite concerned about direct dealing with the Federal Government and a willingness, on the other hand—a feeling of reassurance—if Blue Cross organizations stood between them and the Government. Thus the word intermediary. Thus this arrangements grew partly out of the controversy surrounding the setting up of Medicare. It was agreed to, partly to allay their fears. But I should also say that the Government would have had a very hard time taking off right from a zero base with a complicated and involved program like this.

Mr. SMITH. So did the intermediaries have a hard time.

Mr. BALL. Yes. Yet, take Blue Cross, for example. They were working with practically every hospital in the country in their own program. Extending their efforts to Medicare was not like the Government starting from zero. But I think you are right, after it has been going on for a while, the question is, Should it necessarily forever continue that way?

EVALUATION OF INTEMEDIARY AND CARRIER ROLE

Mr. SMITH. Is there some way to make some kind of examination of the question without a big expenditure of money?

Mr. BALL. I think it would be pretty hard to do. I would like to give some consideration to how one would go about that.

Mr. TIERNEY. We know what it is costing now. We have that under close budgetary control. We are satisfied that it is not an unreasonable cost. But I think it would be difficult to mount a study in trying to build a government agency to do the job and what it would then cost. To give you some little feel for the public-private workload, in the Bureau of Health Insurance which has the responsibility for the administration of the operation of the Medicare program, we have about 1,500 people nationwide. The carriers and intermediaries employ in Medicare somewhere around 22,000 people. So unless we could find ways to do it more efficiently than they are doing we would have to have that kind of a work force. I do not know how we would get a fix on what it would then cost us, Mr. Smith. But we will certainly give it some thought.

Mr. SMITH. That is all I have, Mr. Chairman.

Mr. FOOD. Mr. Michel.

FISCAL YEAR 1972 POSITION INCREASE

Mr. MICHEL. Mr. Ball, you are asking for an increase of 655 new positions?

Mr. BALL. Yes.

Mr. MICHEL. Are all those permanent?

Mr. BALL. Yes. As you understand, that is a substitution of permanent positions for a much larger number of man-years in overtime. We are really cutting down on the amount of money that is going into manpower. As we were saying earlier, it seems very important that the going load be done on regular time and not so much on overtime.

PART-TIME AND TEMPORARY EMPLOYEES

Mr. MICHEL. In your three categories of full-time permanent employees, part-time and temporary employees, and then overtime, how many part-time employees do you have?

Mr. BALL. Right now we have on duty around 1,900.

Mr. MICHEL. When you speak of part time, what are we talking about?

Mr. BALL. I am sorry, many of the 1,900 people I referred to are really temporary employees.

Mr. MICHEL. So they are actually working full-time but enjoy temporary status?

Mr. BALL. Yes. We have very few part-time employees, though we have some, perhaps 250. In addition, there are special part-time employees in the "Stay-in-School" program who don't count against employment ceilings and are not part of the 1,900. We have about 550 of these.

Mr. MICHEL. Are those utilized in these peak period operations or what do you use those for?

Mrs. TYSSOWSKI. In addition to the "Stay-in-Schools," we have in some places in the United States, like the punching operation in Wilkes-Barre, Pa., a rather stable force of people who have been working part time for several years. There are some other instances as well.

Mr. FUTTERMAN. The stay-in-school program is part-time, 16 hours a week. Also we have some of our former employees, that is women, who are still available to do part-time work for us.

PAYMENT OF THE RETROACTIVE BENEFIT INCREASE

Mr. MICHEL. Mr. Ball, this latest social security increase of 10 percent which is retroactive to January 1 of this year, but for which the checks will not come until June, did you have to have any extra employees to manipulate this? As I understand it, the June check is the first one that reflects the increase.

Mr. BALL. Yes. And the retroactive amount will be paid on June 22 in a single check.

Mr. MICHEL. The monthly increase will be reflected in the regular check that comes to the people on June 3?

Mr. BALL. Yes. The first regular check with the 10-percent increase in it will come on June 3 and the retroactive one for January through April, on June 22.

Mr. MICHEL. So the actual retroactive part of that will be in a check coming 2 to 3 weeks later than the one that reflects the increase.

Mr. BALL. Yes, that is right.

MANPOWER COSTS OF IMPLEMENTING THE INCREASE

Mr. MICHEL. Again to my original question, how many additional people were required to put that matter in motion?

Mr. BALL. This required the services of about 600 temporary employees. The total manpower cost of the entire conversion, including the employees that we had, is around $4,500,000. A lot of it was done on overtime. Some of that work won't be completed until on into the next fiscal year. There is still the job of filing documents in the folders of the individuals involved and things of that kind that are not finished when you send the checks out.

Mr. FUTTERMAN. Actually we estimate that the manpower cost has been 490 man-years of effort, of which 140 came from temporary positions, and 350 from overtime.

Mr. BALL. The 600 temporary employees I referred to is, of course, not man-years. I was talking about the number of people involved.

TOTAL AMOUNT OF THE RETROACTIVE PAYMENT

Mr. MICHEL. What total amount of money will be involved in that retroactive payment that will be going out at the end of June?

Mr. BALL. It is about $1.1 billion for the period January through April, 1971.

Mr. MICHEL. That could be quite a shot in the economy in one fell swoop.

Mr. BALL. Yes.

JUSTIFICATION OF LARGE SOCIAL SECURITY WORK FORCE

Mr. MICHEL. We hear every once in a while from people who feel that we do not need to have so many Federal employees in the social security system and all the bureaucracy. But over the years, I have been quick to respond that from an administrative-cost point of view we probably have a better record in social security than we have in any agency of Government. That has usually been in the neighborhood of 2 or 2½ percent.

When someone pops that question to you, what is your response?

Mr. BALL. I think the one that you refer to, Mr. Michel, is a pretty good measure—the percentage of people's contributions to social security which they are making to get benefits that is used up in administrative cost has been kept very low. As I remember, for 1972, if you take all the programs it is about 2.3 percent of their contributions that go into administrative cost. It differs from one part of the program to the other. It is highest in the physician coverage where it is about 10 percent of what people contribute because you are dealing with 50 million bills a year there. In other words, relatively small bills and lots of processing. In disability it is a little less than 4 percent. In old age and survivors it is about 1.5.

I think another point is that the productivity of the worker in social security has been very, very substantially increased over recent years. I do not mean just because he works harder but because the output per man-hour is greater because you have been able to connect his work with machinery. You have, since 1968, a 20-percent increase in workload. Yet as I was saying before we are asking for less manpower in

1972 than we did in 1968. So it is an organization that has been constantly devoting a lot of effort to improving its processes and applying computers and other technology to its work with a very respectable productivity increase, with over 5-percent productivity increase in the 1972 budget over 1971.

EMPLOYEES PROCESSING OVERSEAS BENEFITS

Mr. MICHEL. Do we have any extra employees over and above the normal workload for processing those social security benefits paid to recipients who are overseas? In other words, are they just included in the normal run of claims and benefits paid?

Mr. BALL. There are some special operations. I would say most of the work in the initial determination is quite similar. But we do have a special Division of International Operations, and sometimes the requirements are special—the proof requirements may be special in a particular country, for example. The most important special procedure is that we have a survey group that periodically does a sample study on the spot in each one of these countries to make sure it is being administered in a way that only the people who should get paid get paid. This is not something we do domestically. Program integrity is handled by other means in the United States.

BENEFITS TO PERSONS OVERSEAS

Mr. MICHEL. Do we have in the record the total number of individuals living overseas?

Mr. BALL. About 232,000 social security beneficiaries live overseas.

Mr. MICHEL. That represent a monthly disbursement abroad of how much money?

Mr. FUTTERMAN. $21,100,000 as of a recent month.

Mr. MICHEL. How many different foreign countries do those go to?

Mr. BALL. There are a few people in almost all the countries we are allowed to send checks into. Payment is blocked in several of the Iron and Bamboo Curtain countries. Cuba we do not send to, and so on. Almost all the other countries will have at least a few people. I would be glad to put in the record a list by number.

Mr. MICHEL. Would you do that?

Mr. BALL. Yes.

(The information follows:)

Countries in which monthly benefits were paid in December 1970 and number of beneficiaries paid

Total number of beneficiaries, 232,575

Canada	33,617	Europe—Continued	
Mexico	23,558	Yugoslavia	4,897
Philippines	23,336	Sweden	4,683
Europe	128,252	France	3,134
Italy	38,074	Poland	2,378
Greece	15,801	Switzerland	2,370
Germany (Fed. Rep. of)	15,279	Austria	1,955
United Kingdom	10,915	Czechoslavakia	1,517
Spain	6,076	Denmark	1,224
Ireland	5,613	Netherlands	1,128
Norway	5,277	Finland	930
Portugal	5,116	Belgium	650

Countries in which monthly benefits were paid in December 1970 and number of beneficiaries paid—Continued

Total number of beneficiaries, 232,575

Europe—Continued	
Malta	638
Hungary	164
Bulgaria	113
Rumania	108
Luxembourg	73
Monaco	43
Iceland	42
San Marino	36
Gibraltar	12
Liechtenstein	5
Andorra	1
Asia	13,823
Japan	4,553
Israel	3,217
Hong Kong	2,750
Lebanon	745
Ryukyu Islands	579
Cyprus	513
Jordan	272
Turkey	223
Macao	196
India	134
Pakistan	130
South Korea	101
Taiwan	87
Syrian Arab Republic	82
Southern Yemen	53
Iran	36
Thailand	36
Yemen	27
Singapore	18
South Vietnam	16
Malaysia	14
Saudi Arabia	8
Indonesia	8
Iraq	7
Afghanistan	7
Ceylon	5
Nepal	5
Kuwait	1
Central America and West Indies	4,800
Jamaica	1,205
British Leeward and Westward Islands	629
Barbados	474
Bahamas	315
Costa Rica	310
Dominican Republic	305
Nicaragua	279
Trinidad	224
Panama	215
Bermuda	187
El Salvador	164
Guatemala	148
Honduras	146
Netherland Antilles	84
Central America, etc.—Con.	
Haiti	37
French West Indies	26
British Honduras	25
Martinique	19
Tobago	8
South America	2,196
Brazil	501
Argentina	441
Venezuela	299
Colombia	264
Chile	207
Peru	207
Ecuador	153
Uruguay	47
Guyana	33
Bolivia	25
Surinam	12
Paraguay	7
Africa	1,331
Cape Verde Island	784
South Africa	217
Moracco	98
Liberia	42
Rhodesia	27
Tunisia	22
Kenya	19
Nigeria	16
Somali Republic	15
Alberia	14
United Arab Republic	10
Sudan	9
Mozanbique	8
Ethiopia	6
Ghana	6
Uganda	4
Zanbia	4
Libya	4
Malagasy Republic	3
Sierra Leone	3
Ivory Coast	3
Angola	3
Central African Republic	2
Mali	2
Swaziland	2
Tanzania	2
Burundi	1
Togo	1
South-West Africa	1
Guinea	1
Cameroon	1
Malawi	1
Oceania	1,310
Australia	1,081
New Zealand	182
Western Samoa	17

Countries in which monthly benefits were paid in December 1970 and number of beneficiaries paid—Continued

Total number of beneficiaries, 232,575

Oceania—Continued		Areas Under United States Administration	352
French Polynesia	13		
Territory of New Guinea	8		
New Caledonia	4	Canal Zone	333
Fiji Islands	2	Caroline Islands	10
British Solomon Islands	1	Marina Island	4
New Hebrides	1	Wake Island	3
Territory of Papua	1	Marshall Islands	2

COSTS OF PROCESSING AND MAILING CHECKS

Mr. MICHEL. You probably process and send out more checks than any other agency of Government, is that right?

Mr. BALL. Yes, I am sure that must be true. About one out of eight Americans gets a check from us every month.

Mr. MICHEL. What do just the checks alone cost the Government?

Mr. FUTTERMAN. I have not looked at it recently, Mr. Michel, but the biggest item is postage. It just went up from 6 to 8 cents. It used to be when the postage was 6 cents, the total cost of making up and mailing the checks would be something like 8 cents.

Mr. MICHEL. At this point would you put in some interesting figures that we can use as we try to dramatize the enormous problem you have and the complexity and bigness of the program? What do we pay just in postage to get the checks out? How many hundreds of millions of checks are there? What is the cost of just buying the check or purchase of the paper to make the checks?

Mr. BALL. Yes, sir.

(The information follows:)

INDICATORS OF THE SIZE OF THE SOCIAL SECURITY PROGRAM

Some indicators of the size of the social security program and its impact on the American people are:

One out of eight persons in the United States receives a social security benefit check each month.

Nine out of 10 persons age 65 and over receive a social security benefit check each month.

Almost 300 million checks are issued each year. Issuing these checks required 756 tons of paper last year. Postage (at 6-cent rate in 1970) for mailing these checks cost $18 million.

$29 billion in benefits were paid under the cash benefit program in 1970; $34 billion will be paid in 1971.

Converted to dollar bills, the 1970 benefits laid end-to-end would circle the equator 144 times.

COST EFFECTIVENESS OF UTILIZING THIRD PARTIES

Mr. MICHEL. I have one final question. You say that a third of the estimated administrative expenses for fiscal 1972 is for the cost of third parties who assist in carrying out the provisions of the Social Security Act. Should we assume that we are getting more for our money by having those third parties pick up and do whatever they are doing?

Mr. BALL. No, I think this is a very close question. If I could break it down a little bit. There is no doubt in my mind at all that contracting with the State health departments for the application of our stand-

ards to medicare participating institutions, at least in the short run is a more efficient and economical way of handling the problem than for the Federal Government to develop their own inspection system. They are there and are doing it anyhow in relation to their own programs, although we have had to expand their staffs and give them financial support they did not have.

In the case of the intermediaries and carriers, I think probably overall and on balance I would say at least for many years it is more efficient to use the going operations, like Blue Cross. I would not want to be at all sure that if you were willing to live through an intermediate period, where the Federal Government was staffing up and learning how to do the same things, that you might not end up several years later with just as economical and possibly a somewhat more efficient operation. I am a biased witness. I think over time we can learn how to do anything as well or better than any of the private contractors we have had. But they have the expertise now that to an extent we do not have. I could ask if our Director of Medicare, Mr. Tierney, has any disagreement with that general assessment.

Mr. TIERNEY. I do not have any disagreement. I do think that one thing we are looking at and will continue to be studying hard, whether we go all the way to Federal operation or whether we continue the private sector operations is a greater effort towards the regionalization of it. We really started out with 76 Blue Cross plans and 50 carriers all over the Nation. I think it is becoming quite obvious that to the extent we can regionalize instead of having five carriers maybe get it down to two or something like this in a region, there is some real efficiency potential there. I certainly agree that at the moment and when the program started there was no possibility of the Government taking it over. At the moment we do not have the capacity. So we have to go along with what we have.

Mr. BALL. There are real relationship problems. The physicians react differently to relations with Blue Shield than they would do to direct relationships with us. The same sort of thing is true of the hospitals. That is changing to some extent, but it is still there in the background.

THIRD PARTY ADMINISTRATIVE EXPENSES

Mr. MICHEL. Could you supply for the record a breakdown of those administrative expenses by carriers and amounts?

(The information follows:)

Fiscal Year 1970 Expenses of Intermediaries and Carriers in Administering Medicare 1/

Intermediaries for Hospital Insurance Program (Part A)

Blue Cross Plans		
	National Blue Cross Association 2/	$3,400,000
Alabama	Blue Cross-Blue Shield of Alabama	862,097
Arizona	Associated Hospital Service of Arizona	588,967
Arkansas	Arkansas Blue Cross and Blue Shield	583,276
California	Hospital Service of Southern California	5,736,192
	Hospital Service of California	3,832,404
Colorado	Colorado Hospital Service	1,225,453
Connecticut	Connecticut Blue Cross, Inc.	541,115
Delaware	Blue Cross and Blue Shield of Delaware	254,940
District of Columbia	Group Hospitalization, Inc.	519,164
Florida	Blue Cross of Florida, Inc.	3,223,725
Georgia	United Hospitals Service Association	630,467
	Georgia Hospital Service Association, Inc.	877,167
Illinois	Hospital Service Corporation	5,787,000
	Illinois Hospital and Health Service, Inc.	69,299
Idaho	Idaho Hospital Service Inc.	417,747
Indiana	Mutual Hospital Insurance, Inc.	2,003,611
Iowa	Hospital Service, Inc. of Iowa	800,349
	Associated Hospitals Service, Inc.	554,650
Kansas	Kansas Hospital Service Association, Inc.	974,101
Kentucky	Blue Cross Hospital Plan, Inc.	1,461,268
Louisiana	Louisiana Hospital Service, Inc.	655,639
	Hospital Service Association of New Orleans	678,054
Maine	Associated Hospital Service of Maine	452,016
Maryland	Maryland Blue Cross, Inc.	1,219,000
Massachusetts	Massachusetts Blue Cross, Inc.	3,312,999
Michigan	Michigan Hospital Service	3,463,835
Minnesota	Minnesota Hospital Service Association	2,020,000
Mississippi	Mississippi Hospital and Medical Service	743,900
Missouri	Blue Cross of Kansas City	771,295
	Blue Cross Hospital Service, Inc. of Missouri	2,217,392
Montana	Blue Cross of Montana	264,804
Nebraska	Nebraska Blue Cross Hospital Service Association	430,557
New Hampshire	New Hampshire-Vermont Hospitalization Service	601,185
New Jersey	Hospital Service Plan of New Jersey	1,513,200
New Mexico	Hospital Service, Inc.	336,719
New York	Blue Cross of Northeastern New York, Inc.	463,062
	Blue Cross of Western New York, Inc.	828,759
	Chautauqua Region Hospital Service Corporation	89,545
	Associated Hospital Service of New York	5,080,629

New York (continued)	Rochester Hospital Service Association	$455,533
	Blue Cross of Central New York, Inc.	344,991
	Hospital Plan, Inc.	240,258
	Hospital Service Corporation of Jefferson County	35,167
North Carolina	North Carolina Blue Cross and Blue Shield, Inc.	2,075,980
North Dakota	Blue Cross of North Dakota	354,015
Ohio	Blue Cross Hospital Plan, Inc.	176,667
	Hospital Care Corporation	855,225
	Blue Cross of Northeast Ohio	1,005,505
	Blue Cross of Central Ohio	519,587
	Hospital Service, Inc.	94,849
	The Hospital Service Association of Toledo	287,507
	Associated Hospital Service, Inc.	224,325
Oklahoma	Group Hospital Service	1,135,500
Oregon	Northwest Hospital Service	1,084,278
Pennsylvania	Hospital Service Plan of the Lehigh Valley	162,935
	Capital Blue Cross	528,403
	The Associated Hospital Service of Philadelphia	1,021,321
	Blue Cross of Western Pennsylvania	1,771,942
	Hospital Service Association of Northeastern Pennsylvania, Inc.	313,467
Rhode Island	Hospital Service Corporation of Rhode Island	509,548
South Carolina	Blue Cross of South Carolina	881,906
Tennessee	Blue Cross-Blue Shield of Tennessee	1,299,130
	Memphis Hospital Service and Surgical Association	369,181
Texas	Group Hospital Service, Inc.	3,404,093
Utah	Blue Cross of Utah	367,918
Virginia	Blue Cross of Virginia	1,158,800
	Hospital Service Association of Roanoke	238,429
Washington	Blue Cross Washington-Alaska, Inc.	1,051,699
West Virginia	Blue Cross Hospital Service, Inc.	325,501
	Parkersburg Hospital Service, Inc.	94,959
	West Virginia Hospital Service, Inc.	297,262
Wisconsin	Associated Hospital Service, Inc.	1,710,850
Wyoming	Wyoming Hospital Service	117,690
Puerto Rico	Blue Cross of Puerto Rico	291,279

Commercial Plans

Aetna Life and Casualty	3,196,060
Cooperativa de Seguros de Vida de Puerto Rico	39,873
Seguros De Servicio De Salud De Puerto Rico	28,570

Hawaii Medical Service Association	$169,937
Inter-County Hospitalization Plan, Inc.	952,383
Kaiser Foundation Health Plan, Inc.	125,225
Mutual of Omaha Insurance Company	3,774,700
Nationwide Mutual Insurance Company	518,686
New York Department of Health	52,853
The Prudential Insurance Company of America	1,108,100
The Travelers Insurance Company	5,104,022
TOTAL (Part A)	$99,361,691

Carriers for Medical Insurance Program (Part B)

Blue Shield Plans

Alabama	Blue Cross-Blue Shield of Alabama	$1,408,280
Arkansas	Arkansas Blue Cross and Blue Shield	844,163
California	California Blue Shield	16,814,600
Colorado	Colorado Medical Service, Inc.	2,288,497
Delaware	Blue Cross and Blue Shield of Delaware	353,901
District of Columbia	Medical Service of D.C.	1,662,452
Florida	Blue Shield of Florida, Inc.	6,990,324
Illinois	Illinois Medical Service	4,360,000
Indiana	Mutual Medical Insurance, Inc.	2,102,134
Iowa	Iowa Medical Service	2,516,704
Kansas	Kansas Physicians' Service	1,594,699
Maryland	Maryland Medical Service, Inc.	1,561,700
Massachusetts	Massachusetts Medical Service	3,760,679
Michigan	Michigan Medical Service	5,542,058
Minnesota	Blue Shield of Minnesota	951,500
Missouri	Surgical Care, Inc.	1,189,527
Montana	Montana Physicians' Service	429,000
New Hampshire	New Hampshire-Vermont Physician Service	910,244
New York	Blue Shield of Western New York, Inc.	1,137,021
	Group Health Insurance, Inc.	10,489,845
	Genesee Valley Medical Care, Inc.	598,165
North Dakota	North Dakota Physicians Service	332,219
Ohio	Medical Mutual of Cleveland, Inc.	1,143,500
Pennsylvania	Pennsylvania Blue Shield	6,230,200
Puerto Rico	Seguros De Servicio De Salud De Puerto Rico	464,740
Rhode Island	Physicians' Service	722,773
South Carolina	Blue Shield of South Carolina	949,017
South Dakota	South Dakota Medical Service, Inc.	523,013
Texas	Group Medical and Surgical Service	5,625,750

Utah	Blue Shield of Utah	$419,795
Washington	Washington Physicians' Service	2,760,900
Wisconsin	Wisconsin Physicians Service	1,532,713
	Surgical Care	853,000

Commercial Plans

Aetna Life and Casualty	3,056,810
Connecticut General Life Insurance Co.	1,487,877
Continental Casualty Company	2,206,881
The Equitable Life Assurance Society	2,628,600
General American Life Insurance Company	2,124,266
Group Health Insurance, Inc.	1,592,400
John Hancock Insurance Company	2,047,781
Metropolitan Life Insurance Co.	3,927,704
Mutual of Omaha Insurance Company	933,300
Nationwide Mutual Insurance Company	4,182,686
Occidental Life Insurance Co. of California	6,560,000
Pan-American Life Insurance Company	1,637,412
Railroad Retirement Board	4,896,279
The Prudential Insurance Company of America	6,603,230
The Travelers Insurance Company	2,811,176
Union Mutual Life Insurance Company	591,307
Oklahoma Department of Public Welfare	849,061
TOTAL (Part B)	$138,079,883

1/ This is the situation as of May 19, 1971. These expenses are subject to HEW audit and possible change prior to final cost settlement.

2/ This is the prime contractor for all Blue Cross Plans. The expenses of the individual plans are separately listed.

Mr. FLOOD. Mrs. Reid?

RECRUITMENT AND RETENTION OF EMPLOYEES

Mrs. REID. Do you have any difficulty in recruiting and keeping qualified employees?

Mr. BALL. Generally speaking, we have been able to recruit and retain qualified persons for most of our positions. The availability of qualified candidates is, of course, influenced by economic conditions. I understand that at the present time the civil service registers which we normally use for recruitment to entry level positions are filled with highly qualified individuals, particularly so with new college and high school graduates. We have also been successful in locating and hiring highly qualified individuals from other Federal agencies which are in the process of reductions in force.

There are certain positions, primarily in professional fields such as mathematics, statistics, and actuarial science, where above-minimum salary scales as approved by the Civil Service Commission have been and are necessary to attract and retain employees in these highly specialized areas. In addition, in the large metropolitan areas of New York and Chicago, we were able to negotiate above-minimum salary scales with the Civil Service Commission for certain clerical positions, such as typists and stenographers, in order to be competitive in those labor markets.

We have had a rather significant reduction in the percentage of employees who quit the Social Security Administration to move to private industry or other Government employment. The rate of quits has declined from 13 percent per year in 1968 to 7 percent by the end of 1970. Several factors have contributed to this decline—increasing competitiveness of Federal Government salaries, the decline in available jobs in the private sector, and fewer new hires on the part of Social Security. We also make a continuing effort to improve our methods of recruiting, placing and training employees and believe that these efforts also contribute to a reduction in quits.

EFFECT OF H.R. 1 ON SALARIES AND EXPENSES BUDGET

Mrs. REID. What effect will the new Ways and Means Committee proposals have on your request for salaries and expenses?

Mr. BALL. I would like to point out, in answering your question, that the present Salaries and Expenses Appropriation is for the administration of the social security cash benefit and medicare provisions which are financed from the trust funds. The proposed changes to these programs would increase our Salaries and Expenses Appropriation requirements by about $30 to $40 million in fiscal year 1972 and about double that amount in fiscal year 1973. The increase in 1973 is due to that year being the first year for administration of the Medicare for the disabled program which has been proposed by the Ways and Means Committee. Of course, these are at this point in time very rough figures.

The new welfare provisions would be financed from general revenues. Our very preliminary estimates of costs for the part that the Social Security Administration might play in the administration of these programs (basically taking on the payment of assistance to persons in the adult public assistance categories) indicate that costs would run over a hundred million dollars in fiscal year 1972—principally the cost of enrolling 2½ million newly eligible persons under the assistance for the aged, blind and disabled programs, and for issuing account numbers to beneficiaries under the new family welfare programs.

For fiscal year 1973, the first year of operation of the new welfare provisions, we think at this time that the requirements of the Social Security Administration will be over $200 million. Of course, I am talking here about SSA only and assuming that someone else will administer the family assistance plan except for our issuance of new account numbers to recipients who don't have them. During the transition from State to Federal administration there will continue to be substantial costs for State administration of the programs which will be paid from Federal funds. However, it is expected in fiscal year 1973 that these State costs will be no greater, and possibly less, than what the Federal Government would be paying out under the present grant program for welfare administration.

Mrs. REID. That's all, Mr. Chairman.

(The justification follows:)

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Limitation on Salaries and Expenses (Trust fund)

Amounts Available for Obligation

	1971	1972
Appropriation	$997,461,000	$1,134,640,000
Supplemental appropriation for pay increases:		
PL 91-231, effective December 28, 1969	31,546,000	---
PL 91-656, effective January 10, 1971	15,984,000	---
Real transfer to "Departmental Management"	-230,000	---
Real transfer to "General Services Administration	-25,000	---
Comparative transfer to "Departmental Management"	-27,400	---
Unobligated balance, end of year (contingency reserve)	---	-25,000,000
Total obligations	$1,044,708,600	$1,109,640,000

Obligations by Activity

Page Ref.		1971 Estimate Pos.	1971 Estimate Amount	1972 Estimate Pos.	1972 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
73	Old-age and survivors insurance	32,411	$432,192,389	31,904	$438,351,853	-507	+$6,159,464
75	Disability insurance	12,228	223,634,894	13,095	246,842,339	+867	+23,207,445
78	Health insurance:						
	a. Hospital insurance	3,782	137,761,252	3,886	151,455,501	+104	+13,694,249
	b. Supplementary medical insurance	4,282	251,120,065	4,473	272,990,307	+191	+21,870,242
	Total Obligations	52,703	$1,044,708,600	53,358	$1,109,640,000	+655	+$64,931,400

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Total number of permanent positions	52,703	53,358	+655
Full-time equivalent of all other positions	1,625	1,474	-151
Average number of all employees 1/	53,442	53,574	+132
Personnel compensation:			
Permanent positions	$508,485,267	$541,656,463	+$33,171,196
Positions other than permanent	7,450,549	6,969,330	-481,219
Other personnel compensation	23,374,246	11,387,843	-11,986,403
Special personal service payments	173,856	151,626	-22,230
Subtotal, personnel compensation	539,483,918	560,165,262	+20,681,344
Personnel benefits	43,971,051	47,098,834	+3,127,783
Travel and transportation of persons	10,263,731	10,647,304	+383,573
Transportation of things	1,877,014	1,621,149	-255,865
Rent, communications, and utilities	62,382,533	67,041,803	+4,659,270
Printing and reproduction	6,596,919	7,259,826	+662,907
Other services	28,496,288	29,060,431	+564,143
Payments-States	71,106,162	83,005,567	+11,899,405
Payments-Intermediaries	259,891,000	291,655,000	+31,764,000
Supplies and materials	6,724,368	6,900,884	+176,516
Equipment	13,297,116	4,480,440	-8,816,676
Land and structures	618,500	703,500	+85,000
Total obligations by object	1,044,708,600	1,109,640,000	+64,931,400

1/ Excludes overtime equivalent as follows: 1971 2,063 man-years
1972 906 man-years

Summary of Changes

1971 estimated obligations	$1,028,724,600
Proposed supplemental--statutory pay increase (P.L. 91-656)	15,984,000
1971 total estimated obligations	$1,044,708,600
1972 estimated obligations	1,109,640,000
Net change	+64,931,400

	Base		Change from Base	
	Man-Years	Amount	Man-Years	Amount
Increases:				
A. Built-in				
1. Statutory pay increase (P.L. 91-656), effective January 10, 1971		$15,984,000		$17,656,000
2. Mandatory changes in SSA payroll costs				11,430,113
3. Mandatory changes in wages and prices paid by public and private agencies performing work on a contract basis				17,835,979
4. Required change in the level of indirect costs of State agencies to be funded by Federal Government				6,542,000
Sub-total, built-in				53,464,092
B. Program				
1. Increase of 5.1 percent in work output	55,505	$999,203,336	2,025	57,453,999
a. SSA proper (3.6 percent)	55,505	668,206,174	2,025	30,339,566
b. State agency (disability program) (5.6 percent)		58,076,162		3,259,433
c. State agency (health program) (0.8 percent)		13,030,000		103,000
d. Intermediaries (health program (9.1 percent)		259,891,000		23,752,000
2. Changes in rates and other cost factors				2,271,598
Sub-total, program			2,025	59,725,597
Gross increases			2,025	113,189,689

	Base		Change from Base	
	Man-Years	Amount	Man-Years	Amount
Decreases:				
A. Procedural changes and other cost reductions.....			-3,050	-$34,928,696
1. Procedural and other changes in production costs--SSA proper.....			-3,050	-26,421,310
2. State agency productivity (disability).....				-1,098,386
3. Intermediary productivity.				-7,409,000
B. Additional cost of overtime...		$6,160,110		-3,383,220
C. Research and other contractual projects.....		4,140,258		-775,718
D. Purchase of ADP equipment.....		8,517,772		-8,517,772
E. One-time or intermittent costs.....		10,703,124		-652,883
Gross decreases.....			-3,050	-48,258,289
Total changes.....			-1,025	+64,931,400

Explanation of Changes

Increases:

A. Built-in

1. Statutory pay increase (P.L. 91-656) effective January 10, 1971..... $17,656,000

This is the added cost in 1972 of the pay increase provided for in Public Law 91-656.

2. Mandatory changes in SSA payroll costs..... $11,430,113

a. Pay above the base of the grade..... $6,479,918

This is the cost of carrying within grade promotions granted in 1971 for a full year in 1972 and the net cost of such promotions in 1972.

b. Reclassifications..... $513,127

This is the cost of carrying for a full year in 1972 the reclassifications that occurred in 1971 and the cost of various reclassifications scheduled in 1972.

c. Promotions..... $5,537,679

This is the net cost of promotions scheduled for 1972 and the cost of carrying for a full year in 1972 the promotions in 1971 of trainees to intermediate or journeyman grades, under training agreements which have been approved by the Civil Service Commission.

d. Recruitment below journeyman grades..... -$4,641,459

Offsetting promotions to journeyman grades is the practice of hiring new personnel at levels one or two grades below the journeyman level, in accordance with the above-mentioned training agreements approved by the Civil Service Commission.

e. Change in level of pay for extra day..... $2,308,848

There is one extra day of pay above the standard 52 weeks in 1971 and two extra days of pay in 1972. The increase reflects the cost of the additional extra day and the change in salary levels at the end of 1972 as compared to 1971.

f. Increase in the Government's contributions to employee health benefit costs..... $1,232,000

This is an annualization of the 1971 increase in the Government's contributions as an employer to health insurance plans available to employees. Public Law 91-418 revised the formula for determining the Government's contributions beginning with the pay period starting January 10, 1971.

3. Mandatory changes in wages and prices paid by public and private agencies performing work on a contract basis..... $17,835,979

A significant amount of work related to the disability and health insurance programs is carried out by State agencies and by non-profit organizations and insurance companies acting as intermediaries or carriers, under contract with the Government. The 1972 budget estimate provides for higher wages and prices to be paid by these organizations, as follows:

a. State agencies (disability program)..... $1,967,979

Of the total, $1,668,450 is related to an increase of about 5 percent in the salaries of State employees (from an estimated average of $8,925 in 1971 to $9,425 in 1972). The fee schedules for medical consultative examinations purchased by the States to determine the extent of a claimant's disability are expected to increase by an average of $1 per case to $68 accounting for $299,529 of the increase.

b. State agencies (health program)..... $447,000

The 1972 estimates project a 5.0 percent increase in salaries for health insurance State agency personnel. The average salary increases from $10,057 in 1971 to $10,560 in 1972.

c. Intermediaries and carriers (health program)..... $15,421,000

The 1972 estimate provides for a 6 percent increase in average salaries of personnel in intermediary and carrier organizations at a cost of $10,844,000. It also provides for an increase in the cost of supplies, space and materials for the intermediaries and the increased costs of subcontractors engaged in audit work largely because of rising prices in the economy.

4. Required change in the level of indirect costs of State agencies to be funded by the Federal government..... $6,542,000

Budget Bureau Circular A-87, issued May 9, 1968, provided for the first time a uniform set of standards for the use of Federal agencies in reimbursing States for indirect or overhead costs related to contractual work performed for Federal agencies. The standards were developed and promulgated as a result of concerns expressed by States over the lack of uniformity among Federal agencies in allowing costs incurred under Federally supported programs, particularly costs of an indirect nature. Total costs of centralized services of State governments to be funded by SSA under the terms of the circular are estimated at $7,232,000 for fiscal year 1972. This is an increase of $6,542,000 over fiscal year 1971. The 1972 cost was determined on the basis of State cost allocation plans expected to be submitted and approved by the Department of Health, Education, and Welfare by the end of fiscal year 1972. Indirect costs of State agencies are presently being reimbursed at the rate of three percent of direct costs. This amount has been deducted from the estimate of funds required for A-87 costs in 1972 to obtain a net increase figure.

B. Program

1. Increase of 5.1 percent in work output..... 2,025 man-years and $57,453,999

The volume of work to be done by the staff of the SSA and by public and private agencies under contract to perform certain administrative functions of the disability insurance and health insurance programs is estimated to increase by 5.1 percent over the 1971 level.

a. Increase of 3.6 percent in work output of SSA proper..... 2,025 man-years and $30,339,566

The 3.6 percent increase in work output is the net effect of: (1) a 3.8 percent increase in measurable workload units to be processed in 1972 at a computed manpower requirement of 2,101 man-years; (2) a total increase of 33 man-years for several minor changes to improve the outgoing quality of our work; and (3) a decrease of 109 man-years in the volume of non-recurring work to be performed in 1972 as compared to 1971.

The growth in the number of persons benefiting from social security programs is a most important factor in the increase in the volume of workload units. The number of people on the old-age, survivors and disability insurance benefit rolls who are in current pay status will increase from an average of 26.3 million in 1971 to 27.1 million in 1972. The health insurance program shows a similar growth with the number of beneficiaries receiving services reimbursed under the hospital insurance program increasing from 4.5 million in 1971 to 4.6 million in 1972 and under the medical insurance program from 9.5 million in 1971 to 9.8 million in 1972.

On a program basis, the greatest proportionate increase in workload volume in 1972 over 1971 is in the disability insurance program. An 11.3 percent increase in workload units to be processed is estimated. Part of this increase in workload is related to the need to reduce in 1972 the higher than normal pendings on hand at the

various processing stations at the end of 1971. Smaller increases in workload units in the health insurance program (3.7 percent) and the old-age and survivors insurance program (1.1 percent) make up the balance of the increase in workload units.

In 1971, 109 man-years was budgeted for a folder retirement project in the disability operation and for a project to screen IRS records to identify self-employment earnings not posted to social security records. These projects will not recur in 1972.

b. Increase of 5.6 percent in work output of State agencies making disability determinations..... $3,259,433

Work units will increase in 1972 by 5.6 percent at a cost of $3,259,433. The bulk of the increase is in the initial determination of disability workload which will increase by 5.2 percent over the 1971 level and the reconsideration of disability determinations workload which will increase by 8.9 percent over 1971. The number of investigations to determine whether the beneficiary is still disabled will also increase by 8 percent.

c. Increase of 0.8 percent in work output of health insurance State agency operations..... $103,000

The volume of work performed by health insurance State agency operations will increase by 0.8 percent in 1972. The increase in volume is related to a growth in the number of provider facilities participating in the health insurance program and an increased emphasis on ensuring that the providers of service and independent laboratories that are certified to participate in the health insurance program comply with the conditions of participation.

d. Increase of 9.1 percent in work output of health insurance intermediaries..... $23,752,000

The increase in work output of intermediaries and carriers is composed of the following:

(1) An increase of 6 percent in the number of claims processed which computes to $13,892,000 at 1971 costs. In 1972 the volume of claims from hospitals, extended care facilities and home health agencies which will be handled by intermediaries will total 16,928,700, an increase of 539,500 over 1971. The number of claims for physician and related services which will be handled by carriers is budgeted to increase by 3,451,900 in 1972 to a total of 51,190,600. These increases are based on the growth in the population covered by the Medicare program and the increased use of medical services under that program.

(2) An increase of 32.4 percent in the number of audits of providers of services computes to $5,922,000 at 1971 unit costs. This increase over 1971 reflects an effort to work off one-third of an audit backlog which continued to build during 1971.

(3) An increase of $3,938,000 due to the annualizing and continuation of improvements in claims review and other activities from 1971 which are designed mainly to better control the amount of benefit payments.

2. Changes in rates and other cost factors..... $2,271,598

a. SSA operations..... $1,593,219

This is largely the cost of increases in rental costs for office facilities. Increased space requirements amount to $1,666,172 of which $859,319 is the annual cost of space acquired during 1971. Plans for 1972 include an added $577,480 for additional space to provide adequate facilities to house staff and facilitate workload movement. The opening of new field facilities in 1972 to keep pace with population changes and service needs will require an additional $220,000; and rate changes when existing contracts are renewed are expected to require another $139,000. Exchanges between governmental and commercial space in 1972 are expected to result in a net decrease of $129,627 in commercial rental expense. The increase of $1,666,172 in space requirements is offset by a number of minor decreases in other areas for a net increase of $1,593,219

b. States..... $678,379

Changes in the levels of other objects costs incurred by State agencies in their performance of work under the social security program amount to $678,379. Increased requirements for space and communications facilities account for a major portion of the change.

Decreases:

A. Procedural changes and other cost reductions..... -3,050 man-years and -$34,928,696

1. Procedural and other changes in production costs--SSA proper..... -3,050 man-years and -$26,421,310

a. Planned improvements in operating procedures and new or improved applications of ADP equipment to the work of the Social Security Administration will save 1,671 man-years and $14,093,064.

b. Procedural and other changes not yet specifically determined are budgeted to save 1,033 man-years and $8,927,197.

c. Changes in the ratios of indirect to direct production time and an increase in the proficiency of employees due to a lesser number of new recruits will save 157 man-years and $312,339.

d. The net change in rental and maintenance costs related to the purchase of ADP and other equipment will save $1,314,189.

e. Expansion of the change to simultaneous development of the basic entitlement factors and the medical evidence in disability claims will result in a reduction of 189 man-years and $1,774,521 in SSA district offices.

The simultaneous development procedure was started in April 1970. The procedure transfers the function of developing medical evidence in disability claims from district offices to State agencies and will be fully implemented in all States in 1972. In prior years, the district office would develop all aspects of a disability claim and then

forward it to a State agency for review. Under the simultaneous development procedure the development of medical evidence in a disability case is started by personnel in the State agencies while the district offices are still developing evidence relating to insured status, family composition and other aspects of the claim. Also, prior to simultaneous development the district offices did some of the work in obtaining medical evidence that under the new procedure will be done by State agency personnel. Developing the medical evidence and other factors in the case simultaneously rather than sequentially is expected to reduce the total elapsed time for handling a disability claim. Also, the outgoing quality of the disability determinations made by State employees should be improved by their participation at an earlier date in the development of medical evidence.

2. State agency productivity (disability program)..... -$1,098,386

The expansion of the simultaneous development procedure discussed in the previous section will result in a net saving of $540,130 in State agency productivity. Increased manpower costs for adjudication work transferred from the district offices to the State agencies will require an additional $1,432,048 while the savings from reductions in the consultative examination rate will amount to $1,972,178. The balance of the productivity saving results from the completion of training of a substantial number of new employees hired throughout 1971 and the staff having more operating experience with the simultaneous development procedures.

3. Intermediary productivity..... -$7,409,000

Productivity improvements of 2 percent in the hospital insurance program and 3 percent in the supplementary insurance program are expected from systems and procedural changes which are now being developed. The savings from these improvements are partially offset by an added cost of $536,000 related to further increases in magnetic tape transmission of billing information from the intermediaries to SSA's central data processing operation. The increased transmission of data by tape will reduce the SSA's requirements for punching and other clerical operations by an estimated 73 man-years.

B. Additional cost of overtime..... -$3,383,220

This saving is the result of planning for a reduced level of overtime in 1972. Due to increased permanent staff, the amount of overtime worked will be about 56 percent lower than in 1971, resulting in a corresponding decrease in the added cost of overtime.

C. Research and other contractual projects..... -$775,718

Projects	1971	1972
Retirement History Survey	$850,000	$500,000
Survey of New Beneficiaries	250,000	250,000
Survey of Disabled Adults	223,000	--
1971 Survey of Non-Institutionalized Adults	310,000	490,000
Current Medicare Survey	770,000	790,000
Standards for Audit of Medical Services	302,000	--
Vendor Drug Studies	150,000	500,000
Other Research Contracts	939,600	665,000
Administrative Contracts	345,658	169,540
	$4,140,258	$3,364,540

Non-recurring work performed on a contract basis consists primarily of research studies performed by public and private agencies on the effectiveness of the social security programs in meeting basic objectives of economic security. Also, included in this category of expense are studies of the effectiveness of administration of the program. The decline of $775,718 budgeted for fiscal year 1972 is due to: (1) a reduction of $350,000 (from $850,000 to $500,000) in one of the principal research studies in the cash benefit program; namely, the retirement history study which traces the economic status of a selected group of retirees over a period of several years after retirement (the 1971 level was abnormally high because of catching up on a backlog of work); (2) a decline of $274,600 in other research contracts is the net effect of several changes, the principal one being a reduction of $425,000 for contracts with outside computer facilities. This reduction is possible because it is expected that SSA will have in-house computer capability to take on this work in 1972; (3) a decrease of $176,118 in administrative contracts will result from the completion of several contractual items in 1971; and (4) the balance of all other changes is a net increase of $25,000.

D. Purchase of ADP Equipment..... -$8,517,772

No purchases of ADP equipment are planned for 1972. In 1971 five leased central processing units are budgeted for purchase at a total cost of $7,918,472. Microfilm printers and other ADP equipment purchased account for the remaining purchases in 1971.

E. One-time or intermittent costs..... -$652,883

This is the net effect of the following changes:

1. A decrease in costs related to new staff since less recruitment of new staff is planned for 1972 than was done in 1971.

2. A decrease in costs related to relocation of offices and changes in communications facilities and in the one-time costs of opening new offices.

3. An increase to purchase microfilm readers, film splicers, and storage racks to replace obsolete equipment and to purchase additional magnetic tape typewriters to increase the efficiency of clerical operations.

4. An increase for the one-time costs of anticipated major repairs and alterations to headquarters buildings to be performed by contract.

5. A decrease in costs for replacement of equipment.

Explanation of Transfers

	1971 Estimate	Purpose
Real transfer to:		
Departmental management	-$230,000	Share of 1971 costs of the new Facilities Engineering and Construction Agency established in 1970. This function is now budgeted in the Departmental management appropriation.
General Services Administration	-25,000	1971 rental costs of other agencies displaced from Federal space to commercial space by components of the Social Security Administration. The 1972 costs are budgeted in the General Services Administration appropriation.
Comparative transfer to:		
Departmental management	-27,400	Share of 1971 costs of the Secretary's Committee on Mental Retardation. This function is now budgeted in the Departmental management appropriation.

Limitation on Salaries and Expenses (Trust fund)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1962	$280,625,000	$267,570,000	$267,570,000	$267,570,000
1963	291,714,000	286,398,300	286,398,300	286,398,300
1964	322,679,000	317,900,000	317,900,000	317,900,000
1965	333,626,000	331,626,000	331,626,000	331,626,000
1966	491,341,000	488,341,000	488,341,000	488,341,000
1967	601,414,000	600,459,000	600,459,000	600,459,000
1968	720,188,000	716,428,000	715,328,000	715,328,000
1969	817,492,000	807,492,000	807,492,000	807,492,000
1970 1/	953,409,000	933,709,000	953,409,000	943,559,000
1971	997,461,000	997,461,000	997,461,000	997,461,000
1971 supplemental appropriations	47,530,000			
1972	1,134,640,000			

1/ All estimates and allowances for fiscal year 1970 include $10,933,000 to fund the unabsorbed cost of the pay increase (PL 91-231) effective December 28, 1969 under blanket authority given to the Office of Management and Budget in the second supplemental for 1970.

Justification

Limitation on Salaries and Expenses

	1971 Estimate		1972 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits 1/.....	52,703	$583,454,969	53,358	$607,264,096	+655	+$23,809,127
Payments to States..		71,106,162		83,005,567		+11,899,405
Payments to intermediaries.....		259,891,000		291,655,000		+31,764,000
Other expenses.....		130,256,469		127,715,337		-2,541,132
Contingency.....		--		25,000,000		+25,000,000
Total.....	52,703	1,044,708,600	53,358	1,134,640,000	+655	+89,931,400

1/ Average manpower estimates are as follows:

Regular Staff.....	53,442	53,574	+132
Overtime Equivalent..	2,063	906	-1,157
Total.....	55,505	54,480	-1,025

General Statement

The request for an annual "Limitation on Salaries and Expenses" is a request for the Social Security Administration to use the social security trust funds to meet its annual administrative expenses in carrying out the social security programs of retirement, survivors, disability, and health insurance. The statutory bases for the retirement, survivors, and disability programs can be found in Title II of the Social Security Act. The health insurance program is administered under the provisions of Title XVIII of the Social Security Act. The basic objective of the overall social security program is to protect individuals and families against the risks of economic loss resulting from retirement, disability, death, and the costs of health care beginning at age 65.

Source of Funds

The retirement, survivors, and disability insurance programs and the hospital insurance program are supported by contributions collected from employees, employers, and the self-employed in jobs, businesses, and professions covered by social security.

Contributions are deposited in the trust funds--the "Federal Old-Age and Survivors Insurance Trust Fund" established January 1, 1940; the "Federal Disability Insurance Trust Fund" created in 1956; and the "Federal Hospital Insurance Trust Fund" created in 1965. The contributions by the participants in the voluntary medical insurance program are collected by the Social Security Administration and deposited, together with the matching contributions from the general funds of the Treasury, in the "Federal Supplementary Medical Insurance Trust Fund" which also was created in 1965. Benefit payments and administrative costs are paid from the trust funds. The law requires that funds not currently needed for benefit payments and expenses are to be invested in "obligations of the United States or in obligations guaranteed as to both principal and interest by the United States" and the interest earned is used to support the programs. Total administrative expenses of the social security program are expected to equal less than one-half of the estimated interest earned for fiscal year 1971 and 1972.

Growth of Program

Since the Social Security Act became law on August 14, 1935, Congress has passed numerous amendments to the Act which have made significant changes in the scope and character of the program. The most recent change was a 10 percent increase in monthly cash benefits effective January 1971. Over the years, the program has been so strengthened and broadened that today nine out of ten workers are covered by the cash benefit program. Almost all persons aged 65 or over are insured against most hospital costs and about 95 percent of the aged have enrolled in the medical insurance program and are insured for a substantial part of doctor and other medical bills.

The growth of the program is best illustrated by a comparison of the number of beneficiaries in payment status and the amount of benefits paid. During fiscal year 1950, an average of 2.7 million individuals were receiving monthly benefits; in fiscal year 1960 the number had grown to 14 million; and in fiscal year 1972, an average of 27 million individuals will be receiving monthly benefits. In addition, during fiscal year 1972, an estimated 4.6 million aged will receive reimbursed hospital services and 9.8 million aged will receive reimbursed physician services. Total benefit payments in fiscal year 1950 amounted to $727 million; in fiscal year 1960, they amounted to $10.8 billion; in fiscal year 1972, an estimated $47 billion in cash and Medicare benefits will be paid.

Highlights of the Fiscal Year 1972 Budget Request

The social security program is defined by Titles II and XVIII of the Social Security Act; the size of that program in any given year is determined largely by demographic and economic factors. These factors include the level of employment, labor mobility as well as birth, marriage, disability, retirement and death rates, and the rates of utilization of health-care services by the aged. Actuaries and economists prepare basic workload estimates after assessing the above factors. It is these workload estimates which serve as the basis for the Social Security Administration's budget estimates for administration of the program.

The budget for fiscal year 1972 reflects the following major trends:

A. Increased work output is related primarily to population growth and is at a somewhat lower rate than in the two preceding years because of predicted economic recovery.

Work output is the sum of several factors including the composition and size of the workloads to be processed and qualitative changes in the characteristics of the final product. The following table shows the percentage increases in work output for the Social Security Administration.

	1970 over 1969 Actual	1971 over 1970 Estimate	1972 over 1971 Estimate
SSA bureaus.....	5.6	6.1	3.6
State agencies (disability)..	0.8	20.9	5.6
State agencies (health).....	21.3	14.9	0.8
Intermediaries.....	14.6	8.4	9.1
Composite total.....	6.2	8.5	5.1

SSA Bureaus: The work output of SSA increased in 1970 by 5.6 percent from the 1969 level. This increase was largely the result of (1) the continued growth in the population serviced; (2) a larger than normal influx of claims, especially disability claims, that resulted from the economic downturn (when the economy goes down, social security claims loads go up); and (3) the special job of processing the 15 percent increase in benefit rates for all beneficiaries on the cash benefit rolls.

In 1971, work output is expected to increase by 6.1 percent. This is almost entirely due to a large increase in the number of work units processed--particularly in the disability insurance program where the increase is about 13 percent. Disability filings that ultimately result in denials have been increasing for a number of years, both in absolute numbers and as a proportion of total filings. This past experience is sufficiently extensive to be recognized as a trend that will continue and has been incorporated into the workload estimates. In addition to this trend and the normal year-to-year increase resulting from population growth, the economic downturn which started in 1970 is expected to continue in 1971. The greater impact of this factor is on disability claims because marginal employees are the first to be terminated by employers when the economy weakens.

A further more normal increase of 3.6 percent in work output is projected for 1972. This increase is almost entirely due to higher workload units related to the greater number of persons who will be eligible for social security benefits. The 1972 estimates are based on the assumption of economic recovery and therefore do not reflect an abnormal number of new claims.

State agencies (disability program): The work output of State agencies under contract with the Social Security Administration to make determinations of disability increased to a much lesser degree in 1970 over 1969 than in SSA bureaus because the heavy disability claims receipts into the Bureau of District Office Operations in the latter part of 1970 will not be fully processed by the State agencies until fiscal year 1971.

The work output of the disability insurance State agencies is estimated to increase by 20.9 percent in 1971 over the 1970 level. This abnormal year-to-year change is for processing the backlog of work carried over from 1970 and to the handling of the continued high level of new disability filings projected for 1971.

In 1972, the work output of the disability insurance State agencies is estimated to increase by 5.6 percent, which is a more normal year-to-year change. It reflects the elimination of the abnormal backlog of work in 1971 and a somewhat lower level of new claims filings in 1972 with the improvement of the economy.

State agencies (health insurance program): The work output increased 21.3 percent in 1970 over 1969 for the State agencies which certify hospitals, extended care facilities, home health agencies and other providers of medical services for participation in the Medicare program. In 1971 work output is expected to increase 14.9 percent. These increases are principally related to the increasing attention being given to adherence to health and safety standards, fire protection, and general standards of provider performance in the surveys conducted by the State agencies. The surveys go beyond assessment of technical adherence to requirements to the evaluation of actual results in supplying medical services. In 1972 this growth in survey activity is expected to level off and the 0.8 percent increase in output reflects an estimated increase in the number of providers participating in the Medicare program.

Carriers and Intermediaries (health insurance program): Almost all of the bill payment and certain other administrative functions under the health insurance program are performed by the Blue Cross and Blue Shield organizations and by private insurance companies.

Work output of the health insurance intermediaries and carriers increased 14.6 percent in 1970 over 1969 and is expected to increase another 8.4 percent in 1971 and 9.1 percent in 1972, as measured mainly by the number of health insurance claims processed and audits made of hospitals and other institutions in connection with cost reimbursement for Medicare services. The volume of health insurance claims increased in 1970 over 1969 because of increases in the aged beneficiary population, in utilization of health services per beneficiary and in the frequency with which bills were submitted. Beneficiaries increasingly submitted claims soon after services were rendered by a physician rather than accumulating several doctor bills. The expected claims growth in 1971 and 1972 reflects continued growth in the population eligible for Medicare and increased utilization of health services per beneficiary. Audit work is also budgeted to increase in 1972 in order to reduce a backlog of work carried over from 1971.

B. Approximately $.34 out of every dollar for administrative expenses is budgeted for "third parties" under contract to carry out certain administrative functions.

As indicated in Exhibit 1 following this narrative more than one-third of each social security administrative dollar goes for the administra-

tive expenses of third parties who assist in carrying out the provisions of the Social Security Act.

Health insurance carriers and intermediaries such as Blue Cross and Blue Shield organizations and private insurance companies who pay most Medicare bills and are responsible for certain other administrative functions will require $.27 of every administrative dollar estimated for fiscal year 1972.

Since the inception of Medicare, intermediary and carrier workloads have increased at a faster rate than those of the SSA bureaus. For this reason the Medicare intermediaries and carriers have consumed a growing proportion of the total social security administrative dollar--21.5 percent in fiscal year 1968 as compared to 27 percent estimated for fiscal year 1972. The increased workloads stem from the growth in number of aged individuals receiving services under the Medicare program and from efforts to introduce qualitative improvements and greater cost controls in this, the newest area to which social security has been extended.

The Social Security Administration contracts with State agencies which make medical determinations on initial disability claims as well as on continuing eligibility for disability benefits. These agencies will require $.06 of every administrative dollar budgeted for fiscal year 1972.

In the administration of the health insurance program, the Social Security Administration also contracts with State agencies (usually public health agencies) which certify that providers of services, that is, hospitals, extended care facilities, home health agencies and independent laboratories, meet health and safety requirements and thus are eligible to participate in the program. These agencies will require $.01 of every administrative dollar budgeted for fiscal year 1972.

C. Manpower budgeted for SSA proper is less than 1968 despite a 20.9 percent increase in work output over the four-year period.

The 1972 budget request is based on the premise that SSA will fully absorb the workload increase budgeted for 1972 over 1971 and in addition decrease its manpower requirements by 1,025 man-years.

During 1970, the Social Security Administration saved 3,799 man-years and $36.9 million because of higher productivity than experienced in 1969. This represented an increase of 7.1 percent over that year and was brought about primarily through systems improvements involving the extension of the use of computers and telecommunications. Procedural changes resulting from a comprehensive manpower utilization study made late in 1969 also contributed to these manpower savings.

In 1971, a further improvement of 2.5 percent, which is equivalent to a saving of 1,399 man-years and $14.2 million over fiscal year 1970, is projected. Most of these savings will be accomplished by specific cost reduction projects. As in previous years, the bulk of these projects involve extension of the use of computers and finding better ways of getting the job done.

A productivity increase of 5.6 percent in 1972 over 1971 is budgeted and reflects savings of 3,050 man-years and $34.9 million. These savings will be achieved through continued efforts to automate the claims and benefit payment processes, other extensions of the use of computers and other machinery and completion of the changes initiated in the preceding year.

Exhibit 2, which follows this narrative, shows the trend in productivity in the Social Security Administration since fiscal year 1960. The work output index used in computing the productivity index is composed of units of program workloads processed, adjusted for changes in the quality of the output, and non-recurring work involving the use of SSA manpower. The manpower index covers total manpower paid directly from the Salaries and Expenses appropriation, including overtime. Work performed by State agencies and intermediaries and the manpower for them are excluded.

D. 1972 budgeted man-years reflect a continued effort to reduce the use of overtime.

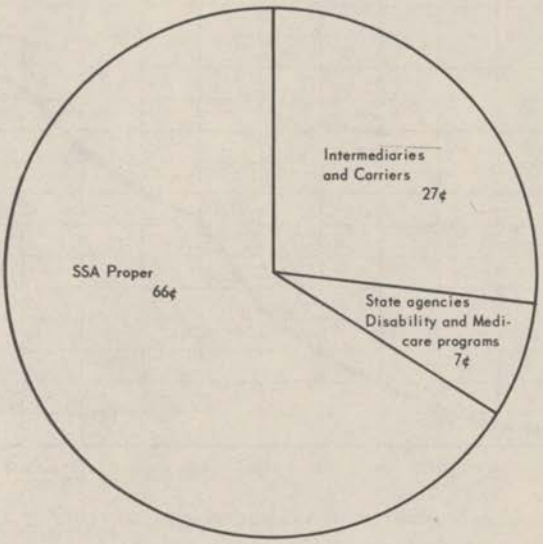
An increase of 655 permanent positions is requested in 1972 to permit a reduction in the use of overtime. As shown in Exhibit 3 following this narrative overtime usage has decreased from 7.6 percent of total man-years used in fiscal year 1968 to an estimated 1.7 percent in fiscal year 1972. At the same time the number of permanent positions filled at end-of-year 1972 is less than 300 over the actual end-of-year for fiscal year 1968 which was prior to the enactment of the Revenue and Expenditure Control Act. A summary of SSA's employment and overtime requirements funded from the Salaries and Expenses appropriation follows:

	FY 1968 Actual	FY 1969 Actual	FY 1970 Actual	FY 1971 Estimate	FY 1972 Estimate
Number of permanent positions.....	53,496	51,076	50,929	52,703	53,358
Permanent positions filled at end-of-year.....	52,471	50,488	50,047	52,157	52,757
Man-years:					
Regular.....	50,605	51,691	50,811	53,442	53,574
Overtime.....	4,165	2,714	2,837	2,063	906

For individuals whose salaries are equal to or less than the base rate of a GS-10, an hour of overtime costs one and one-half times as much as an hour of regular time. Extensive periods of overtime reduce employee productivity during normal working hours and when prolonged may endanger the employee's health. Therefore, the Social Security Administration believes that by increasing permanent positions and reducing overtime it can accomplish its objectives more efficiently and more economically.

Exhibit 1

ADMINISTRATIVE EXPENSE DOLLAR – FISCAL YEAR 1972

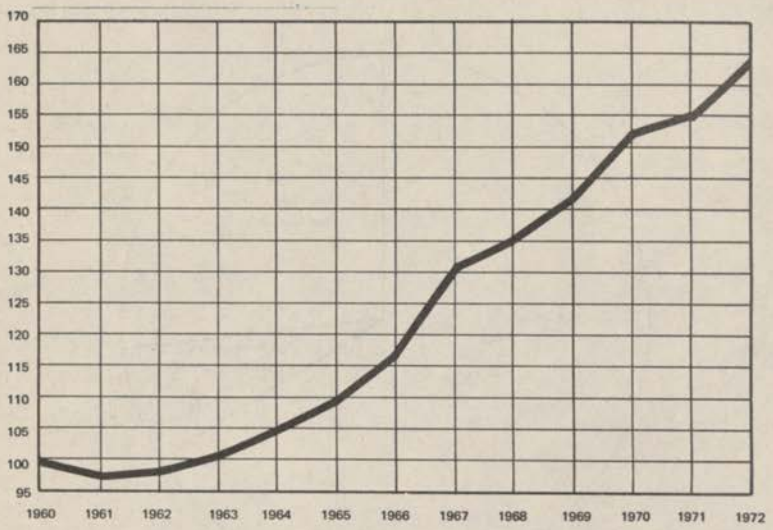


FISCAL YEAR 1972 ESTIMATE

	Amount	Percent of Total Amount
SSA Proper	$734,979,433	66 %
Intermediaries and Carriers	291,655,000	27 %
State Agencies:		
Disability $67,942,567		
Medicare 15,063,000		
Total State Agencies	83,005,567	7 %
Total Obligations	$1,109,640,000	100 %

Exhibit 2

COMPARISON OF MANPOWER WITH WORKLOAD[1]
PRODUCTIVITY INDEX
Fiscal Year 1960 = 100



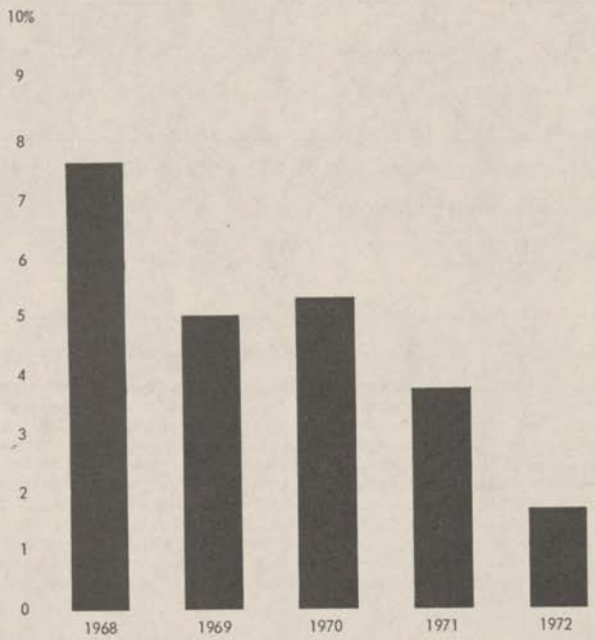
INDICES OF WORK OUTPUT, MANPOWER, AND PRODUCTIVITY

Year	Work Output	Manpower	Productivity[2]
1960 actual	100.00	100.00	100.00
1961 actual	114.11	116.39	98.04
1962 actual	132.10	134.50	98.22
1963 actual	137.55	135.35	101.63
1964 actual	144.80	137.24	105.51
1965 actual	151.60	136.84	110.79
1966 actual	219.47	187.66	116.95
1967 actual	253.55	192.22	131.91
1968 actual	287.42	212.04	135.55
1969 actual	299.38	210.63	142.14
1970 actual	316.12	207.70	152.20
1971 estimate	335.28	214.89	156.02
1972 estimate	347.48	210.92	164.74

[1]Work performed by State agencies and intermediaries and the manpower for them are excluded.
[2]Productivity index equals work output index divided by manpower index.

Exhibit 3

OVERTIME AS A PERCENT OF TOTAL MANPOWER



	Total Man-years	Overtime Man-years	Overtime as Percent of Total Man-years
1968 Actual	54,770	4,165	7.6
1969 Actual	54,405	2,714	5.0
1970 Actual	53,648	2,837	5.3
1971 Estimate[1]	55,505	2,063	3.7
1972 Estimate	54,480	906	1.7

[1] Does not include the manpower needed to process the 1971 benefit increase—490 man-years of which 349 man-years are to be worked on overtime.

Activity 1 - Old-Age and Survivors Insurance Program

	1971 Estimate		1972 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits 1/	32,411	$349,980,432	31,904	$353,958,801	-507	+$3,978,369
Payments to States		4,792,742		5,321,443		+528,701
Other expenses		77,419,215		79,071,609		+1,652,394
	32,411	$432,192,389	31,904	$438,351,853	-507	+$6,159,464

1/ Manpower estimates are as follows:

Regular	33,212	32,483	-729
Overtime	1,195	490	-705
Total	34,407	32,973	-1,434

Scope of Program

Funds requested for the old-age and survivors insurance program provide for: (1) making the initial determination of eligibility of workers, wives, widows, children and dependent parents for old-age and survivors benefits; (2) re-evaluating the initial determination when requested by the claimant; (3) making changes in the beneficiary rolls to assure proper and correct payment of benefits; and (4) investigating the beneficiary's continuing entitlement to benefits, including the evaluation of performance of representative payees. This activity, along with the disability and health insurance activities, includes a distributive share of functions which support all social security programs: the maintenance of earnings records for workers covered by the social security program, the overall direction of the program, and administrative services.

Workloads

A. Workload Trends

The number of persons on the old-age and survivors insurance beneficiary roll is expected to continue to increase each year for many years into the future. The size of the roll and the volume of work required to maintain it accurately and timely are to a large extent dependent on the growth of the population, the economy and demographic changes. The number of OASI beneficiaries and the amounts of OASI benefits paid for selected past years and estimates for 1941-1972 are shown below:

Fiscal Year	Average Number of Beneficiaries	Benefits Paid During Year
1941	222,488	$64,341,885
1950	2,742,808	727,266,479
1960	13,243,564	10,269,708,577
1965	18,236,173	15,225,894,366
1970	22,889,000	26,266,928,000
1971 estimate	23,597,000	31,085,000,000 1/
1972 estimate	24,279,000	34,236,000,000 1/

1/ These estimates reflect the benefit payment rate increase of 10 percent effective January, 1971. Public Law 92-5 enacted March 17, 1971.

B. Work Output

An overall increase of one percent in work output is projected for the components of the Social Security Administration proper in 1972. The one percent increase is the net effect of: (1) a 1.1 percent rise in the number of work units to be processed over the 1971 level (+367 man-years); (2) various qualitative improvements which net out to the need for an additional 26 man-years in 1972; and (3) a decrease of 51 man-years because a manual operation to pick up previously unreported self-employment earnings from IRS records which was done in 1971 will not be necessary in 1972.

Principal workloads in this activity are:

	1971 Estimate	1972 Estimate	Difference 1972 Over 1971
Claims applications			
Received	3,674,000	3,626,000	-48,000
Processed	3,672,500	3,628,500	-44,000
Changes to beneficiary rolls			
Received	23,886,000	24,499,000	+613,000
Processed	23,886,000	24,499,000	+613,000

The volume of claims filed in 1971 was unusually high because of the effects that restraints on growth in the economy had on the level of employment. Receipts in 1972 decrease from that level reflecting an improvement in the economy.

Budget Estimate

The cost of administering this activity in 1972 is budgeted to increase by $6,159,464 which is the sum of a number of increases and decreases. Principle increases are for the work output referred to above and mandatory salary increases (including the recent Federal pay raise). These increases are substantially offset by productivity savings of 1,434 man-years and savings resulting from a planned decrease in overtime as a source of manpower.

Activity 2 - Disability Insurance Program

	1971 Estimate		1972 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits 1/...	12,228	$142,722,623	13,095	$154,860,123	+867	+$12,137,500
Payments to States.		53,283,420		62,621,124		+9,337,704
Other expenses...		27,628,851		29,361,092		+1,732,241
Total.....	12,228	$223,634,894	13,095	$246,842,339	+867	+$23,207,445

1/ Manpower estimates are as follows:

Regular	12,145	12,770	+625
Overtime	577	256	-321
Total	12,722	13,026	+304

Scope of Program

Funds requested for the disability insurance program provide for: (1) making initial determinations of eligibility for cash benefits of disabled workers and their dependents; (2) re-evaluating the initial determination upon the claimant's request; (3) making changes in the beneficiary rolls to assure proper and correct payment of benefits; and (4) investigating the beneficiary's continuing eligibility for benefits, including the evaluation of performance of representative payees. The administrative costs budgeted for the disability program include the costs of State agencies which determine the existence of a disability.

Workloads

A. Workload Trends

The filing rate for initial applications for disability benefits in fiscal year 1970 was higher than normal. This high level of claims receipts, which is expected to continue into 1971, probably results from the economic downturn experienced during this period. Indications are that more initial claims than usual are being filed by the marginally employable segment of the work force. More initial claims in 1971 will result in additional reconsiderations, hearings, and appeals in both 1971 and 1972. In spite of the resumption, anticipated for 1972, of a more normal filing pattern for initial claims, the continuing growth of the beneficiary population to be serviced, combined with the greater than normal growth in the appellate area related to 1971 initial claims results in a continued increase in overall workloads for this activity in 1972.

The increase in the number of individuals being paid disability benefits since cash benefits were first payable in fiscal year 1958 is accompanied by a continuing growth in workloads involved in servicing beneficiaries on the rolls. The number of beneficiaries (disabled workers and their dependents) and the amount of benefits paid for selected years and estimated for 1971 and 1972 are shown below.

Fiscal Year	Average Number of Beneficiaries in Current Payment Status	Benefits Paid During the Year
1958	150,000	$168,420,000
1960	460,000	528,304,000
1965	1,563,000	1,392,190,000
1970	2,495,000	2,778,118,000
1971 estimate	2,657,000	3,358,000,000 1/
1972 estimate	2,819,000	3,762,000,000 1/

1/ These estimates reflect the benefit payment rate increase of 10 percent effective January 1971. Public Law 92-5 enacted March 17, 1971.

B. Work Output

A 10.9 percent increase in work output is projected in 1972 over 1971 in this activity for components of the Social Security Administration. Most of the increase in 1972 (+1,432 man-years) results from a projected increase of 11.3 percent in work units over 1971 and a small increase of 5 man-years in additional work resulting from a court decision extending additional appeal rights to beneficiaries. These increases are partially offset by a saving of 48 man-years relating to two special projects (screening of unreported self-employment earnings in IRS records and a folder retirement project) which were carried out during 1971 but which will not be repeated in 1972.

In State agencies under contract with the Social Security Administration to make determinations of disability, the increase in work output for the same period is 5.9 percent, all in work units.

Principal workloads in this activity are:

	1971 Estimate	1972 Estimate	Difference 1972 over 1971
Disability claims applications			
Received	1,361,000	1,394,000	+33,000
Processed	1,354,478	1,431,392	+76,914
Determinations of disability in initial claims (States)			
Received	682,240	717,820	+35,580
Processed	682,240	717,820	+35,580
Reconsiderations of disability determinations			
Received	145,070	160,030	+14,960
Processed	116,820	173,056	+56,236
Requests for hearings			
Received	40,069	60,932	+20,863
Processed	36,619	47,806	+11,187
Changes to the disability beneficiary rolls			
Received	4,212,005	4,478,000	+265,995
Processed	4,212,000	4,478,000	+266,000

Budget Estimates

The total cost for this activity in fiscal year 1972 is estimated at $246,842,339, an increase of $23,207,445 over 1971. $9,337,704 of this increase occurs in State agencies and is the net result of a 5.9 percent increase in work output, statutory increases in salaries, and higher unit costs of consultative examinations, ($67, 1971 as compared to $68 in 1972) partially offset by a net saving resulting from "simultaneous development"--the shift in the responsibility for initial medical development of disability claims from social security district offices to State agency personnel. This shift in workload is expected to save medical examination costs in State agencies since the State examiners have more expertise in this area and these savings are expected to more than offset the added costs for the work performed by the States which was previously done by staff in the social security district office. A most important added feature of this shift in work is that the overall processing time for disability claims will be shortened, since an SSA office will be working on the non-medical aspects of a claim at the same time as a State office is working up the medical aspects.

The balance of this increase, $13,869,741, occurs in the components of the Social Security Administration. This is the net effect of a 10.9 percent increase in work output, mandatory increases in salaries including the annualized effect of the 1971 pay raise; partially offset by 1,089 man-years in productivity savings resulting principally from improved and more mechanized procedures for handling workloads. About 189 man-years of this saving is due to "simultaneous development."

Activity 3 - Health Insurance Program

	1971 Estimate		1972 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits 1/.....	8,064	$90,751,912	8,359	$98,604,179	+295	$7,852,267
Payments to States..		13,030,000		15,063,000		+2,033,000
Payments to intermediaries.....		259,891,000		291,655,000		+31,764,000
Other expenses.....		25,208,405		19,123,629		-6,084,776
	8,064	$388,881,317	8,359	$424,445,808	+295	+$35,564,491
Sub-activities:						
Hospital insurance	3,782	137,761,252	3,886	151,455,501	+104	+13,694,249
Supplementary medical insurance....	4,282	251,120,065	4,473	272,990,307	+191	+21,870,242

1/ Manpower estimates are as follows:

Regular	8,085	8,321	+236
Overtime	291	160	-131
Total	8,376	8,481	+105

Scope of Program

Funds requested for Activity 3 provide for the administration of a hospital insurance program and a voluntary supplementary medical insurance program established by the 1965 amendments to the Social Security Act and commonly referred to as Medicare. Coverage under both programs is extended to essentially all individuals age 65 and over. The hospital insurance program affords protection against the costs of inpatient hospital services, post-hospital home health services, and post-hospital extended care services. The medical insurance program covers 80 percent of the costs of physicians' services, outpatient services, home health services, and other related medical services, after a $50 yearly deductible amount.

The administrative costs budgeted under this activity include those incurred by components of the Social Security Administration in directing the program, serving the public, collecting premiums and maintaining records of utilization of services. Also budgeted in this activity are the costs of contracts with non-governmental organizations and State agencies which perform certain administrative functions for the program. Almost all of the bill payment and certain other administrative functions under the health insurance program are performed by Blue Cross and Blue Shield organizations and by private insurance companies. State agencies are responsible for the investigation and certification of hospitals, home health agencies, extended care facilities, and independent laboratories for participation in the program.

Workloads

A. Workload Trends

The estimated growth of Medicare in 1971 and 1972 is reflected in the number of persons covered by the hospital and medical insurance programs, the number receiving reimbursed services, and the amount of benefits paid as shown in the table below:

Fiscal Year	Average Number of People Covered by the Program	Persons Receiving Reimbursed Service	Benefits Paid
Hospital Insurance			
1970 actual	20,000,000	4,400,000	$4,803,900,000
1971 estimate	20,300,000	4,500,000	5,819,700,000
1972 estimate	20,600,000	4,600,000	6,690,000,000
Medical Insurance			
1970 actual	19,200,000	9,200,000	1,979,287,000
1971 estimate	19,500,000	9,500,000	2,070,300,000
1972 estimate	19,800,000	9,800,000	2,300,000,000

Generally, increases in the number of persons receiving reimbursed services are expected to result from the growth in the population of persons age 65 and over and from a greater use of health services by the average beneficiary. Benefit payments are expected to increase at a faster rate than the number of persons receiving reimbursed services because of higher costs of health services covered under the program.

B. Work Output

1. Work Units

The volume of workload units to be processed in fiscal year 1972 by staff of the Social Security Administration is expected to increase by 3.7 percent as compared with fiscal year 1971; the volume of work to be handled by health insurance intermediaries is expected to increase in 1972 by 7.6 percent over 1971. The amount of work to be handled by State agencies is expected to increase by 0.8 percent in 1972 over 1971.

The increase in work performed by the staff of the Social Security Administration reflects a mixture of expanding workloads due to the growth in the population aged 65 and over and to higher utilization of health services, offset slightly by declining workloads in the administration of hospital insurance for the uninsured.

The growth in intermediary work units results from an increase in the number of claims to be processed and in the volume of provider cost reports to be audited by the intermediaries. The claims growth is related to the growth in population aged 65 and over, and an increase in the utilization of health services. The increase in the audit workload results from the necessity to reduce an audit backlog carried over from 1971 as well as to deal with the normal audit program for 1972.

The volume of survey and other visits by State agency personnel in 1972 is expected to increase one percent over 1971. These visits are in connection with certifying and recertifying hospitals, extended care facilities, and other facilities as providers of services under Medicare. The increase in surveys is related to an estimated increase in the number of providers participating in the program.

The principal workloads in this activity are:

SSA Workloads

	1971 Estimate	1972 Estimate	Difference 1972 over 1971
Claims and payment records posted to utilization records at SSA headquarters...	57,197,000	61,091,000	+3,894,000
Premiums collected 1/.....	5,729,000	5,823,000	+94,000
Assistance to beneficiaries with medical insurance claims.....	2,543,000	2,632,000	+89,000

1/ This workload excludes group payments and deductions from benefits.

Intermediary Workloads

	1971 Estimate	1972 Estimate	Difference 1972 over 1971
Claims for services covered by hospital insurance.....	16,388,700	16,928,700	+540,000
Claims for services covered by medical insurance.....	47,738,700	51,190,600	+3,451,900
Provider audits.....	10,200	13,500	+3,300

State Agency Workloads

	1971 Estimate	1972 Estimate	Difference 1972 over 1971
Surveys and other visits.....	31,200	31,500	+300

2. Qualitative Improvements

In addition to the increase of 7.6 percent in work units for the intermediaries, there is a rise of 1.5 percent in added work due to qualitative improvements which will cost an estimated $3,938,000. These improvements have the objective of continuing to: (1) improve the claims review and payment processes in order to speed up payments while

preventing erroneous or duplicate payments; (2) improve the system for monitoring the utilization of institutional and medical services in order to encourage better control over utilization; (3) refine and expand the use of procedures for handling questions of coverage for extended care facilities and home health services to protect beneficiaries and providers from retroactive denials under Medicare; and (4) identify and correct instances of program abuses and potential fraud.

For the work of SSA proper, there is a very slight offset to growth in work units through the reduction of 10 man-years in non-recurring work which took place in 1971.

Budget Estimate

The cost of administering Activity 3 in 1972 is budgeted to increase by $35,564,491. Increases of $31,764,000 are for the costs of intermediaries, $2,033,000 for the costs of State agencies, and $1,767,491 for the costs of components of the Social Security Administration.

The net increase of $1,767,491 over fiscal year 1971 costs for components of SSA is composed of a number of increases and decreases. Major increases for work output, built-in salary increases and the recent pay raise total $10,012,218 while decreases for productivity improvements, overtime usage and purchases of ADP equipment total $8,380,675.

Increases over 1971 for the intermediaries total $31,764,000. They are: (1) $23,752,000 for handling the 9.1 percent increase in work output; (2) $10,844,000 for salary increases; and (3) $4,577,000 for increased costs of supplies, equipment, subcontracts and other items of expenditure. Savings due to procedural and other productivity improvements are $7,409,000.

The costs in 1972 over 1971 of State agencies participating in the health insurance program will increase: (1) $103,000 for increased workloads; (2) $648,000 for higher salaries and other costs; and (3) $1,282,000 for payments to State governments to fully reimburse them for centralized State services which are provided to the State agencies performing Medicare work. These centralized State costs are determined through negotiated agreements between the Federal government and each State government.

SOCIAL SECURITY ADMINISTRATION

Limitation on Salaries and Expenses

Program Purpose and Accomplishments

Activity: Limitation on Salaries and Expenses (Section 201(g)(1) of the Social Security Act)

1971 Available Appropriation		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
52,703	$1,044,708,600	Indefinite	53,358	$1,134,640,000

Purpose: This appropriation provides for necessary administrative costs of the Social Security Administration in administering national programs of old-age, survivors, disability and health insurance.

Explanation: The old-age, survivors, and disability insurance programs and the hospital insurance program are financed by contributions collected from employees, employers, and the self-employed in jobs, businesses, and professions covered by social security. The voluntary medical insurance plan is supported by contributions from persons age 65 and over who elect to participate in the program and by an equal contribution by the Federal Government from general revenues. Benefits are paid from the four trust funds under a continuing authorization of law. The "Limitation on Salaries and Expenses" appropriation account is an authorization to the Social Security Administration for expenditure of a specified sum of money from these trust funds for administrative expenses.

Accomplishments in 1971: The amount of work that has to be done in administering the social security program is generated primarily by factors such as growth of population, level of employment, incidence of illness among the aged, and mortality rates, and is therefore for the most part not subject to administrative control. The budget for this year provides for handling 5.0 million new claims for cash benefits, 16.4 million claims for services covered by hospital insurance, and 47.7 million claims for services covered by medical insurance. It also provides for certifying for payment of monthly benefits to an average of 26 million old-age, survivors, and disability insurance beneficiaries.

Objectives in 1972: The appropriation request for 1972 is based on the assumption that the workloads handled by the Social Security Administration and on a contract basis by State agencies and health insurance intermediaries and carriers will increase by 5.1 percent over the fiscal year 1971 level. The 1972 budget request is based on the premise that SSA will fully absorb the workload increase of 2,025 man-years and in addition, decrease its manpower requirements by 1,025 man-years. The level of overtime scheduled for 1972 will be reduced 1,157 man-years from the 1971 level. This will be achieved through the addition of 655 permanent positions and reduced requirements stemming from the workload absorption and improved productivity.

THURSDAY, MAY 20, 1971.

LIMITATION ON CONSTRUCTION

WITNESSES

ROBERT M. BALL, COMMISSIONER
JACK S. FUTTERMAN, ASSISTANT COMMISSIONER, OFFICE OF ADMINISTRATION
MRS. IDA C. MERRIAM, ASSISTANT COMMISSIONER, OFFICE OF RESEARCH AND STATISTICS
THOMAS M. TIERNEY, DIRECTOR, BUREAU OF HEALTH INSURANCE
SAMUEL CROUCH, DEPUTY DIRECTOR, BUREAU OF DISABILITY INSURANCE
MRS. MILDRED L. TYSSOWSKI, DIVISION OF FINANCIAL MANAGEMENT, OFFICE OF ADMINISTRATION
SHERWIN T. MONTELL, BUDGET OFFICER, DIVISION OF FINANCIAL MANAGEMENT, OFFICE OF ADMINISTRATION
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

LIMITATION ON CONSTRUCTION

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Other services	1,331	777	6,901
Land and structures	6,284	9,695	7,662
Administrative expenses included in fund as a whole	−2,447	−20,357	−13,314
Change in selected resources	−5,168	9,885	−1,249
Total obligations			

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	Costs to this appropriation					Analysis of 1972 financing			
	Total estimate	To June 30, 1969	1970 actual	1971 estimate	1972 estimate	Deduct selected resources and unobligated balance, start of year	Add selected resources and unobligated balance, end of year	Appropriation required, 1972	Appropriation required to complete
Program by activities:									
1. Headquarters	98,610	9,121	2,944	1,763	5,459	16,167	10,708		68,615
2. District offices	36,972	7,600	4,671	8,709	5,161	15,812	10,651		
3. Payment centers	93,584				3,943		14,251	18,194	75,390
Total program costs, funded	228,986	16,721	7,615	10,472	14,563	31,979	35,610	18,194	144,005
Change in selected resources [1]			−5,168	9,885	−1,249				
Total obligations			2,447	20,357	13,314				
Financing:									
Unobligated balance available, start of year			−41,426	−38,979	−21,422				
Unobligated balance available, end of year			38,979	21,422	26,302				
Limitation				2,800	18,194				
Relation of obligations to outlays:									
Obligations incurred, net			2,447	20,357	13,314				
Obligated balance, start of year			7,028	1,795	11,135				
Obligated balance, end of year			−1,795	−11,135	−12,900				
Outlays			7,680	11,017	11,549				

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1969, $5,841,000; 1970, $673,000; 1971, $10,558,000; 1972, $9,309,000.

Mr. PATTEN. Mr. Ball, let us turn to your request for construction.

GENERAL STATEMENT

Mr. BALL. Mr. Chairman, this is the last item for the Social Security Administration and if it is acceptable to you and the members, I would like to put the full statement in the record and proceed to point out a few highlights.

(The statement follows:)

STATEMENT BY THE COMMISSIONER OF SOCIAL SECURITY

Just as the annual administrative expenses of conducting the social security program are paid from the trust funds, so the construction of buildings to house social security operations are paid out of these funds. The Congress has previously authorized the construction, financed out of trust funds of headquarters facilities in Baltimore County, Md., and of over 100 district office buildings in various parts of the country. We are now requesting funds in fiscal year 1972 for facilities to house Social Security Administration payment centers. Four of these offices occupy rented quarters that fall far short of what is desirable for economical and efficient operation. We therefore propose to locate them in permanent quarters suitably designed for their operations and financed out of trust funds.

The payment centers' primary mission is to assure the continuing payment of monthly benefits in the proper amount to about 24 million retired workers and their dependents and to the widows and children of deceased workers. The work done in payment centers by some 12,000 SSA employees involves placing about 3.5 million new claimants on the rolls each year and handling for those beneficiaries already on the rolls a wide variety of actions such as changes of address, termination of benefits, suspension and reinstatement of benefits, and recomputation of benefit amounts.

There are six of these payment centers today. For fiscal year 1972 we are requesting budget authority of $18,194,000 to acquire sites and design buildings to house four of them: Those located in Philadelphia, Pa., Birmingham, Ala., Chicago, Ill., and San Francisco, Calif. Funds for construction will be requested in subsequent years. Our current estimate of total cost to build the four payment center facilities amounts to about $94 million. The other two payment centers, in New York City and in Kansas City, Mo., are currently housed in space considered to be adequate at this time.

The leased space occupied by the four payment centers for which construction is recommended is poorly suited to efficient operations. The space layouts necessitate inefficient operating arrangements and geographic dispersion of the space in three of the locations imposes additional handling costs, operating delays, and inefficienices. The Birmingham Payment Center is housed in seven leased locations through metropolitan Birmingham and suburban communities. The Chicago Payment Center which is housed in two leased locations in downtown Chicago, has severe logistic problems because of the heavy traffic congestion throughout the Loop area. The San Francisco Payment Center is housed in six locations throughout downtown San Francisco, and although the Philadelphia Payment Center is housed in one building, its operations are scattered over a mezzanine and six floors which are also occupied by commercial tenants. The building was originally designed as a warehouse and is unsuited for the development of an efficient work flow system. Severe problems related to security, employee morale, lighting, air conditioning, movement of personnel and materials, and food service are present in all four of these payment center buildings.

Before recommending direct Federal construction of buildings for the four payment centers in this request, many attempts were made by the General Services Administration in cooperation with the Social Security Administration to rent adequate contiguous office space for these operations. All of these attempts failed.

No additional budget authority is requested for 1972 for the district office construction program or for additional facilities at headquarters in Baltimore County. Funds were provided in the 1965, 1966, and 1967 appropriations for the acquistion of sites, the design, and construction of district office buildings in 107 locations throughout the country. At the close of fiscal year 1970, 34 of these

offices had been completed and occupied. The budget anticipates that this number will increase to 65 by June 1972. Construction will be underway by that time on 11 more projects, while the remaining 31 projects will be in various stages of site acquisition and design. The 1971 appropriation provided $2.8 million for the acquisition of sites and design of district office buildings in 30 more selected cities. It is estimated that by June 1972 all of these sites will have been acquired and design completed for about 15 of these buildings. Funds for construction of these 30 offices will be requested in a subsequent year.

At headquarters, funds were provided in the 1965, 1966, and 1967 appropriations for additional buildings to house personnel, for construction of a warehouse and acquisition of additional land adjacent to the headquarters site. The warehouse and one office building (known as the East Building) have been completed and occupied. Bids have been received on another office building (known as the West Building) and the construction contract was awarded in May 1971 with completion called for in the fall of 1972. The 1972 budget contains an estimated obligation of $3.5 million for the design of additional facilities at headquarters to house personnel now in leased space in Baltimore City and in offsite buildings near the headquarters site. These added facilities will be located on the headquarters site in Baltimore County—a site which now covers 232 acres. When acquisition of the remining properties for which funds were approved in the 1966 and 1967 appropriations is completed, the total headquarters site will consist of 285 acres.

CONSTRUCTION OF PAYMENT CENTER FACILITIES

Mr. BALL. The request here is related to our desire to build four payment centers. We have six of these payment centers in some of the larger cities, and we have had, I would say, a very disappointing housing experience with these large payment centers. These are operations that typically employ 2,500 to 3,000 people, with peripheral computer activities and a large clerical force, and also some high level review people, frequently with legal backgrounds. Over the years we have sometimes gotten into satisfactory space on a rental basis, and then with the expansion of the program inevitably we have overrun that space and had to move into two buildings and three buildings. In one location where we wish to construct our own building, we are housed in six different locations for what amounts to a single work process. This is very inefficient and it is very damaging to morale because of some of the conditions some of our employees have had to work under. We have come to the conclusion that our best hope is to build from the trust fund in these four locations.

We have two payment centers in which the housing conditions are presently satisfactory and we are not proposing to move from there. I should make clear that we have always been interested in trying to see if we could in any way get rental space, or lease-construction arrangements for these buildings that was satisfactory and so far have been unable to do so in these four locations. The General Services Administration has been working with us on this. We now think we just ought to proceed with building authority.

If before we move ahead, we should work out something in a lease-construction arrangement in one or two of these locations, we would immediately notify the committee to withdraw the authorization.

LOCATION OF THE NEW CONSTRUCTION

Mr. PATTEN. I am on the Military Construction Subcommittee; so many things come to my mind quickly as to where you should locate these payment centers and whether all efforts are made to secure land

owned by the Federal Government, especially in many military facilities which are being phased out. For example, in my area Camp Kilmer, 1,300 acres with some beautiful administrative buildings. Throughout the country we have phased out many military establishments. We own a lot of land. I imagine you do not have to be down here on Independence Avenue with your payment centers. Your client does not go to the payment centers, is that right?

Mr. BALL. That is right.

Mr. PATTEN. You can do what the telephone company does. I mail a check to Murray Hill in Morris County for the New Jersey Bell Telephone Co.

What are your thoughts about the location?

Mr. BALL. Mr. Chairman, I think a key point for us is that these are going operations at the moment. Taking the four locations, I would guess there are probably 8,000 employees of Social Security trained and essential to the continued operations of the program living in the locations. These are the places that maintain that beneficiary roll every month. They have been in the same city locations for many years. It has been our thought to build in the same area but not necessarily downtown—at a place where our employees could continue to work with us and be within reasonable commuting distance. We are proposing buildings in Philadelphia, Birmingham, Chicago and San Francisco, where we have these operating payment centers now in being.

LAND COSTS

Mr. PATTEN. In cooperation with GSA or others, I suppose you will defend yourself against any criticism about paying $10 million for a square block in Chicago if we have land available which would be ideal for your center.

Mr. BALL. Yes. I would think we would examine very carefully the question of being on the outskirts of the city versus any downtown location that was offered, and that we would have to weigh against the issue of free land anywhere the very great cost and disruption that is involved in a move where you lose your skilled personnel.

STATUS OF HEADQUARTERS CONSTRUCTION

Mr. PATTEN. What progress are you making on your headquarters construction? Do you still expect to be able to award a construction contract this month as stated in your justification?

Mr. BALL. Yes. A contract has been awarded for that particular building. As far as headquarters construction in general is concerned, we seem to always be running somewhat behind new legislation and new demands. We recently completed a building that houses primarily the medicare operation. We have awarded a contract now for another relatively small office building addition.

We still, with the growth of this program, have two or three thousand people located downtown in Baltimore that we cannot bring on the site. In fiscal year 1972 we will be doing the preliminary work looking toward another major building on the main headquarters site in Woodlawn.

ENGINEERING AND ARCHITECTURAL STAFF

Mr. PATTEN. Mr. Ball, do you have your own staff?

You know, when you put up a public building, it is like living in a fishbowl. Many things are involved. It is a tremendous undertaking. Do you have your own engineering staff, your own architects, your own construction experts, inspectors, and so on?

Mr. BALL. Mainly the building construction operation has been consolidated in the Department of Health, Education, and Welfare in the last year. They largely have the engineering and architectural overseeing staffs there. We still have in Social Security two architects that focus entirely on our own work. Then of course contracts are let through the GSA.

Mr. PATTEN. You are not like a State highway department, which has a permanent staff because they are always building roads.

Mr. BALL. We have the two architects.

Mr. PATTEN. They have the engineering and draftsmen and have the whole capability because they are in business continuingly. This $94 million worth of building is like a one-shot for you. Last year you were not tied up with this operation. In the next 2 or 3 years, if we give you the $94 million, you will be in the business of watching $94 million worth of construction.

Mr. BALL. That is right. We will have three going programs, if this request is approved. We have the construction on our site at headquarters which is almost continuous in one form or another; we have a district office building program where around the country we are setting up individual buildings out of trust fund money. Then we have this payment center program. But the actual overview of the construction is through GSA, although we and the Department have our own people on a continuing basis, too.

HEADQUARTERS PERSONNEL IN RENTED SPACE

Mr. PATTEN. How many headquarters personnel do you have, and how many are now housed in rented space?

Mr. BALL. About 2,600 are in rented space in downtown Baltimore.

Mr. FUTTERMAN. In Baltimore as a whole there are probably 7,500 in rented space, including the Dickinson Building and about 9,300 in Government-owned buildings.

Mr. BALL. The Dickinson Building is right adjacent to the Woodlawn site, and is practically an integral part of the headquarters location even though it is a rented building. The 2,600 employees I was referring to are located in downtown Baltimore.

UNOBLIGATED BALANCE IN CONSTRUCTION PROGRAM

Mr. PATTEN. I am going to skip questions that come to my mind as I look at your complex at Baltimore with your traffic congestion the same problems that we have in downtown Washington every day as 500,000 employees head for home.

What is the present unobligated balance in this appropriation?

Mr. FUTTERMAN. At the beginning of the year I believe it was around $39 million. We are expecting to obligate about half of that

this year, and start the next year with about $21 million, plus the $18 million we are asking for, which will bring us back up again.

I am sorry, I misstated. We are only asking for $13 million in obligations for next year, $4.5 million from new authority and the remainder from the $21 million we are carrying over.

STAFFING IN WASHINGTON AND BALTIMORE

Mrs. REID. May I ask a question at this point?

Mr. PATTEN. Certainly.

Mrs. REID. What proportion of your work is still carried out here in Washington and how much is done in your headquarters in Baltimore?

Mr. BALL. InWashington, D.C. proper, excluding the suburbs, we have about 100 permanent employees who work in six district or branch officies out in the community taking claims and directly helping people. Then we have part of our actuarial and research and statistical operation right in the HEW building in Washington and I have an office of four people here too. Thus, aside from the district office people, the Social Security Administration has 200 staff members in Washington. Then, we have the central office of our Bureau of Hearings and Appeals (about 400 people) housed in Arlington, Va.

In the Baltimore area, excluding district office personnel who take the claims from residents of the community, we have 16,700 people. Over 8,400 of these are in our Bureau of Data Processing and Accounts, where we maintain the lifetime earnings records of all workers and where our centralized computer operations are. Another 4,600 are in our Bureau of Disability Insurance, and almost all of these are engaged in processing claims for disability insurance and maintaining the disability beneficiary rolls. There are 1,000 in the Bureau of Health Insurance and the remaining 2,700 carry out administrative policy, research and service-type functions.

Baltimore area employees (excluding those in district offices) are housed in 13 different buildings. We rent eight of these. The remaining five were constructed from trust fund moneys and are part of the central office complex in Woodlawn, Md., a Baltimore suburban community. Approximately 2,600 employees engaged in the record-keeping operation are located in central Baltimore roughly 10 miles from the Woodlawn complex in three of the rented buildings. The other rented buildings are in the vicinity of the owned buildings in Woodlawn.

I should add that the majority of social security employees are out in the communities of the country serving the people, or in our payment centers. Of our total employment of 53,400, 36,100 are field employees.

TOTAL COST OF PAYMENT CENTER CONSTRUCTION

Mr. PATTEN. You are not asking for $94 million at this time?

Mr. FUTTERMAN. No, sir. We are asking only for design and site acquisition.

Mr. PATTEN. You request an appropriation of $18,194,000 for design and site acquisition for four payment centers. What is your estimate of the total cost of construction for these buildings?

Mr. BALL. The total cost estimate is $94 million, including site, design, and construction, but we are not at this point asking for all of it.

CONSTRUCTION VERSUS RENTAL COSTS

Mr. PATTEN. How does the cost of constructing these facilities compare with the cost of continuing to lease space for the payment centers?

Mr. FUTTERMAN. As part of the regular procedure with the construction agency in the Department we always have to make a demonstration that the economics are favorable to Government construction before we are permitted administratively to move ahead.

Generally, you can compute this in several different ways, but usually it shows that the buildings will pay for themselves in a matter of 19 years or so and we end up with an asset wholly owned at the end of that period.

It varies.

POTENTIAL CONSTRUCTION COST OVERRUNS

Mr. PATTEN. I wish you luck, but there is no place in my private practice and my knowledge of things in local, county, and State governments, and certainly not in the Federal Government, that we don't run short of money. Overruns! It haunts us all the way through. I do not have to tell you about the C5A, or SST, or F–111, or so many other projects of the military that have haunted them all year as a matter of public relations.

Mr. FUTTERMAN. It is true, Mr. Patten, that until recently construction costs have been increasing at the rate of 1 percent a month. To the extent that you make an estimate and do not reflect this kind of escalation you are confronted with what somebody will label as an overrun. I will say this, though: When we built the present plant in Woodlawn, we did not have an overrun. We came up with a saving of about $5 million we expected to spend. It happened that we put the contracts out in 1958 and there was a sort of temporary recession and we were wise enough and lucky enough, I might say, to make that contract right at the dip. Two months later it would have cost us $5 million more. It is true, we have been confronted in our district office program which the Congress had authorized in 1965, 1966, and 1967 with higher costs. The costs that were attached to those installations then was much lower than today. I think my recollection is that the costs generally have gone up 42 percent in construction since that time.

RENTAL VERSUS CONSTRUCTION COSTS

Mr. BALL. Mr. Chairman, I think it is important that in addition to the kind of formal comparison of rent and owning that Mr. Futterman is referring to, that we ought to also consider the fact that the way we are set up in these payment centers—scattered in different buildings—results in a very inefficient operation. Although it is hard to estimate, I am sure the costs are considerable year by year because we are not in one building.

Mr. PATTEN. You have not answered my question. I would think you would shape up for the record some figures resulting from your study about the cost of leasing versus the cost of construction.

Mr. BALL. We will be very glad to do that.

(The information follows:)

Cost of Construction of Payment Centers Versus Leasing of Comparable Space

The table shown below reflects the comparative costs of direct Federal construction for four payment centers versus leasing of comparable space. In the cities in which construction of payment centers is proposed there are no buildings available for lease which would fulfill the requirements of payment center operations such as having floors capable of withstanding great weights, 50,000 square feet per floor of net usable space, and contiguous space for all operations.

For purposes of this comparison no escalation of rental rates beyond 1975 have been projected although current rates are increasing about 2 percent annually. In addition, the short range loss of interest to the trust funds due to the withdrawal of funds for construction was not considered. Estimates for the cost of construction are based on scheduled completion by the end of 1975.

	Birmingham Alabama	Philadelphia Pennsylvania	Chicago Illinois	San Francisco California	Total
Total cost of direct Federal construction (including site, design and structures)	$15,262,000	$21,233,000	$34,276,000	$22,813,000	$93,584,000
Annual Offsets:					
1. Annual rental cost of comparable space 1/	1,586,500	2,231,970	3,512,530	1,956,760	9,287,760
2. Annual savings in movement of personnel and material resulting from consolidation of space	108,000	-0- 2/	85,000	120,000	313,000
3. Annual savings in personnel costs due to 2-percent improvement in productivity resulting from efficiency in operations	348,000	382,000	472,000	289,000	1,491,000
Total annual offsets	2,042,500	2,613,970	4,069,530	2,365,760	11,091,760
Number of years required for offsets to equal the cost of construction	7.5	8.1	8.4	9.6	8.4

1/ These figures represent rental costs reduced by the amounts that will be required for utilities and maintenance of the payment center buildings

2/ Currently housed in one building

STATUS OF DISTRICT OFFICE CONSTRUCTION

Mr. PATTEN. How well are you progressing with construction of district offices?

Mr. FUTTERMAN. We have completed 34 of the 107 that were authorized in fiscal years 1965–1967. We expect by the end of fiscal year 1972 to have completed 65 out of the total of 107. We would then have underway 11 more. At that time there would still be 31 offices remaining out of the 107 that were authorized in the mid-60s that are in various stages of site acquisition and/or design. The program has been held up several times by reason of the Federal Government's freezes to cut down inflation and so forth.

Mr. Michel is well aware of the stops and starts we have had. Some of these 31 offices are in renewal sites that need to be cleared and so forth.

Then, in addition, we were authorized in last year's budget—fiscal year 1971—site acquisition and design funds for 30 offices, and we will have completed all of the site acquisition and the design of about 15 of the ones we were authorized last year, and we hope to ask for the construction of these 30 offices in a subsequent year.

Mr. PATTEN. Are there any questions, Mr. Michel?

RENTAL COSTS FOR LEASED PAYMENT CENTERS

Mr. MICHEL. Yes, thank you, Mr. Chairman.

Mr. Ball, regarding the six payment centers, you say in Birmingham they are housed in seven leased locations. Will you for the record, put the amount of rental or lease payment for those seven sites?

(The information follows:)

PAYMENT CENTER SPACE (COMMERCIAL) AS OF MAY 24, 1971—BIRMINGHAM PAYMENT CENTER RENTAL COSTS

Location	Square feet	Annual cost
2225 3d Ave., North	79,098	$257,859
Corner, 2d and 23d Sts	68,066	261,373
3 Executive Park Building	39,000	193,830
Eastwood Mall (2 separate buildings)	43,365	156,981
1724 3d Ave, North	16,650	59,108
713 North 25th St	13,555	27,517
Total	259,734	956,668

Mr. MICHEL. The Chicago center has two leased locations. Put that in the record. San Francisco has six. Put that in the record. You made the point in your testimony that when you have had to divide up or disperse the center you have attendant problems of transportation over and above the cost of rental. Give us some indication of how much that amounts to.

(The information follows:)

Payment Center Space (Commercial) as of May 24, 1971

	Square Feet	Annual Cost
Chicago Payment Center Rental Costs		
Location		
165 Canal Street	250,163	$1,273,992
226 West Jackson Street	87,107	442,740
Total	337,270	$1,716,732
San Francisco Payment Center Rental Costs		
Location		
1235 Mission Street	95,000	$483,318
41 First Street	47,411	209,650
25 First Street	48,651	235,470
1460 Mission Street	11,627	56,647
30 Van Ness Street	86,312	393,693
Total	289,001	$1,378,778

The payment center also has 11,910 square feet of warehouse space in a federally owned building for which no rent is paid.

Tangible Costs on an Annual Basis of Operating Payment Centers in Split Locations

Type of Cost	Birmingham	Chicago	San Francisco	Total
Personnel services and benefits (Includes additional work time required for packing, handling and control of case folders as well as transit time for employees who must go from one building to another).....	$99,361	$74,557	$104,093	$278,011
Travel and Transportation.....	2,608	3,661	11,360	17,629
Rental Costs (Rental of space for health units and extra communications costs)..	5,681	5,942	4,515	16,138
Total Tangible Costs.....	$107,650	$84,160	$119,968	$311,778

In addition to the tangible costs of split operations, there are inevitable additional costs which cannot be priced out in dollars and cents. The need for case folders to move from building to building for the required action to be completed results in a longer processing time and a higher percent of cases in which the action taken is not timely. As the time an individual case folder spends in processing stations increases, the likelihood of a status request or inquiry increases, with additional costs being incurred to respond to the status request or inquiry. The separation of payment center employees in various buildings also results in a tendency of employees to consider themselves a part of the branch or group located in the one building rather than as an integral part of the total payment center operation. Over a period of time this results in both management and employees being more concerned with the needs of their particular location rather than the best interests of the payment center as a whole.

Mr. PATTEN. Some of these men on the floor are pretty sharp on construction business. They will tell you how much it cost a square foot. I think you ought to shape it up better.

DISTRICT OFFICE RENTAL STATISTICS

Mr. MICHEL. Of the total 800 district and branch offices, how many do we own and how many are rented?

Mr. FUTTERMAN. We have been authorized, Mr. MICHEL, 107 offices in 1965, 1966, and 1967 and in 1971 site and design funds for 30 additional. So altogether we have authority for construction of 137 offices. These are what we own. We lease the rest from private landlords or have space in Federal office buildings.

Mr. MICHEL. What is the total amount of rent we are currently paying for offices around the country? Supply that for the record.

(The information follows:)

The Social Security Administration is currently paying slightly less than $1.1 million per month for rental of district office space. The estimated total rental cost for district and branch offices in fiscal year 1971 is $12.9 million.

Mr. BALL. I should make clear that we would not propose to build all district offices. Some of those we occupy have been built right to our specifications and design and we are leasing them and are well satisfied.

LOCATION AND FUNCTION OF PAYMENT CENTERS

Mr. MICHEL. I appreciate that.

These payment centers do not serve as a public service function in a community like a district office does, right?

Mr. BALL. People do not go to the center.

Mr. MICHEL. The district offices we would like to have located in the communities where they are accessible and people can get to them easily?

Mr. BALL. That is correct.

Mr. MICHEL. This would not necessarily have to be true of payment centers?

Mr. BALL. No. The consideration there is accessibility to employees.

Mr. MICHEL. What is involved in a payment center?

Mr. BALL. I would say there are two major functions. All of the initial claims that are filed under social security in retirement and survivors benefits but not disability, flow from the district office to a payment center where a proportion of them are reviewed and then set up for payment. That review part is a highly skilled job.

Then there is a job of maintaining the ongoing beneficiary roll. You know just hundreds of thousands of people not only come on the rolls every month but are taken off because of going back to work or in case of death or children reach the age where they are no longer eligible. In addition, there is a big turnover in the name and address changes and so on.

So there is a big job of maintaining this continuing roll. That can be a combination of a semiprofessional decisionmaking and a large clerical operation with peripheral computer operations that feed into the central office. So you have a large mass clerical computer operation plus some highly skilled technical people as well.

RENT COSTS OF PHILADELPHIA PAYMENT CENTER

Mr. MICHEL. I failed to ask what the rental charge would be for the Philadelphia center proposed to be constructed. Put that in the record.

(The information follows:)

PAYMENT CENTER SPACE (COMMERCIAL) AS OF MAY 24, 1971

Philadelphia payment center rental costs:
Location.—401 North Broad Street.
Square feet.—272,464.
Annual cost.—$930,489.

NEW YORK PC RENT COSTS

Mr. MICHEL. You say in New York and Kansas City they are currently housed in space considered to be adequate?

Mr. BALL. Yes.

Mr. MICHEL. May we have the rental?

Mr. FUTTERMAN. In Kansas City it is a Federal office building and we pay no rental. We will supply it for New York.

(The information follows:)

PAYMENT CENTER SPACE (COMMERCIAL) AS OF MAY 24, 1971—NEW YORK PAYMENT CENTER RENTAL COSTS

Location	Square Feet	Annual Cos
One Lefrak Building [1]	180,075	$1,949,604
96-05 Horace Harding Expressway [1]	217,244	1,084,047
56-02 Roosevelt Avenue (warehouse space)	7,500	11,734
Total	404,819	2,545,385

[1] These two buildings are adjacent to each other and are joined by a connecting link so for practical operating purposes are the same as one building.

Note. The payment center also has 6,030 square feet of warehouse space in a federally owned building for which no rent is paid.

CONSTRUCTION COSTS PER SQUARE FOOT

Mr. MICHEL. What are your projected estimates per square foot costs for the construction of payment centers? Any idea yet? Of course you are asking only for design and site acquisition.

Mr. FUTTERMAN. The $94 million, and I think roughly the four buildings would be around 2 million square feet of space. That suggests something like $47 per square foot.

Mrs. TYSSOWSKI. I think it is about 1.6 million square feet.

Mr. MICHEL. Correct those figures for the record because we look back sometimes and either buttress or destroy the arguments we have made at one time or another that we should or should not have been building.

What I would like to have is the per square foot cost of payment centers.

Mr. BALL. That underlies the $94 million estimate?

Mr. MICHEL. Yes. Would that square foot cost parallel the square foot cost for these district offices?

Mr. FUTTERMAN. No. It is a different type of construction. The construction agency is interested in applying a systems approach to building payment centers which they hope will keep the costs down. I think the costs will be in the same ball park even though the buildings are quite different types of construction.

(The information follows:)

SQUARE FOOT COSTS OF PAYMENT CENTERS

A preliminary estimate of 1,600,000 net assignable square feet of space has been made for the four payment centers. The normal method of computing cost per square foot is to add 50 percent to the net assignable space and the result is the gross building size. Using this method the gross area of the four buildings would be 2,400,000 square feet. A preliminary estimate of $75,390,000 for construction costs has been made. This computes to $31.42 per gross square foot in construction costs. The conversion of net to gross area varies depending upon design of the building and could affect the cost per gross square foot.

Mr. MICHEL. Those 34 completed district offices, what would be the variable in cost per square foot of construction?

Mr. FUTTERMAN. They do vary. It is amazing how construction costs vary throughout the country.

Mr. MICHEL. Would you put a table in the record for the 34 completed?

Mr. FUTTERMAN. Yes. The construction costs or shall we show separately the land costs?

Mr. MICHEL. Maybe you better separate the costs. That makes sense since land cost varies, too.

(The information follows:)

SOCIAL SECURITY ADMINISTRATION—ANALYSIS OF COSTS OF 34 COMPLETED DISTRICT OFFICES

[Based on GSA project statements]

Location	Site acquisition cost per square feet [1]	Construction cost per square feet [2]
Anniston, Ala	$1.08	$21.45
Gadsen, Ala	1.87	20.34
Prescott, Ariz	2.70	22.38
Eldorado, Ark	3.30	20.13
Huntington Park, Calif	3.74	15.91
Torrington, Conn	3.42	35.55
LaSalle/Peru, Ill	0.53	37.62
Rock Island, Ill	3.77	29.93
Pikeville, Ky	3.58	25.41
Presque Isle, Maine	0.83	26.82
Cumberland, Md	1.48	30.00
Marlow Heights, Md	2.52	25.47
Salisbury, Md	2.54	28.23
Fall River, Mass	2.39	25.18
Haverhill, Mass	2.49	32.28
Austin, Minn	2.70	28.53
Minneapolis, Minn	4.28	19.01
Littleton, N.H	1.07	37.04
Bridgeton, N.J	2.09	31.78
Hackensack, N.J	2.25	26.78
Irvington, N.J	4.55	26.95
Olean, N.Y	1.24	28.15
Watertown, N.Y	2.00	41.17
Grand Forks, N.D	5.07	22.71
Ambridge, Pa	1.76	33.31
Philadelphia (NE), Pa	2.80	20.35
Pittsburgh, Pa	3.52	34.11
West Chester, Pa	2.15	29.82
Pawtucket, R.I	2.38	24.59
Brownsville, Tex	2.45	20.10
Sherman, Tex	1.86	23.60
Staunton, Va	1.17	26.75
Beckley, W. Va	1.92	39.53
Welch, W. Va	3.25	29.84

[1] Average site costs per square foot—$2.67.
[2] Average construction cost per square foot—$26.01.

Note: Site acquisition costs are for land only. Construction costs exclude the cost of design and GSA supervision and inspection costs.

STATUS OF PEORIA DISTRICT OFFICE CONSTRUCTION

Mr. MICHEL. You made mention of our acquaintance with the problem and, of course, out in Peoria we have a site that has been acquired and as I understand it the design plans and drawings are in.

Mr. FUTTERMAN. We received working drawings May 3.

Mr. MICHEL. What is your best estimate of when you will actually be breaking ground on that?

Mr. FUTTERMAN. At the moment, Congressman Michel, we do not have an apportionment that permits us to proceed.

Mr. MILLER. We have requested such an apportionment. We have not received a decision on it from the Office of Management and Budget.

Mr. MICHEL. We don't want anything more than what we have coming, but I would like to see this move along as expeditiously as possible. I would like to see work proceed on these others, too, as I am sure you do. We really have in the works how many again?

Mr. FUTTERMAN. Thirty-four are completed out of a total of 137 which are in some stage.

Mr. MICHEL. How much of an apportionment would it take to make certain that we get underway out there in Peoria?

Mr. FUTTERMAN. We will supply that for the record.

(The information follows:)

A reapportionment request is pending in the Office of Management and Budget for fiscal year 1971 for the construction of 13 offices, including $367,100 for the Peoria, Ill., district office. Of this amount, $334,300 is for the construction contract and $32,800 is for supervision and inspection during construction.

Mr. MICHEL. I want to make sure how much has to be apportioned to make sure we can proceed on schedule out there and get ourselves underway. That may be a selfish way of putting the question. I should be phrasing it probably for every other one.

Mr. FUTTERMAN. Peoria happens to be in the list of the apportionment currently requested. It is not a large amount of money involved. It is several million dollars for those in this apportionment request.

ESCALATION OF CONSTRUCTION COSTS

Mr. MICHEL. Cost estimates have gone up too on our particular project.

Mr. FUTTERMAN. Yes.

Mr. MICHEL. What has been the position of your shop in cases of this kind? Do you just have to try to keep those increases to a minimum? Is that pretty uniform throughout the country?

Mr. FUTTERMAN. It is not uniform but throughout the country we have had an escalation in the costs.

First the appropriations were sort of closed end appropriations. As you recognize they were authorized 6 or 7 or 8 years ago.

Mr. MICHEL. Right.

Mr. FUTTERMAN. In order to eke out the construction of the 109 offices originally authorized in those first 3 years, got the approval of the committee to drop two and to apply the money that was freed up to reprogram and to take care of the additional costs of construction.

I think we are in fair shape. A few more may drop out because a few of the offices for which we wanted to construct facilities back in 1965, 1966 and 1967 we have had to move, and the situation has changed. So I think using that approach, we will be able to pretty much come out okay and able to fully finance a slightly reduced number. But the cost of construction has increased at a differential rate in different locations throughout the country.

PRAISE FOR WORK OF SOCIAL SECURITY ADMINISTRATION

Mr. MICHEL. That is all, Mr. Chairman.

Since this is the last item for Social Security, you and your associates have testified on a number of items, Mr. Ball, and I want to commend you and your associates for a very fine presentation and I think we are a little bit better acquainted with the burgeoning load of responsibilities that get thrust upon your office by virtue of our continually enacting new pieces of legislation. In the wings are other bills to which you referred any number of times which will surely impose new and additional responsibilities and we are grateful for the great job you and your associates do. We will try to do the best we can for you on this.

Mr. BALL. Thank you.

Mr. PATTEN. Let's say in closing that more American citizens probably form an opinion of the Federal Government through your office than any other Federal activity. Some may say the Post Office, everybody meets the postman every day. But a person going to the Post Office does not have an emotional situation. It is not a new event. Here there is the language difficulty, and many who are physically handicapped and find it difficult to travel to the office. There is so much difference than just getting your mail every day.

With all of these problems there is no doubt that millions of our citizens will love our country and admire our institutions by the impression your Agency leaves. It is nice to repeat what Mr. Michel said and other members of the committee, that your Administration is basking in the bright sunshine and it is a credit to us all.

Mr. BALL. Thank you.

Mr. PATTEN. I hope you have the good fortune to continue with the high mark I think the American public would give you today.

Mr. BALL. We are very conscious of that responsibility as you outlined it, Mr. Chairman.

Mr. PATTEN. The committee stands adjourned.

(The justification follows:)

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Limitation on Construction (Trust fund)

Amounts Available for Obligation

	1971	1972
Appropriation	$2,800,000	$18,194,000
Unobligated balance, start of year	38,978,944	21,421,543
Unobligated balance, end of year	-21,421,543	-26,301,543
Total obligations	20,357,401	13,314,000

Obligations by Activity

Page Ref.		1971 Estimate	1972 Estimate	Increase or Decrease
90	Headquarters	$11,092,361	$3,500,000	-$7,592,361
92	District offices	9,265,040	5,300,000	-3,965,040
93	Payment centers	---	4,514,000	+4,514,000
	Total obligations	20,357,401	13,314,000	-7,043,401

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Other services:			
Architects and engineers design contracts	$200,540	$5,708,070	+$5,507,530
GSA supervision and inspection costs	401,301	897,060	+495,759
Construction reservations and contingencies	909,700	400,000	-509,700
Land and structures	18,845,860	6,308,870	-12,536,990
Total obligations by object	20,357,401	13,314,000	-7,043,401

Summary of Changes

1971 budget authority	$2,800,000
1972 budget authority	18,194,000
Net change	+15,394,000

Program Increases:	Base	Change from Base
1. Payment center construction	--	+$18,194,000
Program Decreases:		
1. District office construction	$2,800,000	-2,800,000
Total, net change		+15,394,000

Explanation of Changes

The 1971 appropriation provides $2,800,000 for the acquisition of sites and the design of district office buildings in 30 selected cities. The 1972 appropriation request for $18,194,000 in budget authority will provide for the acquisition of sites and the design of buildings to house four of the six payment centers operated by the Social Security Administration. Funds for construction of these facilities will be requested in a subsequent year.

Limitation on Construction (Trust fund)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1962	4,360,000	4,000,000	4,000,000	4,000,000
1963	--	--	--	--
1964	--	--	--	--
1965	5,750,000	5,750,000	5,750,000	5,750,000
1966	15,048,000	15,048,000	15,048,000	15,048,000
1967	26,250,000	26,250,000	43,189,000	43,189,000
1968	--	--	--	--
1969	--	--	--	--
1970	--	--	--	--
1971	2,800,00	2,800,000	2,800,000	2,800,000
1972	18,194,000			

Justification

Limitation on Construction (Trust fund)

	1971 Estimate	1972 Estimate	Increase or Decrease
Other expenses.....	$20,357,401	$13,314,000	-$7,043,401

General Statement

This appropriation finances the acquisition of land, the design and construction of Social Security Administration headquarters buildings, district offices, and payment centers needed for the administration of the Federal old-age, survivors, disability and health insurance programs.

Existing projects for which funds have already been appropriated and proposed projects to be financed by $18,194,000 in additional budget authority fall under the following activities:

1. Headquarters

No additional budget authority is requested for fiscal year 1972 for this activity but $3,500,000 in obligations from prior budget authority is projected. Funds were provided in the 1965, 1966 and 1967 appropriations for additional buildings to house personnel, for construction of a warehouse and for acquisition of additional land at the Social Security headquarters in Baltimore County, Maryland. The warehouse was completed and occupied in December 1969; one of the office buildings was completed and occupied in August 1970; and another building, for which funds were provided in 1967, is scheduled for construction to begin in May 1971 with completion in the fall of 1972. After that construction is completed, the space at headquarters still will be inadequate to house all of the headquarters staff at the Woodlawn site in Baltimore County. Therefore, planning of another building is scheduled to begin early in fiscal year 1972 after completion of traffic and engineering studies at headquarters which are currently underway. In the interim, space shortages are continuing to be met by leasing space in Baltimore City and in off-site buildings near the headquarters site.

2. District Offices

No new budget authority is requested for fiscal year 1972 for this construction activity. Funds were provided in the 1965, 1966 and 1967 appropriations for acquisition of sites, design and construction of 107 offices and in the 1971 appropriation for the acquisition of sites and design of buildings in 30 additional locations. The obligations scheduled for 1972 are related to progress on projects approved and funded in prior years as follows:

A. Site acquisition and design of offices approved in 1965, 1966 and 1967 program	$1,271,000
B. Site acquisition and design of offices approved in 1971 program	1,400,000
C. Construction contracts for 11 offices (one from the 1965 program and 10 from the 1967 program)	2,629,000
Total	$5,300,000

3. Payment Centers

$18,194,000 in new budget authority is requested for fiscal year 1972 to acquire sites and design buildings for Social Security Payment Centers in Philadelphia, Pa., Birmingham, Ala., Chicago, Ill., and San Francisco, Calif. From this budget authority, obligations for fiscal year 1972 are projected at $4,514,000, primarily to obtain land options on sites. This is a new construction activity for which funds have not been requested in prior years. Funds for the actual construction of these buildings will be requested in a subsequent year.

The long-range goal of payment center construction is to improve the efficiency of payment center operations by consolidating space and upgrading the quality of the centers. Payment center operations in the four locations mentioned above are currently housed in undesirable space inadequate for the efficient flow of work and typically in widely dispersed buildings. For example, the Birmingham Payment Center is housed in seven leased locations throughout metropolitan Birmingham and suburban communities. Moreover, direct construction from trust fund monies is considered in the best interests of the government as a less expensive alternative in the long run to continued rental or lease construction.

Activity 1 - Headquarters

	1971 Estimate	1972 Estimate	Increase or Decrease
Other expenses	$11,092,361	$3,500,000	-$7,592,361

Explanation of Estimated Obligations

No new budget authority was requested for this activity for 1971 and none is requested for 1972. Obligations scheduled for 1971 and 1972 reflect estimated progress on existing construction projects at the Social Security headquarters in Baltimore County, Maryland for which funds were appropriated in prior years. A description of these projects follows:

1. Construction of an office building and a separate warehouse to provide for expansion needs prior to enactment of the 1965 amendments. (Funds appropriated in 1965 and 1966.)

Fiscal Year	Obligations
1965	$413,970
1966	32,365
1967	7,826,278
1968	2,326,663
1969	297,744
1970	235,123
1971 estimate	110,557
Total project cost estimate	$11,242,700

The warehouse was completed and occupied in December 1969. The office building, known as the East building, was completed and occupied in August 1970. Landscaping for both structures is scheduled for completion in the Spring of 1971.

2. Construction of additional buildings to house increased headquarters staff resulting from the health insurance program and other recent amendments to the Social Security Act. (Funds appropriated in 1966 and 1967.)

Fiscal Year	Obligations
1966	--
1967	$83,005
1968	125,337
1969	202,443
1970	128,558
1971 estimate	10,452,900
1972 estimate	3,500,000
Future years estimate	2,885,057
Total project cost estimate	$17,377,300

The design of an office building (known as the West Building) has been completed, and a construction contract award is scheduled for May 1971 with completion anticipated in the fall of 1972. After construction is completed on this building, space will still be inadequate to house the present headquarters staff at the same site. Therefore, construction of

another building is contemplated. Engineering and traffic studies preceding this further headquarters construction will be completed by the end of fiscal year 1971. The design contract for the required additional space will be awarded in fiscal year 1972. Funds already available for construction of this building are inadequate due to the increase in the amount of space required compared to the original estimate. Additional funds for construction of this building will be requested in a subsequent year.

3. Purchase of additional land adjacent to headquarters site. (Funds appropriated in 1966 and 1967.)

Fiscal Year	Obligations
1966	$13,777
1967	123,704
1968	561,179
1969	97,950
1970	49,486
1971 estimate	528,904
Total project cost estimate	$1,375,000

The 1966 and 1967 appropriations provided a total of $1,375,000 for the acquisition of over 100 acres of land available to the East of the Social Security headquarters site in Woodlawn, Maryland. As of the beginning of fiscal year 1971, 90.2 acres of land had been acquired at a cost of $674,347. In addition, 28.1 acres have been acquired but await judgment of the U.S. Court as to just price. Deposits have been made with the courts totaling $171,750 for this acreage. With these acquisitions most of the properties in the area known as "Colonial Park Estates," which is to the east of the existing boundary, are now part of the Social Security headquarters site. The remaining funds, $528,903, scheduled for obligation in fiscal year 1971, will be utilized to pay any excess over the amounts deposited that the court may determine as a just price, and to purchase the remaining available properties when the owners desire to sell. There also remain about 10 acres of unimproved land between SSA boundaries and the right-of-way on interstate highway 70N. The Maryland State Roads Commission has acquired this land and will convey the excess to SSA when the right-of-way is determined.

Activity 2 - District Offices

	1971 Estimate	1972 Estimate	Increase or Decrease
Other expenses	$9,265,040	$5,300,000	-$3,965,040

Explanation of Estimated Obligations

Funds totaling $33,992,000 were provided in the 1965, 1966 and 1967 appropriations for acquisition of sites and design and construction of 107 district office buildings. The 1971 appropriation included $2,800,000 for the acquisition of sites and design of buildings for 30 additional locations. The following schedule reflects actual and estimated obligations of these funds by fiscal year. The $5,300,000 for 1972 includes $1,400,000 from the 1971 appropriation and $3,900,000 from the 1965, 1966 and 1967 appropriations.

Fiscal Year	Obligations
1965	$141,735
1966	1,414,570
1967	1,043,945
1968	1,652,197
1969	6,204,505
1970	2,033,522
1971 estimate	9,265,040
1972 estimate	5,300,000
Future years estimate	9,736,486
Total project cost estimate	$36,792,000

At the close of fiscal year 1970, SSA staff occupied 34 district offices which had been constructed with trust fund monies. The budget anticipates that this number will increase to 65 by June 1972. Construction will be underway by that time on 11 more projects, while the remaining 31 projects funded from the 1965, 1966 and 1967 appropriations will be in various stages of site acquisition and design. Also by that time we will have acquired 30 sites under the 1971 budget authority and have completed design for about 15 of those buildings. It is possible that we will be able to progress with these construction projects at a faster pace than assumed when the estimates of obligations were developed for the President's budget.

Activity 3 - Payment Centers

	1971 Estimate	1972 Estimate	Increase or Decrease
Other expenses.....	--	$4,514,000	+$4,514,000

Explanation of Estimated Obligations

Budget authority totaling $18,194,000 is requested for 1972 for acquisition of sites and design of four buildings to house the Social Security Administration's payment center operations in Philadelphia, Pa.; Birmingham, Ala; Chicago, Ill.; and San Francisco, Calif. The estimated 1972 obligations of $4,514,000 from this budget authority are principally related to securing options on sites in the cities mentioned. Funds for construction of these buildings will be requested in a subsequent year.

Establishment and Mission of Payment Centers

The Social Security Administration has six payment centers throughout the country, located in the four cities mentioned above and in New York, N.Y. and Kansas City, Mo. The scattered elements of the New York Payment Center recently moved into leased space specifically constructed for payment center use and connected with the building originally built for the New York Payment Center. Hence, this space is considered to be adequate at this time. The Kansas City Payment Center is located in a Federal building and the space situation there is considered less critical than elsewhere.

The location of payment center operations was generally fixed in 1942 when, as part of the President's program to reduce the congestion in Washington by dispersing governmental activities not vital to the war effort, SSA had to relocate outside of Washington, D.C. The payment center operations were relocated in large cities, generally close to Treasury disbursing offices because these offices issue the benefit checks and there is a need for a close working relationship with them. Since that time, payment center operations have greatly expanded in size and scope due to legislative changes in the social security program, to population growth and to the increased proportion of the population insured for retirement and survivors benefits. Today the payment centers service about 25 million retired workers and their dependents and widows and children of deceased workers. (This compares with 550,000 beneficiaries when the payment function was decentralized in 1942.) The primary mission of these centers is to assure the continuing payment of monthly benefits in the proper amount to those individuals eligible for benefit payments. This involves placing 3.5 million new claimants on the rolls each year and handling for those beneficiaries already on the rolls a wide variety of actions such as changes of address, termination of benefits, suspension and reinstatement of benefits and recomputation of benefit amounts. The processing of payment center work has drastically changed in the last decade due to automation and efforts to improve systems. The 1972 budget for the payment centers provides for a staff of 11,850 in permanent positions and an average of about 350 in part-time and temporary jobs; and another 350 to 450 in special employment categories such as the Stay-in-School program.

Inadequacy of Present Office Space

Over the years payment centers have for the most part been housed in leased space. Due to the growth of the operation frequent moves became necessary and in some cases operations became fragmented by being housed in several smaller sized buildings. Although this fragmentation is a problem that has been developing for some time, a more permanent solution was delayed until the impact of automation

on the size and scope of these operations became more clearcut. The Social Security Administration now has enough knowledge about the composition and future direction of the payment center operations to plan buildings which will be adequate for some time to come in terms of size and work flow.

The four payment centers for which construction is needed are currently housed in widely dispersed buildings with space layout and arrangements that are not conducive to efficient workload processing. Extra costs are incurred as a result of this dispersion and inadequate space. The Birmingham Payment Center is housed in seven leased locations through metropolitan Birmingham and suburban communities. The Chicago Payment Center which is housed in two leased locations in downtown Chicago, has severe logistic problems because of the heavy traffic congestion throughout the Loop area. The San Francisco Payment Center is housed in six locations throughout downtown San Francisco. Although the Philadelphia Payment Center is housed in one building, its operations are scattered over a mezzanine and six floors which are also occupied by commercial tenants. The building was orginally designed as a warehouse and is not adaptable to the development of an efficient work flow system. Severe problems related to security, employee morale, lighting, air conditioning, movement of personnel and materials, and food service are present in all four of these payment center buildings.

Alternate Solutions

Before recommending direct construction of payment center buildings, many attempts were made by the General Services Administration in cooperation with the Social Security Administration to rent adequate contiguous office space for these operations. All of these attempts failed. In addition, efforts were made to obtain lease construction authority from the Congress for three of the four payment centers for which we are requesting site and design money--Birmingham, Chicago, and San Francisco. To date efforts in this latter method of obtaining better space have not been successful. However, if lease construction for one or more of these centers becomes a possibility and circumstances indicate it is the better route to go, SSA would, of course, notify the Appropriations Committee and modify its request for site and design authorization.

Fiscal Year 1972 Appropriation Request

The estimate of $18,194,000 in budget authority is composed of: (1) $15.6 million for site selection; (2) $2.2 million for architectural and engineering costs; and (3) $0.4 million in overhead costs. The Social Security Administration will request funds for actual construction of buildings in a subsequent year. It is anticipated that a total of approximately 1,600,000 square feet of space will be constructed for the four centers at a total cost of approximately $94,000,000 (including the $18,194,000 requested for 1972). By seeking funds for four payment centers, the Social Security Administration anticipates economies stemming from standard design.

To summarize, the following are considered to be the principal advantages to the Government in the proposed direct construction and Federal ownership of payment centers.

1. Better space can be obtained than presently available commercially;
2. Space can be obtained in one location to facilitate smooth workflow in large scale operations and thereby eliminate unnecessary costs;
3. Special operational features unique to payment centers can be incorporated in the design of the new structure, which also will reduce operational costs and improve service to the public;
4. Construction and Federal ownership will be a less expensive alternative in the long run to continued rental.

SOCIAL SECURITY ADMINISTRATION

Limitation on Construction

Program Purpose and Accomplishments

Activity: Limitation on Construction (Section 201 (g)(1) of the Social Security Act)

1971 Appropriation	1972 Authorization	1972 Budget Estimate
$2,800,000	Indefinite	$18,194,000

Purpose: This appropriation finances the acquisition of land and the design and construction of office facilities for the Social Security Administration.

Explanation: The appropriation is authority to expend from any one or all of the trust funds. Funds are to remain available until expended. The 1972 request is for funds to acquire sites and complete design of buildings to house four of the six payment centers operated by the Social Security Administration.

Accomplishments in 1971: During fiscal year 1971 a total of $20,357,401 will be obligated from construction appropriations already enacted. Total obligations provide for: (1) The award of a construction contract for an additional office building and continuation of the purchase of additional land at headquarters in Woodlawn, Maryland; (2) the award of construction contracts for 30 district office buildings approved in the 1965, 1966 and 1967 appropriations; and (3) the acquisition of sites and design of 15 of the 30 district offices for which site and design funds were provided in the 1971 appropriation.

Objectives for 1972: The 1972 budget for the first time includes a request for construction of buildings to house four of the Social Security Administration's six payment centers: those in Philadelphia, Pa., Birmingham, Ala., Chicago, Ill., and San Francisco, Calif. Payment Center operations in these four locations are currently housed in undesirable space inadequate for the efficient flow of work and typically in widely dispersed buildings. The long-range goal of payment center construction is to improve the efficiency of payment center operations by consolidating the space and upgrading the quality of the centers. $18,194,000 in budget authority is requested for site acquisition and design of the four payment centers. A request for construction funds will be made for a subsequent fiscal year. Total cost for erection of the four centers is estimated at about $94,000,000.

At headquarters, $3,500,000 will be obligated from prior years' appropriations for developing the design of additional space. For district offices, $5,300,000 will be obligated for the continuation of site acquisition, design and construction of district office buildings approved in prior years' appropriations.

62-917 O - 71 - pt. 4 -- 59

FRIDAY, MAY 21, 1971.

DEPARTMENTAL MANAGEMENT

WITNESSES

JOHN G. VENEMAN, UNDER SECRETARY
DR. RODNEY H. BRADY, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT
JAMES B. CARDWELL, ASSISTANT SECRETARY, COMPTROLLER
ROBERT C. COULTER, EXECUTIVE OFFICER, OFFICE OF THE SECRETARY
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

DEPARTMENTAL MANAGEMENT

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 est.	1972 est.
Personnel compensation:			
Permanent positions	29,865	35,377	37,068
Positions other than permanent	901	890	190
Other personnel compensation	344	493	510
Military personnel	546	562	514
Total personnel compensation	31,656	37,322	39,022
Personnel benefits:			
Civilian employees	2,391	2,948	3,148
Military personnel	20	30	28
Benefits for former personnel (severance pay)		10	
Travel and transportation of persons	2,026	2,547	2,643
Transportation of things	113	191	191
Rent, communications, and utilities	1,351	1,149	1,246
Printing and reproduction	280	347	366
Other services	2,757	4,084	4,428
Supplies and materials	247	260	296
Equipment	348	303	232
Total obligations	41,189	49,191	51,580

PERSONNEL SUMMARY

Total number of permanent positions	2,711	2,625	2,659
Full-time equivalent of other positions	75	81	101
Average number of all employees	2,596	2,508	2,608
Average GS grade	9.5	9.7	9.8
Average GS salary	$13,162	$13,584	$14,006
Average salary of ungraded positions	$7,604	$7,026	$7,226

PROGRAM AND FINANCING (In thousands of dollars)

	1970 actual	1971 est.	1972 est.
Program by activities:			
1. Executive direction	6,206	7,770	7,904
2. Public information	688	765	768
3. Community and field services	7,612	5,521	6,148
4. Legal services	4,107	4,681	5,060
5. Financial management:			
(a) Audit	11,352	13,302	13,914
(b) Other	2,284	2,620	2,729
6. Facilities engineering and construction	1,071	6,268	6,393
7. Administrative management	6,471	6,788	7,181
8. Surplus property utilization	1,398	1,476	1,483
Total obligations	41,189	49,191	51,580
Financing:			
Receipts and reimbursements from:			
Federal funds	—406		
Trust funds	—6,529	—5,725	—5,955
Unobligated balance lapsing	361		
Budget authority	34,615	43,466	45,625
Budget authority:			
Appropriation	29,475	35,100	45,625
Pay increase (Public Law 91-305)	1,108		
Transferred to other accounts	—24		
Transferred from other accounts	4,056	6,123	
Appropriation (adjusted)	34,615	41,223	45,625
Proposed transfer for civilian pay act increases		2,243	
Relation of obligations to outlays:			
Obligations incurred, net	34,254	43,466	45,625
Obligated balance, start of year	2,008	2,389	3,030
Obligated balance, end of year	—2,389	—3,030	—4,396
Adjustments in expired accounts	—154		
Outlays, excluding pay increase supplemental	33,719	40,769	44,072
Outlays from civilian pay act supplemental		2,056	187

NOTES

Includes $6,123 in 1971, and $6,625 in 1972 for activities previously financed from:

	1970
Medical facilities construction	1,055
Salaries and expenses, Office of the Administrator, Health Services and Mental Health Administration	579
Indian health services	59
Mental health	16
Patient care and special health services	15
Communicable diseases	9
Higher education	2,181
School assistance in federally affected areas	375
Food and drug control	133
Social Security Administration	176
Health manpower	84
National Cancer Institute	158
Salaries and expenses, Office of the Administrator, Consumer Protection and Environment Health Services	69

Excludes $4,024 in 1971 and $4,940 in 1972 for activities transferred to:

	1970	1971
Working capital fund	3,040	
Environmental Protection Agency	72	75
Office of Education	60	64

WORKING CAPITAL FUND

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Personnel compensation:			
Permanent positions	5,986	10,194	12,239
Positions other than permanent	89	130	168
Other personnel compensation	506	603	640
Military personnel		19	19
Total personnel compensation	6,581	10,946	13,066
Personnel benefits:			
Civilian employees	459	875	1,072
Military personnel		1	1
Travel and transportation of persons	58	93	100
Transportation of things	15	23	24
Rent, communications, and utilities	20,035	18,495	19,445
Printing and reproduction	2,749	1,107	1,118
Other services	1,575	2,681	2,979
Supplies and materials	426	1,256	1,087
Equipment	217	244	171
Total costs, funded	32,115	35,721	39,063
Change in selected resources	501	−27	
Total obligations	32,616	35,694	39,063

PERSONNEL SUMMARY

Total number of permanent positions	759	1,142	1,291
Full-time equivalent of other positions	11	19	25
Average number of all employees	747	1,059	1,283
Average GS grade	9.5	9.7	9.8
Average GS salary	$13,162	$13,584	$14,006
Average salary of ungraded positions	$7,604	$7,026	$7,226

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Program by activities:			
Operating costs, funded:			
1. Administrative services:			
(a) Communication services	17,694	14,920	14,899
(b) Supply services	1,101	965	994
(c) Personnel support services		743	1,123
(d) Regional services		4,162	4,775
2. Reproduction services	2,206	2,470	2,518
3. Data management services:			
(a) Accounting	1,479	1,656	1,689
(b) Payrolling	6,305	5,559	4,443
(c) Data processing	2,717	3,844	5,816
4. Parklawn services:			
(a) Administrative services	346	1,158	1,268
(b) Personnel services			1,367
Total operating costs	31,848	35,477	38,892
Capital outlay funded:			
1. Administrative services:			
(a) Communications	5	3	2
(b) Supply	125	5	5
(c) Personnel support services		6	1
(d) Regional services		22	25
2. Reproduction	63	93	51
3. Data management services, purchase of equipment:			
(a) Accounting	10	10	5
(b) Payrolling	56	70	44
(c) Data processing	8	24	20
4. Parklawn services, purchase of equipment:			
(a) Administrative services	1	11	14
(b) Personnel services			4
Total capital outlay, funded	268	244	171
Total program costs, funded	32,116	35,721	39,063
Change in selected resources	500	−27	
Total obligations	32,616	35,694	39,063
Financing:			
Receipts and reimbursements from:			
Federal funds:			
Sales of commodities	−17,286	−19,400	−21,382
Change in unfilled customer orders		907	1,222
Trust funds: Sales of commodities	−15,330	−17,201	−18,903
Budget authority			
Relation of obligations to outlays:			
Obligations incurred, net			
Obligated balance, start of year	−1,122	−6,923	−300
Obligated balance, end of year	6,923	300	500
Outlays	5,801	−6,623	200

REVENUE AND EXPENSE (IN THOUSANDS OF DOLLARS)

	1970 actual	1971 estimate	1972 estimate
Administrative services:			
Income	18,354	21,111	22,149
Expense	18,824	20,818	21,821
Net operating income or loss (−)	−470	293	328
Reproduction services:			
Income	1,744	2,800	2,873
Expense	2,218	2,484	2,532
Net operating income or loss (−)	−474	316	341
Data management services:			
Income	10,124	11,400	12,400
Expense	10,515	11,077	11,967
Net operating income or loss (−)	−392	323	433
Parklawn services:			
Income	379	1,290	2,864
Expense	346	1,158	2,635
Net operating income	33	132	229
Net profit or loss for the year	−1,303	1,064	1,331
Analysis of retained earnings:			
Retained earnings, start of year	361	−2,376	−1,312
Adjustment of prior years expense	−1,434		
Retained earnings, end of year	−2,376	−1,312	19

FINANCIAL CONDITION (IN THOUSANDS OF DOLLARS)

	1969 actual	1970 actual	1971 estimate	1972 estimate
Assets:				
Treasury balance	−1,122	−6,923	300	500
Accounts receivable, net	5,266	10,215	3,500	3,000
Selected assets: Supplies, deferred charges [1]	1,000	430	430	430
Fixed assets, net	305	518	701	809
Total assets	5,449	4,240	4,931	4,739
Liabilities	4,768	6,295	5,922	4,399
Government equity:				
Non-interest-bearing capital:				
Start of year	320	320	321	321
Donated capital		1		
End of year	320	321	321	321
Retained earnings	361	−2,376	−1,312	19
Total Government equity	681	−2,055	−991	340

[1] The changes in these items are reflected on the program and financing schedule.

ANALYSIS OF CHANGES IN GOVERNMENT EQUITY (IN THOUSANDS OF DOLLARS)

Unpaid undelivered orders [1]	2,427	2,400	2,400
Unobligated balance			
Unfilled customers orders	−5,429	−4,522	−3,299
Invested capital and earnings	947	1,131	1,239
Total Government equity	−2,055	−991	340

[1] The changes in these items are reflected on the program and financing schedule.

Mr. NATCHER. The committee will come to order.

We have before the committee at this time Mr. John G. Veneman, the Under Secretary of the Department of Health, Education, and Welfare.

Mr. Veneman, as you know, it is always a pleasure to have you appear before our committee and we will be pleased to hear from you at this time.

Mr. VENEMAN. Mr. Chairman, let me say I am pleased to be back. I have been devoting most of my time to the Ways and Means Committee, and I have missed the opportunity to spend a few days here in the Appropriations Committee.

Mr. Chairman, I have two statements, one of which pertains to the Departmental Management and one of which pertains to the report on Manpower Policies of the Department, both of which we can submit for the record. I will leave it up to you, if you would like me to read the statements I can do that or we can summarize.

Mr. NATCHER. Mr. Secretary, if it is all right with you, suppose we proceed with the Departmental Management and then we will take up the other matter that you want to discuss with the committee. You can either read the statements or we will place them in the record. It is up to you.

GENERAL STATEMENT

Mr. VENEMAN. Why don't I highlight the statement and we will submit it for the record.

Mr. NATCHER. Suppose you do.

(The statement follows:)

STATEMENT BY THE UNDER SECRETARY, DEPARTMENTAL MANAGEMENT

Mr. Chairman and members of the committee, I am happy to appear before you to present the fiscal year 1972 budget request for the appropriation "Departmental management." This appropriation supports the immediate Office of the Secretary and Under Secretary and the activities that come under the purview of the Assistant Secretaries and the General Counsel.

This request would provide 2,617 positions and $53,525,000 for fiscal year 1972. Thus the staff would remain at the current level—no additional positions are requested—while the dollar increase will provide $3,143,000 for built-in increases such as annualization of positions and pay increase costs and $355,000 for special studies and projects which I will discuss later. The actual net increase is only $1,390,000 due to $2,108,000 of nonrecurring costs in fiscal year 1971.

OFFICE OF THE SECRETARY, PERSONNEL MANAGEMENT

While we are asking for no additional positions, we expect to continue to improve our management of the Department's activities within currently available resources. To do this will require shifting staff from low priority or less productive activities into other more urgent functions. In this regard, an office by office review of functions and workload of the Office of the Secretary is underway. Through this review, which should be completed in 6 months, we expect to identify staff which can be shifted to provide the Secretary the most optimum use of manpower for effective leadership and coordination of the Department.

The decentralization of program authority to the regional offices will be continued and expanded. As a part of this effort, an increase of $80,000 is requested to fund special studies for the development of plans for increased integration of services so that programs for which we are responsible will more effectively and economically serve the public. These studies will also help us design more effective technical assistance programs to aid the States and local government units to plan and coordinate programs directed toward providing services to people.

AUTOMATION OF FINANCIAL ACTIVITIES

Among the management improvements that we have in mind is the automation of financial studies and analysis needed in connection with budget preparation, fiscal management, and grant administration policy. We are in need of more

automated methods of handling data for the special analysis of HEW health programs, and for storing and retrieving current and historical budget data. This would permit more efficient budget preparation and enable us to better respond to requests from the Congress, the Office of Management and Budget and the public. An analysis of accounting subsystem procedures is also needed to provide the Department a more efficient fiscal operation. Better data also is needed for use in evaluating and negotiating indirect cost proposals in grant administration and in evaluating grantee/contractor administrative operations. A total of $75,000 is requested for use in achieving these objectives.

FACILITIES ENGINEERING AND CONSTRUCTION AGENCY

The Facilities Engineering and Construction Agency was established a little over a year ago to provide a more uniform and economic means of administering the construction grant programs of the Department. Its formation involved consolidation of the architect/engineering staffs from the categorical programs of the operating agencies into a single staff. Through this process we have set up a decentralized regional organization directed in each region by professional engineers led by a management team at headquarters. Through this structure, FECA provides facilities planning and construction expertise to nearly 4,000 active projects with a total value greater than $10 billion. An example of the benefits we are getting is found in the fact that one economic analysis carried out by FECA resulted in a $13.7 million savings by acquiring and using excess Government-owned land for the new Southwest Regional Educational Laboratory, a grant recipient, in lieu of accepting a 20-year lease contract proposed by a private builder. We want to further develop a management information system begun during fiscal year 1971 to provide needed management data in connection with the approximately $1 billion spent annually in HEW assisted construction programs. The system will provide summary information and data indicating the status of construction projects on a regional and geographic basis, by type of facility, and by program sponsor. These capabilities will improve our assistance to the grantee, reduce the time required to construct a facility, and allow management action to effect changes which will eliminate frequent occurrence of bid overruns, delays in financing, and curtailed project scopes. This could result in avoidance of substantial increase costs to the grantee when we consider inflationary construction cost factors. To permit this, we are asking an increase of $100,000.

PRESIDENT'S COUNCIL ON PHYSICAL FITNESS AND SPORTS

An additional $100,000 is requested for the President's Council on Physical Fitness and Sports to strengthen efforts in providing the public with information concerning the existence and consequences of a serious physical fitness problem generally prevalent in this country and to promote the development of physical fitness and sports programs for all Americans. This program calls for an intensive effort to inform and educate the American public about the potentials of physical exercise as a basic form of preventive medicine and health maintenance.

This additional funding will permit the doubling of present efforts for the production of campaign materials designed to encourage both children and adults to participate in physical fitness programs. Distribution of such materials as tape messages and ad layouts to the media will generate approximately $25 million in free advertising space and time.

In summary, our efforts during the coming year in managing the Office of the Secretary will be concentrated on more effective utilization of our present staff to permit improved leadership and direction of the work of the entire Department. The request for fiscal year 1972 will provide 2,617 positions and $53,525,000, an increase of $1,390,000 over the current year level. The only increases we are asking are relatively modest amounts to finance the special studies that I have just described and certain increases such as pay raise costs. No additional positions are included in this request.

Mr. Chairman, I shall be glad to answer any questions that you or members of this committee may have.

OFFICE OF THE SECRETARY POSITIONS REMAIN AT 1971 LEVEL

Mr. VENEMAN. The key point, as far as the appropriation for the immediate Office of the Secretary is concerned, is that fact that our request for positions is identical to what it was last year.

DISTRIBUTION OF THE BUDGET INCREASE

There are 2,617 positions and a request for $53,525,000 for the fiscal year. The dollar amount is $1,390,000 more than it was the previous year. There are four items that are additional requests over and above last year, one of which pertains to the decentralization of regional offices. There is an $80,000 request for special studies for the development of plans for the increase in the integration of services so that our programs will serve the public more effectively. Secondly, in Mr. Cardwell's office there is a request for $75,000 to improve the data handling in budget preparation and fiscal and grant administration policy in the Office of the Assistant Secretary, Comptroller. There is $100,000 requested to improve the data processing and information gathering in what we call the Facilities Engineering Construction Agency. This Agency is a consolidation of all the architectural and engineering staffs throughout the Department which we put directly in the Office of the Secretary. This request is for $100,000. The other major addition is $100,000 for the President's Council on Physical Fitness, primarily for the production of film for distribution to the networks. The time, of course, is not included in that $100,000 request. That is given by the networks. This would produce the film and tapes for this purpose. I think I have covered them all as far as the changes are concerned. I think the key thing is that as far as the Office of Secretary is concerned, it is essentially that we are remaining at the level which pertained during the last fiscal year.

RESPONSIBILITIES OF FACILITIES ENGINEERNG AND CONSTRUCTON AGENCY

Mr. NATCHER. Thank you, Mr. Veneman.

First, we would like to know this: I believe within the last year you have created a new agency at the departmental level, the Facilities Engineering and Construction Agency.

Tell us briefly what the responsibilities of this new agency are.

Mr. VENEMAN. They are primarily responsible for the architectural design and the engineering of all of the construction that goes on in HEW. They are also responsible for an overview of construction that goes on with HEW funds. I think you are well aware that we spend a lot of money for hospitals, the Hill-Burton money, and for higher education facilities. The total agency itself consists of resources that were taken from the agencies of the Department and brought into the Secretary's Office to consolidate this effort; mostly engineers, architects, and draftsmen, who were out in either Health Services and Mental Health Administration, or the Office of Education and brought in and consolidated. The result of this in 1 year, and nobody is going to

suggest that you make great strides in 1 year, I think indicates this was a good move.

There is considerable saving to be made by bringing this under one authority.

Mr. NATCHER. Have you centralized all of the facilities, engineering and construction staffs, which used to be spread out among the various agencies of the Department?

Mr. VENEMAN. For all intents and purposes, yes.

FEDERAL ASSISTANCE STREAMLINING TASK FORCE

Mr. NATCHER. Last year you told us a great deal about the Federal Assistant Streamlining Task Force and its achievements. This year we have not heard much about it, Mr. Veneman.

Are you continuing to simplify procedures for your grant programs, or have you gone as far as you can go?

Mr. VENEMAN. No, that is a continuing operation. I think the reason last year it was brought out is because it was new. Subsequently it has continued. I think there are something like 100 of the programs now that have been subjected to the FAST review, and it will continue. I think we have 250 programs in total.

I think we are nearly half way.

Mr. CARDWELL. They are now working in the Office of Education primarily on those programs which had not been reviewed previously.

CONSTRUCTION OF NEW HEW HEADQUARTERS BUILDING

Mr. NATCHER. What is the status of construction on the new HEW headquarters building?

Mr. VENEMAN. They have the vent for the tunnel up. Where are we from there?

Mr. COULTER. The request for construction money is contained in GSA's 1972 request, Mr. Chairman.

Mr. NATCHER. Can you give the committee some idea as to that amount?

Mr. COULTER. It is roughly in the neighborhood of $40 million, as I recall it.

Mr. NATCHER. Is that the total cost of the building?

Mr. COULTER. There was some earlier cost in terms of some design cost and substructure work. I do not recall the figure precisely.

Mr. NATCHER. This will construct the building?

Mr. COULTER. Yes, sir.

PERSONNEL WORKING ON WELFARE REFORM

Mr. NATCHER. How many of your staff are working full time on the President's proposals for welfare reform?

Mr. VENEMAN. We have probably somewhere in the neighborhood—in my office, eight or 10 working with me on the legislative development—in trying to anticipate what is going to occur when the program goes into effect. There are probably around 140 or 150 people. Whether they are full time or not I do not know. We have detailed staff to assist John Montgomery, who has the responsibility for the family assistance planning group.

FUNDS FOR SPECIAL PROJECTS

Mr. NATCHER. Now, Mr. Veneman, on page 21 of your justifications we would like for you to translate the statement that appears under section (b), "Program, Special Projects." What do you have in mind?

Mr. CARDWELL. These are activities that would be funded through the purchase of services either from outside contractors or from our own internal service organizations.

For example, as the Under Secretary pointed out, there are three items in the budget that affect my office. One would have to do with the purchase of computer programing, and computer services from the Department Data Management Center in behalf of the Division of Budget. The Division of Budget has been trying each year to automate more and more of the budget process.

In 1972, we will be trying to automate what we call the all-purpose tables. The table that we use to record the whole budget—its various parts and its various changes.

It is the table that underlies a lot of the material we furnish this committee. We are trying to put that on the computer. We will have to buy the programing services. They are not the sort of services we would staff up to conduct for ourselves. These are moneys normally used for special projects, special one-time studies, and that sort of thing.

Mr. VENEMAN. Mr. Chairman, I think there is one point——

PROPOSED SPECIAL STUDY OF SERVICE INTEGRATION

Mr. NATCHER. Tell us a little about the $80,000 one.

Mr. VENEMAN. That is in the community and field services area.

Mr. NATCHER. What are you going to use it for?

Why the increase? Give us some idea about the need for it.

Mr. VENEMAN. Primarily, as I indicated in my brief statement, we are going to use it for special studies. We are making an effort to integrate some of the social services and other services that HEW is providing. This is something that the Secretary has placed a great deal of emphasis on since he has been there.

The other thing is we hope to design means for providing more effective technical assistance to the States. We hope these studies will produce that kind of a plan or pattern so we can provide this kind of assistance. I think if there is any one area where I have seen a weakness in the Department of HEW, it is in our ability to communicate to State governments what we are trying to do in programs. When you consider that most of what this Department does is done by somebody else, and our resources are extremely limited when it comes to telling them how to do it in accordance with the intent of Congress, we would hope by developing this kind of study and providing this kind of technical assistance to the States we can implement the departmental programs much more effectively.

PROPOSED LANGUAGE TO FUND PARKLAWN PERSONNEL OFFICE

Mr. NATCHER. I believe you are requesting some special language for your working capital fund.

Please explain to the committee why this language is necessary and what you propose to do.

Mr. COULTER. That language would enable us to fund what we refer to as the "Consolidated Parklawn Personnel Office," through the working capital fund. This is the personnel office set up in the Parklawn building to provide centralized personnel services for the agencies located in that building. It would make it possible for us to have a centralized funding source to fund this office which is serving more than one agency.

Mr. CARDWELL. The working capital fund was authorized many years ago as a means of coordinating the provision of services that could be centralized and involve more than one of our agencies:

Printing services, mail and messenger services, and the like. Personnel services were not included in the list of services authorized. When we moved the Food and Drug Administration and Health Services and Mental Health Administration out to Rockville and put them in one building, it became clear that they could benefit, and that we could probably provide more efficient service if we pooled their personnel operations. This is just a funding mechanism. However, we need the piece of language to authorize us to use that funding mechanism. We can only operate central services if they are specifically authorized in the appropriation act.

TOTAL AGENCY FUNDING FOR PARKLAWN PERSONNEL OFFICE

Mr. NATCHER. How much do you expect to spend for common personnel support services in the Washington area, and how much will be charged to each of the operating agencies?

Mr. COULTER. You have reference to this Parklawn office?

Mr. NATCHER. Yes.

Mr. COULTER. The total budget for that office through the working capital fund for 1972 is $1,425,000. I do not have with me the distribution by agency that will be served, but we could provide that breakdown for the record.

Mr. NATCHER. Suppose you submit that for the record, please.

(The information follows:)

Distribution of funding support for the consolidated personnel office at the Parklawn Building, Rockville, Md., for fiscal year 1972.

Health Services and Mental Health Administration	$922,000
Food and Drug Administration	482,000
Office of the Secretary	21,000
Total	1,425,000

MANDATORY SPENDING

Mr. NATCHER. When the Secretary testified before the committee, we asked him for a list of the appropriations which, according to your lawyers, you are required to spend whether you want to or not. At the time you told us that a complete legal analysis of mandatory formula grants was being prepared and would be completed by the end of the hearings. Will you please submit the results of this analysis at this time for inclusion in the record?

Mr. MILLER. Yes, sir; we will be glad to. It has been done and it will be submitted.

(The information follows:)

In response to the Committee's request, the Department submitted the following legal analyses of formula grant programs. The first examines all formula grant programs in HEW, while the second deals solely with funds appropriated to Office of Education programs.

January 14, 1970

OCC

Authority to Impound Funds Appropriated for Formula Grant Programs

The Secretary

I have examined the substantive legislation for each of the formula grant programs for which either the House or Senate has increased the amounts requested by the Administration for those programs in Fiscal Year 1970. (See attached list of programs showing budget requests and the amounts voted by the House and Senate in H.R. 13111.)

With the exception of two Public Health programs (Community Mental Health Center Construction Grants and Grants to the States for Public Health Services), and subject to the qualifications discussed below with respect to a few other programs, I have concluded that these are mandatory programs and that there is no authority in the Executive Branch to withhold amounts from the appropriations for these programs. Each of these programs is discussed briefly below. I have also included in this memorandum a brief discussion of the constitutional question raised by the Congressional mandate that the appropriations for these programs be spent.

I. Office of Education Programs.

A. Elementary and Secondary Education.

1. Educationally Deprived Children (Part A of Title I of the Elementary and Secondary Education Act). This program provides for grants to local educational agencies under a prescribed formula for the education of children of low-income families (ESEA, §103(a)(2)). State agencies directly responsible for educating handicapped children, children of migrant laborers, and children in institutions for neglected or delinquent children are also eligible to receive payments computed on a statutory formula (§103(a)(5), (6), (7)). The mandatory nature of the program is made clear by §107(a)(1) which provides, "The Commissioner shall * * * pay to each State * * * the amount which it and the local educational agencies of that State are eligible to receive under this part." The State agencies are directed by Section 107(a)(2) to distribute the payments to the local educational agencies. Additional support for the conclusion that the entire appropriation must be made available for the payments for which the State and local agencies are eligible is found in Section 108. That section prescribes a formula for use "[I]f the sums appropriated for any fiscal year * * * are not sufficient to pay in full the total amounts which all local and State educational agencies are eligible to receive under this part for such year."

Section 103(a)(1)(A) provides that not more than 3% of the appropriation shall be allotted among Puerto Rico and several territories on the basis of need, and for payments to the Secretary of the Interior with respect to Indian children. Since these payments are not made in accordance with statutory formulas, the Commissioner probably has sufficient discretion to withhold some of these funds. 1/

The payments to States provided by Section 107(b) for administrative expenses (up to 1% of the total maximum grants for State and local educational agencies of the State) are clearly discretionary since the Commissioner is "authorized" rather than directed to make such payments.

2. Supplementary Education Centers (Title III of ESEA). That the entire appropriation for this program must be allotted is made clear by Section 302(a)(2) which requires the Commissioner to allot $200,000 to each State and "the remainder" of the appropriation in accordance with a prescribed formula. Title III originally provided for direct grants by the Commissioner to local educational agencies from sums apportioned among the States. As revised by P.L. 90-247, grants are now made by State educational agencies pursuant to an approved State plan to local educational agencies (Sections 303, 304). Under Section 306, in FY 1970, up to 25% of a State's allotment may be used for direct grants to local agencies by the Commissioner to complete projects initiated in prior years. Section 307(a) directs the Commissioner to pay to each State, from its allotment, the amount necessary to carry out its State plan.

Section 302(c) provides that amounts allotted to any State "which the Commissioner determines will not be required for the period for which the amount is available" shall be available for reallotment. In my opinion, funds available for reallotment need not be reallotted. 2/

There would, however, be no basis to conclude that because the Commissioner can reallot funds if he finds that the full amount of the allotment to a State "will not be required" (presumably on the basis of need), he can withhold part of the appropriation and thereby reduce the amount available for initial allotments to the States.

1/ Other programs, e.g., Titles II and III of ESEA, have similar provisions. Because the amounts involved are small, and because it is questionable whether the discretion to withhold such funds would be exercised in the case of grants to the territories when no such discretion is available in the case of grants to the States, no further reference will be made to such provisions in other OE programs.

2/ Former General Counsel Willcox reached the same conclusion in a memorandum to Mr. Cardwell, dated July 21, 1966.

3. Library Resources (Title II of ESEA). This program provides for grants to States for the acquisition of school library resources, textbooks, and other instructional materials. This program is clearly mandatory. As in the case of Title III, there is a prescribed formula for the allotment of the entire appropriation (§202). This is a State plan program. The State plan must be approved if it complies with the statute (§203). The Commissioner is directed to pay to the State an amount equal to the amount spent by the State in carrying out its plan (§204). This program has a discretionary reallotment provisions similar to that of Title III.

4. Guidance, Counseling, and Testing (Part A of Title V of the National Defense Education Act of 1958). This program provides for grants to State educational agencies to assist them to establish and maintain programs of testing, guidance, and counseling. Section 502(a) requires the entire appropriation to be allotted and Section 502(b) includes a discretionary reallotment provision similar to that in Title II of ESEA. Section 503 requires a State which desires to participate in the program to submit a plan. The Commissioner must approve the plan if it meets the statutory requirements. Section 504(a) requires payments to be made by the Commissioner under a prescribed formula to cover the Federal share of the State's expenses in carrying out the State plan. This program is also clearly mandatory.

5. Equipment and Minor Remodeling (Title III of NDEA). This program provides for grants to State educational agencies for the acquisition of equipment and for minor remodeling, and for making loans to private, non-profit elementary and secondary schools (§301). The entire appropriation is allotted or reserved for grants and loans (§302(a)). The grants to the States are mandatory and are made in accordance with a formula prescribed in Section 302(a), pursuant to an approved State plan on a matching basis (§§303, 304). Section 302(c) has a discretionary reallotment provision. 12% of the appropriation must be reserved for loans under Section 303. These loans are merely "authorized" and, therefore, are not mandatory.

B. School Assistance in Federally Affected Areas.

1. Maintenance and Operation (P.L. 874). This program provides for financial assistance for local educational agencies in areas affected by Federal activities. Section 3 requires the Commissioner to compute the "entitlement" of a local educational agency under a prescribed formula. Section 5(b) requires the Commissioner to pay each local educational agency the amount which the Commissioner estimates such agency is entitled to receive. In the event that Congress does not appropriate sufficient money to fund the program at 100% entitlement, Section 5(c) provides for adjustments. Clearly, Section 5(b) and (c) do not permit any discretion in the application of appropriated funds to the payment of the entitlements.

Section 7(c) authorizes appropriations for assistance to local educational agencies located in areas which have suffered major disasters. To the extent that Section 7(c) funds are not needed to reimburse other P.L. 874 appropriations which had been tapped in an emergency for assistance in disasters, appropriations under Section 7(c) are not mandatory and are controllable by the Secretary.

C. Education Professions Development.

1. Grants to States (Subpart 2 of Part B, Title 5 of the Higher Education Act of 1965 -- The Education Professions Development Act). This program provides for grants to States to enable them to support the efforts of local communities experiencing teacher shortages or the efforts of State educational agencies to attract teachers and teacher aides (§518). The entire appropriation must be allotted (§519(a)). There is also a discretionary provision for reallotting a State's allotment which the Commissioner determines will not be required (§519(b)). This program is a State plan program. The Commissioner is required to approve any State plan which meets the statutory criteria (§520). The Commissioner is directed by Section 520A to pay to a State, from its allotment, an amount equal to the amount expended by the State in carrying out its State plan. This is clearly a mandatory program.

D. Higher Education.

1. Under Graduate Instructional Equipment (Part A, Title VI of the Higher Education Act.) This is a grant program to institutions of higher education for the acquisition of equipment and for minor remodeling (§601). The entire appropriation must be allotted (§602(a)). Section 602(c) has a mandatory reallotment provision: (The reallotment provisions in other OE programs referred to above are discretionary). This is a State plan program and the Commissioner is required to approve a State plan which meets the statutory requirements (§603). Applications for grants by institutions of higher education are approved by the Commissioner. The Commissioner must approve an application which meets the statutory requirements (§605). The Commissioner is required by Sec. 606 to pay the Federal share of the grant. The criteria for determining the Federal share is set forth in Section 604. This program is therefore mandatory, in that no discretion is left in the Commissioner either to withhold part of the appropriation or to withhold approval from an application which meets the statutory standards.

2. Direct Loans (Title II, NDEA). This program provides for Federal capital contributions to student loan funds of institutions of higher education (§201). The entire appropriation must be allotted to each State in accordance with the formula set forth in Section 202. Section 203 requires the Commissioner to pay the Federal capital

contribution to institutions with which he has agreements. Section 203 also provides for adjustments in the amount of the Federal capital contribution if the application of an institution which meets the requirements exceeds the allotment of the State. This section also provides that the Commissioner may reallot the remaining amount if the applications are less than the amount of the allotment of the State.

In short, this program is also mandatory, both in terms of allotment of the appropriation, and expenditure from that appropriation in the event there are sufficient acceptable applications.

3. Facilities Grants (Title I, Higher Education Facilities Act). This is a program of grants to institutions of higher education for construction of academic facilities. Section 102 requires the entire appropriation to be allotted among the States in the manner prescribed therein. Sections 103(c) and 104(c) both have mandatory reallotment provisions. Grants are made on the basis of applications approved by the Commissioner. Section 108 provides that the Commissioner must approve an application which meets the statutory requirements. Section 109 requires the Commissioner to pay the Federal share of the project.

This program is also mandatory, both in the requirement that the entire appropriation be allotted, and the requirement that the Commissioner approve applications which meet the statutory criteria and make payments to the applicant.

E. Vocational Education.

1. Grants to States (Part B of the Vocational Education Act of 1963). This program authorizes grants to States to assist them in conducting vocational education programs. Section 102(a) requires the entire appropriation to be allotted, 90% for Part B and 10% for Part C. Section 103(a)(1) requires the Commissioner to reserve an amount not to exceed $5,000,000 from the appropriation for transfer to the Secretary of Labor to finance certain studies. This sum can be withheld. The remainder of the appropriation must be allotted among the States on the basis of a formula based on population and per capita income. The Commissioner is directed by Section 124 to pay to each State an amount equal to 50% of the State and local expenditures in carrying out its State plan. There is also a reallotment provision (§103(c)) which is somewhat stronger than the reallotment provisions in other programs, e.g., Title II of ESEA, in that it sets up priorities for the reallotment. However, it is a discretionary provision since it merely makes the amounts involved "available" for reallotment.

62-917 O - 71 - pt. 4 -- 60

In short, this program is also mandatory, both in terms of the allotment of the entire appropriation, and the requirement to make payments to States in carrying out their approved State plans. 3/

2. Work-Study (Part H of the Vocational Education Act of 1963). This program is for assistance to States in carrying out the work-study programs for vocational education students. This program is similar to the Part B program discussed above in that the entire appropriation must be allotted to each State (§181); it is operated under a State plan (§182); and the Commissioner is directed to pay the State amounts in accordance with a prescribed formula within the allotment to the State (§183). There is also a discretionary reallotment provision in the event the Commissioner determines that the State's allotment will not be required to carry out the State plan (§181(b)(2)). This program is also mandatory. 4/

3. Programs for Students with Special Needs (§102(b) of the Vocational Education Act). This program is for assistance to persons with handicaps that prevent them from succeeding in the regular vocational education program. Since the provisions applicable to Part B above (grants to States) are applicable to this program, I conclude that it is also mandatory both from the standpoint of the allotment of the entire appropriation and the requirement that payments be made to each State within its allotment of the Federal share of the State and local expenditures in carrying out the State plan. 5/

4. Research (State Portion) (Part C of the Vocational Education Act). Fifty percent of the appropriation for research and training in vocational education is for a discretionary program of direct grants and contracts. The remaining 50% is a mandatory program governed by the same provisions that are applicable to Part B grants discussed above. Therefore, the conclusions applicable to Part B are also applicable to Part C. 6/

3/ H.R. 13111, as passed by the Senate, appropriates "not to exceed $352,836,000" for Part B. Although Part B is a mandatory program, the use of the language "not to exceed" would provide authority to the Commissioner to allot less than the full $352,836,000 for this program.

4/ $10,000,000 is appropriated by H.R. 1311, as passed by both Houses, for Part H. Because the appropriation language is ambiguously worded, it could be argued that the phrase "not to exceed" which is used in connection with the amount appropriated for Part B is also applicable to Part H. I believe, however, that the better interpretation is that the fixed amount of $10,000,000 is appropriated for Part H.

5/ For the same reasons as stated in footnote 4/, it is arguable that the $40,000,000 appropriated by H.R. 13111, as passed by both Houses, for this program, could be interpreted to mean "not to exceed" $40,000,000.

6/ No specific reference is made in the appropriation language to funds for Part C. However, an noted in our discussion under Part B, Section 102(a) provides that from the amount appropriated and allotted to each State, 90% shall be available for purposes of Part B and 10% shall be available for purposes of Part C.

5. Consumer and Homemaker Education (Part F of the Vocational Education Act of 1963). This program is for the purpose of providing educational programs to encourage home economics and for ancillary services. The statute requires the allotment of the entire appropriation to the States, with a discretionary reallotment feature where the Commissioner determines that the entire allotment for the State will not be required (§161). The Commissioner is directed to pay the Federal share of amounts spent for authorized purposes by a State under its approved State plan (§161(c)). This program is also clearly mandatory, and the requirement that payments be made to the State from its allotment for its expenses in carrying out the State plan. 7/

F. Libraries.

1. Library Services (Title I of the Library Services and Construction Act). This program provides for payments to the States for the extension of public library services to areas without such services or with inadequate services. Section 102 requires the allotment of the entire appropriation. Section 103 requires the Commissioner to approve a State plan which fulfills the statutory requirements. Section 104 requires the Federal share to be paid to each State which has an approved plan.

Title III of the Library Services and Construction Act (Inter-Library Cooperation), Title IV, Part A (State Institutional Library Services), Title IV, Part E (Library Services to the Physically Handicapped) each have allotment formulas and payment provisions similar to those in Title I. I conclude that all these library service programs are mandatory both with respect to the allotment of the entire appropriation and with respect to payments to States which have approved plans and incur expenditures in accordance with those plans.

2. Construction of Public Libraries (Title II of the Library Services and Construction Act). This is a State plan program for the construction of public libraries. Section 202 requires the allotment of the entire appropriation; Section 203 requires the Commissioner to approve a State plan which fulfills the statutory conditions; and Section 204 requires the Commissioner to pay to the State an amount equal to the Federal share of projects approved under the State plan. This program is also clearly mandatory in all respects.

7/ For the same reasons as stated in footnote 4/, it is arguable that the $20,000,000 appropriated by H.R. 13111, as passed by the Senate, for this program could be interpreted to mean "not to exceed" $20,000,000.

G. Education for the Handicapped (Part A of Title VI of ESEA). This program is for the purpose of assisting States in financing programs and projects for the education of handicapped children. Section 603(a) requires the allotment of the entire appropriation. Section 603(c) provides that the amount of a State's allotment which the Commissioner determines will not be required for a particular fiscal year shall be available for reallotment. Grants under this program are made to States with approved State plans (§604). Section 605 directs the Commissioner to pay from the amounts allotted to each State an amount equal to an amount expended by the State in carrying out its State plan.

Again, this program is also mandatory both with respect to the allotment of the entire appropriation and with respect to payments to be made to the States to match expenses incurred by the States in carrying out their State plans.

II. Public Health Programs.

A. Hill-Burton Construction Grants (Title VI, Part A of the Public Health Service Act). This is a program of assistance to the States for the construction and modernization of medical facilities. The allotment formula in Section 602 requires the allotment of the entire appropriation. Any State desiring to participate in the Hill-Burton Program must submit a State plan, and the Secretary is required to approve a State plan which meets the statutory requirements (§604). Applications for project grants must be submitted to the Secretary through the State agency (§605). If the application meets the statutory criteria, the Secretary must approve it if sufficient funds to pay the Federal share of the cost of the project are available from the allotment to the State (§605(b)). Payments must be made upon certification by the State agency that the construction work has been performed (§606).

The Hill-Burton Program is clearly a mandatory program both with respect to the allotment of the entire appropriation and with respect to payments for approved projects. Approval cannot be withheld of a project which meets the statutory requirements.

B. Community Mental Health Center Construction Grants (Part A of the Community Mental Health Center Act). This is a program for grants for construction of public and other non-profit community mental health centers. Section 202(a) provides that the Secretary shall make allotments to the States "from the sums appropriated under Sec. 201." There is provision for readjustment of the allotments, including transfer of a State's allotment from this part to Part C of Title I (grants for construction of facilities for the mentally retarded). The rest of the statute is similar to Hill-Burton in that it provides for a State

plan which must be approved by the Secretary if it complies with the statutory requirements (§204); and for approval by the Secretary through the State agency of applications for a project which meets the statutory criteria, if sufficient funds to pay the Federal share of the cost of construction are available from the allotment to the State (§205).

This program must, however, be distinguished from Hill-Burton, in that Hill-Burton requires the allotment of the entire appropriation. The community mental health centers program merely requires the Secretary to make allotments from the sums appropriated. In my judgment, this leaves room for the Secretary to withhold from allotment part of the appropriations so long as the requirement in Sec. 202(a) is met that no allotment to any State for any fiscal year may be less than $100,000. Once the funds are allotted, the program is a mandatory one, and projects meeting the requirements of the statute must be approved.

C. Grants to the States for Public Health Services (Sec. 314(d) of the Public Health Service Act). As in the case of the community mental health center construction grants, allotments for this program are also to be made "from the sums appropriated." (Sec. 314(d)(3)). Again, there is no requirement that the entire appropriation be allotted. Subsection (d)(1) provides that the appropriated funds shall be used for making payments to States with approved State plans for the provision of public health services. However, I do not deem this provision to be a requirement that all of the sums appropriated must be used in making such payments to the States. Payments to States are required to be made for the Federal share of expenditures incurred under an approved State plan.

I conclude, therefore, that while this is a mandatory program in the sense that payments have to be made in accordance with the State plan after the allotment is made to a State, there is no requirement that the entire appropriation be allotted. The only limitation is in Subsection (d)(3), which provides that no State's allotment shall be less for any year than the total amounts allotted to such State under formula grants for cancer control, plus other allotments under this Section for the fiscal year ending June, 1967. 8/

D. Health Professions Student Loans (Part C of Title VII of the Public Health Service Act). Under this program the Secretary is authorized to enter into agreements for the establishment and operation of a student loan fund with schools of medicine and other schools for the health

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8/ This program has been considered to be a mandatory program under which the entire appropriation had to be allotted. My predecessor, in a memorandum to Mr. Kelly, included this program in a list of programs which he deemed to be mandatory (memo, Willcox to Kelly, November 3, 1967).

professions. Section 742(a) authorizes appropriations for the purpose, inter alis, of making Federal capital contributions into loan funds at schools which have agreements with the Secretary under this program. Section 742(b)(2) provides that if the total of the amounts requested for any fiscal year in applications by school exceeds the amount appropriated for that fiscal year, the allotment to the loan fund of each applicant school must be reduced in accordance with a prescribed formula. Thus, it can be clearly inferred from this provision that it was the intent of Congress to make the entire appropriation available as needed. Section 742(b)(4) provides that allotments to a loan fund of a school shall be paid from time to time by the Secretary in much installments as the Secretary determines will not result in unnecessary accumulations in the loan fund at the school.

I conclude that the Health Professions Student Loan Program requires the entire amount of the appropriation be made available for the program, and that no part of the appropriation may be withheld.

E. Nursing Student Loans (Title VIII, Part B of the Public Health Service Act). This program is similar to the Health Professions Student Loan Program. Section 825(a) requires the Secretary to allot to each school with which the Secretary has entered into an agreement for the establishment and operation of a student loan fund to be financed in part by Federal capital contributions, an amount which bears the same ratio to the amount appropriated as the number of persons enrolled in the school bears to the total number of persons enrolled in all nursing schools (§825(a)). In other words, this provision requires in terms the allotment of the entire appropriation for the program. There are several provisions on reallotment. Section 825(a) provides that funds available for payment to schools which are in excess of the amount appropriated for a particular fiscal year shall be reallotted. Section 825(b)(2) has a provision to reduce the payments to the loan fund of each school if the total requests made by the schools in a State exceed the amount of the allotment of such State for that fiscal year. If the total requests by schools in a State is less than the amount of the allotment of the State for a particular fiscal year, the Secretary may allot the remaining amount to other States. I conclude that it is mandatory to make the entire appropriation available for allotment and to make payments of Federal cpaital contributions under this program.

III. Social and Rehabilitation Service.

Development of Programs for the Aging. Title III of the Older American Act of 1965, as amended (Grants for State and Community Programs on Aging) provides for formula grants under Sections 302 and 304. Section 302 provides for the allotment to the States of the entire appropriation for that section. Section 303 requires the Secretary to approve a State

plan which meets the statutory requirements. Section 302(c)(3) requires payments to be made from the allotment of any State for grants to pay part of the cost of projects in that State approved by the State in accordance with the State plan. Section 302(b) provides for the mandatory reallotment of a State's allotment which is not required for carrying out its State plan.

The formula grant program under Section 304 is for the planning, coordinating and evaluating programs under the Older Americans Act and for administering the State plan. It requires the entire appropriation to be allotted, and provides that the allotment of any State shall be available for payments to State agencies for authorized purposes. Section 304(c) has a mandatory reallotment provision. 9/

It is clear that both of these formula grant programs are mandatory programs.

To sum up, except for two of the Public Health programs discussed above, and except as indicated in the discussion of the other programs, I conclude that there is no authority to impound or withhold the appropriations for the formula grant programs discussed above.

In three of the mandatory programs, the Health Professions Student Loan Program, the Nursing Student Loan Program, and the Section 302 program under the Older Americans Act, the precise amount of the appropriations are not set forth in the Appropriation bill. Generally, in such situations, I understand that it has been the practice to determine the amount appropriated for the program from the Budget requests, and from the reports of the Appropriations Committees. It can be argued that in the absence of a specific amount appropriated for a formula grant program in the Appropriation bill, the Secretary, in establishing the amounts "appropriated" for such programs, can reduce the amounts earmarked for such programs in the Budget or in the Committee reports on the bill.

9/ H.R. 13111, as passed by the Senate, appropriates $36,250,000 to carry out the Older Americans Act of 1965 and initial expenses of a White Houe Conference on Aging, "including not to exceed $4,000,000 for State planning and other activities * * * in accordance with the provisions of Section 304 of the Act of 1965, as amended." As stated in footnote 3/, the use of the language "not to exceed" would provide authority to allot less than the full $4,000,000 for Section 304 purposes.

31 U.S.C. 665(c)(2) is sometimes cited as authority for the impounding of appropriations. This Section provides in pertinent part:

> "In apportioning any appropriation, reserves may be established to provide for contingencies, or to effect savings whenever savings are made possible by or through changes in requirements, greater efficiency of operations, or other developments subsequent to the data on which such appropriation was made available."

In my judgment, this Section cannot be given such sweeping effect as to negate the mandatory character of formula grant programs. My conclusion is buttressed by the purpose of this Section, as stated by the Committee on Appropriations, which attached this provision as a rider to the 1951 General Appropriations Act, is "to require careful apportionment of all types of funds expended by Federal agencies and efficient administration of the Government's business." (H.R. Rept. No. 1797, 81st Cong., 2d Sess., p. 9).

There remains for consideration the constitutional question raised by the Congressional mandate that the funds appropriated for the formula grant programs be spent.

This question cannot be answered in the abstract, but rather must be considered in the light of the type of activity which the Congress directs the Executive Branch to administer. In my judgment, there are four types of activities which the Congress might conceivably direct the Executive to administer and for which it might mandate the expenditure of appropriated funds. These include (1) activities such as grants-in-aid to States for essentially State or local education and health programs, areas over which the Federal Government would have no jurisdiction except by virtue of Article I, Section 8 of the Constitution which authorizes the Congress to provide for the general welfare; (2) areas which are confided by the Constitution to the substantive direction and control of the Executive, such as the national defense; (3) areas in which there is dual jurisdiction in both the States and the Federal Government; and (4) essentially ministerial functions in which the Executive is given little or no discretion except to make payments to designated beneficiaries, such as bonuses to war veterans.

With respect to the first category, since the Executive Branch can engage in such activities solely by virtue of the authority given to Congress under the general welfare clause, Congress, in the legislation which it enacts, could control the degree of discretion it places in the Executive Branch to administer these activities, and, if it so desires, could

direct the Executive Branch to make payments in accordance with formulas prescribed in the legislation. The several mandatory grant-in-aid programs discussed in this memorandum clearly fall into this category, e.g., the programs under the Elementary and Secondary Education Act, in which the Federal Government is acting in aid of local activities. I, therefore, see no constitutional question in Congress mandating the expenditure of funds by the Executive Branch for the formula grant programs discussed above, and limiting the degree of discretion in the Executive Branch in the administration of these programs.

I would also find no constitutional conflict in the Congress directing the Executive Branch to take action of an essentially ministerial nature, such as the disbursement of payments to war veterans. Kendall v. United States, 12 Pet. 524 (1838) clearly supports this conclusion.

Particularly since it is not necessary for purposes of this memorandum to make any judgment with respect to the second and third categories listed above, I would reserve judgment on whether the Congress can direct the Executive Branch to spend appropriations for activities in these categories and thereby limit the discretion of the Executive to act in these areas.

Robert C. Mardian
General Counsel

Attachments

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Berg
Copeland
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December 19, 1969

MEMORANDUM FOR THE HONORABLE EDWARD L. MORGAN
Deputy Counsel to the President

Re: Presidential Authority to Impound Funds Appropriated for Office of Education Programs

In our memorandum to you of December 1, we considered the authority of the President to impound funds appropriated for assistance to federally impacted schools under P.L. 874, 20 U.S.C. 236 et seq. and P.L. 815, 20 U.S.C. 631 et seq. We concluded that the President has no constitutional authority to refuse to spend funds appropriated for federal programs for assistance to education where the substantive legislation, read together with the provisions of the appropriation legislation, constitutes a direction that such funds be spent. We also considered specifically the terms of P.L. 874 and P.L. 815. We concluded that P.L. 874 constituted a direction to spend but that there was sufficient discretion left in the Executive Branch under P.L. 815 and the appropriations bill to justify at least postponing the obligation of appropriated funds into fiscal 1971.

In this memorandum we will consider the President's authority to impound funds for some of the other items covered in the Joelson Amendment to H.R. 13111, the HEW-Labor Appropriations Bill, 1970. With respect to each item the question we will consider is whether the pertinent legislation compels the obligation and expenditure of the full appropriation or leaves sufficient discretion to the Executive Branch to justify a Presidential directive to impound.

A few general comments are in order. As we stated in our previous memorandum, an appropriation is not in itself ordinarily interpreted as a direction to spend. To determine whether or not there is a duty to spend one must examine the substantive legislation. The substantive legislation for some Office of Education programs clearly gives broad discretion to the Commissioner. For example, section 402 of the Elementary and Secondary Education Amendments of 1967, 20 U.S.C. 1222, authorizes appropriation of sums "to be available to the Secretary * * * for expenses, including grants, contracts, or other payments for (1) planning for the succeeding year programs or projects * * * and (2) evaluation of programs or projects so authorized." We have no doubt that the $9.25 million appropriated 1/ for this program may be impounded.

1/ Throughout this memorandum we shall refer to the figures and language contained in H.R. 13111 as it passed the House and assume, for purposes of this discussion, that the bill will be enacted in its present form.

On the other hand, substantially all sizeable Office of Education programs do not involve such broad grants of discretion to the agency. They are formula grant programs, in which the statute provides for the allotment or apportionment of the funds appropriated for the program among the States on the basis of population or some other mathematical criteria. Typically, the substantive legislation provides for submission by State authorities of a plan for the use of the funds. If the Commissioner of Education determines that the plan meets the statutory criteria, he must approve it, and the State becomes entitled to its share of the appropriation. There is usually also provision for judicial review of a disapproval of the plan or of action to withhold or terminate assistance on grounds of noncompliance with the plan.

Examination of the language and legislative history of these State plan-State grant programs indicates little or no attention by Congress to the question of impounding. The principal purpose of formula grants was presumably to assure equitable distribution of the funds available, and it might reasonably be contended that no clear purpose to deny to the Executive the right to make across-the-board reductions in spending was manifested. But neither can it be said that there is evidence of an intent to preserve such a right. Consequently, in each case the question is likely to turn on whether the requisite Executive discretion can be found within the mechanics of the grant distribution scheme rather than whether Congress intended or did not intend to preclude impounding.

One further point of general application. Section 406 of the Elementary and Secondary Education Amendments of 1967 ("P.L. 90-247"), as amended, 20 U.S.C. 1226, which we cited in our previous memorandum, 2/ provides:

> "Notwithstanding any other provision of law, unless expressly in limitation of the provisions of this title, funds appropriated for any fiscal year to carry out any of the programs to which this title is applicable shall remain available for obligation until the end of such fiscal year."

["This title" is Title IV of P.L. 90-247, and it is applicable to all programs of the Office of Education. 20 U.S.C. 1221.]

The purpose of this provision was to deny to the President authority he would otherwise have had under the Revenue and Expenditure Control Act (P.L. 90-364), §§ 202, 203, to reduce obligations and expenditures on Office of Education programs. As we pointed out in footnote 8 of our previous memorandum, the present effect of section 406 may be to prevent such Presidential authority from being inferred from Title IV of P.L. 91-47.

It might be argued that section 406 also prevents the impounding for budgetary reasons of any funds appropriated for Office of Education programs, even where the substantive legislation might otherwise permit

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2/ In our previous memorandum we referred to this provision as section 406 of the Vocational Education Amendments of 1968. Actually, section 406 was added to P.L. 90-247 by section 301(b) of the Vocational Education Amendments of 1968.

impounding. However, section 406 does not, in terms, require that appropriations be expended or obligated; it requires that they remain "available for obligation" until the end of the fiscal year. The prohibition is apparently aimed at the Bureau of the Budget, 3/ and seems based on the assumption that Congress can prevent the Bureau of the Budget or the President from impounding funds without requiring the agency to which the funds are appropriated to spend them. But if the Commissioner of Education has the discretionary authority to decline to spend the funds, the President undoubtedly has, in our view, the authority to guide the Commissioner's discretion in this matter by virtue of his constitutional authority to "take care that the laws be faithfully executed." 2 Ops. A.G. 482 (1831). Consequently, if section 406 were read as an attempt to interfere with the President's authority to direct the actions of the Commissioner of Education, it would raise constitutional problems. Accordingly, we think the correct interpretation of section 406 is that it denies to the President any statutory authority to impound appropriations for the mandatory programs of the Office of Education, but that it does not interfere with the President's authority to direct the Commissioner to exercise his discretion, where such discretionary authority exists, to avoid the obligation and expenditure of funds. 4/

We proceed, therefore, to consider the authority to impound funds appropriated to particular Office of Education programs.

Title I-A, Elementary and Secondary Education Act

H.R. 13111 appropriates $386,160,700 "for an additional amount for grants under Title I-A of the Elementary and Secondary Education Act of 1965 for the fiscal year 1970." [This sum is additional to appropriations made for this program for fiscal '70 in the Labor-HEW Appropriation Act, 1969, P.L. 90-557, 82 Stat. 969, 975.] It is our conclusion that sums appropriated for this program must be spent in accordance with the terms of the statute and may not be impounded.

Title I of ESEA, 20 U.S.C. 241a et seq., provides for federal financial assistance to local educational agencies for the education of children of low-income families. The statutory formula for computation of payments is fairly complicated, but, basically, local educational agencies are eligible

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3/ Senator Yarborough stated that section 406 "says that if the Appropriations Committee * * * does appropriate the money, it shall remain available. The purpose is to keep the Bureau of the Budget from whacking it to pieces." 114 Cong. Rec. S 11864.

4/ This conclusion is consistent with the view taken by the General Counsel of HEW at the time the Vocational Education Amendments bill was before Congress. Memorandum of August 15, 1968 from General Counsel Willcox to the Secretary.

to receive from the Federal Government 50% of the average per pupil expenditure in the State or, if greater, in the United States, multiplied by the number of low-income children in the district. ESEA, § 103(a)(2). In addition, State agencies are eligible to receive direct payments computed on a similar statutory formula for the education of handicapped children, children of migrant laborers, and children in institutions for neglected or delinquent children. ESEA, § 103(a)(5), (6) and (7). 5/

Payments under Title I are made by the Commissioner to the States. Local educational agencies eligible for assistance apply to the State educational agency which determines whether the application meets the statutory and administrative criteria. ESEA, §105(a). To participate in the program each State must file an application with the Commissioner containing required assurances regarding the State's administration of the program. ESEA, §106(a). The Commissioner is required to approve a State application which meets the statutory criteria, §106(b), and disapproval of the application is subject to judicial review, §133. There is no specific provision for judicial review at the instance of a local educational agency.

Title I is similar to P.L. 815 in that there is no specific dollar authorization for appropriations. The authorization consists of the aggregate eligibility computed under the statutory formula, and the Commissioner is directed to apply the appropriations for Title I to the satisfaction of such eligibility.

The language of the statute seems clear as to the mandatory nature of the program. Section 102 provides, "The Commissioner shall, in accordance with the provisions of this part, make payments to State educational agencies for grants to local educational agencies * * *." Section 107(a)(1) provides, "The Commissioner shall * * * pay to each State * * * the amount which it and the local educational agencies of that State are eligible to receive under this part." The State agencies are, in turn, directed to distribute the payments to the local agencies, §107(a)(2).

Section 108 supplies additional evidence of the mandatory nature of the program. It provides that "if the sums appropriated for any fiscal year * * * are not sufficient to pay in full the total amounts which all local and State educational agencies are eligible to receive under this part for such year," the eligibilities will be paid in accordance with a prescribed formula. 6/ Section 108 contemplates no shortfall between

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5/ Part A of Title I provides for "basic grants," Part B for "special incentive grants." However, H.R. 13111 carries no funds for Part B grants.

6/ This formula, rather complex as set forth in the statute, is further complicated by the provision in H.R. 13111 that the amounts available to each State shall be no less than 92% of the amounts allocated to local agencies in such State in fiscal 1968.

the appropriation for making grant payments and sums actually available for that purpose, for if it did the formula would presumably ba based on availability and not on appropriations. Furthermore, if funds were to be impounded, the Commissioner would either have to interpret the word "appropriated" in section 108 as if it read "available," of. P.L. 90-218, §204, or he would have to depart from the Congressional intent with respect to the allocation of funds in the event of shortfall.

For the reasons set forth above we conclude that Title I of ESEA is a mandatory program, and that funds appropriated to it may not be impounded. 7/

Titles II and III, Elementary and Secondary Education Act

H.R. 13111 would appropriate $50 million to carry out Title II of the Elementary and Secondary Education Act of 1965, 20 U.S.C. 821-27, and $164,876,000 to carry out Title III of that Act, 20 U.S.C. 841-45.

Title II provides for nonmatching grants to States for the acquisition of school library resources, textbooks and other instructional materials. The statutory scheme is a fairly typical State plan-State grant arrangement. The Commissioner is directed to allot the sums appropriated to carry out the title among the States on the basis of total elementary and secondary school enrollment. ESEA, §202. Each State desiring to participate must submit a plan for the Commissioner's approval. The Commissioner must approve a plan which complies with the statutory criteria, §203(b), and the State is entitled to obtain judicial review of disapproval of a plan or a determination by the Commissioner that the State has failed to comply with its plan, §207. Section 204(a) provides, "From the amounts allotted to each State under section 202 the Commissioner shall pay to that State an amount equal to the amount expended by the State in carrying out its State plan."

From this sketch of Title II it appears that the Commissioner has little if any discretionary authority to decline to spend funds appropriated to the program. The allotment is carried out by mathematical formula, the State plan must be approved if it complies with the statute, and payments must be made in the amount expended by the State in carrying out the plan.

7/ This conclusion is subject to minor qualifications. Under section 103(a)(1), an amount equal to 3% of the amount appropriated for grants to or through the States shall be allotted among Puerto Rico and the Insular Possessions, and for payments with respect to Indian children. The Commissioner probably has sufficient discretion here to withhold some of the funds available for this purpose. There is similar discretionary authority in other formula grant statutes with respect to the allotment of funds to Puerto Rico and the Possessions, see, e.g., ESEA, §302, 20 U.S.C. 842, but in view of the small sums involved and the undesirability of imposing a burden on those jurisdictions not shared by the States, we will omit further consideration of this possibility.

There is, however, one point at which discretion may be exercised. Section 202(b) provides, "The amount of any State's allotment * * * which the Commissioner determines will not be required for such fiscal year shall be available for reallotment from time to time * * * to other States in proportion to the original allotments * * *." It is not entirely clear from the language of the title whether such a determination by the Commissioner must be made in the context of a partial disapproval of the State plan, in which case the determination would presumably be subject to judicial review, or whether such determination is left entirely to the discretion of the Commissioner. (Since allotments must be made annually, while there is no requirement for annual filing of a plan, it appears that the determination to reallot is not part of the process of approving a plan. Office of Education regulations also indicate that reallotment does not occur at the time plans are approved, but at a later time and on the basis of the States' statements of anticipated need, 45 C.F.R. 117.46.) There is legislative history to the effect that the question of reallotment is within the discretion of the Commissioner. 8/ Obviously, to withhold funds for reallotment on the basis of a determination of comparative need is quite different from an across-the-board cut in allotments for budgetary reasons, and it does not follow that becuase the Commissioner is authorized to do the former, he may also do the latter. Nevertheless, this reallotment provision at least supports the argument that a State with an approved plan does not have a "vested right" to its full allotment. Consequently, while on balance we do not believe that Title II funds may be impounded, we believe that there is a better argument for doing so than with respect to either Title I of ESEA or P.L. 874.

7/ (Cont'd. from p. 5)

Our conslusion is also based on the assumption that the Title I funds presently carried in H.R. 13111 will not be sufficient to pay the aggregate eligibility in full. These funds, added to last year's advance funding would bring total fiscal '70 appropriations for Title I to about $1.4 billion, whereas HEW's budget justification estimated the total authorization at $2,36 billion.

8/ In response to a question from Senator Prouty as to whether the Commissioner would have full authority to decide whether a State needs its full allotment, HEW replied in a memorandum that the language in section 202(b) was similar to that found in other education legislation. The memorandum stated further:

"The Office of Education has had experience in administering this provision without any difficulty or cutback on State programs. The Commissioner does have authority to decide whether or not a State needs its full allotment. Administratively, this has been carried out by the Commissioner polling each of the States: (1) whether they will need their full allotment and, if not, how much be [sic] available for reallocation; (2) what additional funds could the State prudently use if they have already used their entire original allotment. On this advice of the States, the Commissioner then carries out his reallotment authority." Hearings on the Elementary and Secondary Education Act of 1965 before a Subcommittee of the Senate Committee on Labor and Public Welfare, 89th Cong., 1st Sess., p. 1190.

Title III of ESEA provides for a program of grants for supplementary educational centers and services. As enacted in 1965 Title III provided for direct grants from the Office of Education to local educational agencies out of sums apportioned among the States. However, the Elementary and Secondary Education Amendments of 1967 ("P.L. 90-247") revised Title III so that it provides for a State grant-State plan program very similar to that in Title II.

Section 302(a) provides for an allotment of the appropriation among the States under a formula based partly on school age population and partly on total population. Section 302(c) provides reallotment authority similar to that in section 202(b). States are required to file plans annually for the use of the funds. The Commissioner shall approve a plan that meets the statutory criteria, §305(b), and the State may obtain judicial review if the plan is disapproved, §305(e)(3). The States, in turn, receive and act on grant applications from local educational agencies in accordance with standards prescribed in section 304. The local educational agency is entitled to obtain judicial review of the State agency's action with respect to its application, §305(f).

Section 307 provides, "From the allotment to each State pursuant to section 302, for any fiscal year, the Commissioner shall pay to each State, which has had a plan approved pursuant to section 305 for that fiscal year, the amount necessary to carry out its State plan as approved." 9/

On the question of authority to impount, we see no significant difference between Title III and Title II, and our conclusion is, therefore, the same.

Vocational Education

H.R. 13111 appropriates $488,716,000 for carrying out the Vocational Education Act of 1963, 20 U.S.C. 1241-1391, and section 402 of P.L. 90-247, 20 U.S.C. 1222, 10/ of which "not to exceed $356,836,000" shall be for State vocational education programs under Part B of the Act and $40,000,000 shall be for programs under section 102(b) of the Act.

9/ P.L. 90-247 provided for a gradual transition from direct Federal grants to local agencies to grants through the States. In fiscal '70 the States are eligible to receive their entire allotments less those sums, not in excess of 25%, necessary for direct grants to complete local projects previously initiated. §§305(d), 306(c).

10/ The reference to section 402 is puzzling since $9.25 million is specifically provided for section 402 earlier in the bill.

Parts A and B of the Vocational Education Act provide for formula grants to the States for vocational education programs. The basic grants are provided under Part B, while section 102(b) authorizes a separate appropriation for programs for persons with "academic, socioeconomic, or other handicaps" that prevent them from succeeding in regular vocational education programs. The distinction between the two items is not important, for the same allotment formula and other administrative provisions are applicable to both the appropriation for Part B and that for section 102(b). 11/

Section 102(a) of the Act authorizes an appropriation for Parts B and C, of which 90% would be available for B, basic grants, and 10% for C, research and training. However, H.R. 13111 carries "not to exceed $357,836,000" for Part B, making no mention of Part C. Whether or not the full sum must be made available to Part B, a question to which we will return, it is evident that it may be used for Part B, without any deduction for Part C.

Section 103(a) provides that out of sums appropriated pursuant to section 102(a) the Commissioner shall reserve up to $5 million for transfer to the Secretary of Labor to finance certain studies. (This sum, we believe, can be impounded.) The remainder of the sums appropriated under section 102(a) and all sums appropriated under section 102(b) "shall be allotted among the States" under a rather complicated formula based on population in various age groups and per capita income in the States. In other respects the provisions of Parts A and B are similar to those in the Elementary and Secondary Education Act. States must file plans with the Commissioner; the Commissioner shall approve a State plan upon making the prescribed determinations, §123(a). The State may seek judicial review from unfavorable action by the Commissioner on the plan, §123(c), and a local educational agency dissatisfied with the State's action on its application may likewise obtain judicial review, §123(d).

Section 124(a) provides, "The Commissioner shall pay, from the amount available to the State for grants under this part, to each State an amount equal to 50 per centum of the State and local expenditures in carrying out its State plan * * *." As in Titles II and III of ESEA there is provision for reallotment of funds on the basis of the Commissioner's determination that they will not be required. However, the reallotment provision, §102(c), is more narrowly drawn than its counterparts in the ESEA. Funds shall be available for reallotment "on the basis of criteria established by regulation, first among programs authorized by other parts of this title within that State and then among other States, * * *" (emphasis is added). In view of Congress' evident concern that a State should not lose funds through the reallotment process, the argument of no vested right we suggested earlier would have less validity here.

11/ However, Part B grants are 50% matching grants, while the Commissioner has discretion to waive the matching requirement with respect to section 102(b) funds. §124(a).

One further point needs to be touched upon. Our analysis thus far indicates that the funds appropriated for Part B must be made available for that program. However, the appropriation reads "not to exceed $357,836,000," which implies that less may be allocated to that part. We have no explanation for this language, which is apparently deliverate. 12/ In the absence of any positive evidence that the intended effect of this language is to permit the Commissioner to allot less than the full sum in accordance with the statutory formula, we would still view these funds as not subject to impounding.

Higher Education Appropriations

H.R. 13111 appropriates $859,633,000 for various higher education programs. This includes three items for carrying out the Higher Education Act of 1965: $159.6 million for educational opportunity grants under Title IV, Part A; $63.9 million for loan insurance under Title IV, Part B; and $154 million for college work-study programs under Title IV, Part C.

Section 401 of Title IV, Part A, of the Higher Education Act authorizes appropriations for educational opportunity grants. These grants are made by the Office of Education to institutions of higher education, which, in turn, award grants to financially needy full time students. Section 401 authorizes the appropriation of $100 million for initial year grants and such sums as may be necessary for second-, third-, and fourth-year grants. 13/

Section 405 provides that from the sums appropriated for initial year grants the Commissioner shall make an allotment to each State in accordance with its total full time enrollment. Sums appropriated for continuation grants are not allotted according to formula, but presumably in accordance with the need to follow up previous initial year grants.

12/ Since Part B is a 50% matching grant program, it may be that Congress anticipates that all the funds will not be used, and wishes to provide that all the funds will not be used, and wishes to provide that in such event the money will be available for other purposes under the Vocational Education Act.

13/ The appropriation itself does not indicate how much is for initial year and how much for continuation grants. Presumably, Congress assumes that the Commissioner will determine how much is necessary for the continuation grants, and the balance will be available for initial year grants. Since the budget estimate was $175.6 million for both kinds of grants, we assume that at least $75.6 million is expected to be used for continuation grants.

It might be noted that the special programs for low income students authorized by section 408 of Part A are apparently not intended to be funded out of the $159.6 million appropriated for educational opportunity grants, but would be funded, if at all, out of the portion of the $859,633,000 appropriation not earmarked for specific programs.

Although funds are allotted among the States, payments are not made through the States. The Office of Education allocates funds within each State in accordance with "equitable criteria," §406. Recipient institutions must enter into agreements with the Commissioner in order to be eligible to participate in the program.

Despite the provision for allotments by States, we believe that this program is discretionary. The Commissioner has broad discretion as to which institutions to make grants to and how much each is to receive; there is no provision for judicial review. Furthermore, because of the lump sum appropriation, the Commissioner is also granted discretion in allotting funds between initial year and continuation grants. It is extremely doubtful, therefore, that any institution could claim that it was entitled to a grant. It does not necessarily follow that because there is no designated or ascertainable recipient, there is no duty to spend. However, since there is at least a plausible case for regarding the program as discretionary, and, in our view, little likelihood that such a conclusion could be challenged in court, we believe that as a practical matter these funds may be impounded.

H.R. 13111 appropriates $63.9 million, to remain available until expended, for loan insurance programs under Title IV, Part B of the Higher Education Act. While participation in this program is apparently discretionary with the Commissioner, the major part of this appropriation, according to the budget justification, is for anticipated losses due to the death or disability of borrowers, §437. Therefore, impounding of these funds may not be feasible.

H.R. 13111 appropriates $154 million for work-study programs under Title IV, Part C of the Higher Education Act. These sums are used to provide part-time employment for students. The program is generally similar to Title IV, Part A, in that the Commissioner is required to allot funds among the States on a formula basis, but enters into agreements with institutions of his own selection within the States. For the reasons cited in our discussion of Part A, we believe these funds may be impounded.

H.R. 13111 appropriates $222,100,000 for Federal capital contributions to student loan funds pursuant to section 204 of the National Defense Education Act of 1958, 20 U.S.C. 424.

Title II, NDEA, provides that sums appropriated for this purpose shall be allotted among the States in accordance with total college enrollment figures, §202(a). Section 204 authorizes the Commissioner to enter into agreements with institutions of higher education for Federal capital contributions to the institution's student loan fund. Section 203 provides that the institutions with which the Commissioner has agreements must file applications for such capital contributions. If the total amount applied for exceeds the State allotment available for the purpose, the contributions are made pro rata, §203.

Although there is no provision for judicial review in Title II, the terms of the statute appear mandatory, and the recipients are identifiable. Consequently, the statute appears mandatory at least to the extent that eligible institutions apply for the full State allotment. Where a State's allotment has not been applied for, 14/ the Commissioner "may" reallot it, but apparently he is not obligated to do so.

Other Programs

We have concentrated in this memorandum on a few large-item appropriations in H.R. 13111. Obviously, we have been unable in the time available to examine in detail the smaller items in the Office of Education appropriation, some of which, at least, appear on cursory consideration to be for discretionary programs. We might point out, however, that of the $859.6 million appropriated for higher education programs, $160 million is not earmarked for specific programs. This sum is apparently intended to be available for application in the Commissioner's discretion to those programs to which specific sums were not allocated. These programs appear to us to be discretionary, and the $160 million may, in our view, be impounded.

Remedies

We expressed the view in our previous memorandum that where the statute directs expenditure and the recipient is ascertainable, a judicial remedy would probably lie. Whether it would take the form of a suit against the United States in the Court of Claims or an action against the Commissioner of Education is not certain.

Where the statutes provide for judicial review, it is possible that that procedure could be used to challenge an impounding of funds, even though it could be contended that such review is authorized only for actions involving the disapproval of a plan or the withholding of funds for noncompliance with a plan.

The point is that while precedents in this field are few, the trend in the law has been to supply the remedy once the right is recognized. If, therefore, a court can be persuaded that a prospective recipient has been injured by the failure of the Commissioner of Education to comply with the direction of the statute, it will in all likelihood devise a means of relief.

William H. Rehnquist
Assistant Attorney General
Office of Legal Counsel

14/ An applicant institution must put up one dollar for each nine dollars of Federal money, §204(2).

May 24, 1971

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

The General Counsel of the Department of Health, Education, and Welfare has determined that the State allocations for the following programs are mandatory once an appropriation has been made. That is, the amount of the State allocation, given the total appropriation identified in the appropriation act, is not subject to Administrative discretion. The full appropriation must be allocated to the States.

Programs in the 1972 budget for which State allocations, once an appropriation has been made, are mandatory

HEALTH SERVICES AND MENTAL HEALTH ADMINISTRATION	1972 Budget Request
Appropriation/Program	
Maternal and child health	
Maternal and child health services (Section 503 - Social Security Act)	$59,250,000
Crippled children services (Section 504 - Social Security Act)	60,400,000
Medical facilities construction	
Hill-Burton grants (Section 601 - PHS Act)	85,000,000
Total, Health Services and Mental Health Administration	204,650,000

Department of Health, Education, and Welfare

Programs in the 1972 budget for which State allocations, once an appropriation has been made, are mandatory

NATIONAL INSTITUTES OF HEALTH Appropriation/Program	1972 Budget Request
Health manpower	
Institutional support:	
Medical, dental and related (Title VII, Part E, PHS Act)	$93,358,000
Direct Loans:	
Medical, dental and related (Section 742, PHS Act)	18,750,000
Nursing (Section 824, PHS Act)	9,610,000
Scholarships:	
Medical, dental and related (Title VII, Part F, PHS Act)	28,887,000
Nursing (Title VIII, Part D, PHS Act)	17,000,000
TOTAL, National Institutes of Health	167,605,000

Department of Health, Education, and Welfare

Programs in the 1972 budget for which State allocations, once an appropriation has been made, are mandatory

OFFICE OF EDUCATION Appropriation/Program	1972 Budget Request
Elementary and Secondary Education:	
Educationally deprived children (Title I, ESEA)	$1,500,000,000
Library resources (Title II, ESEA)	80,000,000
Supplementary services (Title III, ESEA)	143,393,000
School Assistance in Federally Affected Areas:	
Maintenance and operation (P.L. 874)	425,000,000
Education for the handicapped:	
State grant programs (Part B, Education of the Handicapped Act)	35,000,000
Vocational education:	
Grants to States (Part B, Vocational Education Act)	377,012,000
Adult basic education (Adult Education Act)	45,000,000
Higher education:	
Direct loans (Title II, National Defense Education Act)	5,000,000
University community services (Title I, Higher Education Act)	9,500,000

Department of Health, Education, and Welfare

Programs in the 1972 budget for which State allocations, once an appropriation has been made, are mandatory

OFFICE OF EDUCATION (Continued) Appropriation/Program	1972 Budget Request
Education professions development:	
State grants (Part B-2, Education Professions Development Act).....	7,000,000
Libraries and educational communications:	
Public libraries services (Title I, and III, Library Services and Construction Act).....	18,000,000
TOTAL, Office of Education.....	2,644,905,000

Department of Health, Education, and Welfare

Programs in the 1972 budget for which State allocations, once an appropriation has been made, are mandatory

SOCIAL AND REHABILITATION SERVICES Appropriation/Program	1972 Budget Request
Grants to States for public assistance	
Child welfare services (Title IV, Social Security Act).....	$ 46,000,000
Rehabilitation services and facilities	
Basic services (Section 2, Vocational Rehabilitation Act).....	518,000,000
Special programs for the aging	
Community planning and services (Title III, Older American Act of 1965).....	13,000,000 1/
Total, Social and Rehabilitation Services.....	577,000,000

1/ Includes budget amendment of $3,650,000 for community programs.

APPROPRIATIONS AUTHORIZED TO REMAIN AVAILABLE FOR MORE THAN ONE YEAR

Mr. NATCHER. There are many places in your budget request where you are requesting that funds remain available beyond the end of the fiscal year.

Will you please give us a list of these with a citation of the section of the law authorizing each one?

Mr. CARDWELL. Yes, sir.

(The information follows:)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Appropriations for Which Legislation Authorizes
Funds to Remain Available Beyond the Budget Year
(Excludes direct construction and revolving funds)

Agency and Account	Program	Length of Availability	Authority
Health Services and Mental Health Administration:			
Mental Health.....	Construction of community mental health centers	2 years	Section 202, Community Mental Health Centers Act
		3 years	Virgin Islands, American Samoa, Guam, and the Trust Territory of the Pacific Islands
	Construction and staffing of facilities for the prevention and treatment of alcoholism	2 years	Section 261, Community Mental Health Centers Act
	Construction and staffing of facilities for the prevention and treatment of narcotic addiction	2 years	Section 261, Community Mental Health Centers Act

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Appropriations for Which Legislation Authorizes
Funds to Remain Available Beyond the Budget Year
(Excludes direct construction and revolving funds)

Agency and Account	Program	Length of Availability	Authority
Health Services and Mental Health Administration--Cont.:			
Medical facilities construction.....	Construction of hospitals and medical facilities	3 years	Section 602, Public Health Service Act
	Loan guarantee and loan fund	Until expended	Section 626, Public Health Service Act

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Appropriations for Which Legislation Authorizes Funds to Remain Available Beyond Budget Year (Excludes direct construction and revolving funds)

Agency and Account	Program	Length of Availability	Authority
National Institutes of Health:			
Construction of health educational, research and library facilities.....	Construction of facilities for teaching, for research in the sciences related to health and for medical libraries	Until expended	Title VII, Part A and B and Title VIII, Part A of the Public Health Service Act
National Library of Medicine,	Grants related to the establishment of regional medical libraries	2 years	Section 398 of the Public Health Service Act
Scientific activities overseas.....	Special foreign currency program	Until expended	Authority contained in annual appropriation act

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
Office of Education

Appropriations for Which Legislation Authorizes Funds to Remain Available Beyond Budget Year (Excludes direct construction and revolving funds)

Agency and Account	Program	Length of Availability	Authority
Office of Education:			
Higher Education	Student Assistance:		
	Grants and Work-study payments	Until expended	Title IV, Higher Education Act of 1965.1/
	Subsidized Insured Loans:		
	Interest on basic NDEA-type loans	"	"
	Interest on special NDEA-type cost-of-education loans	"	"
	Interest on prior year loans	"	"
	Program administration	"	"
	Institutional Assistance:		
	Construction-subsidized loans	"	"
Libraries and Educational Communications	Educational broadcasting facilities	"	Title III, Communications Act of 1934
Educational Activities Overseas(Special Foreign Currency Program)	Grants to American Institutions	"	Agricultural Trade Development & Assistance Act of 1954
School Assistance in Federal Affected Areas	Construction:		
	Assistance to local educational agencies	"	Public Law 815

1/ Based on proposed legislation.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Appropriation for Which Legislation Authorizes Funds to Remain Available beyond Budget Year (Excludes direct construction and revolving funds)

Agency and Account	Program	Length of Availability	Authority
Social and Rehabilitation Service:			
Rehabilitation Services and Facilities.....	Grants for special projects (Expansion grants)	June 30, 1973	Section 4 (a) 2(a) VR Act
	Grants for the developmentally disabled	June 30, 1974	Section 132(a)(3) Developmental disabilities services and facilities Construction Act
Social and Rehabilitation Services Activities Overseas	Special foreign currency program	Until expended	Authorization contained in the annual appropriation act.

DHEW PARTICIPATION IN PROJECT CORNERSTONE

Mr. NATCHER. Representative Burke of Florida has been very much concerned about something called Project Cornerstone in Atlanta, Ga., in which Federal employees are sent to live in the Atlanta slums for 2 weeks and listen to radical rhetoric. How many HEW employees have participated in this project and what has been the cost?

Mr. VENEMAN. Mr. Chairman, over the period of 4 years we have had 178 participants from HEW at a total cost of $46,950. That would include a commitment of $33,600 for fiscal year 1971.

In 1971 we had 112 participants. The tuition fee, if we can call it that, is $300 per person for this particular project. I have read Congressman Burke's news letter in which he makes the allegation that this is a 2-week indoctrination course in left wing politics which I do not subscribe to. We have individual reports that have come back from participants, HEW employees that have participated, and every indication is that it is a beneficial experience. Again just as I describd our problem with technical assistance, I think one of our other problems is that we have a lot of people working in social programs who really do not have the experience or the feel of what it is like at the other end of the pipeline. The purpose of Project Cornerstone is to give them that kind of exposure, to know how it feels to live in a ghetto area, in the middle of a black community. When you look at what we are trying to do, a lot of our money is diretced to these kinds of people. I think it is not a mandatory program, it is a voluntary program. We have asked the agencies to make the people within their particular agency aware of it.

The participants have ranged all the way from GS–5 level to GS–15. We are not sending one kind of Federal employee into the area. I think when you get into that kind of situation, certainly there is bound to be somebody that will speak up and expound their own personal philosophies, but I do not think it can be categorized as Congressman Burke has attempted to categorize it.

GOALS OF PROJECT CORNERSTONE TRAINING

Mr. NATCHER. Mr. Veneman, you have given us some idea about the objectives of this particular program. What does the training actually consist of?

Mr. VENEMAN. As I understand it, the people are living right in the community and exposed to the type of environment I described, and also to the effectiveness of our programs. They are also exposed to the means by which programs are being received at that end. Do we have any more detail on the daily scheduled routine?

Mr. NATCHER. As far as the training is concerned.

Mr. CARDWELL. It would consist of visiting the homes of persons on welfare. It would consist of visiting ghetto schools, talking to teachers, visiting various social service agencies, getting not just an impression of the problems of the people themselves, but also an impression of how those problems are being dealt with by the various service agencies.

My understanding is that the participants are required while there for that period to live, as the Under Secretary point out, immediately among the people themselves.

I think the atmosphere is very similar to that which one would experience if he actually lived there. But to sum it up, it would involve schools, the various social agencies, individual families and their problems, visits with social workers on their tours, and that sort of thing.

THE VALUE OF PROJECT CORNERSTONE

Mr. NATCHER. Is this a program that HEW should participate in?

Mr. VENEMAN. That is a tough question to answer, whether or not it should be Project Cornerstone might be debatable. I think it is a good program.

I think the concept is good. I think it is good for HEW to participate in this type of program conceptually.

Mr. NATCHER. Who are the sponsors, can you give the committee some idea?

Mr. CARDWELL. I cannot. We can supply that for the record.

Mr. NATCHER. Can you, Mr. Veneman?

Mr. VENEMAN. I think we can find that. I spent some time a little over a year ago discussing this with some of the people in the Department prior to the time that I sent a memo around suggesting that the agency heads encourage some of their employees to participate.

I was personally very impressed with the concept of getting some of our employees out there to see what it is really like.

QUALIFICATIONS OF CORNERSTONE'S SPONSORS

Mr. NATCHER. If you will, submit a statement to the committee concerning the sponsors, and give us some idea as to the qualifications and training of these people from the standpoint of working with Federal employees and attempting to train them in this particular program.

(The information follows:)

INFORMATION CONCERNING PRINCIPAL PROJECT CORNERSTONE STAFF

As with all other training programs, the particular qualifications of the staff must be assessed in light of the overall objectives of the program and the staff responsibilities involved. For Project Cornerstone, the basic objectives can best be summarized as providing participants with an intensive, first-hand exposure to the people, problems, and programs which exist in the environment of the urban poor. The Summerhill community of Atlanta is the principal context for this experience, an experience which is balanced by contrast tours to the affluent sections of Atlanta, to the neighboring poor white community of Cabbagetown, and to rural areas of sharply contrasting affluence and severe poverty in southwest Georgia.

Providing this kind of intensive exposure demands of the principal staff an intimate knowledge of all aspects of the Summerhill community. Further, it demands knowledge of—and perhaps most importantly—the acceptance and respect of the other communities, agencies, and organizations which the Project Cornerstone participants will be taken to visit during their sessions. Finally, since each group of participants has a different range of perspectives, backgrounds, and interests, the program demands of the staff an acute sensitivity to individual needs, a flexibility in re-arranging programmatic and even personal commitments to satisfy participants' interests, and at times a great deal of patience.

Collins McGee, Jr.—Collins McGee is the director of Project Cornerstone. A native Georgian, he is 26 years old, married, with two children. Raised in southwest Georgia, he received his schooling in the Americus city school system and graduated from Barnesville High School in 1962. He has been a resident of the Summerhill community since mid-1967 and joined the staff of Project Cornerstone in the summer of 1969. He has been director of the project since late 1969.

Mr. McGee is one of the most active and respected leaders of the Summerhill community. Among his positions of official responsibility are the following: Member of the Citizens Advisory Council of the SUMEC Center, a neighborhood center sponsored by Economic Opportunity Atlanta and serving the Summerhill-Mechanicsville communities; an adult youth representative for the target area served by EOA, elected in a neighborhood-wide election; a member of the advisory board for the Superior Car Care Center, a joint venture in community entrepreneurship with sponsorship from the local Model Cities program, EOA, and the board of education.

As director, Mr. McGee is responsible for the overall operation of the program and supervision of individual staff members. As a recognized community leader enjoying the respect of the mayor's office as well as local agencies and the trust of community residents and organizations, Mr. McGee serves effectively as Project Cornerstone's general liaison with the broader Atlanta community. Because of his special knowledge of rural Georgia, he conducts personally the orientation and feedback sessions for the southwest Georgia trip.

Alvin Price.—Alvin "Booker" Price is the seminar director for Project Cornerstone. Also a native Georgian, he is 30 years old, married, with six children. He has been a resident of the Summerhill community for the past 18 years. Educated in the Atlanta city school system through the 11th grade, he will be attending night classes this summer in order to complete his high school education. He has been seminar director since mid-1970.

Mr. Price, like Mr. McGee, has been an energetic and effective force within the Summerhill community for many years. His formal positions and accomplishments include the following: Advisor to the SUMEC Center; a principal organizer and member of the Community Foot Patrol in the Summerhill area, an activity endorsed by the Atlanta Police Department and designed to use community leaders as neighborhood patrolmen following a serious police-community incident; chairman of the Youth Crime Convention, also an outgrowth of the incident mentioned and part of the police community relations program; member of the advisory board of the Superior Car Care Center; chairman of the Youth Congress, an activity sponsored by EOA; recipient of the SUMEC Center award for outstanding community work; and winner of the 1970 annual award of the Atlanta Voice for exemplary community leadership.

As seminar director, Mr. Price carries the major responsibilities for scheduling agency visits and evening speakers, briefing participants on the various activities of the session, escorting the group on all local visits, and responding to the needs of individual participants. Together with Mr. McGee, he conducts feedback sessions among the participants concerning what they have seen during the visits and serves as an additional resource and discussant in evening programs with outside speakers.

No training program like Project Cornerstone could survive without the support of the community in which it operates. More specifically, the program could not provide such direct, first-hand exposure if the principal staff did not have the confidence of, and access to, both the local residents and the administrators of various programs designed to serve those residents. All of these ingredients are brought to the project, and thus to the participants, through the active leadership of Messrs. McGee and Price, both of whom are ab'e to listen and respond to the varying needs and perceptions of Federal participants without sacrificing their basic commitment to the Summerhill community. That they have conducted, and continue to conduct, a successful training experience is well documented in the evaluation reports submitted by participants, and these reports have provided a clear and consistent basis for continuing DHEW participation in the program.

PROJECT CORNERSTONE'S ANTECEDENTS

Mr. CARDWELL. Mr. Chairman, may I make one point by way of background. Before the decision was made to participate in Project Cornerstone per se, HEW had on its own initiative done a similar very limited pilot program in Baltimore. Under the aegis of one of the Assistant Secretaries, we selected small groups of people from within HEW and made arrangements through the Department of Public Welfare in the city of Baltimore to have people go over there and spend periods of 2 or 3 days. It was that experience that really led to

the conclusion that the Cornerstone Project on a broader scale might be useful.

Mr. VENEMAN. We will submit the names of the sponsors of the program and try to get as much of the educational background of the persons involved as possible. Quite candidly we will not find that we have much in the way of academic people with discipline for training per se. That is not the kind of program it is.

Mr. CARDWELL. It is exposure.

Mr. NATCHER. Do you intend to continue participating in the Cornerstone Project?

Mr. VENEMAN. I can see no reason not to, Mr. Chairman, based on the information we have received from the employees that have participated.

Mr. NATCHER. Mrs. Reid.

Mrs. REID. Thank you, Mr. Chairman.

FISCAL YEAR 1972 PUBLIC INFORMATION REQUEST

Mr. Secretary, how does your request for public information programs for fiscal 1972 compare with previous years?

Mr. VENEMAN. I think the total number of positions, Mrs. Reid, is identical in the Office of Secretary. It is 34, as I remember. I think last year it was something 3 less than the previous year.

As I mentioned before, all our personnel positions are identical to last year in the request, and the distribution is the same.

RECRUITING AND RETAINING QUALIFIED PERSONNEL

Mrs. REID. Do you have any problems recruiting and retaining qualified personnel?

Mr. VENEMAN. It is a problem. Recruiting good personnel is a problem no matter what kind of business you are in. I think we have been fortunate, particularly from the level that we are on in the Office of the Secretary. I think between Secretary Finch and Secretary Richardson, they have been able to bring into the Department a caliber of people which far surpasses the caliber that has been in many of the governmental agencies. I feel very fortunate in that respect.

Mrs. REID. There is not a rapid turnover?

Mr. VENEMAN. It is interesting that in HEW I think we have more people that are there for a reason as opposed to being there for a job. With this kind of motivation they are more inclined to stay around, because they can get the feeling of fulfillment to a certain degree.

Mrs. REID. I am sure that is true. Thank you. That is all Mr. Chairman.

Mr. NATCHER. Mr. Smith.

NUMBER OF HEW EMPLOYEES IN THE WASHINGTON, D.C., AREA

Mr. SMITH. What is the total number of employees in the Department?

Mr. VENEMAN. It is about 104,000 now, I believe.

Mr. SMITH. How many are in the Washington metropolitan area?

Mr. VENEMAN. If you include Baltimore, quite a few of them.

Mr. SMITH. I want the number not including Baltimore.

Mr. VENEMAN. Social Security has a great number in Baltimore.

Mr. CARDWELL. We have these data.

Apparently we do not have them with us.

Mr. SMITH. Will you put that in the record?

Mr. CARDWELL. Yes.

Mr. SMITH. Together with the number of employees you had the last 3 years in the Washington area.

Mr. VENNEMAN. We can provide that.

(The information follows:)

HEW TOTAL EMPLOYMENT,[1] WASHINGTON, D.C., AREA AND OTHER LOCATIONS FOR FISCAL YEARS 1970, 1971, AND 1972

Agency	Total	Washington, D.C., area	Outside Washington
1970			
Office of the Secretary	4,273	2,472	1,801
Food and Drug Administration	5,621	2,656	2,965
Health Services and Mental Health Administration	27,676	8,521	19,155
National Institutes of Health	12,572	11,523	1,049
Office of Education	3,117	2,671	446
Social and Rehabilitation Service	1,834	1,221	613
Social Security Administration	54,164	631	53,533
Total	109,257	29,695	79,562
1971			
Office of the Secretary	4,593	2,597	1,996
Food and Drug Administration	5,170	2,817	2,353
Health Services and Mental Health Administration	29,134	9,030	20,104
National Institutes of Health	12,788	11,724	1,064
Office of Education	3,416	2,825	591
Social and Rehabilitation Service	1,823	1,183	640
Social Security Administration	56,443	776	55,667
Total	113,367	30,952	82,415
1972			
Office of the Secretary	4,916	2,788	2,128
Food and Drug Administration	5,963	3,163	2,800
Health Services and Mental Health Administration	31,112	9,811	21,301
National Institutes of Health	13,512	12,371	1,141
Office of Education	3,577	2,935	642
Social and Rehabilitation Service	2,046	1,223	823
Social Security Administration	56,562	777	55,785
Total	117,688	33,068	84,620

[1] Includes public service careers, summer employment, management interns, and new careers; also includes PHS hospitals.

LOCATING FEDERAL OPERATIONS OUTSIDE OF THE DISTRICT OF COLUMBIA AREA

Mr. SMITH. I think there is a strong feeling in Congress now, more so than there has been since probably about 10 years ago that we should get some of these people out of the Washington area. Anybody that walks through HEW or any other department down there and talks to some of the people can find people who could just as well be performing their service in another geographic area.

Mr. VENEMAN. We have been trying to do that, of course. Since I have come in, one of the key priorities has been to decentralize. I think one thing you find is that decentralization does not necessarily mean the transfer of bodies, particlarly with the more improved management techniques. I think it is essential that we get people out there

that can advise the States on how to conduct their programs, as I described earlier.

Mr. SMITH. I was not thinking of that alone. I was thinking of moving bodies out. The Washington area is a congested area.

Mr. VENEMAN. The point is if we do not need them here or there, then we reduce.

Mr. SMITH. Many of the employees could do the job they are doing just as well somewhere else.

Mr. CARDWELL. I think Mr. Smith's point has to do with general relocation out of this congested area.

Mr. SMITH. It does.

Mr. CARDWELL. We have really been faced with this now for a period of several years.

You will remember we were limited in the construction of the last food and drug facility. We had instructions that it had to be built outside of the Washington area. Since that time we have not had a major facilities development. Most of the congressional intent in this area has been centered around where to put a facility. Should we put it 50 miles out? The Environmental Health Sciences Center, if you recall, was moved to North Carolina because of that kind of action on the part of the Congress.

Mr. SMITH. But we are expanding existing departments and agencies, and to the extent that anybody can be moved outside the area, there is someone else waiting for the space.

Mr. CARDWELL. That is right.

Mr. VENEMAN. Here is a list, Mr. Smith, with a breakdown on the number of employees here. You will notice the number of employees in the regions is slightly more than half of the total. It was 52 plus percent.

SECTION 206 OF THE GENERAL PROVISIONS

Mr. CARDWELL. There is a section in this bill which forbids us to add any permanent employees using funds in the bill wherever such additions would increase the ratio of headquarters employees to field employees. That limit has been in now for 3 or 4 years, as I remember—section 206 of the general provisions.

Mr. SMITH. Especially with monthly rates for long distance telephone rather than charges by individual calls and different things we have now, and many changed management techniques, there is no need at all to have so many employees close to the top management. In fact, you can service people a good many miles from here just as fast as you can out in Germantown or somewhere like that.

Mr. CARDWELL. We have operations that by their very nature it is pretty clear to me would lend themselves to locations outside the Washington area.

Mr. SMITH. That is all I have, Mr. Chairman.

Mr. NATCHER. Mr. Michel?

ORGANIZATIONS USING HEW FACILITIES

Mr. MICHEL. Mr. Veneman, I am sure you are familiar with this schedule of "HEW Peace Activities" for the month of April. The program apparently included films produced or attributed to the National

Liberation Front or the North Vietnamese. According to this schedule, HEW facilities were used for these programs.

I would like, for the record, a list of names and short description of all the organizations who have used HEW facilities in the past 6 months.

Mr. VENEMAN. We will provide that for the record.

(The information follows:)

ORGANIZATIONS USING HEW FACILITIES

AFGE (American Federation of Government Employees) Local 41.—This labor union is officially recognized under Executive Order 11491.

HEW Employees' Association.—This group is a nonprofit association. It is a recognized employee group concerned with employee welfare. Among its activities are: Sponsoring foreign language classes, chess, art clubs, bridge, and competitive sports. The Employees' Association supports a postal service in the North Building to accommodate Federal employees, a lending library, and a service center at which employees may make minor purchases.

Annual Police and Firemen's Memorial Services.—The National Park Service sponsors an official function annually to honor the police and firemen who have passed away during the year.

U.S. Department of Agriculture Graduate School.—A nonprofit quasi-governmental institution that provides educational opportunities for Federal employees. HEW participates with other Federal agencies to provide facilities for classes conducted after working hours.

Presidential Classroom for Young America.—Sponsored by the Executive Office of the President. The objective for HEW is to bring the youth of the United States together to interact with HEW officials on an agenda that relates to youth issues, problems and the HEW programs.

Thursday Discussion Group.—The organization is composed of HEW employees whose stated purpose is to improve the climate and effectiveness of the Federal service by providing a forum for employees self-education and examination of policy, issues and problems especially those within the responsibility of the Department of Health, Education, and Welfare. This was one of the sponsoring organizations for HEW Peace activities April 7, 1971, through April 29, 1971, which included representatives from NWRO and SCLC People's Lobby.

HEW Credit Union.—This is a nonprofit organization established and regulated by law to provide a variety of financial services for Government employees. Such credit unions, of course, function in most Government agencies.

HEW Action Project.—The organization is composed of HEW employees whose stated purpose is reform to improve health, education, and general welfare, through discussion on issues and policies which affect their own agencies and offices. This was one of the sponsoring organizations for HEW peace activities April 7, 1971, through April 29, 1971, which included representatives from NWRO and SCLC People's Lobby.

U.S. Marine Corps Reserve Training Unit.—This organization performs an official function to conduct training sessions for U.S. Marine Corps Reserve.

GUIDELINES FOR USE OF HEW FACILITIES

Mr. MICHEL. Just how do you decide which groups may and which may not use the facilities of your agency? Would you spell out your guidelines and applicable regulations for us in the record.

Mr. VENEMAN. The Secretary's order of November 1, 1969, governing the use of department facilities for meetings for nonofficial purposes provides a procedure for recognition of employees' groups. The decisions as to which groups may use the facilities are made on the basis of the criteria in this order. We will furnish a copy of the order for the record. The order provides that only employee groups that have been recognized may use the facilities.

(The information follows:)

USE OF DEPARTMENT FACILITIES FOR MEETING FOR NONOFFICIAL PURPOSES

1. The enclosed order of the Secretary on the use of department facilities for meetings for nonofficial purposes supersedes the Secretary's order issued with General Administration Manual Circular HEW–69.5, revised as of December 3, 1970.

2. The enclosed amended order has been revised to reflect changes in paragraphs III.C., II.B., and V.B.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

ORDER

USE OF DEPARTMENT FACILITIES FOR MEETINGS FOR NONOFFICIAL PURPOSES

I. GENERAL

A. All space occupied by the Department in both Government-owned and leased buildings is for the use of the department in the conduct of its official business. However, when meeting places under the control of the department are not required for official use, their use for nonofficial purposes may be permitted in accordance with the policies set forth in this Order As Amended.

B. As used herein the terms listed below are defined as follows:

1. "Department" is the Department of Health, Education, and Welfare, its operating agencies, organizational units, and their headquarters and field offices and installations.

2. "Approving official" is the Assistant Secretary for Administration for facilities in the District of Columbia or the head of the field installation or organizational unit for facilities located outside of the District of Columbia.

3. "Non-official purposes" are activities or functions other than the conduct of the department's business.

4. "Interim recognition" permits the use of facilities solely for the purpose of organizational activities, i.e., to solicit membership, discuss organizational modes, adopt a construction and bylaws.

5. "Meetings" include lectures, classes, discussions, recitals, or similar activities.

6. "Meeting places" are those conference rooms, auditoriums, outdoor space and other places approved for use for meetings by the approving official.

II. PURPOSES FOR WHICH MEETING PLACES MAY BE USED

A. Meeting places may be used for the following purposes when authorized in writing by the approving official:

1. Meetings of other agencies of the Federal Government or of agencies of the Government of the District of Columbia for the official purposes of such agencies.

2. Meetings directly related to official department activities or functions and in which one or more Department employees will actively participate as part of their official duties.

3. Meetings of employee groups which have been recognized pursuant to paragraph VI of this order.

B. Within the limitations of available space, the approving official will assign meeting places adequate to accommodate the needs of the requesting agency, organization, or employee group.

III. PURPOSES FOR WHICH MEETING PLACES MAY NOT BE USED

Use of meeting places will not be permitted for:

A. Meetings of organizations practicing or advocating discrimination on the basis of race, creed, color, sex, or national origin.

B. Meetings for a partisan political purpose, for the purpose of advocating or influencing action on legislation, for sectarian purposes, or for purposes inconsistent with law or applicable regulation.

C. Meetings or performances sponsored or conducted by or for commercial enterprises for profitmaking purposes through the direct sale of articles, charging of admission fees or the making of an indirect assessment for admission, or the taking of a collection.

IV. WHEN SPACE WILL BE AVAILABLE FOR MEETINGS OF EMPLOYEE GROUPS

Space may be made available for meetings of recognized employee groups for a period not exceeding 1 hour during the time period in which luncheon is normally taken, or for a reasonable period before or after the regular working hours of the agency or organizational unit of which the employee group is a part. Permission to hold meetings before or after working hours will be withheld if, in the judgment of the approving official, an undue administrative burden will be placed on the Department, such as the need to change the security, heating, air-conditioning, or cleaning practices normal for such hours or the incurrence of additional costs solely to accommodate the group or organization.

V. PROCEDURES FOR RESERVATION OF MEETING PLACES

A. Requests for use of meeting places shall be in writing addressed to the approving official. Requests for meetings of the agencies specified in IIA.1 must be made by an authorized representative of the agency. Requests for meetings of the type specified in IIA.2 must be made by an authorized officer or employee of the Department. Requests for meetings of the employee groups specified in IIA.3 must be made by an authorized representative of the employee group.

B. Requests for use of meeting places shall state the date, time, duration, and purpose of the meeting, and the estimated number of persons expected to attend.

VI. CRITERIA AND PROCEDURES FOR RECOGNIZING EMPLOYEE GROUPS

A. The term "recognized employee group" as used herein means: (1) Any employee organization (union) which has been accorded exclusive recognition by the department pursuant to Executive Order 11491; (2) Any employee welfare and recreation association which is authorized to identify itself with the department in accordance with the provisions of chapter 25–10 of the Department General Administration Manual. An employee welfare and recreation association includes clubs sponsored or affiliated with the association, such as a chess, bridge, or foreign language club, and classes or sports sponsored by the association; (3) A Federal credit union of Department employees.

B. 1. In addition to the groups recognized under paragraph A, upon written application, recognition will be granted to an employee group consisting wholly of department employees, not less than 10 in number, which does not practice or advocate discrimination based upon race, creed, color, sex, or national origin, whose purposes are consistent with law and with this order as amended, and which has been in existence for at least 3 months. Interim recognition will be granted to an employee organization which meets all of the criteria of this para-

graph B, but which has not been in existence for at least 3 months. Applications for recognition must be submitted to the approving official. In order to be acted upon, the application for recognition must contain the following information:

(*a*) Name and address of the organization's local headquarters;

(*b*) Name, work address, and telephone numbers of the officers or other persons designated as spokesmen for the organization in relation to the department;

(*c*) Date of establishment of the organization;

(*d*) Purpose of the organization and nature of its activity;

(*e*) Number of members;

(*f*) How often the organization proposes to meet using HEW facilities;

(*g*) Statement that the organization consists wholly of department employees;

(*h*) Either (1) A copy of the constitution and by-laws of the organization, or (2) a statement that the organization has no constitution or by-laws; and

(*i*) Statement that the organization does not practice or advocate discrimination based upon race, creed, color, sex, or national origin.

2. The provisions of this paragraph B shall apply to employee groups in existence or recognized at the time of the issuance of this order as amended, as well as to groups organized or seeking recognition after the date of this order as amended.

C. A recognized employee group shall be eligible for use of only those meeting places under the control of the agency or organizational unit which has granted it recognition (in the case of an employee union) or under the control of the agency(ies) or organizational unit(s) in which the members of the group are employed (in the case of the groups recognized under A.2 and 3 and B.1 of this section VI).

D. Recognition granted to an employee group and its use of Department meeting places will be suspended or revoked by the approving official after notice of intention to take such action if the group or organiation has held a meeting for a purpose prohibited by section III, or if it has been found to practice or advocate discrimination in violation of section IIIA, unless it gives satisfactory assurance to such official that it will no longer hold meetings for such purposes or practice or advocate such discrimination. Unions recognized under Executive order 11491 may have their use of meeting places withdrawn in accordance with the provisions of Department personnel instruction 711–1.

VII. EFFECTIVE DATE

This "order as amended" shall be effective immediately, and shall remain in effect until its provisions are incorporated into the appropriate Department manuals. All provisions of Department manuals inconsistent with this "order as amended" are hereby superseded. Operating agencies shall issue any necessary instructions to implement this "order as amended" with the prior approval of the Assistant Secretary for Administration.

_____,
Acting Secretary.

Dated December 3, 1970.

USE OF HEW FACILITIES FOR POLITICAL PURPOSES

Mr. MICHEL. Do your guidelines allow politically oriented or lobbyist-type groups to use your facilities?

Mr. VENEMAN. Use of Department facilities for meetings not related to official Department activities or functions is limited to meetings of employee groups which have been recognized under the Secretary's order.

The Secretary's order prohibits the use of meeting facilities for a partisan political purpose or for the purpose of advocating or influencing legislation, for sectarian purposes, or for purposes inconsistent with law or applicable regulations.

GROUPS DENIED USE OF HEW FACILITIES

Mr. MICHEL. Will you, for the record, list those groups who in the last 6 months have asked to use your facilities, but have been turned down? Along with that could you include a short explanation with each one?

Mr. VENEMAN. Yes, we will provide that information for the record.

(The information follows:)

ORGANIZATIONS NOT PERMITTED TO USE HEW FACILITIES

Federal City College, Student Government Association—As a nonemployee group it did not meet the criteria for eligibility to use the Department facilities as spelled out in the Secretary's order.

G.W. University—As a nonemployee group it did not meet the criteria for eligibility to use the Department facilities as spelled out in the Secretary's order.

1971 Cherry Blossom Princesses' Reception—Purpose stated for use of the facilities did not meet the criteria for use of facilities spelled out in the Secretary's order.

Weight Watchers, Inc.—Section III.C. of the Secretary's order precludes use of facilities by profit-making organizations.

Teatro Campesino—An outside group of 15 performers. Primary purpose was fund raising; therefore, the group was not eligible under section III.C. of the Secretary's order.

Phi Delta Kappa Club—This is a professional group of OE employees, but it did not qualify under section III.A. of the Secretary's order because its membership is restricted to males.

OTHER GROUPS

Mr. MICHEL. What if some other group—similar in structure and organization to the peace group, but with a diametrically opposite political objective—were to ask to use your facilities? What would you tell them? Would you allow them to do the same things the peace group did?

Mr. VENEMAN. In the instance of the peace group to which you refer, facilities were provided to the Thursday Discussion Group and the HEW action project, both recognized employee groups, who sponsored the meeting. The Department, consistent with the decisions of the courts prohibiting censorship or prior restraint in speech, does not inquire as to the speaker, the subject, or which point of view may be expressed on any controversial issue. Accordingly, if a recognized employee group requested meeting space for expression of opposing viewpoints, space would be made available if not needed for official use.

As indicated, facilities are made available only to recognized employee groups.

Mr. MICHEL. What if the Ku Klux Klan came to you and said, "We are planning a demonstration in Washington and want to use your facilities." Would they be eligible? Would you allow them to?

Mr. VENEMAN. The Ku Klux Klan would not be eligible nor would we permit them the use of our facilities since they do not qualify under the Secretary's order and are specifically precluded the use of facilities in that order.

Mr. MICHEL. What if, for example, you had a number of employees who were also Klan members, and they wanted to use your facilities for a meeting. What would be your response?

Mr. VENEMAN. The Secretary's order provides that recognition will be granted to an employee group which does not practice or advocate

discrimination based upon race, creed, color, sex, or national origin. Consequently, employees who are also Klan members and who organize an employee group and advocate discrimination will not be eligible for recognition and use of our facilities.

THE HEW ACTION PROJECT

Mr. MICHEL. What can you tell me about the HEW action project? What are your Agency's guidelines for employee organizations? Does this organization meet those requirements?

Mr. VENEMAN. As I indicated in answer to a previous question, the HEW action project is composed of HEW employees whose stated purpose is reform to improve health, education, and general welfare through discussion on issues and policies which affect their own agencies and offices. The guidelines are as reflected in the Secretary's order. At the time the HEW action project submitted its application for recognition, it was decided that this group met the criteria for recognition under the Secretary's order.

LEGAL SUITS RELATING TO USE OF HEW FACILITIES

Mr. MICHEL. In how many legal suits have you been involved which relate to use of HEW facilities for speeches, meetings and the like? Would you list a few of these, and give us the outcome?

Mr. VENEMAN. I do not have those facts with me, but we can provide them for the record.

(The information follows:)

The principal legal suits relating to use of the Department's facilities for nonofficial purposes are: *Tabor* v. *Cohen*, D.C. Cir. No. 22, 512, Order of November 21, 1968; *Reiss* v. *Finch*, 136 U.S. App. D.C. 178, 419 F2d 760 (1969); *HEWAP* v. *Richardson*, Civil Action No. 3774–70, U.S. District Court for the District of Columbia.

In *Tabor*, the U.S. Court of Appeals enjoined the Secretary from denying the Thursday Discussion Group use of facilities for a meeting on November 21, 1968, at which Michael Tabor would appear.

In *Reiss*, the U.S. Court of Appeals ordered the Secretary to permit use of facilities at the National Institutes of Health for a meeting of the Thursday Discussion Group on October 15, 1969, at which Dr. Benjamin Spock would appear.

The *HEWAP* case, which is still pending, arose initially as a result of the Secretary's refusal to grant permission for an employee group meeting planned for January 6, 1971, at which candidates for nonvoting delegate to Congress from the District of Columbia would appear. The Secretary refused permission on the basis that the proposed meeting was for a partisan political purpose as prohibited by section III–B of the secretarial order. Objecting to the refusal, the HEW action project (HEWAP), local 41, American Federation of Government Employees, and a number of individuals brought suit. On December 30, 1970, the U.S. District Court issued an order restraining the Secretary from prohibiting the meeting. Subsequently, the HEWAP complaint was amended to add other employee groups (both recognized and unrecognized) as plaintiffs, and to widen the scope of attack on the provisions of the secretarial order. At the same time, plaintiffs sought to restrain the Secretary from prohibiting collections of money at a later employee group meeting. On April 12, 1971, the U.S. District Court considered the motion and refused to issue such an order. However, the case has not, as yet, had a full hearing in court.

COSTS FOR DEMONSTRATIONS

Mr. MICHEL. One final question. I would like you to provide, for the record, your best estimate—or exact figures if you have them—of just how much money it has cost taxpayers in the past year for use of your

facilities by such groups as we have been talking about. Break it down, if you will, by outside groups and demonstrations, and employee-related groups. Include all associated expenses such as staff time, security, heat, light, and the like.

Mr. VENEMAN. We will endeavor to answer your question to the best of our ability recognizing that the accounting system does not provide exact figures for some of these items. The costs that are incurred are largely unexpected costs. We will provide this information for the record.

(The information follows:)

BREAKDOWN OF DEMONSTRATION COSTS

With respect to virtually all meetings there was no additional cost of consequence for utilities such as heat and light beyond normal costs that would have been incurred. It may be of some importance to point out that any additional costs incurred for items such as amplification equipment, janitorial service, and electrician services for any of these meetings are required to be reimbursed to the Government by the user. This was made clear when permission was granted to use the facilities.

Costs that may be reasonably identified as applied to such activities would relate primarily to demonstrations over which we have no control. Those costs which pertain directly to employee related groups who have been granted the use of available facilities are negligible, unless you want to assign a dollar value for the use of the facility by the hour. This, in a sense, would be rather elusive in view of the availability of the room, and associated costs whether it is in use or nonuse.

Items that are attributable to demonstrations over the last year are $6,400 for cleanup and renovation incurred by the General Services Administration in their maintenance function. An extra cost for GSA Guard Services on a reimbursable basis incurred a cost of $14,132. Approximately $21,750 was incurred representing HEW personnel cost attributable to top and middle management and operating personnel for planning and involvement in dealing with demonstration activities. Evaluation of meeting facilities of the department for nonofficial purposes shows that during the last year employee groups used meeting facilities for a total of 289 hours. Of this, the largest user was the HEW Employee Association with 88 hours. Outside groups utilized the facilities for 94 hours. Of this total the Marine Corps Reserve Volunteer Unit utilized 66 hours; the Presidential Classrooms for Young Americans, 26 hours; and the Annual Police and Firemen's Memorial Service, 2 hours. The U.S. Department of Agriculture graduate school utilized meeting facilities for a total of 5,000 hours, many times the total used by all other groups.

CLEAN-UP AND RENOVATION

	GSA costs estimated
1. "Sit-in" secretary's office (HEWAP)	$500.00
2. Welfare mothers' sit-in	800.00
3. HEW task force to end racial discrimination sit-in	400.00
4. Peace demonstrations (include telephones, wall, etc.)	4,400.00
Total	6,100.00

PERSONNEL COSTS

	Estimated Costs
1. "Sit-in" in secretary's office (HEWAP)	250.00
2. Welfare mothers' sit-in	300.00
3. HEW task force to end racial discrimination sit-in	50.00
4. Peace demonstrations	4,350.00
5. Top and middle management time (150 man-days × $14 per hour) (Does not include legal counsel involvement in suits)	16,800.00
	21,750.00

OTHER COSTS

1. GSA building security charges	14,132.00

Mr. MICHEL. That is all, Mr. Chairman.

(The justification follows:)

Justification of the Budget Estimates

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Departmental Management

Amounts Available for Obligation

	1971	1972
Appropriation	$35,100,000	$47,570,000
Proposed supplemental appropriation	2,000,000	---
Real transfer to:		
"Operating Expenses, Public Building Service," General Services Administration	-27,000	---
Real transfers from:		
Health Services and Mental Health Administration:		
"Medical Facilities Construction:	1,236,000	---
"Office of the Administrator	600,000	---
"Indian Health Services"	67,000	---
"Mental Health"	20,000	---
"Patient Care and Special Health Services"	19,000	---
"Communicable Diseases"	11,000	---
Office of Education:		
"Higher Education"	2,676,000	---
"School Assistance in Federally Affected Areas"	447,000	---
"Food and Drug Control"	153,000	---
"Limitation on Social Security Administration, Salaries and Expenses	153,000	---
	230,000	---
National Institutes of Health:		
"Health Manpower"	98,000	---
"Biologics Standards"	19,000	---
"National Cancer Institute"	28,000	---
"National Heart and Lung Institute"	24,000	---
"National Institute of Dental Research"	10,000	---
"National Institute of Arthritis and Metabolic Diseases"	30,000	---
"National Institute of Neurological Diseases and Stroke"	17,000	---
"National Institute of Allergy and Infectious Diseases"	31,000	---
"National Institute of Child Health and Human Development"	13,000	---
"National Eye Institute"	2,000	---
"National Library of Medicine"	4,000	---
"Office of the Administrator, Environmental Health Service"	82,000	---
"Higher Education Facilities Loan Fund" (Proposed transfer for increased pay costs)	3,768,000	---

	1971	1972
Comparative transfers to:		
"Salaries and Expenses," Office of Education	$ -64,000	$ ---
Environmental Protection Agency	-75,000	---
U.S. Civil Service Commission	-649,000	---
Comparative transfers from:		
"Limitation on Social Security Administration, Salaries and Expenses"	189,000	---
"Environmental Health Services"	82,000	---
Health Services and Mental Health Administration	48,000	---
National Institutes of Health	28,000	---
Office of Education	36,000	---
Social and Rehabilitation Service	76,000	---
Food and Drug Administration	81,000	---
Subtotal, Budget Authority	46,410,000	47,570,000
Receipts and reimbursements from:		
Federal funds	29,000	29,000
Trust funds	5,696,000	5,926,000
Total, Obligations	52,135,000	53,525,000

Obligations by Activity

Page Ref.	1971 Estimate Pos.	1971 Estimate Amount	1972 Estimate Pos.	1972 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
Executive direction:						
Secretary and Under Secretary	79	1,899,000	79	1,986,000	---	+87,000
Assistant Secretary for Education	53	1,109,000	53	1,142,000	---	+33,000
Assistant Secretary for Health and Scientific Affairs .	94	3,897,000	94	1,979,000	---	-1,918,000
Assistant Secretary for Legislation	35	725,000	35	798,000	---	+73,000
Assistant Secretary for Planning and Evaluation	91	2,208,000	91	2,346,000	---	+138,000
Subtotal	352	9,838,000	352	8,251,000	---	-1,587,000
Public Information ..	34	784,000	34	808,000	---	+24,000
Community and Field Services:						
Assistant Secretary for Community and Field Services	42	958,000	42	982,000	---	+24,000
Community Development	220	4,262,000	220	4,862,000	---	+600,000
President's Committee on Mental Retardation	17	615,000	17	625,000	---	+10,000
Subtotal	279	5,835,000	279	6,469,000	---	+634,000
Legal Services:						
Supervisory & general legal services	72	1,348,000	72	1,439,000	---	+91,000
Department Program services	140	2,252,000	140	2,362,000	---	+110,000
Regional and field services	91	1,369,000	91	1,434,000	---	+65,000
Subtotal	303	4,969,000	303	5,235,000	---	+266,000
Financial Management:						
Audit	712	13,607,000	712	14,604,000	---	+997,000
Assistant Secretary, Comptroller	8	292,000	8	304,000	---	+12,000
Deputy Assistant Secretary, Budget ..	38	797,000	38	862,000	---	+65,000
Deputy Assistant Secretary, Finance .	19	409,000	19	444,000	---	+35,000
Deputy Assistant Secretary, Grants Administration Policy	61	1,177,000	61	1,234,000	---	+57,000
Subtotal	838	16,282,000	838	17,448,000	---	+1,166,000

Page Ref.	1971 Estimate Pos.	1971 Estimate Amount	1972 Estimate Pos.	1972 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
Facilities Engineering and Construction Agency.....	313	6,437,000	313	6,755,000	--	+318,000
Administrative Management:						
Administrative Management.....	385	6,092,000	385	6,496,000	--	+404,000
President's Council on Physical Fitness & Sports..	12	379,000	12	486,000	--	+107,000
Subtotal.....	397	6,471,000	397	6,982,000	--	+511,000
Surplus Property Utilization.....	101	1,519,000	101	1,577,000	--	+58,000
Total Obligations.	2,617	52,135,000	2,617	53,525,000	--	+1,390,000

Obligations by Object

	1971 Estimate	1972 Estimate	Increase or Decrease
Total number of permanent positions ...	2,617	2,617	---
Full-time equivalent of all other positions	100	100	---
Average number of all employees	2,522	2,570	+48
Personnel compensation:			
Permanent positions	$36,177,000	$38,681,000	$+2,504,000
Positions other than permanent	1,099,000	900,000	-199,000
Other personnel compensation	491,000	507,000	+16,000
Military personnel	579,000	549,000	-30,000
Total personnel compensation	38,346,000	40,637,000	+2,291,000
Personnel benefits:			
Civilian personnel	3,024,000	3,268,000	+244,000
Military personnel	30,000	30,000	---
Benefits of former personnel	10,000	---	-10,000
Travel and transportation of persons ..	2,657,000	2,615,000	-42,000
Transportation of things	191,000	191,000	---
Rents, communications, and utilities ..	1,133,000	1,243,000	+110,000
Printing and reproduction	453,000	357,000	-96,000
Other services	5,704,000	4,662,000	-1,042,000
Supplies and materials	260,000	292,000	+32,000
Equipment	327,000	230,000	-97,000
Total obligations by object	52,135,000	53,525,000	+1,390,000

Summary of Changes

1971 estimated obligations	$52,135,000
1972 estimated obligations	53,525,000
Net change	+1,390,000

	Base		Change from Base	
	Pos.	Amount	Pos.	Amount
Increases:				
A. Built-in:				
1. Annualization of 1971 new positions				$+1,571,000
2. Extra day				+129,000
3. Health insurance contribution				+66,000
4. Annualization of 1971 pay increase		$1,219,000		+1,377,000
Subtotal	xxx	xxx	xxx	+3,143,000
B. Program:				
1. Community and field services: Special projects	---	35,000	---	+80,000
2. Financial management: Special projects	---	---	---	+75,000
3. Facilities engineering and construction agency: Special projects	---	---	---	+100,000
4. Administrative management: Special projects	---	---	---	+100,000
Subtotal	xxx	xxx	xxx	+355,000
Total increases				+3,498,000

62-917 O - 71 - pt. 4 -- 63

	Base		Change from Base	
	Pos.	Amount	Pos.	Amount
Decreases:				
A. Program:				
1. Executive direction Commission on medical malpractice	---	2,000,000	---	-2,000,000
2. Nonrecurring (purchase of equipment for the new positions allowed in 1971)	---	---	---	-108,000
Total decreases	---	---	---	-2,108,000
Total net change	xxx	xxx	xxx	+1,390,000

Explanation of Changes

Increases:

A. Built-in:

1. For the funding of the 180 new positions authorized by the Congress for a full year, $1,571,000 is needed.

2. Fiscal year 1972 contains 262 days; therefore, an extra day's pay is required - $129,000.

3. Legislation increased the Government's share of health insurance during FY 1970. For that portion which cannot be absorbed, an increase of $66,000 is requested.

4. An increase of $1,377,000 is needed to fund the FY 1971 pay raise for a full year.

B. Program (Special Projects):

1. Community and field services - An increase of $80,000 is requested for FY 1972 in order to fund special studies needed to implement integrated service delivery systems and technical assistance to improve the capacity of general purpose government to plan and coordinate human service programs.

2. Financial management - An increase of $75,000 is requested in FY 1972 for the automation of financial studies and analyses in the areas of budget preparation, accounting and grant administration policy.

3. Facilities engineering and construction agency - An increase of $100,000 is requested in FY 1972 to implement a management information system developed in FY 1971. This system will provide an improved management control capability over DHEW assisted construction programs.

4. Administrative management - An increase of $100,000 is requested in FY 1972 for the President's Council on Physical Fitness and Sports so that present media efforts may be strengthened. Increased emphasis will be given informational campaigns--particularly TV spots for adult and youth fitness.

Decreases:

A. Program:

1. Termination of the Commission on Medical Malpractice which was requested by 1971 supplemental appropriation.

2. A decrease of $108,000 from the base reflects nonrecurring funds used to purchase equipment for the new positions allowed in FY 1971.

Explanation of Transfers

	1971 Estimate	Purpose
Real transfer to:		
"Operating Expenses, Public Buildings Service," General Services Administration	$ 27,000	Transfer of rental costs for Office of Field Coordination, Audit Agency, and Facilities Engineering and Construction Agency in Atlanta, Ga., and for the Audit Agency in Philadelphia, Pa., Tampa, Florida, Baton Rouge, La., and Montgomery, Ala.
Real transfers from:		
Health Services and Mental Health Administration:		For the centralization of construction activities of the Department in the Office of the Secretary.
"Medical Facilities Construction"	1,236,000	
"Salaries and Expenses, Office of the Administrator"	600,000	
"Indian Health Services"	67,000	
"Mental Health"	20,000	
"Patient Care and Special Health Services"	19,000	
"Communicable Diseases"	11,000	
Office of Education:		
"Higher Education"	2,676,000	
"School Assistance in Federally Affected Areas"	447,000	
"Food and Drug," Food and Drug Administration	153,000	
"Social Security Administration, Salaries and Expenses	230,000	
National Institutes of Health:		
"Health Manpower"	98,000	
"Biologics Standards"	19,000	
"National Cancer Institute"	28,000	
"National Heart and Lung Institute"	24,000	
"National Institute of Dental Research"	10,000	
"National Institute of Arthritis and Metabolic Diseases"	30,000	
"National Institute of Neurological Diseases and Stroke"	17,000	

	1971 Estimate	Purpose
"National Institute of Allergy and Infectious Diseases"	$ 31,000	
"National Institute of Child Health and Human Development"	13,000	
"National Eye Institute"	2,000	
"National Library of Medicine"	4,000	
"Office of the Administrator, Environmental Health Service"	82,000	
"Higher education facilities loan fund"	3,768,000	For increased pay costs.
Comparative transfers to:		
"Office of Education, Salaries and Expenses"	-64,000	Reorganization of educational activities in the Office of the Secretary.
Environmental Protection Agency	-75,000	Transfer of environmental protection related activities from the Office of the General Counsel and Office of Health and Scientific Affairs. A real transfer of $45,000, representing past year costs, is to be made pursuant to Reorganization Plan No. 3 of 1970.
U.S. Civil Service Commission	-649,000	Transfer of the Office of State Merit Systems pursuant to the Intergovernmental Personnel Act, effective March 1971.
Comparative transfers from:		
Social Security Administration	120,000	Transfer to the Office of the General Counsel for activities related to the Coal Mine Safety Act of 1970, including the Interim Compliance Panel.
Environmental Health Services	82,000	
Health Services and Mental Health Administration	6,000	Transfer to the Office of Community and Field Services for the support of the Secretary's Committee on Mental Retardation.
National Institutes of Health	7,000	
Office of Education	15,000	
Social and Rehabilitation Service	55,000	
Social Security Administration	27,000	

	1971 Estimate	Purpose
Food and Drug Administration	$ 60,000	For the establishment of a Consumer Consultant Pilot Program in the Office of the Assistant Secretary for Community and Field Services.
Social Security Administration	42,000	For the centralization of staff support to the Career Service Board in the Office of Personnel and Training, Administrative Management.
Office of Education	21,000	
Food and Drug Administration	21,000	
National Institutes of Health	21,000	
Health Services and Mental Health Administration	42,000	
Social and Rehabilitation Service	21,000	

-Departmental Management

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1962:				
Appropriation	$ 7,470,000	$ 7,182,000	$ 7,452,000	$ 7,367,000
SSA transfer	2,470,000	2,446,000	2,446,000	2,446,000
BFCU transfer	38,000	38,000	38,000	38,000
FDA transfer	29,000	29,000	29,000	29,000
1963:				
Appropriation	8,474,000	7,899,850	7,899,850	7,899,850
SSA transfer	2,641,000	2,584,200	2,584,200	2,584,200
BFCU transfer	39,000	38,950	38,950	38,950
FDA transfer	29,000	29,000	29,000	29,000
1964:				
Appropriation	8,757,000	8,492,000	8,492,000	8,492,000
SSA transfer	2,640,000	2,640,000	2,640,000	2,640,000
BFCU transfer	35,000	35,000	35,000	35,000
FDA transfer	29,000	29,000	29,000	29,000
1965:				
Appropriation	9,776,000	9,488,500	9,488,500	9,488,500
SSA transfer	2,666,000	2,666,000	2,666,000	2,666,000
BFCU transfer	31,000	31,000	31,000	31,000
FDA transfer	29,000	29,000	29,000	29,000
1966:				
Appropriation	12,508,000	11,731,500	11,731,500	11,731,500
SSA transfer	3,752,000	3,695,000	3,695,000	3,695,000
BFCU transfer	33,000	33,000	33,000	33,000
FDA transfer	29,000	29,000	29,000	29,000
1967:				
Appropriation	14,696,000	17,491,000	16,690,000	17,040,000
SSA transfer	4,434,000	5,032,000	5,032,000	5,032,000
BFCU transfer	34,000	34,000	34,000	34,000
FDA transfer	29,000	29,000	29,000	29,000
1968:				
Appropriation	22,988,000	20,988,000	21,597,000	21,597,000
SSA transfer	5,877,000	5,597,000	5,597,000	5,597,000
BFCU transfer	35,000	35,000	35,000	35,000
FDA transfer	29,000	29,000	29,000	29,000
1969:				
Appropriation	29,380,000	25,380,000	25,380,000	25,380,000
SSA transfer	6,855,000	6,228,000	6,228,000	6,228,000
BFCU transfer	36,000	36,000	36,000	36,000
FDA transfer	29,000	29,000	29,000	29,000

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1970:				
Appropriation	$29,901,000	$29,475,000	$29,475,000	$30,583,000
SSA transfer	6,400,000	6,210,000	6,462,000	6,462,000
BFCU transfer	38,000	38,000	38,000	38,000
FDA transfer	29,000	29,000	29,000	29,000
1971: 4/				
Appropriation	37,070,000	35,100,000	40,796,000	35,100,000
Proposed supplemental	2,000,000 1/			
Proposed supplemental increased pay cost	3,768,000	3,768,000	3,768,000	3,768,000
SSA transfer	5,788,000	5,696,000	---	5,696,000
BFCU transfer	38,000	---	---	---
FDA transfer	29,000	29,000	29,000	29,000
1972: 2/				
Appropriation	47,570,000			
SSA transfer	5,926,000			
FDA transfer	29,000			

1/ To fund Commission on Medical Malpractice.

2/ Appropriation structure revised effective fiscal year 1972 to centralize facilities engineering and construction activities. Also reflects transfer of State Merit Systems activities to the Civil Service Commission pursuant to the Intergovernmental Personnel Act, effective March 1971.

Executive Direction

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	352	$6,748,000	352	$6,881,000	--	$+133,000
Other expenses.....		3,090,000		1,370,000	--	-1,720,000
Total.....	352	9,838,000	352	8,251,000	--	-1,587,000
Subactivities:						
Secretary and Under Secretary.....	79	1,899,000	79	1,986,000	--	+87,000
Assistant Secretary for Education.....	53	1,109,000	53	1,142,000	--	+33,000
Assistant Secretary for Health & Scientific Affairs	94	3,897,000	94	1,979,000	--	-1,918,000
Assistant Secretary for Legislation...	35	725,000	35	798,000	--	+73,000
Assistant Secretary for Planning and Evaluation.....	91	2,208,000	91	2,346,000	--	+138,000
Total.....	352	9,838,000	352	8,251,000	--	-1,587,000

General Statement

The staff offices supported by this activity provide assistance to the Secretary in the formulation of broad policy direction to the operating programs of the Department. This assistance includes development of the Department's legislative program and liaison with the Congress; coordination of the Department's international activities; long-range program planning and evaluation; and to provide policy direction and coordination of the Department's health and education programs.

Secretary and Under Secretary

Accomplishments FY 1970-71

The Immediate Office of the Secretary and Under Secretary is charged with overall Department management--policy development, review and evaluation of activities and overall direction of operating programs.

During 1970-71 the office served as a coordinating point for the design, development and guidance of the Family Assistance Plan, and the direction of Health, Education, and Welfare efforts to develop a Federal strategy to meet the nation's health care crisis. The coordination responsibilities of this office will increase during the year due to the central role the Department will be playing in implementing the governmental reorganization plan proposed by the

President and the major initiatives established by him for improving the quality of health, education and welfare services.

In the area of international affairs, a Department-wide inventory of international programs and activities was undertaken to provide reference and source information for planning.

Program Plans FY 1972

In general, the Immediate Office of the Secretary and Under Secretary plan to continue improving the process by which the Department of Health, Education, and Welfare policy is developed, making sure that policy decisions are both timely and fully informed. The office will continue to initiate and coordinate programs for management improvement and to undertake special project oriented activities as requested by the Secretary.

The Office of International Affairs will continue to promote more effective coordination and understanding of the Department's international commitments within the Department of Health, Education, and Welfare and with other Federal, international and private agencies.

Education

Accomplishments FY 1970-71

In 1970 this office completed a comprehensive evaluation of the administration of Title I, Elementary and Secondary Education Act, which led to improved management within the Title I program and to important linkages with related programs. A second major review involving the problem of campus and student unrest resulted in the sponsorship of highly experimental projects for or by young people. An interbureau committee was created to inventory, evaluate and recommend activities in the areas of school community health, mental health and nutrition programs and services.

The Indian American Affairs office reviewed Office of Education programs serving Indian children (funds expended and program impact), developed the technical assistance capability of two regional offices to work with Indian tribes, and established a public affairs operation.

The Spanish-Speaking American Affairs office participated in assisting community colleges in coordinating counseling, recruiting and retention efforts with four-year colleges, and providing financial and technical assistance to the growth of Spanish ethnic studies in higher education. Also this office was involved in assisting local education agencies to integrate reading programs for the Spanish speaking with the National Right to Read effort and defining a total educational program serving the bilingual.

Program Plans FY 1972

The staff provided for this activity will broaden present activities and strengthen communications in the following areas:

(1) Strategy will be designed whereby student and youth initiated and operated projects will be encouraged and processed on a continuing basis in cooperation with existing programs.

(2) The African American Affairs office will help stimulate and carry forward a wide ranging professional and informal dialogue about African American education with the educational community and the community at large. This should contribute toward a clearinghouse of ideas, provide a base for conceptual development and intellectual cross fertilization of ideas and the translation of good practices into action.

(3) The Indian American Affairs office plans to establish a National Clearinghouse on Indian Educational Opportunities.

(4) Stimulating the improvement of teacher education for elementary school teachers as well as for specialized personnel in the secondary school, college, and university level, and becoming involved in special concerns affecting the health and well-being of school age children such as drugs, family planning and population, alcohol, smoking, mental health, hunger and malnutrition, school feeding, health education and health services.

Health and Scientific Affairs

Accomplishments FY 1970-71

In 1970-71 this office participated in the development of new policies for health services program coordination, for the development of legislative proposals and for professional, intergovernmental and public liaison related to the organization, financing and delivery of health services. Special emphasis was placed on the development of legislative reports to the Congress and policies and specifications for the Health Manpower Act of 1968. Coordination and strengthening of Department programs relating to increased utilization of nurses, medical technologists, and pediatric associates were fostered. Operation MEDIHC, a Department of Defense--Department of Health, Education, and Welfare program to recruit discharged medical corpsmen into civilian health occupations was initiated. A detailed five-year plan for population research and family planning services was prepared. The office also participated in the Secretary's Commission on Pesticides, in a review of hazards associated with medical devices, in an extensive study of the risks to health associated with exposure to radiation, and in restructuring of the Toxicology Information Program. New procedures were developed to insure that health policy is implemented through the planning and budgeting process. General liaison was provided with the White House staff and the Council on Environmental Quality on regulatory actions including proposed 1972 automotive emission standards, 1975 and 1980 automotive pollution goals, unconventional vehicle research and use of unleaded gasoline, pesticides control law, etc. International health activities were reorganized to permit increased Health, Education, and Welfare participation in international activities on narcotics, in special foreign currency programs, in a Health, Education, and Welfare sponsored International Seminar on Health Services, and in the analysis and evaluation of international health organizations to maximize United States input and policy influence.

Program Plans FY 1972

In 1972 the staff of the Assistant Secretary for Health and Scientific Affairs will meet with representatives of health organizations, medical schools, voluntary groups, state and local health directors, to acquire current information on problem areas as well as information on successful programs. From this information, the staff will provide recommendations to the Assistant Secretary to develop improved health programs. The health manpower staff will take an active policy and guidance role in the development of new methods and implementation of new legislation to support health professions educational institutions, and to identify and coordinate the investments and roles of the Health, Education, and Welfare agencies providing support to these institutions. The major emphasis in

population affairs will consist of refining program objectives, a detailed reassessment of family planning services and population research efforts and the installation of a management design to facilitate the functioning of the Departmental five-year plan. In the area of research and development, the staff will continue to review, coordinate and initiate policies and programs concerning pesticides, product safety, food and drug matters, and biomedical research and research training. Policies will be developed to insure that the high level of medical research competence that has been developed is sustained while evaluating our research enterprise to eliminate those programs that are not productive. The Policy Implementation staff will continue to implement the Federal Assistance Streamlining Task Force recommendations in the health agencies and provide technical assistance as needed; strengthen the planning and budgeting process in the office to improve decision-making; direct the Operational Planning System within the health component of Health, Education, and Welfare; and provide assistance to agencies in solving operational problems. With the recent establishment of the Environmental Protection Agency, the focus of environmental affairs will move from regulatory programs to health effects research programs. Expanded Health, Education, and Welfare participation is planned in bilateral and multilateral international activities concerned with population, environmental health, delivery of health services and health manpower utilization.

Commission on Medical Malpractice - An FY 1971 supplemental has been requested to provide $2,000,000 to convene a Commission on Medical Malpractice to undertake an extensive program of research and analysis in this area. The Commission will identify and evaluate the medical, legal, social and economic problems associated with malpractice claims and litigation, and make the recommendations with respect to the types of legislative and administrative actions calculated to reduce or eliminate problems so identified. The Commission membership should represent the health professions and health institutions, the legal profession, the insurance industry and the general public. The report of the Commission, with specific recommendations, should be submitted by March 1, 1972.

Legislation

Accomplishments FY 1970-71

The Assistant Secretary for Legislation is principal advisor to the Secretary on legislative programs and relations with Congress. This office develops legislative proposals and coordinates these proposals with the constituent agencies, the Office of Management and Budget, the President, and the Congress. In addition, close relations are maintained with associations and other groups interested in the Department's programs through operation of the Congressional Liaison office.

During FY 1970-71, the office coordinated the development of the following legislative initiatives:

A. Health

1. Medical Facilities Construction and Modernization Amendments
2. Comprehensive Drug Abuse Prevention and Control Act
3. Family Planning Services Act
4. Resource Recovery (Solid Waste Disposal)
5. Clean Air Act Amendments
6. Mental Retardation Amendments
7. Community Mental Health Center Amendments

8. Health Training Improvement Act
9. Regional Medical Programs--Comprehensive Health Planning Extensions
10. Migrant Health Grants
11. Medical Library Assistance Amendments
12. Poison Prevention Packaging Act of 1970
13. Occupational Safety and Health Act

B. Education

1. National Institute of Education Act
2. Library Services and Construction Act of 1970
3. Impact Aid
4. Higher Education Opportunity Act of 1970
5. Emergency School Aid Act of 1970

C. Welfare

1. Welfare Reform - Family Assistance Act
2. Social Security Amendments

Program Plans FY 1972

The Office of the Assistant Secretary for Legislation is planning during FY 1972 to develop a greater overall effectiveness and efficiency within its existing organizational structure. Besides continuing work on legislative initiatives started during the previous Congress, the office has started the coordination of the legislative program for 1971 (FY 1971-72). The legislation proposed offers major changes in the Department's health, education, and welfare programs. Below is a summary of the proposals that are now under way:

A. Health

1. Health Manpower Assistance Act of 1971 - Extend and modify health manpower legislation for 3 years.
2. Health Maintenance Organization Act of 1971 - A new program for health care delivery.
3. National Health Insurance Partnership Act of 1971 - Major provisions of this Act include (a) National Health Insurance Standards, (b) Family Health Insurance Plan, and (c) Amendments relating to Medicare and Medicaid.

B. Education

1. Emergency School Aid Act - Authorized $1.5 billion ($500 million for FY 1971 and $1 billion for FY 1972) for assistance to desegregating school districts.
2. Higher Education Opportunity Act of 1971 - Reforms and expands existing legislative authority for educational opportunity grants, college work-study, and Federal loan subsidy and loan insurance.
3. The National Foundation for Higher Education - Authorizes $100 million for the establishment of the National Foundation for Higher Education, which will make project grants for reform, innovation and basic changes in institutions of higher education.
4. The National Institute of Education - Establishes the National Institute of Education with the Department of Health, Education and Welfare to conduct and contract for basic research demonstration activities.

C. Welfare

1. Family Assistance Act of 1971 - Provides basic benefits to low-income families with children with incentives for employment and training to improve the capacity for employment of members of such families.

2. Social Security Amendments of 1971 - Provides increases in benefits, improves computation methods, and raises the earnings base under the OASDI program.

Planning and Evaluation

Accomplishments FY 1970-71

The Assistant Secretary for Planning and Evaluation serves as the principal advisor to the Secretary on economic and social analysis, program analysis and evaluation, and interdepartmental programs for planning and evaluation.

Health - A major emphasis during this period centered around the preparation and analysis of optional program and funding approaches to a national health insurance strategy. In addition, Health Maintenance Organization concepts were reviewed and evaluated with emphasis on various functional areas such as medical manpower supply and distribution, peer review, alcoholism, and narcotics addiction. A computerized data base was established to analyze the maldistribution of health services and to quantify relative contributions to the health status of various medical and non-medical inputs. A comprehensive evaluation plan for the Department of Health, Education, and Welfare was developed--composed of 115 projects; it is designed to systematically feedback data on the impact of health programs and policies on recipients.

Education - Activities in education included planning and analysis of options, outlines of program proposals and legislation, and monitoring of evaluation studies. Issues addressed include: revenue sharing and its alternative purposes, formulae, procedures and effects; school desegregation, its alternate methods and demographic parameters; higher education finance and the appropriate Federal role; planning for education research and development; new alternatives in vocational education; and evaluation of experiments in educational incentives and performance contracting.

Social Services - Activities centered on Social and Rehabilitation Service research and development, funding services, and long-range effectiveness; defining the Federal role in child care and development programs; developing innovative juvenile delinquency prevention; and assisting in the development of proposed amendments to social services legislation.

Other - The program information system was redesigned to more efficiently address the information needs of the Department and the Office of Management and Budget. A time-sharing system, developed and used during the fall budget cycle, provides updated program budget data on a real-time basis.

The Department's capability in evaluation and monitoring was strengthened and a number of studies initiated under contract which should yield insights into the strengths and weaknesses of various programs, evaluation methodology improvement, and alternative approaches to services delivery.

During 1971, the Office of Field Evaluation directed the Program Evaluations by Summer Interns (PEBSI) project, an information and analysis effort designed to gather and present consumer-derived information which would help to improve program performance.

Program Plans FY 1972

Health - The analyses of mal-distribution, health services research and development content, and equity of state formula grants in health will continue. New analyses are planned concerning the roles and organizational structures for technical assistance in the delivery of health services, interdepartmental work on emergency medical services, and economic models of health care markets.

Education - Short-term analysis are planned concerning policy initiatives in Title I, Elementary and Secondary Education Act; analysis of tax-assessment formula and data systems for the impact-aid program; evaluation planning of selected innovations in educational technology for National Educational Television. Long-term planning analysis include developing improved Federal-state-local information systems, and a Federal research and innovation strategy as a complement to special revenue sharing programs; data collection for migrant programs; evaluation of drug-abuse education; and participation in the Office of Education's study on higher education finance.

Social Services - Analysis and planning issues for 1972 aim at reorganizing social services into a simplified, well-defined system, oriented towards output or goals rather than input or needs. Issues include: revenue sharing and its tie with general purpose government and with the private sector in the design and development of a delivery system for social services at the state and local levels; development and testing of financial mechanisms in providing services; and long-range strategy, structure and planning for Social and Rehabilitation Service research, development, dissemination and evaluation.

Other - Work in program systems will continue to develop ways of inputting state and local initiatives into long-range planning and will continue to provide technical assistance in this area to state and local governments. Additional work will be undertaken to integrate planning, budgeting, and legislative initiatives into a coordinated system.

The office will concentrate on strengthening the efforts of each of the Department of Health, Education and Welfare's constituent agencies to develop plans for the allocation of research and development resources. The office will also seek to strengthen HEW's mechanisms for identifying and disseminating the most important research and development results.

High priority will be given in FY 1972 toward continued institutionalization of the Department's evaluation function with emphasis given to the analyses of major program-related issues that provide bases for program direction, planning, administration, and legislative reform.

The Office of Telecommunications policy will focus on the Educational Broadcasting Facilities Program and develop a framework of television program activities for all Departmental agencies.

For 1971, Office of Field Evaluation will conduct the Program Evaluations by Summer Interns (PEBSI) 1971 which will continue to be consumer oriented with information and analysis being provided by summer interns hired from urban and migrant communities where the projects to be evaluated are located. The Office of Spanish-Surnamed Americans and Indian Affairs will serve as a conduit for information to and from their respective communities and the Department of Health, Education, and Welfare and will increase their monitoring of policy, program and legislation to insure their special interests are considered and met.

Public Information

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits	34	$658,000	34	$681,000	--	+$23,000
Other expenses	--	126,000	--	127,000	--	+1,000
Total	34	784,000	34	808,000	--	+24,000

General Statement

The Office of Public Information is responsible for advising and assisting the Secretary and his staff in fulfilling their legal and administrative responsibilities for public reporting and for overall supervision of the Department's total public information program. OPI provides technical support, counsel and guidance to the operating agencies on their information plans, materials, and activities; serves as the central point of communication with press, broadcast, and other news media; provides a variety of writing and editorial services; is responsible for administering and implementing the Freedom of Information Act (P.L. 90-23), including operation of a visitors' information center; and provides liaison and coordinating services for the Department's regional information officers.

Accomplishments FY 1970-71

In FY 1970 the Office of Public Information made several changes to more effectively serve the Secretary and his staff and to provide improved technical support, guidance and coordination to the information activities of the Department. Now a small staff of technical specialists (press, radio, television) provides direct assistance to the Secretary and his staff, leaving a larger number of professionals to concentrate on assisting the operating agencies in improving the quality of their information products, upgrading the performance of their public information personnel and coordinating Department-wide activities.

In FY 1970 this office introduced within the operating agencies procedures for advance planning of public information programs and materials. The purpose of this concept review is to ensure that information resources were focused upon priority program objectives and that the suitability of information activities and materials is decided before, not after investment of time and funds.

In the area of audiovisuals, OPI increased its mandated conceptual review of motion picture projects proposed by HEW components, emphasizing the need for improved professionalism and cost-effectiveness and for open competition among qualified suppliers when outside procurement is specified. Recommendations were made urging that motion picture procurement policies be studied with a view toward greater utilization of HEW-owned audiovisual production facilities.

Also, during FY 1970, OPI undertook a survey of the Department's total publishing activities and costs for FY 1969. It was apparent from the survey results that substantial savings in publishing costs could be realized. To effect this, OPI assisted the operating agencies in establishing Publications Review Committees in the agencies, membership on which includes an OPI representative.

The committees ensure that the need for proposed publications is fully justified, that the audience's properly identified and that other cost-effective factors such as design, graphics, use of color, etc., have been appropriately considered.

The office also provided liaison and advisory services to the operating agencies and WRC-TV in coordinating a series of half-hour shows about HEW's programs; developed a consumer-oriented publication on how HEW helps the American people and a short history of the Department, both of which are considerably less costly than the kits of materials previously required for responding to public and Congressional requests for information and which have been widely used by personnel offices in recruitment and orientation programs.

Program Plans FY 1972

In FY 1972, continued emphasis will be given to developing plans for informational support of major Department projects; developing annual information programs for units of the Office of the Secretary; and participating in and monitoring the activities of agency information planning groups.

Additionally, OPI will continue working towards more effective use of the Department's audiovisual facilities. Some of these facilities are highly sophisticated, but under-utilized in their capability for production of public information materials because of administrative or legislative barriers. For example, the excellent facilities of the National Medical Audiovisual Center in Atlanta is restricted to health-related materials.

No additional positions are requested for FY 1972.

Community and Field Services

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	279	$4,563,000	279	$5,065,000	--	+$502,000
Other expenses.....	--	1,272,000	--	1,404,000	--	+132,000
Total.....	279	5,835,000	279	6,469,000	--	+634,000
Subactivities:						
Assistant Secretary..	42	958,000	42	982,000	--	+24,000
Community Development	220	4,262,000	220	4,862,000	--	+600,000
President's Council on Mental Retardation.....	17	615,000	17	625,000	--	+10,000
Total.....	279	5,835,000	279	6,469,000	--	+634,000

General Statement

The major objective of the Office of Community and Field Services is to recommend to the Secretary priorities for the management of the Department's programs in States and localities and to see that these priorities are implemented. In addition, this office has responsibility for emphasizing and strengthening the Department's role in the fields of model cities, consumer services, youth and student affairs, and mental retardation.

No additional positions are requested for FY 1972.

Assistant Secretary

The Office of the Assistant Secretary consists of four units: the Immediate Office, the Office of Youth and Student Affairs, the Office for Consumer Services, and the Secretary's Committee on Mental Retardation.

Accomplishments FY 1970-71

Youth and Student Affairs - Efforts were made to improve communication between young people and the Department. A program to bring top HEW officials to campuses to talk with students, faculty, and administrators will be tested the latter part of FY 1971. In addition, technical assistance efforts were expanded to help young people engaged in innovative projects receive HEW funding. Special assistants for Youth and Student Affairs were added to the Regional Directors' staffs in five HEW regions in order to expand our capacity to serve youths and students throughout the country.

62-917 O - 71 - pt. 4 -- 64

Consumer Services - Action was taken to improve the consumer aspects of the Department's programs. Staff members provided technical assistance to the Food and Drug Administration, the Office of Education, and the Office of Child Development, and advised the Secretary on all consumer-related policy matters. New activities included the assignment of three consumer specialists to model cities areas to test new techniques for assisting the low income consumer, creation of the HEW Consumer Council to improve intra-departmental coordination, and a greater role in the evaluation of existing and proposed HEW programs as they relate to the consumer.

Secretary's Committee on Mental Retardation - This Committee continued its work as the coordinating agency responsible for reducing overlapping and duplication in the Department's mental retardation programs. In FY 1971, Dr. Donald Stedman, consultant to the Committee, prepared a comprehensive report evaluating the Department's overall mental retardation program.

Program Plans FY 1972

Youth and Student Affairs - In FY 1972 this activity will increase its efforts to improve communication between young people and the Department. Youth and Student Affairs' programs in HEW's ten regions will be greatly expanded as our Youth and Student Affairs' representatives on the Regional Directors' staff complete their orientation and begin work.

In addition, the Office of Youth and Student Affairs will pick up some of the functions of the President's Council on Youth and Student Affairs, which was discontinued as of April 1, 1971. These functions include serving as an information clearinghouse on Federal youth programs and resources and responding to inquiries and requests of not only youth and student organizations, but also a variety of public and private organizations.

Consumer Services - This activity will implement new programs begun in FY 1971 in addition to continuing its ongoing role as a source of technical assistance for the agencies, and policy recommendations for the Secretary. A program to utilize senior citizen volunteers to distribute HEW consumer information has been developed. While there are many obstacles to be overcome, we are hopeful that we will be able to begin this program during the latter half of FY 1972.

Community Development

The headquarters components of the Office of Community Development consist of an Operations Division and a Policy Division. The present structure of the office results from the consolidation during FY 1971 of the headquarters units of the Office of Field Coordination and the Center for Community Planning. Inter-governmental affairs has been consolidated and placed in the Policy Division while all of the technical assistance activities carried on by OFC and CCP have been consolidated in the Operations Division. The field component of the office, which consists of HEW's ten Regional Directors and their staffs, remains unchanged and will continue as the field arm of both the Policy and Operations Divisions. The unified headquarters structure will result in clearer lines of communication and improved staff support for HEW's regional offices.

Operations - The Operations Division provides direct support for HEW's ten regional offices. The successful regional desk system, which the Center for Community Planning has been operating on a trial basis during the last two years, will be expanded to provide one desk officer for our smaller regions and two desk officers for our larger regions. The desk officers will provide liaison for the regional offices with Office of the Secretary units and with the program agencies. They will also work with the regional offices to develop and implement strategies for working with local governments to improve the delivery of HEW services.

Another responsibility of the Operations Division is the provision of administrative and management services to HEW's regional offices. These services include budget, personnel, office services, and operation of the Department's Operational Planning System.

Policy - The Policy Division is the central focus for the Department's efforts in the area of inter-governmental relations. It has primary responsibility for insuring state, local, and regional inputs into the formulation of HEW policy, and the design of HEW programs. Within HEW, the Secretary has also given the Policy Division the task of coordinating agency efforts to achieve integration of services.

Accomplishments FY 1970-71

The operations components of the Office of Field Coordination and the Center for Community Planning completed the development of procedures and guidelines for the Department's Operational Planning System. In the area of technical assistance the major effort was a reorientation away from "dollars and guidelines-grantsmanship". Greater effort was made to work with the real problems of state and local governments as they developed and implemented HEW-supported programs.

The policy components of the Office of Field Coordination and the Center for Community Planning were actively involved in the development of Departmental initiatives. These included model integrated service delivery systems, Health Maintenance Organizations, and the Family Assistance Plan. Relationships between regional staffs and governors, state legislators, and state planning officers were greatly strengthened. The orientation of state personnel to the provisions of OMB Circulars A-95 and A-98 was successfully completed.

Program Plans FY 1972

The expanded regional desk system will allow the Operations Division to expand its work with the Federal Regional Councils. Technical assistance efforts will concentrate on situations where state or local objectives require the coordination of several different grant programs. Full implementation of the Operational Planning System in the regions will begin. A special effort will be made to involve state and local governments in this planning process.

The Policy Division will greatly expand its efforts to involve state and local governments in HEW's policy making and priority process. The integrated service delivery system models will go from the planning to the implementation stage. Special emphasis will be placed on strengthening the capacity of state and local general purpose government to plan and coordinate human service programs.

An increase of $80,000 is requested for FY 1972 in order to fund special studies needed to implement integrated service delivery systems and technical assistance to improve the capacity of general purpose government to plan and coordinate human service programs.

President's Committee on Mental Retardation

The President's Committee on Mental Retardation advises and assists the President with respect to the national effort in mental retardation; the coordination of Federal activities in the mental retardation field; the liaison between Federal, state, local and private interests in mental retardation; and the development of public awareness to help reduce the incidence of mental retardation.

Accomplishments FY 1970-71

Committee accomplishments include a continuing national campaign of public information and awareness, drawing particular attention to the relationship between malnutrition, poverty and the incidence of mental retardation; a major attempt to improve the quality of care in residential institutions for the retarded; a related attempt to encourage the return of many retarded persons to their homes and communities. As a result of these activities, the Committee published numerous booklets and documents useful to parents of the retarded and to professionals in the field.

The Committee is currently studying the prevention of mental retardation and other developmental disorders through genetic counseling and similar bio-medical techniques; the economics of mental retardation, including costs and alternatives to maintaining the retarded as a dependent population; the civil and criminal law as it affects the retarded; IQ testing and devices by which a child may be labeled retarded; and the delivery of services to the retarded and handicapped (presently a non-system with many gaps and much fragmentation).

Program Plans FY 1972

In FY 1972, the Committee will co-sponsor a conference on volunteerism, along with the National Association for Retarded Children, the International League of Societies for the Mentally Retarded, and the Department's Social and Rehabilitation Service. This conference will bring together delegates from the European nations to demonstrate and discuss the effective use of citizen manpower.

The important work begun in cooperation with the American Bar Association on the retarded and the law will continue. Specific areas which will be studied include guardianship, legal culpability, criminal and civil responsibility, and citizen advocacy.

Regional meetings will be held to implement the Committee's earlier policy statement on residential care. These will be co-sponsored with the National Association for Retarded Children, the American Association on Mental Deficiency, and the National Association of Coordinators of Mental Retardation Programs (each state's mental retardation agency head).

A series of in-service training programs will be provided for the professional staffs of NARC, AAMD, and the Department's regional offices. These training programs are intended to close the gap between findings in research and their application in practice. They will be held in Charleston, South Carolina; Oklahoma City, San Diego and Washington, D.C.

Legal Services

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	303	$4,440,000	303	$4,695,000	--	+$255,000
Other expenses.....		529,000		540,000	--	+11,000
Total.....	303	4,969,000	303	5,235,000	--	+266,000
Subactivities:						
Supervisory and general legal services.....	72	1,348,000	72	1,439,000	--	+91,000
Departmental program services.....	140	2,252,000	140	2,362,000	--	+110,000
Regional and field.....	91	1,369,000	91	1,434,000	--	+65,000
Total.....	303	4,969,000	303	5,235,000	--	+266,000

General Statement

The Office of General Counsel acts as legal advisor to, and provides legal services for the Secretary and the operating agencies of the Department.

Supervisory and General Legal Services

Accomplishments FY 1970-71

This subactivity includes the Immediate Office of the General Counsel, the Business and Administrative Law Division and the Legislation Division. All three units provide broad legal support services to all program activities of the Department. The Immediate Office provides overall professional supervision and coordination and management services.

In addition to its workload of contracts and contract compliance cases, the Business and Administrative Law Division provides legal assistance regarding appropriations questions, organizational and delegation of authority problems, travel, personnel, patents, and conflict of interest questions. In FY 1970, the Division successfully monitored two compliance cases involving the misuse of surplus property which had been transferred through the Office of Surplus Property Utilization. The first case resulted in reversion of title for 18 acres of real property and the second prevented wrongful conversion of surplus machine tools.

The workload of the Legislation Division remains high. The length and complexity of the bills making up the Administration's legislative program in the health, education, and welfare fields continue to grow. This growth stems from two sources. First, there are major revisions of the welfare laws, educational assistance laws and legislative proposals to increase the supply of adequately trained professional health manpower and improve the delivery of health services. Secondly, the demand for legislative counselling services within the Office of the Secretary has increased.

Program Plans FY 1972

The Legislation Division will be involved in the consolidation of higher education laws, revision of elementary and secondary education laws, working with the Administration and Congressional committees in evolving modifications to the Family Assistance Plan proposed legislation, as well as drafting amendments to Social Security and Medicare laws, health maintenance and health manpower laws, and the Department's portion of the reorganization of the Executive Branch.

Workload on contracts and patents will continue to be heavy in the Business and Administrative Law Division. It is anticipated that many questions will be raised in the administrative and personnel field due to the passage of the Intergovernmental Cooperation Act, which provides for interchange of Federal and state personnel. The proposed Family Assistance Act would create legal problems in several areas of this Division's responsibility.

Departmental Program Services

Accomplishments FY 1970-71

This subactivity comprises five divisions which provide legal services to the programs of their respective operating agencies.

The Food, Drugs, and Environmental Health Division devoted considerable time to the handling of consumer suits seeking access to Food and Drug Administration files, particularly on new drugs. Requests for access to files on oral contraceptives was particularly notable this fiscal year.

Another significant accomplishment of the Division was the litigation effort resulting in the decision of the Court of Appeals for the Sixth Circuit favorable to the Government in Upjohn Company v. Finch. In this case the drug industry challenged the requirement that all promotional drug claims be supported by data derived from adequate and well-controlled clinical investigations. The Pharmaceutical Manufacturers Association sought to sustain a drug on the market largely by proof of marketing success and acceptance of the drug by prescribers.

The Social Security Division during FY 1970 reviewed more than 2,500 civil actions instituted by claimants for benefits under the Social Security Act. Other actions were instituted by States for judicial review of assessments made against them by the Secretary based on services of State and local government employees covered for social security purposes by agreement, and by providers of health insurance services for claimed reimbursement. A substantial number of cases involving frauds have been reviewed and approved by this office for forwarding to United States Attorneys for prosecution. Finally, this office provided advice to the Social Security Administration on a great number of difficult legal questions arising from passage of the Federal Coal Mine Health and Safety Act.

The Public Health Grants and Services Division this past fiscal year assisted the Division of Biologics Standards, NIH, toward regulating the manufacture of serums associated with the disease hepatitis. The Division also revised procedures for obtaining the informed consent of persons who are research subjects of Federally supported research; developed innovative legal procedures for adoption at the Federal, State and local levels in the provision of mental health services; and developed policies and grant eligibility and accountability determination in the field of migrant health services and neighborhood health centers.

The Social and Rehabilitation Service Division provides legal services for public welfare programs such as medical assistance, services for the aged; for the handicapped and for families with children; maternal and child health and welfare services; services for the mentally retarded and services to combat juvenile delinquency. Welfare recipients who two years ago seldom filed law suits are now actively seeking relief in the courts. These cases are usually against State agencies but HEW is either made a party or the Court asks that we file briefs or memoranda. This Division is also involved in conformity hearings with State agencies and their complexity and number is growing. These developments and others have substantially increased the legal workload of this Division.

In the Education Division the increased amount of educational amendments has had a substantial effect on the legal workload. This legislation includes the Vocational Education Amendments of 1968 (P.L. 90-576); the Elementary and Secondary Education Amendments of 1970 (P.L. 91-230); and Title IV-B of the Higher Education Act of 1965. This required the legal staff to rewrite or develop new regulations, interpret statutes, and provide counsel for activities involved in new programs.

Program Plans FY 1972

The Public Health Grants and Services Division will be engaged in providing legal counsel in the development of regulations governing the expanded program of training and utilization of health personnel and development of other health programs established by the 91st Congress.

It is expected that the Food, Drugs, and Environmental Health Division will continue to have increased demands on its resources for legal services. The Division expects that the increasing concern about the use of chemicals in food and the nutritional value of convenience foods will produce an increased demand for legal services related to regulation of the food industry.

The Social Security Division will be involved in providing advice and preparing briefs on both Social Security and Medicare cases as well as the Federal Coal Mine Health and Safety Act.

In the Social and Rehabilitation Service Division, there will be increased emphasis on the development and implementation of innovative health delivery systems, particularly the provision of services to the disadvantaged, by grant-supported programs. The transfer to HEW in fiscal year 1971 of responsibility for administering some 14 OEO neighborhood health centers with a budget of $30 million will require extensive legal review of each project to ascertain the scope of the legal responsibilities involved and to assure the continued effective functioning of these projects and the expeditious resolution of legal questions arising from the change in the statutory authority under which these projects are funded.

The Education Division will be called upon to provide legal advice and counselling in the preparation of regulations for implementing the Emergency School Assistance Program and the Education of the Handicapped Act.

Regional and Field

Accomplishments FY 1970-71

Legal services furnished by attorneys in the ten Regional Attorneys' offices correspond to those rendered by the headquarters Divisions of the Office of the General Counsel (other than Food and Drug matters). During FY 1971, as well as in previous fiscal years, there has been a tremendous increase in the amount and importance of these services, due to program growth and the establishment of new programs serviced by the Regional Attorneys' offices and increasing decentralization of program functions and responsibilities to the regional offices.

Program Plans FY 1972

Regional and field offices have experienced sharp increases in the areas of disability insurance and Medicare and Public Assistance. The Regional Attorneys will work with the Education Division in the enforcement of compliance efforts related to the Emergency School Assistance Program. Headstart, Child Development, Civil Rights, disability cases under the Black Lung Program, and OEO programs will also add to their present workload.

Financial Management

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	838	12,142,000	838	13,114,000	---	+972,000
Other expenses.....	---	4,140,000	---	4,334,000	---	+194,000
Total.....	838	16,282,000	838	17,448,000	---	+1,166,000
Subactivities:						
Audit Agency.....	712	13,607,000	712	14,604,000	---	+997,000
Other Financial Management:						
Assistant Secretary	8	292,000	8	304,000	---	+12,000
Deputy Assistant Secretary, Budget	38	797,000	38	862,000	---	+65,000
Deputy Assistant Secretary, Finance.....	19	409,000	19	444,000	---	+35,000
Deputy Assistant Secretary, Grant Administration Policy.....	61	1,177,000	61	1,234,000	---	+57,000
Total.....	838	16,282,000	838	17,448,000	---	+1,166,000

General Statement

The Financial Management activity is directed by the Assistant Secretary, Comptroller and serves as the Secretary's staff for the budgetary and financial management of the Department. The Office of the Assistant Secretary, Comptroller is responsible for the whole of the Department's budget process, for financial and fiscal management of the Department, for grant administration policies and for the provision of centralized payrolling and fiscal reporting services.

Audit Agency

The HEW Audit Agency is responsible for auditing all Department programs, activities, and functions, including those carried out by and through thousands of grantees and contractors. The audit workload can be classified into four general categories: audits of the Department's direct operations; audits of grants to State and local governments; audits of grants and contracts to institutions of higher education and other private organizations; and audits of health insurance organizations, hospitals, and extended care facilities participating in the Medicare programs. In numbers of units to be audited, this workload represents over:

1,000 Department installations	1,600 Home health agencies
545 State agencies	11,500 Hospitals and nursing homes
20,000 Local units of governments	4,500 Universities and private organizations
137 Health insurance organizations	

In addition, the audit workload includes audits for other departments and agencies which, in the interest of economy and interdepartmental cooperation, are performed by the Audit Agency. Under the directives of OMB Circulars A-87 and A-88, the Audit Agency provides audit services for all Federal departments and agencies that administer programs involving participation by State governments and institutions of higher education.

Accomplishments FY 1970-71

In FY 1970, the Audit Agency issued a total of 3,811 audit reports. A schedule of the audit reports issued by the program area is included as Table A. Included in this total are 570 audit reports that were issued to other Federal departments in accordance with OMB Circulars A-87 and A-88. It is estimated that approximately 4,700 audit reports will be issued during FY 1971. As of December 31, 1970, the actual number issued was 2,094; 431 of these were reports prepared for other Federal departments. The details of these accomplishments and estimates are also included in Table A.

The reports, in addition to resulting in substantial financial recoveries, identified the existence of administrative problems which seriously hamper the achievement of program objectives. Implementation of the Audit Agency's recommendations will contribute to achieving program objectives in a more economical and efficient manner.

During this period, the Audit Agency continued to place emphasis on the development of innovative concepts capable of providing the necessary audit coverage with a minimum expenditure of resources. Following are some of the concepts that were developed or were in the process of being developed:

Utilization of the work of outside auditors - During this period, the Audit Agency continued work on the long-range development of a national audit network to maximize use of outside audit capability. In furtherance of this goal, present audit policies provide for maximum reliance on the reviews of grantee contractor organizations' operations by their own audit staffs or public accounting firms.

Audits of colleges and universities - The Audit Agency has developed and distributed audit programs to educational institutions for three of the Department's programs. In the 1970-71 period, institutions participating in these HEW programs were urged to cover Departmental needs by extending the audit engagement of their own accountants.

Audits of the Medicare program - The audit of providers of medical services who receive Medicare cost reimbursement through intermediaries is achieved primarily through reliance on public accounting firms. In FY 1970, the Department extended this approach by contracting with public accounting firms for the audit of direct dealers. Audit Agency reviews are limited to an examination of the intermediaries' operations and to an evaluation of the public accountants' audits of provider costs.

Audits of State and local agencies - The Audit Agency initiated a number of demonstration projects and training programs in the area of Federal-State audit partnership. These projects are designed (1) to assist State audit organizations in strengthening and expanding their audit capabilities and (2) to encourage State and local governments to accept an increased share of responsibility for administration of Federal-State programs by assuming a greater portion of the audit function.

Significant progress has been made in the utilization of work performed by outside auditors. During FY 1970, audit services thus provided supplemented Audit Agency resources to the extent of an estimated 2,050 man-years of effort.

Application of computer technology - During FY 1970, an automated system was put into operation which was designed (1) to facilitate the timely resolution of audit findings by Operating Agencies and (2) to keep top management officials informed, on a regular basis, of management decisions being made and corrective actions being taken on audit findings. The system provides computer-produced status reports to Operating Agency Heads of all audit findings raised in a given time period. These data enable management to promptly evaluate the timeliness and propriety of corrective actions taken. The automated system makes it possible to strengthen Department operations more rapidly and at less cost in manpower resources than has heretofore been feasible.

Program Plans FY 1972

During FY 1972, the Audit Agency's emphasis will continue to be on providing the Department with a timely and responsive audit service. It is estimated that 4,920 audit reports will be issued in FY 1972 in providing this service. A schedule of these reports by the major program areas is included as Table B.

In addition, the Audit Agency will continue the development and implementation of measures to utilize the services of outside auditors and to enhance its capability to perform its mission with a minimum expenditure of resources. In carrying out these plans, however, the resources available will fall short of the existing workload by approximately 240 man-years of effort.

Other Financial Management

The remaining units under the Assistant Secretary, Comptroller are responsible for financial and fiscal operations of the Department, for making grant administration policy and for negotiating cost reimbursement rates with grantee and contracting organizations.

Accomplishments FY 1970-71

Deputy Assistant Secretary, Budget - Significant achievement has been made in the area of budget formulation and presentation by consolidating and simplifying the DHEW appropriation structure. The office has made progress in establishing analytical techniques for identifying and displaying budgetary indicators of program development and performance. It has completed the development of an automated health analysis and a correspondence control system, and it has developed and maintained a reference library of budgetary and legislative materials.

Deputy Assistant Secretary, Finance - In fulfilling its responsibility for Departmental fiscal management, this function has continued work on the development of an automated accounting system. In addition, this office is working to devise and refine methods of delivering financial support to the States and of simplifying methods of accounting for these transactions.

Deputy Assistant Secretary, Grant Administration Policy - During fiscal years 1969 and 1970, the OMB assigned this office the responsibility for establishing on behalf of the Federal Government (1) indirect cost rates for almost all colleges and universities (under OMB Circular A-88); (2) cost allocation plans and indirect cost rates for State and local operating departments (under Circular A-87); and responsibility for developing government-wide implementing instructions for A-87 and maintaining cognizant audit and negotiation assignments under that Circular.

The office has undertaken the tasks assigned under A-87 and has negotiated State-wide allocation plans in every instance of a submission, as well as continuing the indirect cost negotiation function on behalf of the Department for all grantees and contractors. It developed and issued brochures describing means whereby grantees could improve the quality of their overall business management, thereby allowing the Department to assign more meaningful responsibilities to grantees who are excellently managed. A consistent and simplified set of application forms was developed for all HEW construction grants.

Program Plans FY 1972

With the increased availability within the Department of skills and equipment necessary for automation of financial studies and analyses, the Office of the Comptroller plans to extend its uses of computer capabilities. For this reason, $75,000 is requested to fund data processing projects. The projected use of these funds by unit is as follows:

Deputy Assistant Secretary, Budget - To fund costs of data processing and of updating programs to generate data used in budget preparation and analysis (e.g., special analysis of HEW health programs, pay increase analyses, and analysis of comparative and real transfers between appropriation accounts). A portion of the funds will be used for systems design and programming costs of a budget information system. This system would provide storage and retrieval capacity for current and historical budget data for use in responding to requests for information from OMB, the Congress, and the general public. A third planned project is the development of an automated capability for estimating outlays for hundreds of agency programs under a wide variety of assumptions. Estimated cost: $37,000.

Deputy Assistant Secretary, Finance - To provide programming and data processing support for analysis of agency accounting sub-system edit/correction procedures to culminate in development of a uniform procedure for all agency accounting sub-systems. This effort is urgently required to promote the efficiency and reliability of accounting operations in the regional offices. Estimated cost: $20,000.

Deputy Assistant Secretary, Grant Administration Policy - To fund systems for generating normative data on the level and composition of administrative (indirect) costs of grantee/contractor institutions. This data will be used in evaluating and negotiating indirect cost proposals and in evaluating grantee/contractor administrative operations under a program designed to rank recipients of grant and contract funds on the basis of quality of management. Estimated cost: $18,000.

Table A

Comparison of Reports Estimated to be Issued
During Fiscal Years 1970 and 1971 with Reports
Actually Issued During Fiscal Years 1970 and 1971

Audit Categories	HEW Audit Agency (All Regions) Fiscal Year 1970 Reports		Fiscal Year 1971 Reports	
	Estimated	Actual	Estimated	Actual At 12/31/70
I. State and Local Audits				
ESEA	129	105	81	43
Other OE	137	122	99	46
Medicaid	41	15	77	17
Other SRS	107	60	87	33
HSMHA	68 1/	73	64	28
CPEHS	--	--	19	4
OSPU	27	20	36	13
OMB Circular A-87	28	16	84	10
OS (Head Start)	--	--	275	116
Total State and Local	537	411	822	310
II. University & Nonprofit Audits				
OMB A-88 Institutions	568	585	1,191	542
Other UNP Institutions	618	491	426	212
Program and Functional	76	72	85	9
Evaluation of Other Reports	1,950	1,950	1,664	885
Total University & Nonprofit	3,212	3,098	3,366	1,648
III. Social Security Audits - Medicare				
Intermediaries	98	64	155	52
Direct Dealers:				
1. HEWAA Audits	123	68	60	18
2. Monitoring CPA Audits	--	--	83	18
Section 1864	33	13	38	12
Disability Determinations	31	25	30	10
SSA Installations	44	26	18	3
Champus - Reimbursable	64	39	54	15
Total Social Security Audits	393	235	438	128
IV. Installation & Management Audits	44	54	61	8
V. Washington Area Audit Office	14	13	14	--
Totals	4,200	3,811	4,701	2,094

1/ Includes NIH & CPEHS

Table B

Schedule of Reports Estimated to be Issued During Fiscal Year 1972 by Programs

Audit Categories	Estimated No. of Reports
I. State and Local Audits	
ESEA	36
Other OE	26
Medicaid	97
Other SRS	83
HSMHA	7
OSPU	51
OMB A-87	108
OS (Head Start)	500
Total State and Local	908
II. University and Nonprofit Audits	
A-88 Institutions:	
HEW Audits	350
Reimbursable Audits	900
Other UNP Institutions	425
Program and Functional	150
Evaluation of Other Reports	1,500
Total University & Nonprofit	3,325
III. Social Security Audits - Medicare	
Intermediaries	137
Direct Dealers:	
1. HEWAA Audits	--
2. Monitoring CPA Audits	380
Section 1864	40
Disability Determinations	30
SSA Installations	10
Champus - Reimbursable	50
Total Social Security Audits	647
IV. Installation & Management Audits	25
V. Washington Area Audit Office	15
Grand Total	4,920

Facilities Engineering and Construction Agency

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	313	$5,670,000	313	$5,878,000	--	+$208,000
Other expenses.....	--	767,000	--	877,000	--	+110,000
Total.....	313	6,437,000	313	6,755,000	--	+318,000

General Statement

The Facilities Engineering and Construction Agency was established by the Secretary's Reorganization Order, effective April 5, 1970, to provide a more uniform and economic means of administering the Department's various construction grant programs. The formation of FECA involved a consolidation of architect/engineering personnel from the categorical programs of the operating agencies. A decentralized regional organization directed by a unified professional engineer--management team at headquarters has been achieved. FECA provides its facilities planning and construction expertise to nearly 4,000 active projects having a total value greater than $10 billion.

Accomplishments FY 1971

In its leadership role in health, education, and welfare-related facility construction, the Facilities Engineering and Construction Agency conducted a Government-public sector workshop session which considered the highly cost/beneficial areas of comprehensive planning, systems building (with emphasis on the decision process using the systems approach and life-cycle costing), value engineering and construction management. During the last half of the fiscal year, pragmatic documentation was developed from the resulting recommendations. A series of regional workshops involving all elements of the architectural/engineering and construction industry, and the Federal assistance grantee community, were also held to discuss cost-saving methods. One result of a FECA economic analysis was a $13.7 million saving achieved by acquiring and utilizing a parcel of excess Government land for the new Southwest Regional Educational Laboratory facility, a grant recipient, in lieu of accepting a 20-year lease contract proposal by a private builder.

FECA made progress in initiating Departmental long-range facility planning and programming, Departmental occupancy plans for Washington and major regional cities, and development of technical, architectural and engineering standards and guidelines. Savings of $1,024,000 and an increase of 7,000 square feet of building area were realized on the Simmons College Science Center project in Massachusetts based on FECA's recommended design changes.

A Department-wide "Deep Look" survey comprehensively identified and costed deficiencies for all DHEW-owned facilities and established budgetary requirements for maintenance and repair operations for these 2,300 buildings and 350 installations.

Program Plans FY 1972

The requested increase of $100,000 will support the implementation of the management information system initiated in 1971. This system will provide an important management tool and cost control capability to the Department over the approximately $1 billion spent annually and HEW Federal assistance construction programs. The system will provide data indicating the status of construction activities on a regional and geographical basis, by type of facility, and by sponsor program identification. Emphasis will be placed on dollar-value pricing on a system component basis early in the project development cycle. This will help to eliminate frequent occurrences of bid overruns, resulting delays in financing, and curtailed project scopes.

The pragmatic Research and Development program initiated in 1971 will be expanded to adapt the results of other research efforts to demonstration projects in DHEW utilizing innovative building methods. The results and benefits of such methods will be documented to create "models" for the grantee community. Modest expenditures in this area should yield dollar benefits to Federal dollars spent on the order of 100 to 1.

In order to achieve the proper professional mix of disciplines within the FECA organization, we will attempt to increase the number of mechanical and electrical engineers on our staffs. Improvement in this area within existing ceilings should improve the effectiveness of regional engineering offices.

No additional positions are requested for this office in FY 1972.

Administrative Management

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	397	$5,798,000	397	$6,186,000	--	+$388,000
Other expenses.....	--	673,000	--	796,000	--	+123,000
Total.....	397	6,471,000	397	6,982,000	--	+511,000
Subactivites:						
Administrative Management.....	385	6,092,000	385	6,496,000	--	+404,000
President's Council on Physical Fitness & Sports..	12	379,000	12	486,000	--	+107,000
Total.....	397	6,471,000	397	6,982,000	--	+511,000

General Statement

The Assistant Secretary for Administration and Management is responsible for providing leadership and overall direction to all non-financial management activities and services throughout the Department. Particular attention is given to the development and application of policies and procedures for personnel administration, training and career development, equal opportunity, procurement, property management, management systems, internal security, organizational planning, and general administrative services. A major element of this effort is directed toward evaluating the effectiveness of these operations.

Other responsibilities include providing administrative support and management services to the Office of the Secretary, operation of the Department Library, and the President's Council on Physical Fitness and Sports. (The Office of State Merit Systems, formerly included in this budget presentation, was transferred to the Civil Service Commission, pursuant to the Intergovernmental Personnel Act, effective March 1971).

Also under the administrative control of the Assistant Secretary are the Facilities Engineering and Construction Agency and the Office of Surplus Property Utilization. These two offices are each identified as separate activities under the Departmental Management appropriation and therefore will not be mentioned in the following discussion.

Both the ongoing activities and the new areas of emphasis for FY 1972 within Administrative Management will be conducted without any increase in budgeted positions.

Administrative Management

Accomplishments FY 1970-71

Equal Opportunity and Career Mobility - The Office of the Assistant Secretary for Administration and Management continued to strengthen the equal opportunity and upward mobility programs throughout the Department. A major accomplishment of the Equal Opportunity Staff was to complete training for the 500 Executive Office counselors serving Health, Education, and Welfare. The Office of Personnel and Training increased its efforts in minority group and "special emphasis" recruiting. The Office of New Careers developed and began to implement the Public Service Careers (Plan B) Program in coordination with the Department of Labor. This program will impact upon employees of Department of Health, Education, and Welfare grantee institutions. It is designed to achieve the following goals:

1. To provide employment and training for the disadvantaged in jobs with built-in mobility.
2. To upgrade employees who are being under-utilized and/or in "dead end" jobs.

Within this plan 127 contracts were effected with grants-in-aid institutions which would benefit 3,250 entering employees and upgrade 2,254 others. The similar program for Federal employees (Plan D) was instituted by Office of Personnel and Training which will support 3,000 Public Service Careers positions initially.

Another equal opportunity effort was the initiation of the small business program within the Office of General Services. This program seeks to promote increased opportunities and capabilities of small businesses, including minority group business (Section 8-A Contracting Programs), to compete for Federal procurement contracts.

Personnel Management, Services and Manpower Utilization - A Department-wide plan for improvement of the total personnel management function was developed within Office of Personnel and Training based upon agency self-evaluation. Also completed was a study of the Department's personnel operations focusing on the organization, alignment of responsibility and staffing.

The Office of General Services formulated policy and provided technical assistance to the agencies concerning the Mission 70 Safety Program. Through this initiative the Department achieved a reduction in injury frequency of 28% since the program's inception.

Systems Management, Planning and Evaluation - The Office of Management Systems made progress in the improved use of our Automated Data Processing systems. It conducted a survey of the Automated Data Processing needs and capabilities of the health agencies. Office of Management Systems designed a Committee Management Data System which will result in thousands of dollars savings yearly.

Several achievements were made toward improving records management. The Office of Internal Security completed Phase 1 of a project to return processed investigative files to the appropriate agencies and the retirement of other files to the Federal Records Center. The Department Library has released 370 shelves for other uses by utilizing microfilmed and microfiche periodicals.

62-917 O - 71 - pt. 4 -- 65

Procurement - In this area the grant dollar will be "stretched" by a program developed by the Office of General Services to permit grant recipients to utilize General Services Administration sources of supply. Since the program's initiation in October 1970, 406 grantees have used this service.

Program Plans FY 1972

Equal Opportunity and Career Mobility - Emphasis will continue to be placed on providing equal opportunity for all Department of Health, Education, and Welfare employees and enhancing the opportunities for upward career mobility. The Equal Opportunity staff will conduct an assessment of its training program for Equal Opportunity counselors. It will also participate in a comprehensive analysis of employee grievance procedures. The Equal Opportunity staff will expand its role in the monitoring of Federal site relocations as the latter impact upon equal opportunity.

The Office of New Careers will develop an array of training aids for sponsors of new careers programs. It will also complete a compendium of new careers programs within the Department of Health, Education, and Welfare. The Upward Mobility Program for employees in low grade levels and those in "dead end" jobs will be made fully operative by the Office of Personnel and Training.

The Office of General Services will aggressively seek to increase the capabilities of minority group and small business enterprises to compete for Federal procurement contracts. Full implementation of the small business and Section 8-A (contracting) programs will further this goal. The program of procurement analysis, monitoring, and contract pricing of research and development contracts instituted by the Office of General Services will continue to stress maximizing competition for Department Of Health, Education, and Welfare contracts.

Personnel Management, Services and Manpower Utilization - In this period of fiscal austerity and staffing shortages the need for effective manpower utilization becomes a primary concern. The Office of Personnel and Training plans to expand its manpower requirements data for program support, recruitment, and space utilization planning. The development of policy procedures to permit more accurate prediction of personnel requirements within the Office of the Secretary will be emphasized.

The Office of Personnel and Training will be responsible for implementing the personnel evaluation program throughout the Department of Health, Education, and Welfare which will emphasize "preventive maintenance" and program assistance. A program to strengthen the regional office personnel function and to consolidate common personnel services at selected sites will be implemented.

The Office of Personnel and Training will also establish guidelines and training courses for line managers in the effort to maintain healthy labor/management relations.

Systems Management, Planning and Evaluation - An automated correspondence tracking and control system is being developed for the Office of the Secretary which will enable the Department to respond more completely and in a more timely manner to inquiries from the general public and the Congress.

President's Council on Physical Fitness and Sports

Accomplishments FY 1970-71

During FY 1970, the President's Council on Physical Fitness and Sports emphasized the encouragement of young people and adults to establish regular exercise and good health habits. To promote this objective an extensive advertising and public information campaign was conducted which involved $22,000,000 worth of free advertising through the mass media.

In addition, 6 physical fitness workshops were held which involved nearly 600 participants.

Program Plans FY 1972

The Council will have a significant increase in its program activities during FY 1972. Among its major plans are the following:

1. Creation of a Presidential Physical Fitness Award Program for adults.
2. Stimulation of the development of effective Governor's physical fitness councils.

An additional $100,000 is requested for FY 1972 to strengthen efforts in providing the public with information concerning the existence and consequences of a serious physical fitness problem and to promote the development of physical fitness and sports programs "for all Americans". This increased level of funding will generate approximately $25,000,000 in free advertising space and time.

Surplus Property Utilization

	1971		1972		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	101	$1,381,000	101	$1,435,000	--	+$54,000
Other expenses.....	--	138,000	--	142,000	--	+4,000
Total.....	101	1,519,000	101	1,577,000	--	+58,000

General Statement

The Office of Surplus Property Utilization administers a program to further the utilization of Federal surplus property for health and educational purposes as provided in the Federal Property and Administrative Services Act of 1949 (P.L. 152, 81st Congress), and for civil defense purposes under the delegations of authority from the Department of Defense. The major responsibilities are allocating surplus personal property to State agencies for distribution to eligible donees and conveying available surplus real property to eligible transferees for the above purposes.

Personal Property Program

Accomplishments FY 1970-71

FY 1970 Operations - Property with an original acquisition cost of $360,200,000 was located and made available for donation. Of this total, $370,400,000 ($355,400,000 plus $15,000,000 carried over from FY 1969) was allocated to State agencies for distribution to eligible donees. These amounts are 3% and 8%, respectively, above the 1969 level. The increase in FY 1970 is attributed to expanded disposal efforts in Germany and the Far East in which surplus Department of Defense property totaling $7,632,000 was returned to the United States for utilization and donation.

Also during FY 1970, audits and reviews of 31 State agencies were processed. Compliance and utilization activities resulted in the collection of $799,544 for deposit in the Treasury. Collections, in general, represent income from sale of property which was not used for the purpose for which it was donated, or which is of no further use to the individual donee or the donation program.

FY 1971 Operations - The amount of surplus property which will be located in FY 1971 is estimated to increase by $29,800,000 to a total of $390,000,000. Property allocated to State agencies for donation is estimated to increase $14,600,000 to a total of $385,000,000.

Fifty audits and reviews of State agencies are planned for FY 1971. Income from compliance and surveillance activities are estimated at $800,000 for FY 1971.

The return of property no longer needed by DOD installations in Germany and the Far East is expected to increase $3,368,000 to a total of $11,000,000 in FY 1971. Property which cost the Government $7,047,000 was returned during the period July 1, 1970 - January 31, 1971.

To improve the quality of screening activities of State agencies, the OSPU is sponsoring 7 area-wide seminars on screening, warehousing and distribution in FY 1971. Emphasis will be on the development of uses for specialized electronic property currently not being fully utilized.

Program Plans FY 1972

In FY 1972 it is estimated that property which cost the Government $392,000,000 $392,000,000 will be located. Property allocated to State agencies for donation will be estimated at$390,000,000.

Fifty audits and reviews are planned for FY 1972. Income from compliance and surveillance activities are estimated to be $800,000 for FY 1972.

The return of property from Germany and the Far East is estimated to increase to a total of $15,000,000 in FY 1972.

Personal Property Workload Data

	1970 (actual)	1971 (estimated)	1972 (estimated)
Number of Lists of Property Located	86,472	90,472	93,000
Acquisition Cost of Property Located (in millions of dollars)	$360.2	$390.0	$395.0
Number of Allocation Actions to State Agencies	92,137	100,000	110,000
Acquisition Cost of Property Allocated for Donation (in millions of dollars)	$370.4	$385.0	$390.0
Cash Deposited in Treasury (thousands of dollars)	$799.5	$800.0	$800.0

Real Property Program

Accomplishments FY 1970-71

Land, with or without improvements, which becomes surplus to the needs of the Federal Government may be made available to the program by the General Services Administration for transfer to eligible health or educational institutions. The Office of Surplus Property Utilization is responsible for determining the best health or educational use of the property and, if made available, conveying it to the eligible applicant and thereafter ensuring that the property is used for the approved program for a maximum of 30 years.

FY 1970 Operations - This office transferred to eligible institutions. $38,500,000 (acquisition cost) in real and related personal properties. This is an increase of $8,400,000 over the 1969 level. Significant among the transfers for FY 1970 was the conveyance of 126 acres of land and 52 buildings (formerly Avon Park Air Force Range) to the State of Florida for use by the Avon Park Correctional Institution as a center of academic and vocational training of inmates. This property, having an acquisition cost to the Government of $552,596, had a current fair value at the time of transfer of $242,000.

As part of the compliance program, we conducted 341 physical reviews to insure that the property was being used for the purposes intended. Thirty-four compliance cases were processed in FY 1970. Cash receipts, principally from reimbursement of transfer cost by transferees, were $288,900.

FY 1971 Operations - It is estimated that approximately $42,000,000 (acquisition cost) of property will be transferred for health and educational purposes, an increase of $3,500,000 over the 1970 level. This increase is a result of the Department of Defense's current program to phase down and/or close a number of major defense activities.

A surveillance case workload of 1,608 is anticipated, 1,280 of which will involve land. It is planned that 698 will be physically reviewed. Forty compliance cases are expected to be processed and cash receipts principally from transferee payment of cost of transfer are estimated at approximately $300,000.

Program Plans FY 1972

In FY 1972, it is estimated that property having an acquisition cost of $45,000,000 will be transferred for health and educational purposes, an increase of $3,000,000 over the FY 1971 level.

This will result in an estimated surveillance workload of 1,615, of which 1,295 are anticipated to involve land. Of these, approximately 600 will be physically reviewed. It is estimated that 45 compliance cases will be processed and cash receipts principally from transfers will amount to $320,000.

Real Property Workload Data

	1970 (actual)	1971 (estimated)	1972 (estimated)
Acquisition Cost of Property Transferred (in millions of dollars)	$38.5	$42.0	$45.0
Number of Conveyances	127	130	135
Surveillance & Utilization Workload	1,638	1,608	1,615
Utilization Reviews Made	341	698	600
Compliance Cases Processed	34	40	45
Cash Deposited in Treasury (in thousands of dollars)	$288.9	$300.0	$320.0

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

Donatable Personal Property Distributed by State Agencies for Surplus Property to Public Health and Educational Institutions and Civil Defense Organizations
and
Real Property Conveyed to Public Health and Educational Institutions
(Federal Acquisition Cost)
Fiscal Year 1970

States	(1) Personal Property Allocated to State Agency	(2) Personal Property Received by State Agency for Distribution within State	(3) Personal Property Donated within State	(4) Real Property Conveyed within State	(5) Total Property Transferred (3 + 4)
Totals ...	$370,436,772	$310,560,203	$279,669,921	$38,457,666	$318,127,587
Alabama	$ 10,364,631	$ 8,614,147	$ 8,266,967	$ 5,969,356	$ 14,236,323
Alaska	1,223,960	1,184,608	1,070,677	38,591	1,109,268
Arizona	2,789,647	2,763,945	2,299,693	-	2,299,693
Arkansas	7,280,569	6,710,355	6,603,702	130,500	6,734,202
California	36,798,703	32,439,811	32,173,813	9,138	32,182,951
Colorado	8,530,211	7,134,324	6,606,744	175,506	6,782,250
Connecticut	4,868,918	4,757,155	4,998,201	-	4,998,201
Delaware	487,354	402,731	432,877	-	432,877
Florida	18,741,644	15,296,710	11,985,259	564,371	12,549,630
Georgia	10,284,137	8,632,966	7,526,927	92,939	7,619,866
Hawaii	1,053,311	1,047,939	674,781	-	674,781
Idaho	1,377,840	1,114,379	1,299,741	-	1,299,741
Illinois	6,281,763	5,126,549	5,253,357	5,127,852	10,381,209
Indiana	6,658,476	5,943,336	4,752,183	113,129	4,865,312
Iowa	3,240,756	2,951,309	3,028,601	159,062	3,187,663
Kansas	3,230,479	2,887,172	2,408,967	3,792,836	6,201,803
Kentucky	9,629,575	8,915,095	5,276,463	104,354	5,380,817
Louisiana	4,203,269	3,665,534	3,423,125	-	3,423,125
Maine	3,014,291	1,732,936	1,849,344	-	1,849,344
Maryland	5,405,594	5,378,576	4,037,279	4,719	4,041,998
Massachusetts	18,101,992	15,777,654	12,366,399	23,000	12,389,399
Michigan	7,913,303	7,579,283	7,649,259	-	7,649,259
Minnesota	7,761,530	7,067,967	6,873,216	-	6,873,216
Mississippi	7,148,394	6,090,194	5,679,427	17,000	5,696,427
Missouri	4,277,562	3,904,350	3,722,591	6,362,376	10,084,967
Montana	1,022,153	832,032	813,636	142,685	956,321
Nebraska	1,054,971	1,093,538	1,244,785	1,736,900	2,981,685
Nevada	1,811,252	954,391	966,247	103	966,350
New Hampshire	3,147,833	1,999,837	1,342,104	-	1,342,104
New Jersey	7,940,536	3,664,840	3,664,840	934,329	4,599,169
New Mexico	5,143,303	2,909,049	1,909,968	1,470,834	3,380,802
New York	24,934,473	18,211,319	14,384,991	1,815,423	16,200,414
North Carolina	7,853,216	7,603,961	9,448,765	-	9,448,765
North Dakota	1,077,304	806,506	821,387	-	821,387
Ohio	7,218,816	5,689,502	4,948,477	266,285	5,214,762

States	(1) Personal Property Allocated to State Agency	(2) Personal Property Received by State Agency for Distribution within State	(3) Personal Property Donated within State	(4) Real Property Conveyed within State	(5) Total Property Transferred (3 + 4)
Oklahoma	$ 10,049,035	$ 9,708,300	$ 10,697,102	$ 1,027,394	$ 11,724,496
Oregon	6,094,997	5,396,700	3,229,101	1,526,365	4,755,466
Pennsylvania	19,123,920	11,980,222	10,838,857	17,960	10,856,817
Rhode Island	1,429,188	1,613,567	1,260,994	-	1,260,994
South Carolina	5,807,457	6,234,537	7,060,389	3,700	7,064,089
South Dakota	3,098,037	1,962,738	1,119,485	361,238	1,480,723
Tennessee	9,472,254	7,759,375	7,368,833	-	7,368,833
Texas	18,849,874	17,285,127	13,841,539	1,258,662	15,100,201
Utah	7,314,841	6,288,878	7,684,442	11,950	7,696,392
Vermont	1,596,824	1,621,483	1,813,670	-	1,813,670
Virginia	7,463,190	7,064,345	6,082,446	-	6,082,446
Washington	4,539,192	4,864,002	5,334,247	126,871	5,461,118
West Virginia	3,609,267	2,447,018	1,613,397	2,443,548	4,056,945
Wisconsin	17,174,234	12,701,469	8,967,524	312,450	9,279,974
Wyoming	1,183,517	930,864	1,058,079	7,910	1,065,989
Dist. of Columbia	548,508	463,331	532,376	-	532,376
Puerto Rico	1,210,671	1,354,247	1,362,647	2,121,723	3,484,370
Virgin Islands	-	-	-	186,607	186,607

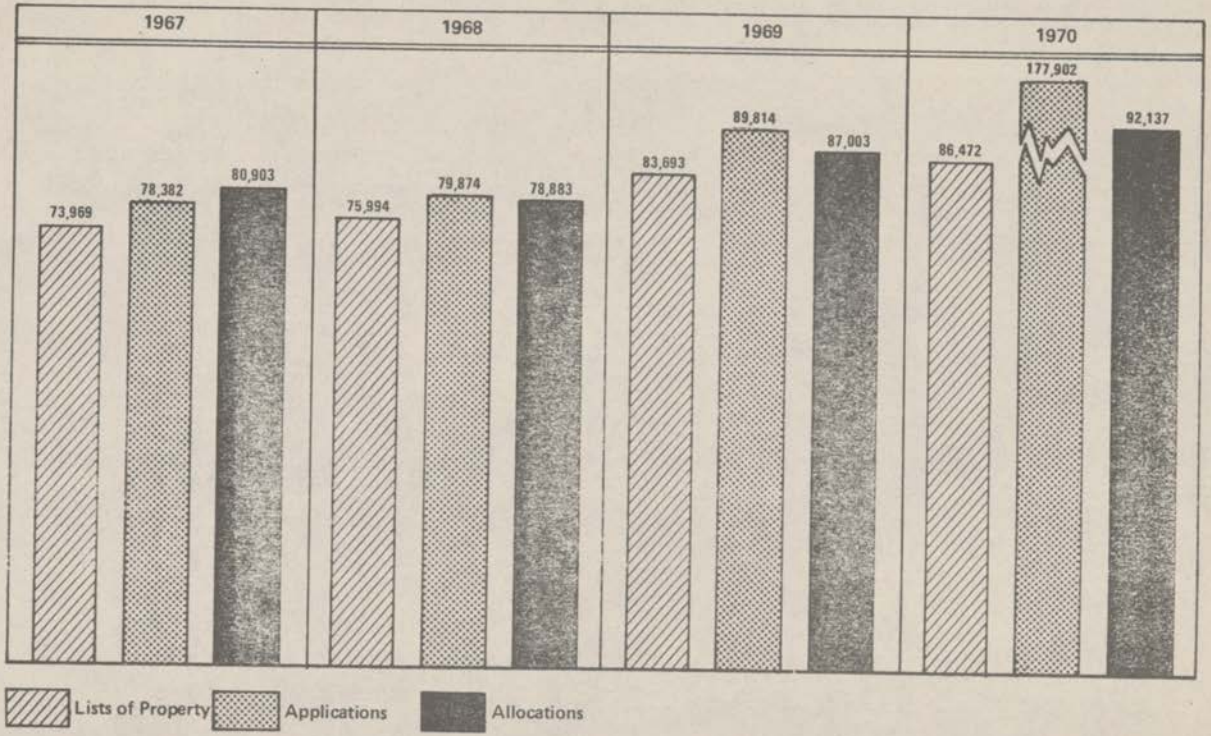
Cash Collections Compared With Appropriations

1950 - 1970

Fiscal Year	Cash Collections	Appropriations
1950	$ 15,306	$ 144,000
1951	39,983	333,300
1952	369,797	130,000
1953	1,774,277	165,000
1954	1,285,549	255,000
1955	592,832	400,000
1956	554,709	425,000
1957	548,392	450,000
1958	820,852	502,000
1959	574,145	687,000
1960	556,798	703,000
1961	649,556	786,000
1962	1,490,804	862,000
1963	970,273	889,950
1964	1,524,155	950,000
1965	1,183,321	1,001,000
1966	1,161,678	1,073,000
1967	1,068,889	1,123,000
1968	998,705	1,119,000 a/
1969	994,105	1,186,000 b/
1970	1,088,405	1,255,000 c/
Totals	$18,262,531	$14,439,250

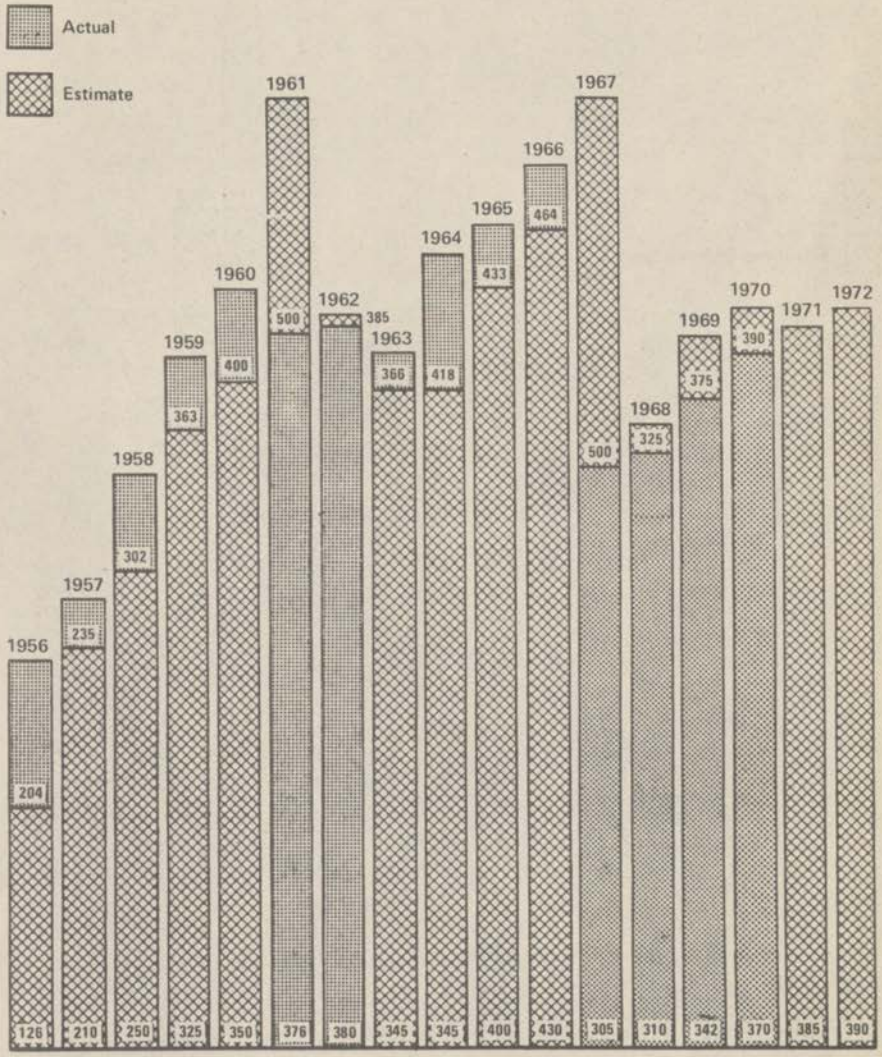
a/ In addition, $39,000 transferred from "Salaries and Expenses, Office of Field Coordination", for pay increase.
b/ In addition $57,000 transferred from "Community Mental Health Resource Support", for pay increase.
c/ In addition $107,000 transferred from "Comprehensive Health Planning Service", for pay increase.

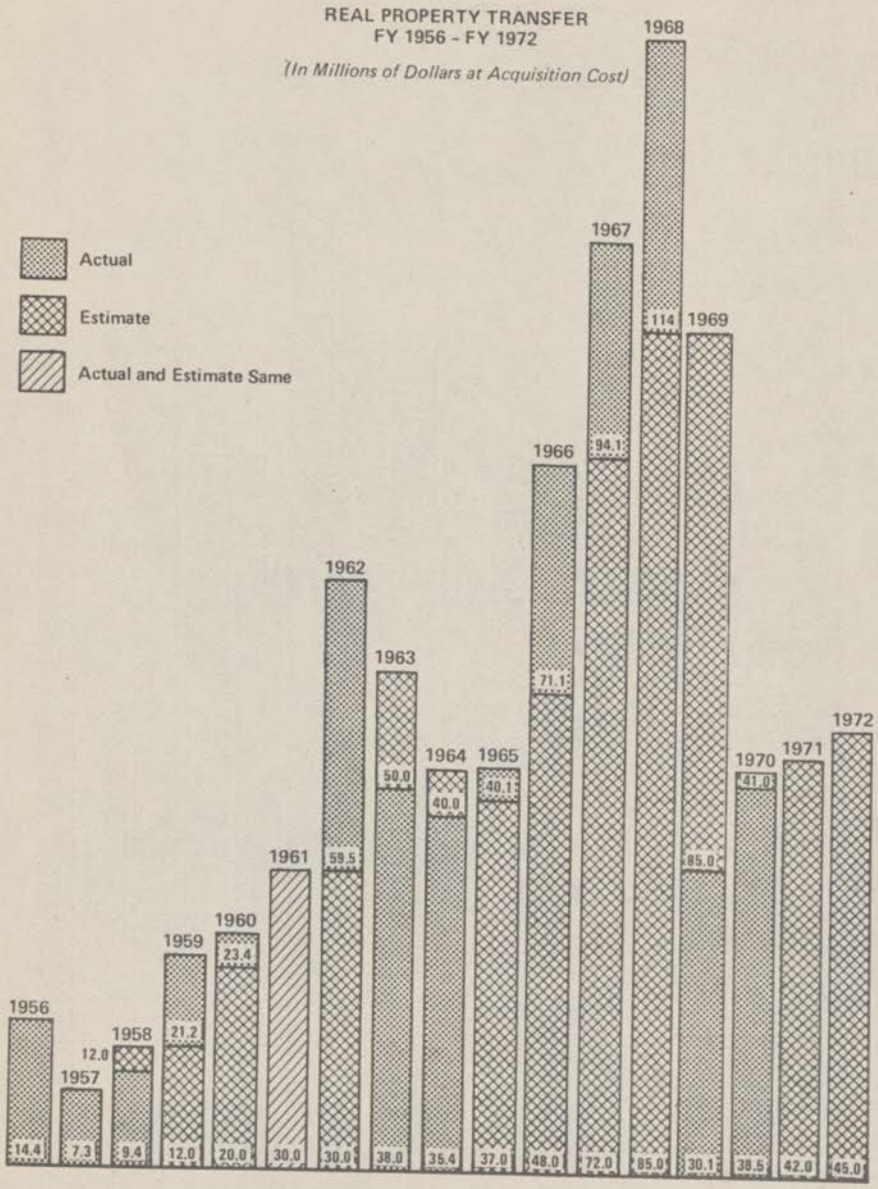
PERSONAL PROPERTY
Number of Lists, Applications, and Allocations
FY 1967 - FY 1970



PERSONAL PROPERTY ALLOCATIONS
FY 1956 - FY 1972

(In Millions of Dollars at Acquisition Cost)




REAL PROPERTY TRANSFER
FY 1956 - FY 1972
(In Millions of Dollars at Acquisition Cost)
Actual
Estimate
Actual and Estimate Same
1956
14.4
1957
7.3
12.0
1958
9.4
1959
21.2
12.0
1960
23.4
20.0
1961
30.0
1962
59.5
30.0
1963
50.0
38.0
1964
40.0
35.4
1965
40.1
37.0
1966
71.1
48.0
1967
94.1
72.0
1968
114
85.0
1969
85.0
30.1
1970
41.0
38.5
1971
42.0
1972
45.0

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Departmental management

Program Purpose and Accomplishments

Activity: Executive direction

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
352	$9,838,000[1/]	--	352	$8,251,000[1/]

Purpose: Provide broad policy direction to the various operating programs of the Department. Staff assistance is provided for development of a Department legislative program and for coordination and leadership in all areas of program operation, including evaluation and monitoring and long-range planning.

Explanation: To provide funding of salaries and expenses for the following staff offices:

Immediate Office of the Secretary and Under Secretary
Office of the Assistant Secretary for Education
Office of the Assistant Secretary for Health and Scientific Affairs
Office of the Assistant Secretary for Legislation
Office of the Assistant Secretary for Planning and Evaluation

Accomplishments in FY 1971: In 1971 the staff supported by this activity assessed adherence to the Secretary's policies and took appropriate action to insure compliance where necessary; evaluated program operations for content, suitability, and methods; and developed and coordinated legislation proposals. Program staff gave increased emphasis to emergency problem in American education, health and medical care and health manpower programs.

Objectives for FY 1972: In general, staff will continue to improve the process by which HEW policy is developed, making sure that policy decisions are both timely and fully informed; work will continue on legislative initiatives started during the previous Congress as well as coordination of proposed legislation for 1971; overall management of Department programs will be strengthened through more meaningful evaluation and monitoring and with increased emphasis given to long-range planning. Program staff will continue to develop a Federal strategy to meet the nation's health care crisis through active policy and guidance in the development of new methods and the implementation of new legislation.

1/ Includes SSA trust funds.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Departmental management

Program Purpose and Accomplishments

Activity: Public information

1971			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
34	$784,000 1/	---	34	$808,000 1/

Purpose: Overall guidance is given to the Department's relations with the public. Information is provided to the press, various public and private organizations and to interested individuals.

Explanation: To provide funding of salaries and expenses for the Office of Public Information.

Accomplishments in 1971: In 1971, this office provided liaison and advisory services to the operating agencies and WRC-TV in coordinating a series of half-hour shows about Health, Education, and Welfare's programs. This office also developed a consumer-oriented publication on how Health, Education, and Welfare helps the American people and a short history of the Department.

Objectives for 1972: In 1972, continued emphasis will be given to developing plans for informational support of major Department projects; developing annual information program for units of the Office of the Secretary; and participating in and monitoring the activities of agency information planning groups.

1/ Includes SSA trust funds.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Departmental management

Program Purpose and Accomplishments

Activity: Community and field services

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
279	5,835,000 1/	--	279	6,469,000 1/

Purpose: The Assistant Secretary for Community and Field Services is responsible for the organization, integration, evaluation, and coordination of the Department's field activities. In addition, the office has responsibility for emphasizing and strengthening the Department's role in six key areas: Model Cities, Urban Planning, Rural Development, Consumer Services, Youth and Student Affairs, and Mental Retardation.

Explanation: To provide funding of salaries and expenses for the Assistant Secretary, Office of Child Development and the President's Council on Mental Retardation.

Objectives for 1972: The Office of Community Development will continue to carry out the President's directive on the decentralization of Federal responsibilities, the unification of Federal regions, and the improvement of Federal assistance to state and local governments to provide better services to people. In the Immediate Office of the Assistant Secretary, greater emphasis will be given to the problems of the low income consumer, developing cooperative relationships between youths and students and HEW, and the coordination of mental retardation programs. The President's Committee on Mental Retardation will continue to advise and assist the President with respect to the national effort in mental retardation. In this role, the President's Council on Mental Retardation maintains liaison between Federal, state, local and private interests in the mental retardation field.

1/ Includes SSA trust funds.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Departmental management

Program Purpose and Accomplishments

Activity: Legal services

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
303	$4,969,000 1/	--	303	$5,235,000 1/

Purpose: The Office of General Counsel acts as legal advisor to, and provides legal services for the Secretary, the operating agencies of the Department, and the staff of the regional offices.

Explanation: To provide funding of salaries and expenses for the Office of the General Counsel, including the regional staff.

Accomplishments in 1971: In FY 1971, the office participated in drafting major welfare legislation, educational assistance laws, and legislative counselling services. The amount and complexity of litigation continued to increase, along with the growing number of administrative hearings. The burden on regional attorneys' offices for legal services continued to increase as program functions were decentralized.

Objectives for 1972: The office will be involved in revisions and modifications of health care, Family Assistance Plan, Social Security and Medicare laws, and reorganization of the Executive Branch. Questions arising from implementation of the Federal Coal Mine Health and Safety Act are expected to increase greatly in volume. Advice and counselling in the administrative and personnel field will be provided due to the passage of the Intergovernmental Cooperation Act. The office expects to receive legal questions as a result of increasing concern about the use of chemicals in food and the nutritional value of convenience foods. Legal advice will also be needed in the preparation of regulations for implementing the Emergency School Assistance Program.

1/ Includes SSA trust funds.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Departmental management

Program Purpose and Accomplishments

Activity: Financial management

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
838	$16,282,000 1/	--	838	$17,448,000 1/

Purpose: Staff assistance is provided in developing Department policy in all areas of budget formulation and execution and financial and fiscal management. The HEW Audit Agency is responsible for the overall policy, liaison, and coordination of all Department audit activities. It performs internal and external audits of all Department activities to provide assurance that Federal funds are used for the purposes intended.

Explanation: To provide funding of salaries and expenses for support staff of the Assistant Secretary, Comptroller, including the HEW Audit Agency.

Accomplishments in 1971: During 1971 the financial management activity improved the Department's budgetary and fiscal management process through simplifying the appropriation structure, developing budgetary indicators of program development and performance, and improving the methods of delivering financial support to the states. In the area of grant administration policy, new functions were carried out involving the administration of grants to universities, and the negotiations of individual cost rates for states. The HEW Audit Agency issued approximately 4,700 audit reports in FY 1971. These reports outlined recommendations for achieving program objectives in a more economical and efficient manner.

Objectives for 1972: During 1972, the Financial Management activity will continue to refine and develop the techniques of budget formulation and execution. In addition, grants administration policy formulation and negotiation of cost reimbursement agreements will be continued. The HEW Audit Agency will continue to develop audit techniques to enable its staff to provide coverage of the most critical areas of HEW's audit requirements.

1/ Includes SSA trust funds.

62-917 O - 71 - pt. 4 -- 66

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Departmental management

Program Purpose and Accomplishments

Activity: Facilities engineering and construction agency

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
313	$6,437,000	--	313	$6,755,000

Purpose: The Agency, under a single professional engineer management team, provides architectural and engineering services to health and education construction projects supported through Department programs and for the management of an integrated facilities engineering system for all Department-owned or operated real property.

Explanation: The objective of the Agency is to provide measurable, order of magnitude, improvements in terms of the cost, time of delivery, and quality standards for all health, education, and welfare related construction for which the Department has technical responsibility.

Accomplishments in 1971: In 1971 extensive efforts were concentrated on providing National leadership in health, education, and welfare related construction. Areas of greatest potential impact on the building process were studied and structured into firm recommendations for nationwide implementation. These highly cost/beneficial areas were comprehensive planning, systems building, value engineering, and construction management.

Objectives for 1972: The estimate for 1972 will support the implementation of a management information system to provide a management tool and cost control capability for Department construction programs. The pragmatic Research and Development program initiated in 1971 will be expanded to spearhead efforts to lower health and education facility costs.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Departmental management

Program Purpose and Accomplishments

Activity: Administrative management

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
397	$6,471,000[1/]	--	397	$6,982,000[1/]

Purpose: Staff assistance is provided for formulating administrative policy in the areas of personnel, equal opportunity, general services, and general administrative management, including the conduct of management and organization studies, provision of internal security services, operation of the Department Library, and administrative management services for the Office of the Secretary. (The Office of State Merit Systems, formerly included in this budget presentation, was transferred to the Civil Service Commission, pursuant to the Intergovernmental Personnel Act, effective March 1971.)

Explanation: To provide funding of salaries and expenses for support staff of the Assistant Secretary for Administration and Management, including staff assigned to the President's Council on Physical Fitness and Sports.

Accomplishments in 1971: Equal opportunity and upward mobility programs were strengthened throughout the Department--500 EO counselors completed special training--the Public Service Careers (Plan B) Program was implemented and will provide training for disadvantaged employees and upgrade under-utilized employees of DHEW grantee institutions. A special program was initiated which increases opportunities of small businesses to compete for Federal procurement contracts. A Department-wide plan for improvement of the total personnel management function was developed. A reduction in injury frequency of 28% was achieved through Mission 70 Safety Program. A survey was conducted on the ADP needs and capabilities of the health agencies. Several achievements were made toward improving records management.

Objectives for 1972: Continued emphasis will be given to equal opportunity and upward career mobility. Specific objectives will include assessment and refinement of the EO counseling and grievance procedures, technical aid to new career programs outside Federal Government, making the upward mobility program fully operational and expansion of the small business and minority business contracting programs. Increased efforts will be exerted to insure that the HEW procurement process is truly competitive. Improved personnel management, services and manpower utilization are of special concern with the Department's limited employment ceiling. Specific objectives will include refinements in the collection and use of manpower requirements data, implementation of a personnel evaluation program, consolidation of common personnel services where appropriate, and strengthening of labor/management relations. The development of an automated correspondence tracking and control system for the Office of the Secretary will maximize the Department's responsiveness to the public and Congress.

1/ Includes SSA trust funds.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

Departmental Management

Program Purpose and Accomplishments

Activity: Surplus Property Utilization

1971		1972		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
101	$1,519,000	---	101	$1,577,000

Purpose: Funds for the Surplus Property Utilization Program are used to pay the administrative costs of carrying out the Department's responsibilities for acquiring and making available for distribution to eligible donees by State Agencies for Surplus Property, all surplus Federal personal property and to convey all surplus Federal real property which is needed and usable for health and educational purposes.

Explanation: Federal surplus personal property is made available for donation through the State Agencies to eligible donee institutions for use in their health or education programs. Real property is conveyed by deed from the Department to the eligible institutions at fair market value, against which is applied a public benefit allowance discount from 50% to 100%--depending upon proposed program of use. Use restrictions which run for 4 years are placed on certain classes of donated personal property. Similar use restrictions are also placed on all real property and these run for a period of 30 years.

Accomplishments in Fiscal Year 1971: It is estimated that surplus personal property which cost the Government $390,000,000 will be located. Property allocated to State Agencies for donation is estimated to be $385,000,000. These figures are $29,800,000 and $14,600,000, respectively, higher than for fiscal year 1970.

It is estimated that surplus real property which originally cost the Government $42,000,000 will be conveyed for health and educational uses. This figure is $3,500,000 higher than fiscal year 1970.

Objectives for Fiscal Year 1972: The estimate for fiscal year 1972 does not provide for a program increase; however, it is estimated that personal property which cost the Government $395,000,000 will be located; and property allocated to State Agencies for donation will be $390,000,000.

In fiscal year 1972, it is estimated that real property having an acquisition cost of $45,000,000 will be transferred for health and educational purposes.

Closer working relationships with the State Agencies are being achieved by bringing them more into program policy determinations, in order to improve and expand the personal property donation program at home and overseas. We plan to work toward establishing more direct and expanded lines of communication with State and local health and educational agencies, so as to enable all potential recipients to be made fully aware of all available surplus real property.

INVESTIGATIONS REPORT ON THE MANPOWER POLICIES AND PRACTICES OF HEW

FRIDAY, MAY 21, 1971.

WITNESSES

JOHN G. VENEMAN, UNDER SECRETARY
DR. RODNEY H. BRADY, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT
JAMES B. CARDWELL, ASSISTANT SECRETARY, COMPTROLLER
ROBERT C. COULTER, EXECUTIVE OFFICER, OFFICE OF THE SECRETARY
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. NATCHER. Now, Mr. Veneman, last year we requested that a study be made by the Surveys and Investigations staff of the Committee on Appropriations into the personnel policies and practices of the HEW.

The study is now complete and we would like to discuss the report with you. We will insert the report in the record at the conclusion of this hearing.

First, do you have any general comments about the report you would like to make at this time?

GENERAL STATEMENT

Mr. VENEMAN. Mr. Chairman, in this particular case I think it might be advantageous for the benefit of the committee if I did read the statement we have prepared because I think we are dealing with a subject that there is a great deal of misunderstanding about, and I think in order to prevent me from being misinterpreted it might be beneficial if I just read the statement.

Mr. NATCHER. You may proceed, Mr. Veneman.

Mr. VENEMAN. Mr. Chairman and members of the committee:

I am glad to have this opportunity to comment upon the report to the House Appropriations Committee on the manpower policies and practices of the Department of Health, Education, and Welfare. This report was submitted in April 1971 by the Surveys and Investigations staff of the House Appropriations Committee.

The report responds to a directive of July 28, 1970, from the Appropriations Committee. The committee directed the Surveys and Investigations Staff to conduct a study of the policies and practices of HEW with respect to the hiring and utilization of personnel.

Mr. Chairman, it is always useful for an agency such as HEW to have its administrative practices periodically examined by an outside

source. Such is the case in this instance, and we are glad to have the report to study and to point the way toward improvements in our manpower policies and practices. Certainly, there is much to be done.

EMPLOYMENT CONTROLS

First, I want to assure the committee that HEW's employment is under tight control. We operate under a system of employment ceilings which restrict employment below the budgeted level. This is done in conformance with the President's assurances to the Congress that he would maintain firm controls over Federal employment as a substitute for the congressional ceiling which was established in the Revenue and Expenditure Control Act of 1968.

The report is critical of both our earlier efforts to improve manpower utilization studies and our methods for controlling manpower through the use of employment ceilings. We are now taking steps to improve in both of these areas. The responsibility for distributing ceilings and maintaining the system for implementing them is at this time being assigned to the assistant secretary, comptroller. This placement will permit the needed coordination of budgeted positions and administrative ceilings. It also recognizes the interrelationship between manpower and dollars as resources which are equally important to the accomplishment of the program objectives set forth in the budget.

At the same time, the Assistant Secretary for Administration and Management is establishing a special unit in his office, the sole function of which will be to conduct manpower utilization studies on a continuing basis. The studies will examine the manpower base in each agency, as well as requested increases, and the new unit will follow up to see that recommendations accepted by the Secretary are implemented. As I have stated, Mr. Chairman, this will be a continuing, not an ad hoc, function, and it will act as an independent and important check and balance to the manpower distribution function of the Assistant Secretary, Comptroller. These two arrangements will, we believe, complement each other, each contributing both to better budgeting and better manpower utilization.

With this discussion as background, I would like to turn next to what I regard as the most serious misunderstanding in the report.

POSITIONS AUTHORIZED BY THE CONGRESS

The report summary on page xi states:

> For fiscal year 1971, the staff compared increases in positions granted by the Congress with Department ceiling allocations made to the operating agencies. The comparison showed several agencies were granted position increases greater than the congressional allowances at the expense of other agencies. The ceiling allocations appear to conflict with planned levels of staffing intended by Congress and may result in adverse effects on programs.

Mr. Chairman, we have always exercised great care never to exceed the position allowances of the Congress. We believe we have been successful. Apparently the report has confused the difference between increases in budgeted positions and employment ceilings with total position and employment levels. This may have occurred because of misleading data provided by us to the Investigations Staff, shown on page 43 of the report. We have with us a revised table which at-

tempts to clear up the confusion by providing data on total budgeted positions and employment ceilings, as well as increases.

The basis of this misunderstanding is, I believe, the fact that in 1971 the Department gave some agencies increases in their employment ceilings which were greater than the increases in permanent positions authorized by the Congress. The key point is that while the increase may have been greater, no agency's total employment ceiling exceeded the total number of positions authorized by the Congress. We have never established end-of-year employment ceilings which permitted employment above the level of total budgeted positions approved by the Congress.

With your indulgence, let me describe this process with a hypothetical illustration. Suppose that, in a given appropriation, the Congress had authorized a total of 100 permanent positions in 1970, and an increase of 50 for 1971. The 1971 total—150 positions—would be the maximum number of people who could be employed in that account at the end of fiscal 1971. But, because executive branch employment ceilings are almost always set lower than congressionally authorized positions, the appropriation may have been employing only 90 people in this account in 1970. We could therefore allow an increase of 60 employees in 1971—as opposed to a 50-position increase approved by the Congress—without exceeding the total limitation of 150 positions placed on this account in 1971 by Congress.

EMPLOYMENT LEVELS FOR THE SOCIAL SECURITY ADMINISTRATION

As I have noted, the total employment ceiling for HEW as a whole is always less than the total number of budgeted positions authorized by the Congress. In practice, the agencies comprising HEW seldom, if ever, receive employment ceilings equal to their budgeted positions. Some reduction is usually applied to each agency. The report implies that these reductions were disproportionately assigned in fiscal year 1971 to the Social Security Administration. It states that in 1971 the Department allowed an increase in permanent employment which was 750 less than the position increases authorized by the Congress for the SSA Salaries and Expenses account. It also implies that the Department has not been allowing SSA to adequately staff the program of special benefits to disabled coal miners (the "black lung" program). The report then goes on to note the concern on the part of the Commissioner, SSA as to the effect of such reductions on SSA workloads and particularly on levels of overtime that would be demanded of SSA employees.

First, Mr. Chairman, let me assure you that SSA is being allowed an increase in 1971 end-of-year employment for salaries and expenses equal to the position increase authorized by the Congress. The Department reconsidered its initial decision not to allocate part of this increase and, on March 19, issued revised ceilings to SSA. These ceilings provide the full 1,800 end-of-year employment increase budgeted for 1971. I think you should be aware, also, that SSA employment has actually been at this higher level throughout most of the fiscal year. I want to make clear, however, that while we allocated the full increase authorized by the Congress, this did not bring SSA up

to the total number of positions approved by Congress in the 1971 budget. This point is discussed in more detail later in my statement.

In the case of "black lung" employment, I believe the problem cited by the report results from a simple misunderstanding. During all of fiscal 1971, SSA has been employing "black lung" staff at the level they deemed necessary to get the job done. However, because of uncertainties as to the required level of end-of-year employment—as you know, workload is difficult to accurately predict in such a new program—the question of the end-of-year ceiling was left open until more data was available. In March, the ceiling for "black lung" was established at the end-of-year level requested by SSA on the basis of the latest workload projections.

While these problems appear to have been solved, there remains a basic issue with regard to SSA employment which has not yet been resolved. Following the manpower utilization reviews conducted by the Department in 1969, we have consistently restrained SSA employment. The Department has not provided SSA with employment ceilings which equaled the total level of positions authorized by the Congress. In 1971, for example, despite the fact that we have allocated ceilings to SSA which include the full congressional increase, the total SSA employment authorized is some 650 below the total level of congressionally approved positions. The ceilings for all other agencies of the Department are also lower than the levels authorized by the Congress, although for some, such as FDA and OE, the difference is minor.

This, of course, is the function of employment limitations. Because executive branch employment ceilings are set lower than budgeted positions, ceilings and positions are not intended to be equal for every agency—or, indeed, for most agencies.

INCREASED WORKLOAD REQUIRES MORE PERSONNEL

The major new legislative workloads that SSA is likely to be faced with in the near future dictate that their 1971 ceilings be reviewed at this time. We want to be sure that SSA has the manpower and staffing flexibility needed to prepare for these workloads. SSA has proposed that their 1971 ceiling be increased for this purpose, and the matter is now under review by the Department.

I would inject here, Mr. Chairman, that having just gone through the Ways and Means Committee hearings, and being quite familiar with the measure that was just reported out, I think it is going to be inevitable that Social Security is going to have to have a rather significant increase in employment to carry out the provisions contained in the final act. They extended coverage to the disabled and changed some of the other basic provisions of the act which will require at least a peaking of workload.

Before going on to another subject, I would like to make one thing very clear. The Department is, and always has been, concerned about SSA backlogs and overtime levels. We have been seeking, along with you, to reduce both. I think we have had moderate success—since 1968, the overtime level has been dropping. The 1972 budget proposed a substantial reduction under existing workloads—although this may be offset by the demands placed on SSA by new legislation. At the same

time, however, we are trying to insure that the Department is run efficiently, with the minimum use of manpower consistent with getting our job done well. There is always a fine balance which must be drawn, and sometimes we err on one side or the other. When we do, we try to correct it. I think we have in the case of SSA.

OBJECTIVE MEASURES OF HEW EMPLOYMENT REQUIREMETS

The summary report on page VIII states:

With the exception of those agency components or programs where manpower determinations were based on application of productivity measures to related workload projects, the manpower base was not subjected to examination in the course of budget preparation and review.

There is merit in that statement, Mr. Chairman, and we are going to take corrective action. But I do wish to point out that the exception noted in the report—

*** * * those agency components where manpower determinations were based on application of productivity measures—**

is a very large one. Well over half of HEW's employment is located in the Social Security Administration, the patient care components of the Public Health Service, and the Food and Drug Administration. All of these organizations estimate manpower on the basis of workload projections. Further, many parts of our other organizations have employment based on workload units. These include printing plants, the Central Payroll organization, the Audit Agency, and many others. In other words, Mr. Chairman, I believe that most of HEW's employment is related to specific workload factors. For the remainder—primarily such enterprises as program direction, research, and the like—employment requests are often subjective. However, most organizations have a difficult time developing reliable objective data on which to base employment for this kind of labor. Of course this does not mean we should cease trying, and we will not.

VALID CRITICISMS CONTAINED IN THE REPORT

I believe the factors that I have emphasized above are important pluses in HEW's manpower policies and practices. There are some significant minuses, however, and the report points these out. We intend to do something about them. These include:

Insufficient long-range manpower planning.

Some reasonably good studies of manpower utilization and administrative simplification (FAST), but no real system for in-depth analysis of manpower requirements and followthrough on the recommenations.

Use of ceilings as the major (even sole) control of manpower.

Lack of data on employment supported by HEW contracts and grants.

Confusion in the relative roles of regional personel vis-a-vis HEW headquarters agencies and the Office of the Secretary.

In many instances and over a fairly long period of time, we have recognized most of these deficiencies and have been working to correct them. Particularly with respect to headquarters-regional-field relation-

ships, the Secretary has assigned a high priority to clarifying these relationships and strengthening regional operations. You may have read recently in the papers of a meeting the Secretary held at Camp David with his regional directors and assistant secretaries to move forward on these matters promptly and vigorously.

We are not satisfied that the present system of employment ceilings is an effective way to control and insure the most efficient use of manpower. What we need is a better system for analyzing and measuring manpower needed to do an efficient job, not just this year, but over a long period of time. We could then relate our employment requests to this plan—revising it, of course, as circumstances dictate—and allowing administrators to meet their employment needs within that plan. I believe the report implies that we should develop more sophisticated methods of employment planning and control. We endorse that conclusion and will continue to move as rapidly as we can toward developing such methods.

The subject of obtaining information about the number of people we support and salaries we pay on our grants and contracts seems of increasing interest to the Congress. I confess to an ambivalence on this subject.

It would be useful data, and I cannot argue that Congress or anyone else is asking an irrelevant question when they ask for this information. The fact that the people who administer SSA are counted as Federal employees and those who administer public assistance are non-Federal employees does not, I agree, constitute a reason for knowing how many we support in one instance and not knowing in the other. One can make a similar case, I suppose, with respect to our contractors and grantees. Nonetheless, to obtain actual counts of the non-Federal employment we support would be an expensive matter. It would involve hiring additional employees and it would certainly involve fairly significant costs for gathering and compiling the information. Is the information thereby gained worth it? The only answer I can give is that if Congress feels that it wants actual data, we shall obtain it. But I think both the Department and the Congress need to consider this further before establishing an additional reporting system.

SUMMARY

In conclusion, Mr. Chairman, I wish to emphasize that reports such as this one on the manpower policies and practices of HEW are always helpful. As you know, we have only had a chance to analyze this report for a brief period of time. You may be assured that we will study it carefully and take its comments and criticisms most seriously. Much of what it contains points the way to necessary improvements in our manpower practices.

While I would be the first to admit that our manpower systems and practices need improvement, I also want to reiterate that we have a tight system of manpower controls within HEW. We are, I believe, keeping employment levels to absolute minimums. Finally, let me again assure this committee that, to the best of our knowledge, we have never exceeded either the employment or the fund authorizations that the Congress has established.

I will be pleased to answer any questions the committee might have.

AGENCY BUDGETED POSITIONS AND CEILING

Mr. NATCHER. Thank you, Mr. Veneman. Now on page 4 of your statement, you pointed out to the committee that you have a revised table which attempts to clear up the confusion by providing data on total budgeted positions and employment ceilings, as well as increases.

I wonder if you would submit that for the record.

Mr. VENEMAN. We certainly will, Mr. Chairman.

(The information follows:)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE—ANALYSIS OF 1971 APPROPRIATED POSITIONS AND EMPLOYMENT CEILINGS

	1970 base		Increase		1971 total	
	Appropriated positions	Employment ceiling	Appropriated positions	Employment ceiling	Appropriated positions	Employment ceiling
OS	4,561	4,282	+334	+175	4,895	4,457
FDA	4,479	4,358	+93	+193	4,572	4,551
HSMHA	25,914	25,638	+792	+670	26,706	26,308
NIH	11,454	11,251	+159	+143	11,613	11,394
OE	2,784	2,676	+147	+216	2,931	2,892
SRS	1,841	1,766	+65	+100	1,906	1,866
SSA	51,245	50,602	+2,266	+2,250	53,511	52,852
Total	102,278	100,573.	+3,856	+3,747	106,134	104,320

THE NEED FOR SYSTEMATIC MANPOWER UTILIZATION REVIEW

Mr. NATCHER. This report contains many findings which will be useful to you and to this committee. One of the criticisms of the Department which concerns use the most is summarized on page 12 under the heading "Management Control of Manpower Utilization."

> Generally there was little in the way of systematic control of the utilization of the HEW manpower resources. Efforts were mainly on the basis of special task forces, fragmentary analysis, and one-time reviews. There was no emphasis on manpower controls in the Department, except for the ceilings imposed by the Office of Management and Budget. It appears that the practice was to get as many dollars and people as possible and then accomplish as much of the program as possible with the personnel received rather than examining operations to see where manpower could be saved.

Shouldn't a Department the size of the Department of HEW, with over 100,000 employees, have a system of continuing review of your operations and staffing requirements, rather than relying on one-shot studies, special task forces, and so forth, which create a lot of excitement for a while and then are forgotten?

What do you have to say about that, Mr. Veneman?

Mr. VENEMAN. Mr. Chairman, it should have and it will have.

Mr. NATCHER. That is a good answer.

IMPROVEMENTS IN MANPOWER UTILIZATION REVIEW

Mr. VENEMAN. That will be under Dr. Brady, the Assistant Secretary for Administration and Management.

Mr. NATCHER. How can we be sure that it will be a real manpower utilization system and not just some kind of paperwork exercise with a lot of reports and no results, Mr. Veneman?

Mr. VENEMAN. Dr. Brady.

Dr. BRADY. I think the best way we can insure that this objective that the chairman has suggested is achieved, is by establishing a formal group directly under our Deputy Assistant Secretary for Management. This group will have as its formal responsibility a continual review of the manpower utilization of each of the agencies, as well as the Office of Secretary.

This can be done in a number of ways. Initially, I think we must first evaluate those work factors which are currently being utilized by over half of the Department in evaluating manpower, and see that those factors are appropriately reflecting valid manpower needs.

Secondly, I think we need to examine the areas in the department that do not have work factors to see if work factors are indeed appropriate at all. For example, research type activities, program administration type activities. It is very difficult to measure manpower in those areas and in those areas I think we have to look very carefully at the functions being performed, and ask ourselves repeatedly, is this a function that is necessary to be performed, and if so, can we make an objective judgment about the amount of resources that are necessary.

THE 1969 MANPOWER UTILIZATION PROGRAM

Mr. VENEMAN. Mr. Chairman, the report was somewhat critical of the Manpower Utilization Program we put into effect in 1969 shortly after Secretary Finch came into the Department. I think the result of that was beneficial to the Department, because for the first time we went in and really took a look at the manpower base and the allocation of manpower resources, one agency versus the other. I think that the manpower utilization review that was conducted then would really provide a sound base upon which a continuing program can be developed. I think this probably would be your launching pad for this kind of review.

Dr. BRADY. It would be.

DETERMINING HOW MUCH STAFF IS NEEDED

Mr. NATCHER. The report states that there has been no systematic approach to determining staffing needs and preparing budget requests for NIH, the Office of Education, and the Social and Rehabilitation Service.

Now, Mr. Veneman, how do these agencies determine how much staff they need?

Mr. VENEMAN. I will let Mr. Cardwell respond.

Mr. CARDWELL. This is obviously the most difficult area with which to deal.

A typical case perhaps might help put the problem in perspective. Last year the Congress authorized the establishment of the Environmental Education Act. That act essentially calls for grants—contracts are also allowed—to be made to colleges, universities, school districts, and other public and private nonprofit organizations for the training of personnel in teaching about environmental quality and teaching about ecological balance. It also authorizes seminars, demonstrations, and technical assistance.

The question then arises, Does it take any additional employees to administer such a program? In this particular case, the Office of Edu-

cation might have proposed, based on an entirely subjective conclusion on their part, that they needed an additional 10 people to administer this new program.

This would come to the Department in the form of a budget proposal. The Department would normally ask some questions about it. We might ask: How is it different from some other program? We might measure the number of people against the number of people engaged in a similar program. That is about as far as we could go.

It could be that the other program against which we were making a comparison might be overstaffed, and at that point we would really have no way of knowing it.

It is a highly subjective process. We kind of, I guess, influence the process primarily by approaching it rather cynically by asking critical questions of the proponents.

I think that, as Dr. Brady has pointed out, we are going to have, looking into the future, a very difficult time developing workload measures for some of those activities.

On the other hand it is not a hopeless cause. I do think we can find out more about, and should find out more about, how many people it takes to administer a typical grant activity. There are similarities in grant activities that can be translated from one program to another. This kind of information is what the review group that Dr. Brady is setting up should hopefully be trying to develop. It will in the long haul depend on their capacity to build information about units—units of measure, units of time, the equivalence of people related to dollars and things of that sort.

That is a very long answer. I am not certain it helps you.

Mr. MILLER. Could I add another illustration?

Mr. NATCHER. Yes.

DETERMINING STAFFING NEEDS AT THE NATIONAL INSTITUTES OF HEALTH

Mr. MILLER. I was budget officer at NIH at one point in my misspent career. The way NIH handles it is that the review at higher echelons tends to be about which priority areas of research will move ahead but not how the research shall be performed. NIH will then determine best what percentage should be devoted through in-house research. Once that decision is made, NIH is very careful about determining the number of new scientists and lab assistants they need. They have scientific directors in each of the Institutes of NIH who survey each of the labs and make fairly detailed examinations of the amount of new staff needed.

Then they meet with the scientific director of NIH and go over the plans. While subjective, it is a fairly carefully worked out project.

GREATER USE OF WORK MEASUREMENT TECHNIQUES

Mr. NATCHER. Do you think it would be possible to use work measurement techniques to a greater extent than you do now?

Mr. CARDWELL. Yes, definitely.

Mr. NATCHER. Do you intend to do this?

Mr. CARDWELL. We are going to try to do it. I think I want to avoid overpromising you. I think HEW is a very complex organization. It grew very, very fast. As a practical matter, we have, and I think still

today, lacked the capacity in the hierarchy of HEW to deal with these kinds of problems. There aren't enough skillful people available to us, frankly. On the other hand, over time, as we have in the past, we will gradually make these kinds of improvements.

If you look at HEW's employment, it grew tremendously in the fifties and mid-sixties. It has leveled off in the late sixties but it is about to take another upsurge with the welfare reforms and the social security amendments.

Every time one of those upsurges occurs, it puts the system under tremendous stress. Our capacity to keep pace with the growth is then tested.

I think we will progress. I think Dr. Brady's point and his ideas for dealing with the subject are the proper steps at the proper time. We are going to need time. It is really that simple.

PROBLEMS CREATED BY REORGANIZATIONS

Mr. NATCHER. Too much reorganization is something else that this committee has become increasingly concerned about. In the past several years there have been repeated reorganizations of almost every part of HEW. The findings are summarized on page 2 and I quote.

> Reorganizaions have created problems in the management and implementation of the programs administered by the Department. Regarding health and welfare activities, State officials advise that reorganizations have resulted in confusion, restriction of services, and indecisiveness on the part of headquarters and regional offices which have had an adverse effect on the implementation of programs at the State level.
>
> A State official states that difficulties have been experienced in resolving problems resulting in delays in program implementation and that reorganizations have impaired the efficiency of the Department of Health, Education, and Welfare in administering programs.
>
> Another State official said there was utter and absolute confusion in the Department of HEW during the last 2 or 3 years due to the numerous reorganizations of health activities.

Don't you agree that it is time to stop reorganizing and get down to the tough job of looking after this Nation's health, education, and welfare?

Mr. VENEMAN. I think, Mr. Chairman, since I have been here, the reorganization that has taken place has been essential reorganization. I think the most significant change, of course, during my tenure was the reorganization of the Feod and Drug Administration. Most of the other components of HEW stayed essentially the same.

I think what happened with some of the State officials is not reorganization causing them problems in communicating with HEW with regard to programs they are involved in, but the relationship with the regional office. We have had some changes in the regional offices since we have been there. First of all as you may recall, the President reorganized most of the domestic programs on coterminus lines. The Department of Labor, HEW, HUD, all have the same regional offices now. So there were some changes made there. Some of the regional offices were changed.

I think once that is behind us, this will be much better for State agencies.

I can certainly understand a State official being critical when they had to chase to Dallas for one thing and Atlanta for something else and Chicago for something else. At least this kind of confusion and waste is being minimized.

Second, I would have to concede probably there was confusion in some regional offices because of changes of personnel. As far as departmental reorganization per se was concerned, there hasn't been too much of that in the last 2 or 3 years except for the Food and Drug Administration.

FORMING THE DEPARTMENT OF HUMAN RESOURCES

Mr. NATCHER. Are you working on any more reorganizations within the Department, Mr. Veneman?

Mr. VENEMAN. Absolutely; a big one, Mr. Chairman.

The President has submitted to the Congress a complete reorganization plan that would virtually abolish HEW and place it in the Department of Human Resources.

Mr. NATCHER. Do you favor that plan?

Mr. VENEMAN. I do, Mr. Chairman. I think that you have there a good initiative on the part of the administration.

SOCIAL AND REHABILITATION SERVICE STAFFING IN REGIONAL OFFICES

Mr. NATCHER. According to the report, there appears to be overlapping of responsibilities in the regional offices particularly in the Social and Rehabilitation Service where you have a large assortment of associate regional commissioners, deputy regional commissioners, regional coordinators and so on.

Have you looked into this situation, Mr. Veneman?

Mr. VENEMAN. We have, Mr. Chairman. I think SRS is probably the classic example of where a program is being operated in cooperation with the States. The Social and Rehabilitation Service, of course, has the Vocational Rehabilitation programs, the entire welfare program, the social service programs, all of which are essentially administered by the States. Most States are structured in such a way they have a department of vocational rehabilitation, a department of welfare, and require independent linkages to the regional offices.

I think there is a lot that can be straightened out there, but I think it would take care of itself if and when the welfare reform bill goes through. I think a lot of that will be covered.

DECENTRALIZATION OF AUTHORITY TO REGIONAL OFFICES

Mr. NATCHER. A more general criticism and one which has concerned this committee for many years deals with the whole question of regionalization. According to the report there is a strong indication that the decentralization process just results in another layer of bureaucrats because the agency headquarters in Washington will not release any authority.

What is your present policy on decentralizing operations to the regional offices?

Mr. VENEMAN. This goes right along with the task force study and some of the other studies that have been made. The policy, Mr. Chairman, is to provide to the regional director as much authority as we can possibly grant him within the constraints we have given the program. In other words you can't make him an independent secretary.

The direction has been for decentralization of authority. It is not the kind of thing that will occur overnight. I think again, in the past 30 months, we have made some great progress in this area.

DELEGATING DECISIONMAKING TO THE REGIONS

Mr. SMITH. Does this separate decisionmaking from implementation of the decisions? What was the purpose of your decentralization? Was it to transfer decisionmaking to the region, or implementation?

Mr. VENEMAN. Both; there is an awful lot of decisionmaking, Mr. Smith, that was being carried out in Washington that didn't necessarily have to be made on that level.

Mr. SMITH. Then they were justified in assuming they were supposed to get the authority to make decision too?

Mr. VENEMAN. That is right. What I tried to identify was that there are certain decisions we have to retain here, and I think we will all agree to that. For example, in the grant programs where all decisions were being made in Washington, a lot could have been made elsewhere.

Mr. SMITH. That is the criticism the chairman referred to. We do hear from the regions that they really aren't getting the chance to make decisions.

Mr. VENEMAN. I think the study done by the Federal Assistance Task Force indicated in one case there were some 70 or 80 steps that a grant went through for final approval. They eliminated about 50 procedures that were involved. A lot of those grant programs can be decided at the regional level. There is no reason we have to move that paper back and forth, particularly with the increase in postage rates.

Mr. CARDWELL. Isn't it fair to say as of this given month we haven't gone as far as we can or will in decentralizing both decisionmaking and implementation?

Mr. VENEMAN. That is why I pointed out it is not an overnight situation.

Mr. CARDWELL. I think we are the first ones to admit that.

TRANSFERRING PERSONNEL WITH DECISIONMAKING POWER

Mr. NATCHER. On the other hand, Mr. Veneman, if you really are delegating authority to regional offices, shouldn't you transfer the positions to go with it? According to the report on page 80, "There are two people making policy in headquarters for every one doing work in the regions."

What do you think about that?

Mr. VENEMAN. I wish we had that many people in headquarters making policy.

Mr. Chairman, I get back to the point I made earlier. The distribution of manpower doesn't necessarily directly relate to authority.

We can give the regional offices more authority, more of the implementation power and decisionmaking power without necessarily trans-

ferring bodies into the region. By saying that I am not suggesting that they don't need more help out there. I think the area where they really need help is in the area of providing technical assistance to States and units of Government that are implementing our programs for us.

Mr. SMITH. On the other hand you could transfer functions or bodies and work without transferring the decisionmaking?

Mr. VENEMAN. Where I get into a problem here, Mr. Smith, is why transfer somebody out there unless there is a job for him, unless he is trained to do a job.

Mr. SMITH. I am not talking about jobs. I am referring to functions.

Mr. VENEMAN. There is one area or two areas, where I think some of our health people have been shifted to the field as a result of transferring a function from headquarters in the last couple of years specifically.

Mr. MILLER. Health Services and Mental Health Administration.

Dr. BRADY. HEW in many of its programs is largely in the grant-making business.

Mr. NATCHER. Ninety-six percent. Isn't that about right?

Mr. VENEMAN. One way or the other though, the funds flow.

Dr. BRADY. If we excluded trust funds, that is right.

If we are to count the number of people who are actually working with HEW funds in the regions versus headquarters, and counted grantees as those in the region, we would probably find a ratio that might be 5 or 10 to 1, region versus headquarters.

I think that is a very important concept to keep in mind as we evaluate headquarter's people versus regional.

Mr. VENEMAN. I think a point that has to be made is it would be easy to put an even larger staff out in the field in the Social Security Administration if you made them keep all their accounts in ledgers but it doesn't make much sense when you have computers.

INCREASING THE RESPONSIBILITY OF REGIONAL DIRECTORS

Mr. NATCHER. Another serious problem seems to be lack of coordination in the regions. Apparently the regional directors feel they have little or no authority and they are presiding over 250 different programs, each one going its own way.

What do you have to say about that?

Mr. VENEMAN. I think again this gets to the point I made and Mr. Cardwell made that we recognize this as being a problem and we are trying to do something about it. We are trying to give more authority and control to the regional director over these programs.

EMPLOYMENT CEILING DECISIONS VERSUS CONGRESSIONAL INTENT

Mr. NATCHER. We are, of course, also very much concerned about the statement in the report that HEW is issuing employment ceiling allocations which are not in accord with congressional action.

The report states on page 11 that for 1971 the Social Security Administration

> received a ceiling allocation of 1,050 whereas Congress allowed 1,811 positions. The difference of 761 positions was in effect an assessment from its congressional allowance to increase the levels of staffing in other agencies.

Is this statement accurate in your judgment, Mr. Veneman? If not; why not?

Mr. VENEMAN. No, Mr. Chairman. I spoke to that in my opening statements on pages 5 and 6. As I indicated, at no time have we gone over the congressional authorization.

As I pointed out, Social Security has the number of additional positions that was authorized by Congress. They have been provided the full 1,800 end-of-year employment increase which was budgeted in 1971. Social Security employment has actually been at the higher level throughout most of the fiscal year.

Mr. CARDWELL. Could I try to help?

Mr. NATCHER. Yes.

Mr. CARDWELL. I think this is a case of two views of the same set of facts. The data used by the investigative staff at the time they drafted the report I believe was accurate. The increase that had been approved for the Social Security ceiling for 1971 up until that date did not equal the increase in budgeted positions approved by Congress for the same year.

But the writer of that report just assumed they were one and the same thing—the ceiling at that point in time meant we were inconsistent with the authorized positions for the year.

We have always viewed that we are duty-bound to stay within the aggregate number of positions authorized by the Congress for any appropriation or account. It is to be expected from time to time within that total some days some accounts will be very close to it and some days will be quite far behind it.

Social Security had been held down in terms of its capacity to employ up to that ceiling. We have been deliberately holding them down as we have been deliberately holding all of our agencies down. This is a mandate that comes from the President. It is one of the reasons why HEW employment is actually lower by several thousand in the aggregate than the cumulative aggregate employment previously authorized by the Congress.

We could actually under congressional authorizations have more employees today than we have.

This is what the investigative staff no doubt ran into.

What has happened in the meantime is that we have actually increased SSA ceilings. So if the same committee were to use the same set of facts, even using their view of it, they would find a different set of facts. They would find that the increase in the ceiling does equal the congressional increase.

However, we have still not made up the difference of about 650 employees that existed when the fiscal year started. As of the start of fiscal 1971, SSA was about 650 employees in terms of our ceiling, under the level that the Congress had authorized. We are now considering making that up to them so they can help get ready for the new workloads they will face when the social security amendments take effect.

Mr. SMITH. Can you make that up?

Mr. CARDWELL. We can't make it up. We have an employment ceiling from the Office of Management and Budget on the aggregate significantly below your authorization. Social Security accounts for over half of our total employment. If we kept Social Security at full budgeted employment, we would have to cut other activities way, way below.

INFLEXIBILITIES IN POSITION CEILINGS

Mr. SMITH. Perhaps you are being a slave to the figures for numbers of positions rather than overall costs for employees?

Mr. CARDWELL. Yes. You could argue, and it would be a very reasonable argument, that employees' employment ceilings are too inflexible and too arbitrary a way of controlling manpower, and better control is dollar control. You give a program manager so many dollars and say, "Buy whatever people you will need for this amount and we govern you on the dollars."

Mr. SMITH. In that case, without overtime you get by with less dollars.

Mr. CARDWELL. This is true to an extent. To a large extent SSA's preparatory work for enlarged workloads has to be done in overtime because you have to use the employees in place who already have the skills developed.

But the Federal Government, the executive branch, has had a system of employment ceilings now that is in its fifth year. It goes back to the late 1960's. It became a part of public policy following the Revenue and Expenditure Control Act imposed by the Congress in 1968.

When the President asked that the employment provisions of that act be repealed, he pledged the Congress that he would take steps to control aggregate employment, and it is the employment ceiling device that is being used.

CONGRESSIONAL ATTITUDE ON EMPLOYMENT CONTROL

The question today is how does Congress want the executive branch to control employment. What advice do you want to use? Congress has been as confused about this as we are. One year it wants an expenditure ceiling, the next year it wants to go back to the routine of using the budget employment levels and positions requested as the level, and in some other year it might also have a fixed Federal employment ceiling. We have had all three things in the last 5 years coming from the Congress.

Mr. SMITH. There should be some alternative surely. In other words, a limit on the number of positions could be waived where it costs less money to add jobs than pay overtime. You have the other case in the State Department, you know, where bringing people from overseas increase the cost rather than reduces it in some cases.

Mr. CARDWELL. We have reduced SSA overtime in the last 3 years significantly. It got up to a very high share of their total manpower. It is still probably too high.

INCONSISTENCIES BETWEEN EMPLOYMENT CEILINGS AND BUDGET REQUESTS

Mr. NATCHER. Isn't it misleading to ask Congress to approve additional positions when in fact the employment ceilings issued by the Office of Management and Budget do not allow you to fill the ones which Congress has already approved?

Mr. CARDWELL. A very good question.

Mr. NATCHER. What is the answer to that, gentlemen? Let's get a real good one in this record at this point.

Mr. CARDWELL. I think there are two primary values. One is that the employment ceiling is an aggregate ceiling for the entire Depart-

ment. By approving a budget level of employment through the appropriation process program by program, we still have the flexibility to go up to that level in a given case even though we might have to go below it in another case in order to stay within the aggregate.

So if you were to give us an employment ceiling which was arbitrarily pegged, say, 10 percent below that which you would otherwise approve, we would lose that much flexibility.

I think the other point is that we should continue through the appropriation process to measure each account, each appropriation, each program on its merit and make a decision as we see fit.

It is my judgment on overtime, and this is a personal opinion, that the Government will look back and conclude it has made a mistake in staying too long with rigid, fixed employment ceilings. In fact, the Department of Defense and the Office of Management and Budget are now engaged in an experiment which would drop the employment ceiling for them and would go to a dollar limit and give the Secretary of Defense the authority to work within the dollar limit consistent with his budget.

The reason they selected Defense is that Defense employment is actually going down at a fairly significant rate compared to the budget and compared to its earlier ceilings. In trying to control total Federal employment, there is no risk that Defense would be suddenly taking it over.

I think that experiment may well lead eventually to some other form of control. I think they are the two reasons for staying where we now are.

HEW FOLLOWTHROUGH ON THE MANPOWER REPORT

Mr. NATCHER. How can this subcommittee be sure that the findings in this report are given careful attention and followup and that it doesn't just go on the shelf to gather dust with all of the other reports and studies which have been made?

What do you say about that, Mr. Veneman?

Mr. VENEMAN. Mr. Chairman, I think the one assurance we can give you is that you are dealing with a subject here that is of equal importance to HEW as it is to the Congress and to this committee. Between Mr. Cardwell and Dr. Brady, I am sure the findings of this investigation will serve as a very essential base in trying to develop our manpower policy.

I can assure you it just hasn't been tucked aside to gather dust because the two copies I have been both filled with marginal notes. So somebody has already devoted a good deal of time to reading it.

Mr. NATCHER. Mrs. Reid.

RECRUITMENT LEADTIME FOR NEW PROGRAMS

Mrs. REID. Thank you, Mr. Chairman.

Mr. Secretary, how much leadtime do you usually give yourself before beginning recruitment of manpower for additional responsibilities given to the agency?

Mr. VENEMAN. As we get into new programs?

Mrs. REID. For instance, the new programs anticipated in social security?

Mr. VENEMAN. Actually what we do is try to anticipate what the end product of Congress is going to be.

I think a good example of that was the black lung program. When that program was passed, I remember talking to Mr. Ball, and I think between the time that the President signed the bill and the time it became effective was a matter of days. In this case, I think it was something like 30 or 60 days.

Mr. CARDWELL. Less than that, a matter of a couple of weeks.

Mr. VENEMAN. He had anticipated the need for personnel and for the most part had them in a row and ready to go to put the program into effect.

I think that is exactly what he is attempting to do now. Many of his people in Social Security are being trained to move into programs that he anticipates will occur when the Senate passes the bill.

Mr. CARDWELL. That is the cadre staff. He can't build up the full staff that quickly. He can take his own employees on board and start shifting some of them now. When he does this, he may have to offset by increasing overtime in the units they were taken from. It is a difficult problem. Social Security is very good at it. They have had a lot of experience in sudden and abrupt shifts and new workloads.

PAST UNDERESTIMATION OF STAFF NEEDS

Mr. VENEMAN. We have seen some disasters I might add.

I was fairly active in California when medicaid was put in. There was a case where the Congress signed the bill in something like November with the possibility of States being able to implement the program in January. I think the total staff when that program was passed on the Washington level was 39 people.

Mrs. REID. What is it now?

Mr. VENEMAN. Now it is about 146. It is still very, very low for the amount of money going into medicaid. It is implemented by the States. They conduct the program. When you consider the amount of dollars involved, I think it is a rather sad commentary on our oversight ability.

Mr. CARDWELL. The chairman asked earlier about how we would make a budget decision on whether to add staff in the case of, say, the Office of Education. He talked about an example where we decided not to add any staff. Of course, the concern of everybody here is that we were erring on the side of adding too many staff. But there are some programs such as medicaid and title I of the Elementary and Secondary Education Act where we made a terrible mistake by not adding enough staff. Now it is probably too late. It has caught up with us.

We didn't know enough and weren't able to measure well enough at the first opportunity. The first opportunity is usually the one that determines how much staff you are eventually going to have. If the new program isn't funded the first year or so, you have a tough time getting the Congress to recognize any change. We really erred in both directions and it is a product of a very complex situation.

SHIFTING PERSONNEL TO TROUBLE SPOTS

Mrs. REID. Are you able to transfer employees when the workload in one particular division has subsided and another has increased?

Mr. VENEMAN. That happens. I think probably the best example that I can anticipate of where this undoubtedly will happen is in the event we get into a more significant role on the Federal level in welfare

administration. It is going to require more Federal employees. Essentially the States do it now.

I think there are two key resource areas available for personnel there that can be transferred. One, of course, would be the State employees themselves that were qualified to carry out this function.

The other is in the Department of Agriculture, the people that they presently have assigned to the food stamp program which could be transferred over. The need will be depreciated there and be increased in HEW. I can see a logical transfer of people from that program into another kind of income maintenance program.

PUBLIC ASSISTANCE EMPLOYEE RETIREMENT SYSTEM

Mrs. REID. What type of retirement system is provided for those employees who administer public assistance? They aren't Federal employees.

Mr. VENEMAN. Those are State employees, Mrs. Reid, for the most part. If we are talking about those administering the welfare programs out in the field, those are under the State civil service or State merit system, whatever kind of program the particular State has in effect.

Mr. CARDWELL. Some of their retirement systems are quite good. The one in New York is rated by most I believe as better than the Federal.

Mrs. REID. Thank you, Mr. Chairman.

CONCLUSION OF HEARINGS ON 1972 BUDGET FOR HEALTH, EDUCATION, AND WELFARE

Mr. NATCHER. This completes the hearings on the budget request for the Department of Health, Education, and Welfare for the fiscal year 1972.

Mr. Veneman, we want to thank you and Mr. Cardwell and the members of your staff for appearing at this time and we appreciate the assistance we have received from the Department during these hearings.

Mr. VENEMAN. Mr. Chairman, let me reciprocate by expressing our appreciation. I haven't had the opportunity to appear before the committee on too many occasions, but I can assure you that the members of the staff that have reported back to me on practically a daily basis after the hearings are most appreciative of the cooperation that you and the members of this committee have given. We are very grateful.

I think we have an excellent relation between this committee and our Department. I think we have the benefit of being candid and straightforward with what your needs are and what your requests are. I think it has made for an effective legislative-executive branch relationship.

Mr. NATCHER. Mr. Veneman, further I would like to state on the record that Mr. Miller has been with the committee all through the hearings and he has done an excellent job and has certainly been of great assistance to us in conducting these hearings.

Mr. VENEMAN. Thank you, Mr. Chairman. We are very proud of our employees.

Mr. MILLER. Thank you very much. I appreciate it. I enjoyed it.

Mr. NATCHER. The committee will adjourn until 2:00 Monday.

(The report on manpower policies and practices of the Department of Health, Education, and Welfare follows:)

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

A REPORT TO

THE COMMITTEE ON APPROPRIATIONS

U. S. HOUSE OF REPRESENTATIVES

on the

MANPOWER POLICIES AND PRACTICES OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Surveys and Investigations Staff

April 1971

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

April 5, 1971

MEMORANDUM FOR THE CHAIRMAN

Re: Manpower Policies and Practices
of the Department of Health,
Education, and Welfare

By directive dated July 28, 1970, the Committee requested that a study be made of the personnel policies and practices of the Department of Health, Education, and Welfare regarding the hiring and utilization of personnel.

The investigation has been completed and the results are contained in the attached report.

Respectfully submitted,

Paul J. Mohr, Director
Surveys and Investigations
House Appropriations Committee

SUMMARY

AND

TABLE OF CONTENTS

		Page
I.	INTRODUCTION	1
	A. Directive	1
	B. Scope of Inquiry	1
II.	BACKGROUND	2
	A. History of Organization	2

The Department of Health, Education, and Welfare (DHEW) is a widely diverse organization in terms of its goals and programs. For example, the Public Health Service had its origin in the Act of July 16, 1798, authorizing marine hospitals for the care of American merchant seamen. The Office of Education was created by an Act of March 2, 1867. The Food and Drug Administration was established in 1931, although similar law enforcement functions had been carried on under different organizational titles since 1907. The Social Security Administration was organized in 1935.

DHEW was created by Reorganization Plan 1 of 1953 for the purpose of improving the administration of those agencies of the Government, the major responsibilities of which were to promote the general welfare in the fields of health, education, and social security. At that time, DHEW had 35,408 full time employees and a budget of about $7 billion.

	B. Appropriations, Programs, Organization	3

Appropriations for DHEW consist of Federal funds from general revenues and from trust funds earmarked for a particular purpose. The most significant trust funds are those administered by the Social Security Administration. DHEW's budget for FY 1970 was estimated at $17.4 billion in Federal funds and $40.7 billion in trust funds, or a total of $58.1 billion.

DHEW administers more than 250 separate Federal assistance programs. About 90 percent of the funds appropriated is allocated to agencies of state and local governments, colleges and universities, private voluntary agencies, hospitals, research institutions,and individuals in the form of grants. About

Page

$15 billion of DHEW's appropriated Federal funds of $17.4 billion in FY 1970 was spent in this manner. With regard to trust funds, the Social Security Administration was paying benefits at the annual rate of $38 billion by the end of FY 1970.

In view of the several basic but quite distinct program areas, the action programs of the Department are carried on through six constituent agencies, with key responsibilities delegated to agency heads. Broad policy and program direction and intercomponent coordination rest with the Secretary of DHEW and his staff. DHEW is structured organizationally at three levels: headquarters or central offices, regional offices, and field offices. Headquarters for the Office of the Secretary and the operating agencies are located in the Washington, D. C. metropolitan area with the exception of the Social Security Administration which is located in Baltimore, Maryland. Programs are also carried out through ten regional offices and, in addition, several agencies administer a network of field installations, such as Social Security Administration district and branch offices, Public Health Service hospitals and Indian Health Service faciities.

III. REORGANIZATIONS 6

Since its creation in 1953, DHEW has grown in personnel, appropriations, and in the number of assistance programs administered. DHEW has maintained that periodic reorganizations of the Department and its components have been necessary to unify overlapping programs and to focus the agencies on specific objectives. During the period 1966 through 1970, numerous reorganizations occurred within DHEW and within its major components.

Reorganizations have created problems in the management and implementation of the programs administered by the Department. Regarding health and welfare activities, state officials advised that reorganizations have resulted in confusion, restriction of services and indecisiveness on the part of headquarters and regional offices which have had an adverse effect on the implementation of programs at the state level. A state official said that difficulties have been experienced in resolving problems, resulting in delays in program implementation and that reorganizations have impared the efficiency of DHEW in administering programs. Another state official said there was "utter and absolute confusion" in DHEW during the last two or three years due to the numerous reorganizations of health activities.

Officials of the National Institutes of Health maintained

Page

that the Bureau of Health Professions Education and Manpower Training should be maintained in that agency since the Bureau had been in a state of reorganization or movement since its establishment in 1967. They noted that the academic community has been seriously unsettled and confused by what it perceives as vacillating Federal action. A Regional Commissioner of the Food and Drug Administration stated that the continual reorganizations of the agency have impeded the development of long-range operational plans and manpower requirements.

IV. PERSONNEL STATISTICS 11

The management information system, at the Departmental level, does not produce information on a routine and current basis to show the extent of staffing of headquarters, regional and other field activities, the relationship of Washington headquarters staff to the field, or other essential information for the effective Department-wide management of manpower. Therefore, the Department can neither effectively exercise supervision and control nor ascertain the direction of manpower trends.

At the Staff's request, personnel statistics for a five year period ending June 30, 1970, were developed by the Manpower Analysis Group of the Department after contacting the operating agencies and field activities. These statistics revealed that total employment grew from 99,810 in FY 1966 to 111,776 in FY 1970. With regard to the increase of 11,966 during this period, 5,890 or 49.2 percent occurred in the Washington area headquarters, 1,894 or 15.8 percent in regional offices, and 4,182 or 35.2 percent in field activities. As of June 30, 1970, there were 47,755 employees in the Washington area headquarters, 4,545 employees in regional offices, and 59,476 employees in field activities.

V. PERSONNEL MANAGEMENT 14

A. Administration 14

Management and control of DHEW personnel must be within the constraints of extensive procedures and regulations established by the Civil Service Commission and personnel activities must also meet requirements of the Office of Management and Budget (OMB) and of the Commissioned Corps of the Public Health Service, where applicable. DHEW administers a wide spectrum of programs, and responsibilities and authorities have been delegated to organizational units with common spheres of interest. While the Department's organization for personnel management is the Office of Personnel and Training (OPT), there has been a pattern of

Page

maximum delegation to the operating agencies to manage their own personnel programs. Within the agencies, varying patterns of delegation have been made.

B. Effectiveness of Personnel Management 15

The wide variation in approaches to personnel management and decentralized organization have created a complex personnel management structure. A March 1970 internal study report, disclosed that, at the Department level, leadership and guidance to the operating agencies had been minimal with no basic concept governing organization and administration of personnel activities resulting in little influence on personnel activities in the field. The agencies were devoting inadequate attention to planning the staff management of their nationwide personnel programs and to personnel services for field employees. Agencies tended to overcentralize personnel authorities at headquarters and demonstrated marked organization inconsistencies in their personnel structures. At the regional level personnel offices lacked authority, responsibility and staff. These deficiencies have resulted in inefficient service to employees of the Department and to Departmental management.

1. Inadequate Leadership and Guidance from the Department 16

OPT was for years a small organization, engaged in promulgating Departmental policy and instruction in the area of personnel administration. Officials of OPT advised that in view of the lack of imput for many years from the Department, the operating agencies became independent and autonomous and managed and administered their personnel operations totally within agency defined objectives and criteria. In recent years, any effort by OPT to exert influence in the operating agencies has met with stiff resistance.

The Department, having little impact with the agencies, had even less influence with regional personnel offices which had been placed organizationally outside of OPT and in the Office of Field Coordination. Regional personnel offices were described as nothing more than paper processing operations.

2. Imbalances in Staffing of Personnel Offices 17

Personnel offices were established without guidelines or criteria and with no effort to coordinate the needs of the Department with available resources in any geographical area. As of September 1970, there were 54 appointing authorities in DHEW. The ratio of personnel staff to employees served varied between the Office of the Secretary and the operating agencies,

Page

between regional offices, within a region and within an agency. Examples of the variance in the ratio of personnel staff to employees served are as follows: Office of the Secretary 1 to 96; Office of Education 1 to 117; Social and Rehabilitation Service 1 to 51; San Francisco regional personnel office 1 to 101; Chicago regional personnel office 1 to 306; Atlanta regional personnel office 1 to 213; Center for Disease Control, Atlanta, Georgia, 1 to 55; Public Health Service Hospital, Norfolk, Virginia, 1 to 70; and the Public Health Service Hospital, Seattle, Washington, 1 to 130.

An official of OPT stated that in the Chicago regional personnel office, one could only conclude that either the employees were not receiving the proper services or the agencies were handling personnel functions. This official also advised that approximately 1,200 DHEW personnel are located in the Los Angeles, California, area, however, none have access to a local personnel office. In contrast, a personnel office has been established in Portland, Oregon, to serve 175 employees scattered over several states.

3. Restrictive Delegation of Authority 19

Centralization in the agencies has fostered a lack of delegation to responsible officials in the regional and field organizations and has resulted in a number of exceptions and restrictions on personnel authorities in these activities. It has tended to impede managers and supervisors in solving problems, frustrate the exercise of initiative, remove responsibility from the action level and create numerous problems for those working within the system.

4. Approach to Corrective Action 20

The internal study report recommended, in general, a comprehensive review of personnel management and administration in order to improve the delivery of staff personnel services both to management and to employees throughout the Department. One recommendation, the consolidation of agency personnel offices at Rockville, Maryland, was implemented, as of November 1, 1970. A work group was established and assigned the responsibility for detailed planning and assisting the agencies in implementing field recommendations. Corrective action for regional and field offices is scheduled for completion by the end of FY 1972.

VI. MANPOWER AS A RESOURCE IN DHEW 23

The Department's management information system does not

Page

produce information concerning total requirements and total cost of manpower utilized for DHEW programs. While manpower and cost data were available for personnel directly employed by the Federal Government, such data for non-Federal employment supported by grants and contracts were not identified or summarized in the Departmental management information system.

A. Direct Federal Manpower Cost 23

For FY 1970, direct Federal manpower costs of $1,192,497,000 relating to about 112,000 man-years of effort were identified through the payroll system and annual accounting reports required by OMB. Included in the above amount was $38,687,000 for overtime of which over 75 percent applied to the Social Security Administration. In addition, $2,981,000 in fees for certain consultants or intermittent employees was paid under the Department's centralized payroll system. Other consultants hired under contract and paid outside the direct payroll system are not included in reports to OMB.

B. Indirect Non-Federal Manpower 24

Generally, the agencies of the Department do not maintain records of non-Federal employment supported by grants and contracts. At the request of the Senate Committee on Appropriations, the Department roughly estimated that it supported about 704,000 man-years of non-Federal employment at state and local governments, universities, non-profit research institutions, and private contractors.

C. Utilization of Non-Federal Manpower 27

Several significant areas were identified where non-Federal manpower was used to supplement federally hired employees. Contracts for research and development centers and education laboratories in the Office of Education, various types of consulting contracts in the National Institutes of Health, and evaluation contracts in the Office of the Secretary and operating agencies are examples to give some insight into the extent to which such manpower was used.

1. Office of Education 28

In a June 1970 report, the General Accounting Office set forth information showing that the Office of Education (OE) administered approximately 1,328 open contracts in FY 1969 totalling about $276 million. Of this amount, $107 million was for support, in whole or in part, of 9 research

Page

and development centers and 20 regional education laboratories. The centers and laboratories budgeted a total of 2,340 salaried positions for FY 1969, 178 of which had an annual salary of $20,000 or more. The report further revealed that OE used 578 individual consultants on a per diem basis for the period June 28 through December 13, 1969, at a cost of $314,000. Approximately 1,000 field readers were also hired under contract at a cost of about $377,500 during FY 1969.

2. National Institutes of Health 29

In FY 1970, the National Institutes of Health awarded 629 consultant contracts, totaling $256,411, for care and treatment of patients at its clincal center, special ad hoc reviews of research grant applications and certain functions to be performed on a one time basis.

3. Program Evaluation 30

Program evaluation is performed through grants and contracts awarded by the Office of the Secretary and the operating agencies. Evaluation has grown from a budget of about $6 million in FY 1969 to about $30 million in FY 1971.

The primary emphasis of evaluation is directed toward measuring the effectiveness or outputs of the programs. Evaluation contracts and grants are awarded to identify the impact of Federal support for programs or the products of the programs in terms of original objectives. Studies are also made to establish the capability or criteria with which the results of certain programs can be measured.

VII. ADMINISTRATION AND MANAGEMENT OF MANPOWER RESOURCES 32

A. Procedure for Determining Manpower Requirements 32

The procedures utilized for determining the manpower requirements of DHEW were as varied as the operations of its constituent agencies and ranged from detailed work measurements to judgmental approximations. There was little consistency in the extent that actual work load needs served as the basis for positions requested in agency budget submissions and that manpower determinations reflected long-range plans and entered into the development of operational plans.

1. Inconsistent Use of Work Measurement Procedures 32

In the Social Security Administration, manpower

requirements were based largely on specific work load measurements. However, in one bureau of that agency where 8,900 personnel were employed, due to the absence of a system for establishing job requirements and work measurements, staffing was estimated subjectively.

In field activities of the Food and Drug Administration, carried out by approximately 2,000 employees, work loads were estimated in terms of numbers of inspections to be made and samples to be examined. However, such work load measurements were not used by the central office where a substantial amount of laboratory work was also performed.

Manpower requirements for more than 15,000 employees of the Health Services and Mental Health Administration engaged in providing direct health services were related to specific work load measurements. In other activities of this agency, with the exception of grants management administration function, work load measurements did not enter into manpower determinations. For example, at the Center for Disease Control, with approximately 2,700 employees, the approach was to determine what work would be accomplished at given manpower levels.

At the National Institutes of Health and the Office of Education, manpower requirements were determined mostly on a judgmental basis with experience factors being used in a limited area. In the final review process at the National Institutes of Health, manpower requirements were adjusted with little or no regard to the bases used in making the initial determination at the institute or division level.

There has been no systematic approach to determining how many personnel were necessary to effectively administer the programs of the Social and Rehabilitation Service. An official advised that requirements were based on "what could be sold" instead of realistic manpower needs.

2. Factors Affecting Reliability of Manpower Base 35

With the exception of those agency components or programs where manpower determinations were based on application of productivity measures to related work load projections, the manpower base was not subjected to examination in the course of budget preparation and review. Justification was required only for increases to the base. Generally, increases in manpower were derived by applying percentage of

Page

increase, based on estimated increases in related work loads, or, in some instances, an arbitrary 10 to 15 percent. Under this method, the integrity of the manpower base could become so deteriorated that there would be no assurance that total authorized positions were commensurate with work load requirements.

B. Budgetary Process 36

Planning-Programming-Budgeting (PPB) procedures, prescribed by Bureau of the Budget directives, were first implemented by DHEW in formulating the FY 1968 budget and 1969 legislative program. Prior budgets were developed mostly by building on the previous year's base and adding increases in funds where administration priorities, consideration of Congressional interest, or the bargaining power of program managers dictated. The five-year program and financial plan developed for the initial PPB submission was the first time, at the Secretary's level, a real effort had been made to look at the Department as a whole, to address alternatives and priorities, and to lay out at least a tentative program for five years into the future.

1. PPB Procedures for FY 1968 and FY 1969 37

In formulating the budgets for these years, the operating agencies prepared five-year program and financial plans based on decisions made by the Secretary on program objectives proposed by the agencies. However, major decisions were not made early enough in each of the years to allow the staff work necessary to translate the decisions into budgets and legislative proposals. Delays were also encountered in long-range plans with the result that long-range plans tended to be overtaken by the shorter range budget decisions which had to be made at the same time. Program memoranda, required by PPB, were prepared by the Office of the Secretary from long-range plans of the operating agencies. The memoranda were prepared for major areas of responsibility, such as education, health, and social services and income maintenance, rather than by agency.

2. Revised Budgetary Procedures 38

Commencing with the FY 1970 budget, draft memoranda were prepared by the Office of the Secretary prior to development of agency plans and served as the basis for decisions by Office of Management and Budget and the President as to DHEW priorities and goals. Based on these decisions, the Secretary established agency goals and planning guidance was issued by his office

62-917 O - 71 - pt. 4 -- 68

Page

setting forth areas in which agencies were required to undertake analytical studies to provide information needed to prepare final program memoranda.

One of the major problems inthis new procedure was that program goals for the agencies were set at the top and transmitted downward. Planning decisions were made by the Secretary without benefit of the views and preferences of the agency heads. In addition, the legislative and long-range planning processes were not integrated. The annual budget submission was the first point at which specific legislative consideration entered into the planning cycle.

3. Lack of Long-Range Manpower Planning 39

DHEW had no system for long-range manpower planning on a Departmental basis nor were the agencies required to determine manpower requirements on a long-range basis. Except for those agencies where work load could be projected over a long term, manpower requirements were not included in long-range plans.

C. Legislative and Administrative Constraints 40

1. Management of Employment Ceilings 40

A Manpower Analysis Group,consisting of three people in the Office of Personnel and Training, Office of the Secretary, has been functioning since the fall of 1969 and is primarily responsible for the allocation, control, and monitoring of the Office of Management and Budget ceilings. According to an official in the Office of the Secretary, the formation of this group represents the first time performance of manpower control functions has been assigned at the Departmental level. Previously, the provisions of the Revenue and Expenditure Control Act of 1968 applied to each operating agency by limiting the number of civilian employees through the use of ceiling controls. In April 1969, the Department began its Manpower Utilization Review directed toward continued personnel reductions through 1970. The ceilings established became the basis for allocation of the 1970 and 1971 ceilings.

The Office of Management and Budget holds the Department accountable for a single DHEW pool of manpower. The Department's policy is to administer employment ceilings on a completely flexible basis and transfer ceilings at any point in the year between agencies, so long as the ceilings do not exceed the Congressional position allowance

Page

for any one appropriation.

2. Differences Between Positions Authorized By Congress and DHEW Ceiling Allocations 42

For FY 1971, the Staff compared increases in positions granted by the Congress with Department ceiling allocations made to the operating agencies. The comparison showed several agencies were granted position increases greater than the Congressional allowances at the expense of other agencies. The ceiling allocations appear to conflict with planned levels of staffing intended by Congress and may result in adverse effects on programs.

The comparison also showed that the largest difference occurred in the Social Security Administration (SSA). This agency received a ceiling allocation of 1,050 whereas Congress allowed 1,811 positions. The difference of 761 positions was, in effect, an assessment from its Congressional allowance to increase the levels of staffing in other agencies.

3. Conflict with Intent of Congress 46

The Commissioner, SSA, objected to the allocation of ceiling made by the Office of the Secretary on the basis that the employment ceiling should be much closer to the full complement of positions that the President and Congress agreed to give them for their regular programs.

4. Adverse Effect on Programs 47

The Commissioner, SSA, identified several adverse effects that would result if the ceiling allowances were permitted to stand. Included were problems in handling additional work loads resulting from social security amendments and backlogs of requests for hearings in both the regular disability and Black Lung Program, and problems in strengthening regional operations. The SSA was also supplementing its manpower by using significant amounts of overtime. The Commissioner pointed out that the overtime situation was another example of types of problems they were trying to correct when they justified over 1,800 additional positions. The Staff was advised that officials of the SSA and Office of the Secretary were scheduled to meet the week of March 8, 1971, to discuss these problems.

Page

5. Ceilings Not a Substitute for Effective Manpower Management 48

The Staff's comparison of the Department's allocation of the 1971 ceiling increases with Congressional allowances disclosed problems in administering personnel ceilings and apparent conflicts with levels of staffing intended by Congress. Officials in the Office of the Secretary view ceiling allocations as top management's involvement in manpower allocations and as a principal tool in managing agency manpower.

While ceilings afford management some administrative control, they should not be used as a substitute for effective manpower management. Managers at operating levels should plan for and utilize manpower consistent with well-defined programs. There is a constant need for integrating manpower planning as an essential part of an agency's or an activity's overall planning system.

D. Management Control of Manpower Utilization 50

Generally, there was little in the way of systematic control of the utilization of DHEW manpower resources. Efforts were mainly on the basis of special task forces, fragmentary analysis, and one-time reviews. There was no emphasis on manpower controls in the Department except for the ceiling imposed by the Office of Management and Budget. It appeared that the practice was to get as many dollars and people as possible and then accomplish as much of the program as possible with the personnel received, rather than examining operations to see where manpower could be saved.

1. Management Staff Functions Relating to Manpower Utilization 50

The Office of Management Systems in the Office of the Assistant Secretary for Administration, was charged with the responsibility of evaluating and improving the organization, management, and operational systems of the Department's programs. However, it was not performing an effective management analysis function in relation to manpower utilization on a continuing basis. Previous reports of management studies had identified areas where economies in both manpower and funds could be effected and had recommended actions to improve the efficiency. In most instances, these reports were not utilized with very little, if any, action being taken to implement the recommendations. There was a lack

Page

of support from top management in the Department to foster improvements in management systems.

The Program System Office in the Office of the Assistant Secretary for Planning and Evaluation was responsible for over-all analysis and planning of new programs. However, it was not concerned with manpower planning related to programs, nor the implementation and internal efficiency of programs. The Evaluation and Monitoring Office was primarily involved in determining the effectiveness of the programs in reaching their objectives, rather than the efficiency of program management. None of the evaluations involved reviewing the utilization of manpower.

The Division of Operations Analysis in the Office of the Assistant Secretary, Comptroller, was specifically responsible for establishing and maintaining a Department-wide budget execution system. Other functions included developing policies for efficient and effective expenditure of funds, performing special studies of organizations and processes for the purpose of improving methods and procedures, and coordinating and stimulating development of recommendations for improved program operation. An official of this Division advised that in the budget execution function, emphasis was on the billions spent on programs, rather than the cost of administering programs, including manpower, and that the Comptroller could not afford the "luxury" of using his staff to see where manpower could be saved within the Department, because there were more important things to get done.

Although the installation and management audits, conducted by the DHEW Audit Agency, in some instances, disclosed deficiencies relating to utilization of personnel, such internal audits did not have evaluation of manpower utilization "per se" as an audit objective. Audit efforts in regions visited by the Staff were concentrated mostly in examination of state and local agencies, with little being done in the way of internal management audits.

2. Manpower Utilization Review of 1969 54

The Manpower Utilization Review, initiated in April 1969, in anticipation of continued personnel reductions in FY 1970, was for the prupose of providing the Department with information needed for more effective allocation of manpower resources. The internal task forces assigned to this review were required to

Page

indicate the number of personnel allocated to specific programs and operations for FY 1968 and FY 1969 and the planned allocations of the reduced personnel for FY 1970, with identification of shifts of personnel from lower to higher priority work and explanation of consequences of elimination or significant reduction of programs. Inasmuch as the task forces were involved in the review for a period of only 8 to 10 weeks, there were no in-depth studies made to determine whether personnel allocated to programs and operations were utilized effectively and efficiently.

3. Federal Assistance Streamlining Task Force 55

The Federal Assistance Streamlining task force was created in DHEW to review the more than 250 programs in order to identify and implement every opportunity for elimination, simplification, or decentralization. The primary objective of this task force was to eliminate paper work, cut red tape and speed up grant processing in order to make it easier for state and local agencies to do their job. In addition, there were also benefits to DHEW in terms of improved program effectiveness and manpower savings expected to result from implementation of the recommendations of the task force. In a report of activities through September 1970, it was estimated that the task force would free as well as save numerous man-years and man-days of state and Federal manpower. However, the weakness of the task force was the lack of authority to assure that recommended changes were implemented.

4. Operational Planning System 57

In early 1969, the then Secretary of DHEW determined that he had no control over DHEW or its operating agencies except for the budgetary process; that there was a lack of emphasis on achievement of results, and that each agency head was experiencing the same lack of control over his agency except for the budgetary process. In March 1970, DHEW established the Operational Planning System in order to fill a critical gap in operational management and to create an environment which focused management attention on achieving results. It was designed to provide a frame work for translating budget allocations in high priority areas into specific operating plans, and furnishing feedback on progress against plans.

Page

The Operational Planning System accounted for only a fraction of the Department's total resources. There were no provisions for determining whether objectives were reached with efficient utilization of manpower. An official of the Office of Education advised that the failure of the system to include a tie-in with manpower utilization was a "missing link" in the system. In an August 1970, report of a management consulting firm, it was indicated that the Operational Planning System was not integrated with long-range planning and budgeting and was a new system piled on top of all other existing systems.

VIII. REGIONAL OFFICE OPERATIONS 62

A. Introduction 62

Over the years, the mission of the regional offices has been expanded for the purpose of facilitating the work of the Department, coordinating program activities, and providing services to people, state and local agencies. Various Secretaries of DHEW, in recent years, have emphasized that the Department's work has been dependent on the active participation of the Federal Government on one hand and the state, local, and non-government groups on the other. They advocated that the regional organizations be strengthened and given greater authority for effective decision making at the local level.

As a result of a study on education, which pointed out that a program exceeding $3 billion and reaching 50 states could not be effectively administered solely from Washington, the Office of Education in 1966 endeavored to decentralize the administration of specific programs. However, in the face of strong opposition from major national education organizations to regional administration, the Office of Education, in 1968, reverted to a policy of central office administration.

Following a Presidential announcement relative to modernization of government operations, the Secretary of DHEW, in 1969, decided that headquarters staff would concentrate on policy development, program direction, planning, training, and evaluation while regional and field personnel would be responsible for planning and implementation of programs, technical assistance, grant reviews, awards, and monitoring.

B. Status of Decentralization 64

In the Fall of 1970, the Office of Field Coordination

Page

was assigned responsibility for ascertaining the status of decentralization in DHEW. It found no hard data available and, therefore, in December 1970, undertook a study to identify programs decentralized and resultant positions transferred to regional offices. As of February 16, 1971, no formal report had been prepared, but it was contemplated that a memorandum would be submitted recommending further study.

C. Regional Organization 65

The Regional Director is assisted by staff and operating units of the Office of the Secretary. During 1969 and 1970 the Office of the Regional Director was enlarged by adding such offices as the Deputy Regional Director, Executive Officer, Regional Engineer, and Assistant Regional Directors for Health and Scientific Affairs, Child Development, and Intergovernmental Relations and Community Affairs. Representatives of operating agencies are also assigned to the regional offices.

The Office of Field Coordination was the focal point at the Departmental level for regional and field operations until February 5, 1971, when it was reorganized into the Office for Regional and Community Services and the Office for Community and Intergovernmental Planning. Most operating agencies have similar units for direction and coordination of regional and field operations.

D. Regional Personnel Statistics 66

At the Staff's specific request, information relative to areas of growth in the regional offices was developed by the Department through contacts with its operating agencies and field activities. Regional employment for FY 1970 increased by 1,894, or 71 percent, over employment for FY 1966. Most of this increase was in the Office of the Secretary, the Social Security Administration, and the Office of Education which grew by 95, 96 and 121 percent, respectively.

E. Problems Related to Regional Operations 70

1. Unclear Responsibility and Lines of Authority 70

While, organizationally, all DHEW components and personnel are under the general supervision of the Regional Director, he lacks the authority to assure that programs and activities are effectively implemented. Several Office

Page

of the Secretary units and all regional operating agencies receive program direction from their respective headquarters offices. The Regional Directors receive direction from many sources within the Office of the Secretary, in addition to the Office of Field Coordination. This has resulted in confusion and wasted time and effort.

Each regional agency has its own organization with a regional commissioner or administrator coordinating the bureaus of the agency, and each receives strong line supervision and program direction from its respective bureau headquarters. The regional commissioner or administrator is basically limited to an administrative role.

Three Regional Directors interviewed stated that their role is not clearly defined and their influence over programs and activities is exerted by persuasion and personal relationships with Regional Commissioners, rather than by direct authority. Two Regional Directors advised that there was no single source of DHEW policy in the Office of the Secretary and they determined policy by reading the Secretary's speeches and other material.

A problem noted with regard to definition of operating responsibilities of the Regional Commissioners, was that there seemed to be as many definitions as there were programs.

2. Insularity and Autonomy of Regions and Operating Agencies 72

The independence of the operating agencies and certain Office of the Secretary units was evident at the regional level in their lack of coordination with the Regional Director and, in some operating agencies, with the regional agency heads.

Regional Office units of the Office of the Secretary, such as Civil Rights and Audit Agency, dealt directly with their respective headquarters counterparts in Washington rather than the Regional Director. Regional personnel and financial management officials, in turn, frequently bypassed the Office of Field Coordination, by dealing directly with organizational units in the Office of the Secretary.

At the regional agency level, for example, Social and Rehabilitation Service is aligned along the same structure as its headquarters. Even though the regional bureau

chiefs are supposed to report through the Regional Commissioner, the similar structure fosters program specialization and closer relationships between bureau personnel in regions and headquarters which result in autonomy of the bureaus. One bureau of this agency awarded a contract in the amount of $48,582 for an evaluation of its organization at both headquarters and regional levels. This contract was performed just prior to an overall evaluation of the Social and Rehabilitation Service regional organization by another contractor.

Several operating agency components, such as Indian Health Service facilities and Public Health Service hospitals report directly to agency headquarters, although located within regional boundaries. The Center for Disease Control, Atlanta, Georgia, considered a headquarters activity even though not located in Washington, requires "no support whatsoever" from the DHEW Regional Office, located in the same city.

3. Lack of Program Coordination Within Regions 74

The Department has no systematic mechanism for coordinating its more than 250 separate programs. Achieving coordination at the regional level is limited by the high degree of agency insularity. Since the regional agency head gets direction from and owes prime allegiance to his agency chief in Washington and the Regional Director has no authority over regional agency heads, there is little chance for effective intra-Department coordination. The problem is further complicated in that bureau heads within the regional agencies receive technical guidance from corresponding bureau chiefs in Washington.

The problem of program coordination was a recognized factor in the reorganization of the Office of Field Coordination February 5, 1971, which resulted from the Secretary's review of technical assistance, intergovernmental relations, and decentralization. A previous internal study of technical assistance had recommended strengthening this phase of DHEW operations. Although some state officials indicated satisfaction with the technical assistance provided by regional offices, others expressed disappointment. One official stated that technical assistance had deteriorated in the past two years. Another said there was no evidence of an effort to strengthen administration and guidance from the regional office and that there was an increasing tendency for DHEW personnel to by-pass state and local health departments and work with local non-government groups. A state welfare official stated DHEW personnel visited the

Page

state to "sell" federally matched programs.

Other state welfare officials indicated that the lack of timely guidelines and regulations from Washington was a problem affecting program implementation after legislation was enacted.

4. Reluctance of Headquarters to Release Decision Making Authority and to Provide Necessary Staffing 77

The operating agencies and certain Office of the Secretary units have been reluctant to delegate decision-making authority to the regional offices. While information was not available at the Departmental level, the Staff was informed by officials of the San Francisco Regional Office that, as of January 1, 1971, 37 of the more than 250 DHEW programs were decentralized to that region. However, it was emphasized that the figure 37 was questionable due to various and sundry interpretations of the terms "program" and "decentralization."

Regional officials said that delegations on some programs have been made on paper only and, in reality, the programs are still being directed from Washington. A Regional Director advised that the decentralization process just results in another layer of bureaucrats because the agency headquarters in Washington will not release any authority. He described agency efforts as reluctant, foot dragging operations, and cited the Office of Education as an agency which controls its programs from Washington.

Regional Directors contacted advised they were not involved in developing manpower requirements for certain regional units of the Office of the Secretary or the operating agencies as they are controlled from Washington headquarters. Regional Commissioners invariably commented on the inadequate staffing available to perform their operations. Social and Rehabilitation Commissioners referred to the 2 to 1 ratio of headquarters personnel to regional personnel.

Of the 272 executive positions above GS-15, assigned to the Office of the Secretary and 4 operating agencies, only 23 positions were assigned to the regional offices. The Office of Education and the Food and Drug Administration were assigned 51 and 47 positions, respectively, however, none were allocated to the regions.

Page

5. Overlapping of Responsibilities Among Regional Officials 81

a. Deputies for State Programs 81

In July 1970, Social and Rehabilitation Service authorized the employment of 20 Deputies for State Programs in 8 of the 10 regional offices for the purpose of coordinating social and rehabilitation services for each state. However, in each of the 8 offices, there are also Associate Regional Commissioners for Aging, Assistance Payments, Community Services, Medical Services, Rehabilitation Services, and Youth Development and Delinquency Prevention, who are responsible for programs under their function and are directly responsible to the Regional Commissioner. Under the new concept, their programs will be coordinated through the Deputies for State Programs.

There are 43 Associate Regional Commissioners employed in the 8 offices; 27 in GS-15 and 16 in GS-14. There are also 20 Deputies for State Programs; 15 in GS-15 and 5 in GS-14. The 20 new positions would cost $467,840 annually for salaries alone.

The Deputies for State Programs are,in effect, an assumption of certain functions previously assigned to the Associate Regional Commissioners as well as an assumption of the previous coordinating responsibilities assigned to the Regional Commissioners.

b. Regional Medical Coordination 83

Social and Rehabilitation Service employs Regional Medical Coordinators in 5 regional offices at a cost of $121,255 per year. Consideration is being given to placing a Regional Medical Coordinator in the other five regions. The regional office structure also provides for an Assistant Regional Director for Health and Scientific Affairs. It appears that a slight expansion of the duties of either position would provide sufficient performance in one position to allow for elimination of the other.

In addition to the above described positions, each regional office has a Regional Health Director, who is primarily responsible for the activities of the Health Services and Mental Health Administration. He also has primary responsibility for assisting states and local communities in developing comprehensive health plans and in directing and coordinating the regional office review and approval of such plans.

I. INTRODUCTION

A. Directive

By directive dated July 26, 1970, the Committee requested that an inquiry be made of the personnel policies and practices of the Department of Health, Education, and Welfare regarding the hiring and utilization of personnel to determine if such policies and practices have resulted in staffing at a higher level than the minimum necessary to carry out its programs at the level intended by Congress. The Committee requested that particular attention be directed to determining whether the buildup of the regional offices during the last few years has resulted in more efficient or less efficient use of the total personnel of the Department.

B. Scope of Inquiry

At Washington, D. C., and at Bethesda, Rockville, and Baltimore, Maryland, the Staff interviewed appropriate headquarters personnel of the Office of the Secretary and the varous operating agencies which constitute the Department of Health, Education, and Welfare (DHEW). Pertinent records dealing with personnel and utilization of manpower were studied. These included organizational charts; reports of internal management studies; reports of management studies conducted under contract; and reports prepared by other government agencies. The Staff visited three regional offices at Atlanta, Georgia; Dallas, Texas; and San Francisco, California; and interviewed appropriate DHEW personnel and reviewed pertinent records. The Staff also interviewed officials at certain state and local governments, at universities, at a regional educational laboratory, and at the Center for Disease Control. In addition, state officials were contacted by correspondence to obtain information as to the effectiveness of services provided by the DHEW.

II. BACKGROUND

A. History of Organization

The Department of Health, Education, and Welfare (DHEW) is a widely diverse organization in terms of its goals and programs. In regard to its constituents, it is to be noted that the Public Health Service has its origin in the Act of July 16, 1798, authorizing marine hospitals for the care of American merchant seamen. The Office of Education was created by an Act of March 2, 1867. The name, Food and Drug Administration, was first provided by the Agricultural Appropriation Act of 1931, although similar law-enforcement functions had been carried on under different organizational titles since 1907 when the Food and Drug Act of 1906 became effective. The Social Security Board, predecessor of the Social Security Administration, was established under the provisions of the Social Security Act of 1935.

DHEW was created by Reorganization Plan 1 of 1953, which became effective on April 11, 1953. The Plan abolished the Federal Security Agency and transferred all functions of the Federal Security Administrator to the Secretary of DHEW and all components of that Agency to the Department. DHEW was established for the purpose of improving the administration of those agencies of the Government, the major responsibilities of which were to promote the general welfare in the fields of health, education, and social security.

At that time, there were six major components of the new Department: the Public Health Service; the Office of Education; the Food and Drug Administration; the Social Security Administration; the Office of Vocational Rehabilitation; and St. Elizabeths Hospital. The Department was also responsible for three Federally aided corporations: Howard University; the American Printing House for the Blind; and the Columbia Institution for the Deaf (now known as

Gallaudet College). These institutions are supported in part by Federal funds appropriated in the budget of DHEW. The responsibility of DHEW with regard to these special institutions is limited to review of the fiscal management of their appropriations.

The Office of the Secretary, DHEW, was responsible for overall administration and coordination of the Department activities. The Department began with 35,408 full time employees and a budget of about $7 billion, including $1.9 billion in Federal funds and $5.1 billion in Social Security trust funds.

B. Appropriations, Programs, Organization

DHEW appropriations consist of Federal funds that come from general revenues as well as trust funds earmarked for a particular purpose. The most significant trust funds in the Department are those in the Social Security trust fund which are derived as a result of a tax on both employees and employers. The tax is deposited into a fund and used to pay retirement, disability and survivorship, and medical care benefits. The only appropriation action taken with respect to these trust funds is to authorize their use for the purpose of administering the program. The payment of benefits does not require separate appropriation action. DHEW's budget for FY 1970 was estimated at $17.4 billion in Federal funds and $40.7 billion in trust funds for a total of $58.1 billion.

DHEW administers more than 250 separate Federal assistance programs. About 90 percent of the funds appropriated to DHEW is allocated to others: agencies of state and local governments, colleges and universities, private voluntary agencies, hospitals, research institutions and individuals in the form of grants. About $15 billion of DHEW's appropriated Federal funds of

$17.4 billion in FY 1970 was spent in this manner.

Grants made to more than 40,000 different agencies, institutions, and individuals help support research, demonstration of new techniques, training of personnel, program planning, the construction and staffing of special facilities, and actual services for people.

The Social Security Administration was paying benefits at the annual rate of $38 billion by the end of June 1970. More than 25 million people received cash benefits each month from the Social Security Administration. Under the Health Insurance Program (Medicare), it was estimated that the payments would be in excess of $7 billion for the 4.4 million aged who would receive reimbursement for health services under the hospital insurance program and for the 9.3 million persons who would receive reimbursement for physician and other medical and health services covered by the voluntary medical insurance program.

DHEW has been described as one of the more unusual Departments of the Federal Government in that it is made up of several basic but quite distinct program areas. Because of this, the action programs of the Department are carried on at the agency level, with key responsibilities delegated to the agency heads. However, broad policy and program direction and intercomponent coordination rests with the Secretary and his staff.

In February 1971, DHEW included the Office of the Secretary and six operating agencies: Office of Education; Social and Rehabilitation Service; Food and Drug Administration; Health Services and Mental Health Administration; National Institutes of Health; and Social Security Administration. It also included the three Federally aided corporations. DHEW is structured organizationally at three levels: headquarters or central offices, regional and field offices. Headquarters for the Office of the Secretary and the operating

agencies are located in the Washington, D. C.-Metropolitan area with the exception of the Social Security Administration which is located in Baltimore, Maryland.

The Secretary's office includes the offices of the Under Secretary and Assistant Secretaries who assist and advise the Secretary in such areas as financial and administrative management, law, legislation, planning and evaluation, community and field services, and health. It also includes staff directors for Civil Rights and Child Development. The six agencies are under the direction of either a Commissioner, Administrator, or Director and consist of operating bureaus, institutes, centers, and/or divisions.

Programs of the DHEW and its operating agencies are also carried out through its ten regional offices, each having jurisdiction over four or more states and territories. The regional offices have been organized to provide for consultation, grants and other services to state and local governments.

In addition, several agencies administer a network of field installations that either deal directly with the public or conduct specialized research or demonstration activities. For example, there are over 800 Social Security Administration district and branch offices and 17 district offices of the Food and Drug Administration. Other examples are the Center for Disease Control, Public Health Service hospitals, and Indian Health Service. In total, DHEW has about 1,500 installations outside of Washington, D. C.

62-917 O - 71 - pt. 4 -- 69

III. REORGANIZATIONS

Since its creation in 1953, DHEW has continued to grow, not only in the number of personnel employed and in the dollar amount of appropriations, but also in the number of assistance programs administered. For example, it was estimated that in 1966 DHEW administered 200 programs, whereas in 1970 the number increased to more than 250 programs. In view of the above, as well as new problems and the changing nature of our society, DHEW has maintained that periodic reorganizations of the Department and its components have been necessary to unify overlapping programs and to focus the agencies on specific objectives.

During the period 1966 through 1970, numerous reorganizations occurred within DHEW and within its major components. Some of the major reorganizations are set forth below.

The Federal Water Pollution Control Administration was transferred from DHEW to the Department of the Interior in May 1966.

In August 1967, the Secretary abolished the Vocational Rehabilitation Administration and the Welfare Agency and transferred these programs as well as those of the Administration on Aging and the Division of Mental Retardation of the Public Health Service to the then newly formed Social and Rehabilitation Service.

In April 1968, the Bureau of Health Manpower and the National Library of Medicine were merged with the National Institutes of Health. A Health Services and Mental Health Administration was established which included most other functions previously assigned to the Public Health Service, including the Regional Medical Programs of the National Institutes of Health. A Consumer Protection and Environmental Health Service, containing the Food and

Drug Administration, was created as the third major component of the Public Health Service. Direct authority over the Public Health Service was given to the Assistant Secretary for Health and Scientific Affairs.

In February 1970, the Consumer Protection and Environmental Health Service was abolished. The Food and Drug Administration was elevated to agency status and the remaining elements of the Consumer Protection and Environmental Health Service comprised the newly created Environmental Health Service.

The Environmental Protection Agency was established as an independent Federal agency in December 1970 and resulted in the transfer of most of the programs of the Department's Environmental Health Service to the new agency. Environmental Health Service was abolished as a DHEW agency at that time. Approximately 800 personnel associated with programs of the Environmental Health Service remained with the Department, however, the Department had not decided, as of February 23, 1971, where in the organizational structure, these programs and personnel would be placed.

During FY 1968, eight major organizational changes took place within the Office of Education. These included the establishment of a sixth bureau (the Bureau of Educational Personnel Development), the creation of the Institute of International Studies, and the reorganization of the National Center for Educational Statistics. In 1969, the Office of Education was restructured which resulted in the establishment of three posts for Deputy Commissioners, one each for Higher and International Education, for School Systems, and for Instructional Resources. In addition, the Office of Deputy Assistant Secretary/Deputy Commissioner for Planning, Research, and Evaluation was established which consisted of the National Center for Educational Research and Development, the Office of Program Planning and Evaluation, the National

Center for Educational Statistics, and the National Center for Educational Communication.

During the period 1966 through 1970, many new offices were created within the Office of the Secretary, including new Assistant Secretary posts for Program Coordination, Health and Scientific Affairs, Education, and Community and Field Services. In addition, the Office for Civil Rights, the Office of Child Development, a Center for Community Planning, and the Facilities Engineering and Construction Agency were established.

A new regional realignment was formally established as of July 1, 1970, which resulted in the closing of the Charlottesville, Virginia, Regional Office and the creation of new regional offices in Seattle, Washington, and Philadelphia, Pennsylvania, giving the Department a total of ten regional offices as follows:

Region I	Boston, Massachusetts
Region II	New York, New York
Region III	Philadelphia, Pennsylvania
Region IV	Atlanta, Georgia
Region V	Chicago, Illinois
Region VI	Dallas, Texas
Region VII	Kansas City, Missouri
Region VIII	Denver, Colorado
Region IX	San Francisco, California
Region X	Seattle, Washington

A. Problems Resulting from Reorganization

Periodic reorganizations have created certain problems in the management and implementation of programs administered by the Department. Particularly, in the Department's health and welfare activities, the reorganizations have resulted in confusion, restriction of services, and indecisiveness on the part of Washington Headquarters and regional offices which has had an adverse effect on the implementation of programs at the state level. Examples of

these problems follow:

Two welfare officials of the State of Georgia advised the Staff that the reorganizations within DHEW in the last few years have resulted in confusion because the extensive changes have resulted in problems relating to the responsibility for various programs. They pointed out that officials of the state had experienced difficulties in obtaining clearance on program matters resulting in delays in implementation, and that the reorganizations have impaired the efficiency of DHEW in administering programs.

Another official of the State of Georgia, Department of Health, stated that there has been "utter and absolute confusion" in DHEW in the last two or three years. He advised that it has been almost impossible to obtain decisions from the Washington Offices of DHEW which were needed to resolve problems in order to operate programs. He said that these difficulties were attributable to the numerous reorganizations in the health agencies of DHEW.

Certain state officials involved in health and welfare activities advised the Staff that reorganizations within DHEW have seriously hampered program administration and guidance and have resulted in restriction of services from DHEW regional personnel. One official pointed out that before one reorganization could be completed it appeared that other reorganizations were under way. This has led to confusion in the regional offices and has caused difficulties for the state, particularly with regard to the identity of persons with whom they should communicate on specific problems. Another state official advised that in the regional office, assignment of program responsibility has been unclear, and the regional staff is often uncertain as to the scope of their individual assignments. A state welfare official advised that the reorganizations in DHEW in Washington, complete or incomplete, have not been

conducive to the regional office staff having confidence in dealing with many issues.

Officials in the National Institutes of Health and the Food and Drug Administration have recognized the high cost and possible adverse reactions in the health community that must be weighed in considering reorganizations. They indicated that a need existed to stabilize the organizations in order to achieve effective development of long-range operational plans and manpower requirements.

In connection with a recent study of the scope and character of health service manpower functions and their proper organizational location, the National Institutes of Health maintained the position that the high cost from many aspects of any reorganization, especially if not accompanied by visible and major increases in funding, must be weighed. The academic health community has been seriously unsettled and confused by what it perceives, rightly or wrongly, as vacillating Federal actions. It noted that the Bureau of Health Professions Education and Manpower Training had been in a state of reorganization or movement almost constantly since its establishment in 1967 and it was the position of the National Institutes of Health that it should be stabilized in its present location in that agency.

A Regional Commissioner of the Food and Drug Administration advised the Staff that within the last five years there have been three major reorganizations of this agency. He stated that these reorganizations have impeded the development of long-range operational plans and manpower requirements.

IV. PERSONNEL STATISTICS

The Staff determined that the management information system, at the Departmental level, does not produce information on a routine and current basis to show the extent of staffing of headquarters, the regions and other field activities, the relationship of Washington headquarters staff to the field, and other essential information for effective Department-wide management of manpower. Due to absence of such information, the Department can neither effectively exercise supervision and control nor ascertain the direction of manpower trends.

At the request of the Staff, the Manpower Analysis Group of the Department's Manpower and Staffing Branch, developed certain personnel statistics for the five-year period ending June 30, 1970, after contacting operating agencies and field activities.

The following schedule developed from information furnished on this basis, shows a breakdown of total employment at the Washington area headquarters as well as by region and other field activities. Washington area headquarters was defined by the Manpower Analysis Group as all DHEW activities in the District of Columbia area and the Social Security Administration in Baltimore.

Fiscal Year Ended June 30	Total Employees	Washington Area Headquarters Employees	Washington Area Headquarters Percent Of Total	Outside Washington Area Region Employees	Outside Washington Area Region Percent Of Total	Outside Washington Area Other Field Employees	Outside Washington Area Other Field Percent Of Total
1966	99,810	41,865	41.9	2,651	2.7	55,294	55.4
1967	105,596	45,139	42.7	3,163	3.0	57,294	54.3
1968	117,113	49,742	42.5	4,086	3.5	63,285	54.0
1969	112,514	48,054	42.7	4,164	3.7	60,296	53.6
1970	111,776	47,755	42.7	4,545	4.1	59,476	53.2

During the period from June 30, 1966 to June 30, 1970, total DHEW employment increased by 11,966. Of this increase, 5,890 or 49.2 percent was in Washington area headquarters, 1,894 or 15.8 percent was in regional employment, and 4,182 or 35.0 percent was in other field employment.

Due to the numerous reorganizations and organizational structural changes in DHEW and within its agencies during the above period, it was not feasible to analyze the total increase in Departmental personnel. The increase in personnel in regional offices is commented on in the section entitled "Regional Office Operations" of this report.

The following shows a breakdown of the total personnel employed by the Office of the Secretary and by the agencies as of June 30, 1970, as furnished by the Manpower Analysis Group:

	Total	Washington Area Headquarters	Outside Washington Area Region	Outside Washington Area Other Field
Office of the Secretary	4,273	2,500	1,773	---
Food and Drug Administration	4,769	2,251	21	2,497
Environmental Health Service	3,618	968	192	2,458
National Institutes of Health	12,663	11,367	73	1,223
Health Services and Mental Health Administration	27,123	8,482	590	18,051
Office of Education	3,105	2,638	467	---
Social and Rehabilitation Service	1,868	1,245	467	156
Social Security Administration	54,357	18,304	962	35,091
Total	111,776	47,755	4,545	59,476

V. PERSONNEL MANAGEMENT

A. Administration

Through its administration of more than 250 programs, DHEW has employed more than 110,000 people in more than 300 different occupations. DHEW management and control of personnel must be within the constraints of extensive procedures and regulations established by the Civil Service Commission. In addition, personnel activities at DHEW must also meet regulations and procedures established by the Office of Management and Budget as well as complying with regulations and procedures in administering the Commissioned Corps of the Public Health Service. Personnel activities include recruitment, appointment and placement of staff, position management, training, processing of prescribed documents, overall personnel management,and reporting to outside agencies.

DHEW administers a wide spectrum of programs, under differing operating concepts. Responsibilities and authorities have been delegated to organizational units with common spheres of interest. Along with this overall decentralization of responsibility, the management of personnel activities has been delegated to a variety of organizational levels.

The Department has been likened to a holding company because a number of previously independent agencies were brought together and placed under the umbrella of a single Department, DHEW. While the Department's organization for personnel management is the Office of Personnel and Training, located in the Office of the Secretary, there has been a pattern of maximum delegation to the operating agencies of DHEW to manage their own personnel programs.

The focal point of personnel management has been the appointing authority.

As defined in the Federal Personnel Manual, an appointing authority is an official formally designated to effect appointive and other related personnel actions. The delegation of appointing authority has the effect of delegating a related responsibility for personnel management. Appointing authority has been delegated to the operating agencies of DHEW. However, within the agencies, varying patterns of delegations have been made.

For example, in 1968, Social Security Administration had established nine appointing authorities, Public Health Service more than thirty, while the Office of Education had limited its appointing authority to Washington Headquarters. At that time, there were fifty-nine appointing authorities within the Department.

B. Effectiveness of Personnel Management

The wide variations in approaches to personnel management and the decentralized organization at DHEW have created a complex personnel management structure. Several internal studies have identified weaknesses at all levels of personnel management, caused basically, by a lack of central authority and leadership at the Departmental level. No overall agreed upon management concept governs the organization and administration of personnel activities in the Department. These deficiencies have resulted in inefficient service to the employees of the Department and to Departmental management.

Early in 1969, a study group, formed from within DHEW, was appointed to evaluate key areas in the internal management of the Department's human resources. This group determined there were sufficient questions regarding the effectiveness of the personnel function to warrant a more detailed study. A task force was created in October 1969 to examine the personnel organization, delegations of authority, and the allocation of resources for personnel administration throughout the Department.

In a report submitted in March 1970, the task force identified weaknesses at all levels of personnel management. At the Department level, leadership and guidance to operating agencies had been minimal, there was no basic concept governing organization and administration of personnel activities, and there was little influence on personnel activities in the field. The agencies were devoting inadequate attention to planning the staff management of their nationwide personnel programs and to the personnel needs of field employees. In addition, the agencies had tended to overcentralize personnel authority at headquarters and demonstrated marked organization inconsistencies in their personnel structures. At the regional level, the personnel office lacked authority, responsibility, and staff.

The Staff directed its efforts to validation of the findings of the DHEW task force report, the Departmental approach to corrective action, and the efforts of the Department to implement recommendations designed to improve personnel management.

1. Inadequate Leadership and Guidance from the Department

The Office of Personnel and Training (OPT) in the Office of the Secretary had a staffing authorization of 35 positions as of September 1968. At that time, as a result of the reorganizations of the health agencies of the Department, the staff of OPT was increased and its present personnel authorization is 186 positions.

OPT has been engaged in promulgating Departmental policy and instruction in the area of personnel administration, furnishing staff assistance on personnel matters to the various units within the Office of the Secretary, and conducting those activities which had to be controlled at the Departmental level because of requirements imposed centrally by the Civil Service Commission

and the Office of Management and Budget.

Officials of the Office of the Deputy Assistant Secretary, OPT, advised the Staff that in view of the lack of input for many years from the Department in the area of personnel management and administration, the operating agencies became independent and autonomous. The agencies managed and administered their personnel operations with little or no direction or guidance from OPT and as a result, varying patterns of personnel management developed between and within agencies. In recent years, any effort by OPT to exert influence in the operating agencies has met with stiff resistance.

In the field, the Department was associated only with the regional personnel offices and, even here, these offices had been organizationally placed outside of OPT and in the Office of Field Coordination. According to an official of OPT, the regional offices were nothing more than paper processing operations, with personnel management decisions being made by the operating agencies, mostly at headquarters.

This official stated that the lack of leadership was apparent by the fact that the Department, about three years ago, had to go to the outside to recruit the three top executives in OPT. The office, through the years of its existence, has not been able to develop personnel to assume the responsibility for leadership.

2. Imbalances in Staffing of Personnel Offices

An official of OPT stated that personnel offices of the Department were established in the absence of any guidelines or criteria and with no effort to coordinate total needs of the Department with available resources in any geographic area. This occurred because the operating agencies established their field personnel organizations based totally upon their individual

needs and considerations, and with a general lack of concern for providing needed personnel service to employees. Also, the Department failed to realize the ineffectiveness and high cost of staff support activities.

At the Staff's request, the OPT provided data relative to the size of various personnel offices throughout the Department, by appointing authorities, as of September 1970. This data disclosed the following appointing authorities by agency or office:

Agency or Office	Number of Appointing Authorities
Office of the Secretary	1
Regional Offices	10
Food and Drug Administration	1
Health Services and Mental Health Administration	22
Social Security Administration	8
National Institutes of Health	4
Social and Rehabilitation Service	1
Office of Education	1
Environmental Health Service	6
Total	54

With regard to the above, it is to be noted that the Environmental Health Service was abolished as an agency within DHEW in December 1970.

The information provided also included data relative to the number of employees in each personnel office, the total number of employees they serve, and the ratio of personnel office staff to employees served. These ratios vary between the Office of the Secretary and the operating agencies, between regional offices, within a region, and within an agency as illustrated

by the following examples:

In southwest Washington, D. C., the ratio of personnel office staff to personnel served for the Office of the Secretary was 1 to 96, for the Office of Education 1 to 117, and for the Social and Rehabilitation Service 1 to 51.

This servicing ratio ranged from 1 to 101 in the San Francisco Regional Office to 1 to 306 in the Chicago Regional Office. Within the Atlanta region, the ratio for the regional office was 1 to 213, while the Center for Disease Control, Atlanta, Georgia, had a ratio of 1 to 55 and the Social Security Administration Payment Center, Birmingham, Alabama, had 1 to 61.

Within the Health Services and Mental Health Administration, the servicing ratio ranged from 1 to 70 in the Public Health Service Hospital, Norfolk, Virginia, to 1 to 130 in the Public Health Service Hospital, Seattle, Washington.

In September 1970, the Chicago regional personnel office had a staff of 15 to serve 4,592 DHEW employees, or a ratio of 1 personnel office employee to every 306 employees. When interviewed by the Staff, an official of OPT stated that one could only conclude that either the employees were not receiving the proper services or the agencies were handling the personnel functions. This official cited another example of imbalances in that approximately 1,200 DHEW personnel are located in the Los Angeles, California, area, however, none have access to a local personnel office. In contrast, a personnel office had been established in Portland, Oregon, to service about 175 employees scattered over several states.

3. Restrictive Delegation of Authority

The predominate philosophy of centralization in the agencies has fostered a lack of delegation to responsible officials at the regional and

field organizations. This has resulted in a number of exceptions and restrictions on personnel authorities in the regions and field. Further, it has tended to impede managers and supervisors in solving problems, frustrate the exercise of initiative, remove responsibility from the action level, and create numerous problems for those working in the system. The regional personnel offices have been described as generally paper processing organizations. This has resulted not only in a lack of personnel services and assistance to a large number of Department employees but also in a limited contribution of personnel activities to the effective management of the Department field programs.

According to an official of OPT, personnel management authorities, such as the authorities to hire, promote, classify, and fire, have not been delegated to the regional offices. In most agencies, the delegation of personnel management authorities to the regional offices in the classification function excluded program jobs. This has had the effect of generally restricting classification authority to clerical and secretarial positions. In addition, the selection function delegated to the regional offices has been subject to a variety of specific restrictions which require headquarters approval or concurrence.

4. Approach to Corrective Action

The task force report, dated March 1970, recommended in general that there be a comprehensive review of organization, staffing, and delegations of authority in personnel management and administration, in order to improve the delivery of staff personnel services both to management and to employees throughout the Department.

In a memorandum to Agency Heads and Regional Directors, dated

September 15, 1970, a Deputy Under Secretary, DHEW, stated that he had concluded that the detailed recommendations contained in the report of the Task Force on Personnel Management were practical, workable, and would result in improved personnel management throughout the Department. He pointed out that a work group was being established which would be responsible for the detailed planning and for working with agencies in implementing the field recommendations. In addition, he stated that tentative plans called for the implementation of the recommendations dealing with agency headquarters to be completed by June 30, 1971, and that the recommendations concerning regional and field offices would be fully implemented by June 30, 1972.

The Staff ascertained that, at the headquarters level, the operating personnel offices of Health Services and Mental Health Administration and Food and Drug Administration, Rockville, Maryland, were consolidated, effective November 1, 1970. However, the Staff ascertained that there was no reduction in personnel. The Staff further determined that tentative plans concerning the consolidation of operating personnel offices of the Office of the Secretary, the Office of Education, and the Social and Rehabilitation Service, all located in southwest Washington, D. C., are scheduled for implementation by June 30, 1971.

With regard to regional personnel offices, an official of OPT assigned to the work group responsible for the detailed planning and for assisting the agencies in implementing the field recommendations, advised the Staff in February 1971 that the group had visited eight regional offices and other DHEW activities. He has determined that the findings of the task force are still valid. The group determined that in some cases there was a lack of knowledge of the provisions of the task force report. In other situations,

62-917 O - 71 - pt. 4 -- 70

the information was available but DHEW personnel took the position that this was just another of the numerous studies in DHEW and would eventually wind up on a shelf with other studies to gather dust. As a result, a memorandum was issued by the Under Secretary, DHEW, to all Agency Heads and Regional Directors on January 13, 1971, in which he pointed out that the Secretary fully supported the report and had directed corrective action be completed by the end of FY 1972.

VI. MANPOWER AS A RESOURCE IN DHEW

Information was not readily available to summarize total requirements and total cost of manpower utilized for DHEW programs. While manpower data and cost were available for personnel directly employed by the Federal Government, indirect manpower data and cost for non-Federal employment supported by grants and contracts were not identified nor summarized in the Departmental management information system.

Direct cost of Federal manpower for FY 1970 totaled $1,192,497,000. As indicated, indirect cost for non-Federal employment supported by grants and contracts was not available. However, at the request of the Senate Committee on Appropriations, the Department furnished a very rough estimate that it supported about 704,000 man-years of non-Federal employment during FY 1970.

A. Direct Federal Manpower Cost

Direct cost can be identified through the payroll system and annual accounting reports of man-years and cost required by the Office of Management and Budget (OMB). These reports identify the basic source of manpower, i.e., direct hire together with supplementary sources such as overtime and certain consultants or intermittent employees, paid under the Department's centralized payroll system. Other consultants hired under contract and paid outside of the direct payroll system are not included in the reports to OMB.

The following chart shows a breakdown of the $1,192,497,000 direct Federal manpower cost by direct pay system in FY 1970, representing about 112,000 man-years of effort. Included are 5,165 man-years of overtime costing $38,687,000 of which over 75 percent was attributable to the Social Security Administration.

	Cost in Thousands
Statutory	
General Schedule	$ 913,432
Public Health Service Commissioned Corps	71,902
Executive Schedule	733
Total Statutory	986,067
Related to General Schedule	
Scientific and Professional	6,129
Foreign Agency for International Development	2,949
Canal Zone General Schedule Type Positions	319
Total Related to General Schedule	9,397
Not Related to General Schedule	
Wage Boards	42,447
Experts and Consultants	2,981
Summer Aid Employment	2,447
Total Not Related to General Schedule	47,875
Other Not Identified With Above	1,761
Total Basic Pay Costs	1,045,100
Premium Pay and Employee Benefits	
Overtime	38,687
Other Premium Pay	16,296
Employee Benefits (health and life insurance, retirement, etc.)	92,414
Total Premium Pay and Employee Benefits	147,397
Total Cost of Manpower by Direct Pay System	$1,192,497

B. Indirect Non-Federal Manpower

Indirect manpower data and cost for non-Federal employment were not identified nor summarized in the Departmental management information system. An estimate furnished by the Department to the Senate Committee on Appropriations showed that for FY 1970 it supported about 704,000 man-years of non-Federal employment at state and local governments, universities, non-profit

research institutions, and private contractors.

Department officials stated that it cannot be emphasized too strongly that the level of effort for indirect manpower was a very rough estimate. For the most part, the agencies of the Department do not keep records of non-Federal employment supported by their grants and contracts.

The basic units used in the estimates were man-years of employment. DHEW money is, for the most part, used to pay only a portion of a person's salary or for part time or intermittent employment. The estimate, therefore, attempts to give a picture of overall effort supported by DHEW grants and contracts rather than the total number of people involved.

The following chart shows the man-years of non-Federal employment supported by the DHEW grants and contracts for FY 1970 by agency:

Agency	State Government	Local Government	Universities	Non-Profit Research Institutions	Private Contractors	Other	Total
Food and Drug Administration	214	5	512	80	28	60	899
Environmental Health Service	761	1,752	2,165	288	790	---	5,756
Health Services and Mental Health Administration	18,096	8,163	13,940	3,636	436	3,071	47,342
National Institutes of Health	1,582	755	49,412	8,852	2,434	1,618	64,653
Total, Health Agencies	20,653	10,675	66,029	12,856	3,688	4,749	118,650
Office of Education	9,398	227,187	73,516	1,907	589	238	312,835
Social and Rehabilitation Service	53,497	177,571	6,195	1,556	148	5,592	244,559
Social Security Administration	3,432	---	14	6	20,218	---	23,670
Special Institutions	---	---	3,000	---	---	1,682	4,682
Departmental Management	---	---	14	---	52	---	66
Total	86,980	415,433	148,768	16,325	24,695	12,261	704,462

Of the 704,462 man-years of non-Federal employment about 71 percent represented employment by state and local government agencies. A significant part of this relates to state and local administration of public assistance and elementary and secondary education programs.

About 21 percent of the total man-years are utilized at universities. This results primarily from National Institutes of Health research grants and contracts and higher education assistance programs. The remaining effort, about 8 percent, represents research by nonprofit institutions and the employment of health insurance organizations, particularly Blue Cross, as fiscal intermediaries in the Medicare program.

C. Utilization of Non-Federal Manpower

During the course of the study the Staff identified several significant areas where non-Federal manpower was utilized for DHEW programs. Due to limitations of time, the Staff did not attempt to review cost studies and other considerations underlying the election between performance in-house and use of contractors.

The Staff recognized that there may be a tendency to increase reliance on contractors in some cases because of the personnel ceilings intended to control direct Federal manpower. It would, however, be extremely difficult, without an in-depth review, to document the extent to which restrictions on hiring influence decisions to use contractors.

There are described below some specific programs and functions of the Department to give some insight into the extent to which this type of manpower supplements the federally hired employees. These programs and functions involved contracts for individual consultants, research and development centers, and education laboratories in the Office of Education (OE), various

types of consulting contracts in the National Institutes of Health (NIH), and evaluation contracts in the Office of the Secretary and operating agencies.

1. Office of Education Programs

The General Accounting Office prepared a report in June 1970 on selected contracting and consulting activities of OE. Information was compiled on the number and amount of open contracts in FY 1969. The report identified the magnitude of the contracting functions and methods used to hire consultants.

During FY 1969, seven contracting branches in OE administered approximately 1,328 open contracts totalling about $276 million. Of this amount, $107 million was for support, in whole or in part, of nine research and development centers and 20 regional education laboratories. The research and development centers budgeted 940 salaried positions for FY 1969; 66 of which had an annual salary of $20,000 or more. The regional educational laboratories budgeted 1,400 salaried positions for FY 1969; 112 of which had an annual salary of $20,000 or more. The annual salaries of the directors or codirectors of the centers and laboratories ranged from $16,400 to $36,000 and averaged $24,800 for the centers and $30,926 for the laboratories. This is comparable to GS-15 through GS-17 for Federal employees.

The OE obtains the services of individual consultants on a per diem, contract, or purchase order basis. The policy of OE is to use the contract or purchase order method only when the services required cannot be obtained by appointment on a per diem basis in accordance with personnel regulations.

The OE used 578 individual consultants on a per diem basis for the period June 28 through December 13, 1969, at a cost of $314,000. The General Accounting Office did not attempt to determine the number hired by contract

or purchase order but found that 1,000 individuals, known as field readers, were hired by contract and paid about $377,500 during FY 1969. They performed such tasks as reviewing and evaluating reports, reading proposals for projects to be funded by OE, and conducting site visits to evaluate OE programs.

Consultants were also hired by contractors who were performing work for OE. A review of five contracts with four firms in the total amount of $1,084,000, showed that $238,000 was spent for consultant services. The highest daily rate for these consultants was $200. One contractor paid several consultants either $250 or $500 for each paper written for the contractor.

The General Accounting Office reported that OE had not established a limit for amounts paid contractors' consultants nor did it have reporting requirements for documenting consultants' work. The OE suggested to the Department that a uniform Department-wide policy be established on this matter. This was still under consideration at the close of the review, and the General Accounting Office planned to determine at a later date what action has been taken.

The Staff contacted OE officials who furnished sections of a draft instruction, dated December 1970, relating to specific programs. The instruction sets forth procedures for tightening controls on the use of contractors' consultants in the areas identified by the General Accounting Office. One OE official stated that this procedure was indicative of all OE programs, but he couldn't speak for the entire Department.

2. National Institutes of Health

NIH officials furnished information on categories of consultant contracts to give some indication of the nature and amounts expended for non-Federal manpower.

In FY 1970, NIH awarded 629 consultant contracts totaling $256,411. These contracts were for consultants utilized in care and treatment of patients at the clincial center and special ad hoc reviews of research grant applications, and other consultants hired to perform certain functions on a one-time basis. Information concerning the number of visits made by consultants was provided by NIH officials rather than man-days worked because the consultants are paid on a fee per visit basis and not for time actually worked. The following chart shows the number of consultant contracts, visits, and total expenditures by category of consultants for FY 1970:

Category	Number of Contracts	Number of Visits	Total Expenditure
Clinical Center	163	922	$ 40,742
Ad Hoc Experts	459	459	143,330
One-time Consultant Contracts in Excess of $2,500	7	810	72,339
Total	629	2,191	$256,411

3. Program Evaluation

Program evaluation is performed through grants and contracts awarded by the Office of the Secretary and the operating agencies. Funding for evaluation is provided by designating one percent of the funds of each assistance program for this purpose. Of the funds designated, 25 percent is spent through the Office of the Secretary and the remainder through the operating agencies. Evaluation has grown from a budget or about $6 million in FY 1969 to about $30 million in FY 1971. For FY 1970, about 58 percent of the evaluation funds were for education programs, about 25 percent for health, and 17 percent for welfare.

In June 1969, evaluation became a separate function in the Office of

the Assistant Secretary for Planning and Evaluation. Most evaluation studies are performed under contracts. According to Department officials, contractors are primarily used to ensure that evaluations are performed objectively as well as to obtain expertise during peak periods of need. A Department official claimed that it would not be economically sound to maintain the various professional expertise on a full time basis.

The primary emphasis of evaluation is directed toward measuring the effectiveness or outputs of the programs. In this effort, evaluation contracts and grants are awarded to identify the impact of Federal support for programs or the products of the programs in terms of its original objectives. Studies are also made to establish the capability or criteria with which the results of certain programs could be measured.

Studies involving the impact of Federal support for programs concentrate on the process through which funds are channeled together with identification of those affected by the funds and services provided. These studies are intended to assist in determining whether the intent of specific legislation is being realized.

DHEW personnel in the Office of the Secretary and the operating agencies are concerned primarily with monitoring the evaluation contracts rather than the performance or conduct of in-house evaluation studies.

VII. ADMINISTRATION AND MANAGEMENT OF MANPOWER RESOURCES

A. Procedures for Determining Manpower Requirements

Bureau of the Budget Circular No. A-11, as revised June 15, 1970, sets forth the procedures for preparation and submission of annual budget estimates by executive departments and establishments. The instructions in Section 13.3 provide in part, that, to the maximum extent possible, estimates relating to numbers of personnel are to represent agency plans covering both manpower inputs and work outputs required for implementing program objectives and exercising appropriate managerial control; and that estimates of manpower requirements for measurable work loads should be based on forecasts of work load and manpower productivity wherever feasible.

The procedures utilized for determining the manpower requirements of DHEW were as varied as the operations of its constitutent agencies and ranged from detailed work measurements to judgmental approximations. There was little consistency in the extent that actual work load needs served as the basis for positions requested in agency budget submissions, and in the extent that manpower determinations reflected long-range plans and entered into the development of operational plans.

1. Inconsistent Use of Work Measurement Procedures

In the Social Security Administration, manpower requirements were based largely on specific work load measurement. As of September 1970, there were 21,100 employees in the 830 district and branch offices providing direct services to the public. Determination of manpower requirements for these offices was based on projections of work load in 19 specific categories and application of historical productivity factors for each category to arrive at the man-years required to accomplish the projected work load. A similar

procedure was used for the six payments centers where there were 13,400 employees. However, productivity factors were tied to employee performance measurement rather than being related to work load categories. This was recognized as a weakness in the existing procedure and a new procedure of relating manpower to work load was being tested in the Kansas City Payment Center. In the central record keeping and data processing bureau where 8,900 employees worked, there was no formal system for establishing job requirements for data processing personnel and no work measurement system in effect. Since there was no objective index of work expectation, staffing requirements were estimated subjectively.

In determining manpower requirements for the field activities of the Food and Drug Administration, carried out by approximately 2,000 employees located in 17 district offices, work loads were estimated in terms of numbers of inspections to be made and samples to be examined, and the number of hours required to conduct an inspection or laboratory examination were based on historical data. However, such work measurement was not used by central office bureaus where approximately 2,000 employees worked and a substantial amount of laboratory work was also performed.

As of October 1970, there were more than 15,000 Health Services and Mental Health Administration employees engaged in providing direct health services at the Public Health Service hospitals and clinics, Indian Health Service hospitals and field activities, and Saint Elizabeths Hospital in Washington, D. C. Manpower requirements for these components were related primarily to specific work load measurement. Except for the grants administration function, work measurement generally did not enter into manpower determinations of other Health Services and Mental Health Administration

organizational units, where more than 8,000 employees worked. For example, at the Center for Disease Control, with approximately 2,700 employees, the approach was to determine what work would be accomplished at given manpower levels, rather than developing manpower requirements based on needs.

With the exception of the National Library of Medicine and central services organizations engaged in logistical and support type services, manpower requirements for the National Institutes of Health, for the most part, were not determined on the basis of work measurement. In the Bureau of Health Professions Education and Manpower Training and the institutes and research divisions, which together employed 70 percent of the National Institutes of Health work force, program staffing requirements were mainly judgmental approximations based on the experience of program scientists. In the absence of central guidance, widely differing rules of thumb were used and, in the final review process at the agency level, manpower requirements were adjusted with little or no regard to the bases used in making the initial determination at the institute or division level.

In the Office of Education, manpower requirements were determined mostly on a judgmental basis with experience factors being used for a limited number of programs, when available. Staffing levels of the operating bureaus, and component branches and divisions, were based primarily on the judgment of an individual or group of individuals, such as program managers or bureau chiefs, rather than on any work load criteria. To the extent that information was available, manpower estimates for new programs were based on experience of similar programs. For example, the Bureau of Higher Education used prior experience in handling student loans under the National Defense Education Act, including related work load factors, for developing the manpower

estimate for the Guaranteed Student Loan Program. With the enactment of the Elementary and Secondary Education Act in 1965, the Office of Education reviewed their experience with the National Defense Education Act of 1958 for the purpose of determining program operation procedures and manpower requirements in connection with establishing the Bureau of Elementary and Secondary Education. No formal management or manpower studies were conducted at that time in regard to the organization of the new bureau. Manpower requirements were based mainly on judgment and experience, with little in the way of work measurement being used in setting up the staffing of the new bureau or any of the new programs added subsequently.

From the time the Social and Rehabilitation Service was organized in 1967, there has not been a systematic approach to determining how many personnel were necessary to effectively handle the programs for which the agency was responsible. An official of the agency advised the Staff that requirements were based on "what could be sold" instead of realistic manpower needs. An exception to the general approach was the staffing for the Medicaid Program. In this case, manpower requirements were developed on the basis of the number of personnel required to do the job.

2. Factors Affecting Reliability of Manpower Base

In general, there was a widespread absence of a "grass roots" approach to estimating manpower requirements in agency budget requests. With the exception of those agency components or programs where manpower determinations were based on application of productivity measures to related work load projections, the manpower base was not subjected to examination in the course of budget preparation and review. In such cases, justification was required only for the increases to the base, but not for the base itself. Generally, the

increases in required manpower were derived by applying percentage of increase, based on estimated increases in related work loads or, in some instances, an arbitrary 10 to 15 percent. Under this method, the integrity of the manpower base could become deteriorated to the extent that there would be no assurance that total authorized positions were commensurate with work load requirements.

In addition, where initial staffing of programs was at a higher or lower level than necessary to carry out the programs, estimating continued requirements only on the basis of increases to the base tended to perpetuate these conditions. Manpower requirements for new programs generally were developed initially in connection with proposing legislation to establish such programs. Estimates were made 18 months to 2 years in advance, and were primarily judgmental and based on experience on similar programs, if any. An official of the Office of Assistant Secretary, Comptroller, advised the Staff that, in view of the difficulty in determining what DHEW responsibilities would be under new programs until the proposed legislation was passed, manpower needs for new programs frequently were based on "guesstimates", even where past experience on similar programs had been taken into consideration.

B. Budgetary Process

The Planning-Programming-Budgeting (PPB) procedures prescribed by Bureau of the Budget directives were first implemented by DHEW in the formulation of the FY 1968 budget and 1969 legislative program. Prior budgets had been developed mostly by building on the previous year's base and adding increases in funds where administration priorities, considerations of Congressional interest, or the bargaining power of program managers dictated. New legislation had been handled separately, usually after submission of the budget. The five-year program and financial plan developed

for the initial PPB submission was the first time, at the Secretary's level, a real effort had been made to look at the Department as a whole, to address alternatives and priorities, and to lay out at least a tentative program for five years into the future.

1. PPB Procedures for FY 1968 and FY 1969

Under the procedure followed in formulating the FY 1968 budget, the operating agencies were asked to examine their missions and their priorities for the future, and to submit a program budget for FY 1973 indicating how resources would be allocated to achieve the objectives for that year. Each agency was given a high and a low planning figure for FY 1973. After review of agency submissions by the Office of the Secretary, the decisions made by the Secretary on program objectives were transmitted back to the agencies with instructions to develop a five-year program and financial plan moving toward the FY 1973 objectives, and to make their FY 1968 budget consistent with the plan. When the budgets were submitted, they were reviewed in the Office of the Secretary to assure the budgets were consistent with the FY 1973 objectives.

In formulating the FY 1969 budget, a similar procedure was used except that the agencies were asked to start with the plan for FY 1968 through FY 1973 and extend it through FY 1974, and to submit revisions consistent with new information or new priorities. As in the previous year, the revised agency plans were reviewed by the Office of the Secretary, and decisions obtained so that guidance could be prepared for formulation of FY 1969 budgets and 1970 legislative proposals.

In both of these years, however, major decisions were not made early enough in the year to allow the staff work necessary to translate the decisions

62-917 O - 71 - pt. 4 -- 71

into budgets and legislative proposals. In addition, decisions on the long-range plans were delayed until August and September and tended to be overtaken by shorter range budget decisions which had to be made at the same time.

In the formulation of the budgets for FY 1968 and FY 1969, the program memoranda required by PPB procedures were prepared by the Office of the Secretary from the long-range plans of the operating agencies and were forwarded to the Office of Management and Budget (OMB) as part of the DHEW budget submissions. The program memoranda were prepared for major areas of responsibility rather than by agency, with one each for education, for health, and for social services and income maintenance.

2. Revised Budgetary Procedures

Starting with the FY 1970 budget, a revised long-range planning and programming procedure was established by DHEW whereby draft program memoranda were prepared by the Office of the Secretary, prior to development of agency long-range plans, and were submitted to OMB to serve as the basis for decisions by OMB and the President as to DHEW priorities and goals. Based on these decisions, the Secretary established agency goals, and planning guidance was issued by the Office of the Secretary setting forth areas in which the agencies were required to undertake analytical studies in order to provide the Office of the Secretary with information needed to prepare final program memoranda. The final program memoranda were used in the review of agency budgets by the Office of the Secretary and by the Secretary.

There were serious deficiencies in the new budgetary procedures, which were carried forward into the formulation of the FY 1972 budget, and remained uncorrected at the time of the Staff's review. One of the major problems was the fact that program goals for the agencies were set at the top and transmitted

downward in that planning decisions were made by the Secretary without the benefit of the views and preferences of the agency heads. When allocations of resources among health, education,and welfare were determined in the planning process, no measures of output were given and the Secretary did not make well-documented decisions through a procedure giving a fair hearing to claimants for resources. The program memoranda which were supposed to consider major alternative programs, did not have cost estimates of the alternative programs, and did not lay out a framework for evaluating alternatives. In addition, notwithstanding the multiyear impact of major authorization legislation on budgets, the legislative and long-range planning processes were not integrated. The annual budget submission was the first point at which specific legislative consideration entered into the planning, programming,and budgeting cycle.

In a report issued in December 1970 on a study of DHEW's internal management processes by a management consultant firm, it was indicated that the planning process extensively involved reacting to White House and OMB initiatives, and that liaison with these offices needed to be improved to avoid repetition of a situation in the prior year when the Department received two completely different sets of health issues to consider from OMB right in the middle of its own work on health planning.

3. Lack of Long-Range Manpower Planning

DHEW has no system for long-range manpower planning on a Departmental basis, nor is it required that operating agencies determine their manpower requirements on a long-range basis. The program and financial plans prepared by each agency provided a planned allocation of resources over a period of five years, but the resources generally were identified in terms of total program funding requirements. Except for those agencies where work load could be

projected over a long term, such as in the Social Security Administration, the Food and Drug Administration, and direct health services units of the Health Services and Mental Health Administration, manpower requirements were not included in long-range plans.

An official of the Office of the Assistant Secretary, Comptroller, informed the Staff that the main influx of manpower for the rest of DHEW had been in connection with new programs, and because of the uncertainties as to what new programs would come out of future legislation, and when, planning manpower requirements for five years in advance would be a wasted effort and just was not done.

C. Legislative and Administrative Constraints

1. Management of Employment Ceilings

The Manpower Analysis Group in the Office of Personnel and Training, Office of the Secretary, has been functioning since the fall of 1969. It consists of a staff of three people who are primarily responsible for the allocation, control, and monitoring of the Office of Management and Budget (OMB) ceilings. According to an official in the Office of the Secretary, the organization of this unit represents the first time performance of manpower control functions had been assigned at the Departmental level. As of March 3, 1971, the official mission and functional statements of the Group had not been approved.

Prior to this, the provisions of the Revenue and Expenditure Control Act of 1968, applied to each operating agency by limiting the number of civilian employees through the use of ceiling controls. These restrictions became effective at the beginning of FY 1969 and were repealed shortly after the end of the fiscal year. The restrictions were more specifically related

to hiring limitation rather than personnel ceilings, but the end result was intended to reduce unnecessary civilian employment.

In April 1969, the Department initiated a Manpower Utilization Review. A basic ground rule underlying the review was that the provisions of the Revenue and Expenditure Control Act would continue through 1970. The results of this review became the basis for allocation of both the 1970 and 1971 employment ceilings. However, the 1971 distribution was developed as part of the budget process, but kept closely in conformity with the results of the Manpower Utilization Review.

The Department's general policy with regard to employment ceilings is to set them lower than Congressional allowances for budgeted positions. Further, the policy states that as long as the Department doesn't permit employment ceilings for any one appropriation to exceed the Congressional position allowance, they are at liberty to administer employment ceilings on a completely flexible basis and to transfer ceilings at any point in the year between agencies. OMB holds the Department accountable for a single DHEW pool and adopted the following practices in its administration.

a. Initial distribution of the ceiling is made among agencies so that they can plan their programs and be able to count on being able to recruit up to a certain figure.

b. Adjustment of this initial distribution may be made so that high priority programs may be granted increases in staff while lower priority programs receive more than a prorated share of any decrease.

c. Where programs are phased out or down, staff resulting from reduction must be placed at the disposal of the Secretary,

rather than redistributed automatically within the agency where the program was cut.

d. Emergency staffing needs are met by examining the status of ceilings Department-wide rather than within a single agency.

In FY 1971, the Office of the Secretary provided each agency with two sets of employment ceilings; one required by OMB and the other by the Department. The first type is the regular end-of-fiscal year ceiling based on the employment ceiling the Department receives from OMB. The second is the Department's month to month ceiling which is either higher than or equal to the regular end-of-year ceiling and is applicable throughout the fiscal year, up to June 30, 1971. This is to allow the agencies some flexibility in handling priority activities. However, the Department cautions the agencies that the authority should be used prudently so that no drastic action at the last moment will be necessary to reach the June 30th ceiling.

2. Differences between Positions Authorized by Congress and DHEW Ceiling Allocations

The Staff directed its attention to the Departmental allocation of the increases in personnel ceilings for FY 1971 made to the operating agencies on January 22, 1971, and the increases in budgeted positions granted by the Congress for the same year. Our objective was to determine the extent of the differences between Congressional budgeted positions and personnel ceilings, reasons for such differences, and types of problems resulting therefrom.

The following chart shows the comparison of the personnel increases authorized by the Congress with the DHEW personnel ceiling allocations made to the operating agencies for FY 1971:

	Increased Congressional Allowances (budgeted positions)	DHEW Ceiling Allocations	Difference Over (Under) Congressional Allowances
Office of the Secretary	334	175	(159)
Environmental Health Service	87	60	(27)
Food and Drug Administration	93	193	100
Health Services and Mental Health Administration	705	610	(95)
National Institutes of Health	183	143	(40)
Office of Education	147	216	69
Social and Rehabilitation Service	65	100	35
Social Security Administration	1,811	1,050	(761)
Total	3,425	2,547	(878)

Of the total ceiling allocation of 2,547 for FY 1971, the Department distributed 2,030 on January 22, 1971, to the operating agencies. The Department further advised the agencies that the additional 517 positions for Health Services and Mental Health Administration, National Institutes of Health, and Office of Education had been verbally approved by OMB and would be distributed before the end of the year.

A review of the files disclosed the following reasons why the employment ceiling increase for FY 1971 was insufficient to cover the budgeted positions allowed by Congress for some of the agencies:

a. Prior to the official distribution of ceiling made on January 22, 1971, the Department advanced individual agency employment ceiling increases totalling 486 as follows: Office of the Secretary (275); Indian Health Service, Health Services and Mental Health Administration (180); and Social and Rehabilitation Services (31). The record shows by agreement with OMB, the Office of the Secretary was allowed to increase its employment by 450 for FY 1971. However, this agreement carried the stipulation that the 450 would not increase the total employment ceiling of the Department. While the preceding schedule shows the Office of the Secretary received a Departmental distribution of 175, it had in fact received an allocation of 450 when consideration is given to the earlier advance of 275. Therefore, the Office of the Secretary, at the expense of other agencies, was granted position increases greater than the Congressional allowance of 334.

b. The schedule shows the Food and Drug Administration, the Office of Education, and the Social and Rehabilitation Service received

employment ceilings of 100, 69 ,and 35, respectively, in excess of the Congressional allowances. These increases, totaling 204 positions, were also at the expense of other agencies receiving less than the Congressional allowance.

c. The above actions resulted in distribution of individual agency employment ceiling increases of 865 without OMB granting approval to increase the overall total ceiling for DHEW, and three agencies, which primarily supplied these positions, receiving ceiling allocations that were less than the Congressional allowance.

The schedule shows that the Social Security Administration (SSA) bore the greatest assessment--761 positions--from its Congressional allowance to increase levels of staffing in other agencies. Office of the Secretary officials, at the time of the allocation, were aware of this and there was some hesitancy to assess SSA by over 700 positions in that 1,000 of the 1,811 Congressional allowance was based upon the urgent need to reduce overtime levels in SSA. Office of the Secretary officials considered the following factors which they believed supported their action:

a. SSA could absorb the assessment with minimal program disturbance because it is largely a production activity and has greater operational latitude in performing its work. Further, SSA could supplement its permanent work force with part-time and temporary employees as well as using overtime to meet man-year requirements.

b. In May 1970, SSA asked for and was granted permission to increase their employment ceiling the first half of FY 1971 to make hiring commitments to June graduates. It was believed that this hiring

would result in additional employees to offset the overtime man-years.

c. A review of SSA's man-year utilization through November 1970, showed that they had already yielded about 740 man-years of effort above their projected FY 1971 usage rate.

d. SSA used about 2,000 man-years less in FY 1970 than was budgeted for in the FY 1971 budget.

e. If SSA could not accomplish their work load with the staffing allowance granted, an over-allocation of ceiling would have to be made to cover their needs.

As of March 3, 1971, the date of our follow-up, SSA was the only agency that formally went on record objecting to the Office of the Secretary's ceiling allocation. Therefore, the file was documented with SSA's views regarding the conflict of the ceiling allocation with the intent of Congress and the principal adverse effects if the ceiling allowances were permitted to stand.

In view of the above, the Staff has used the SSA as an example to highlight the fact that differences between personnel ceilings and Congressional allowances for positions appear to conflict with planned levels of staffing intended by Congress and may result in adverse effects on programs.

3. Conflict with Intent of Congress

On February 9, 1971, the Commissioner of the SSA, in a memorandum to the Assistant Secretaries for Administration and Comptroller, objected to the January 22 allocation of ceiling made by the Office of the Secretary on the basis that the employment ceiling should be much closer to the full complement of positions that the President and Congress agreed to give them

for their regular programs. He also stated that it would be helpful if the Department would do away with the monthly ceilings when OMB requires only an end-of-year ceiling.

The Commissioner stated that SSA had been allowed only 1,050 of the 1,800 increase in permanent positions that had been approved by the President and Congress in FY 1971 for the social security programs. For the Black Lung Program, the end-of-year ceiling was 450 permanent positions below SSA requirements and below its present allocations to the SSA bureaus carrying out the work. Also, the ceiling for temporary and part-time employees was 450 below budgeted levels.

4. Adverse Effect on Programs

The Commissioner, SSA, also in his memorandum of February 9, 1971, identified the following principal adverse effects if the ceiling allowances were allowed to stand.

a. SSA would be in a much weaker position to handle the added work loads expected as a result of social security amendments.

b. SSA would not be able to complete its staffing for the Bureau of Hearings and Appeals, which is confronted by a growing acute and serious problem as a result of rapidly mounting backlog of requests for hearings in both the regular disability program and the Black Lung Program.

c. SSA would not be able to carry out as planned the reorganization of the Bureau of Health Insurance and the program of decentralizing many of the health insurance activities.

d. SSA would not be able to carry out the plan to strengthen SSA Regional Commissioners' ability to effectively lead and coordinate SSA regional operations.

e. SSA would have to substitute overtime for about 900 man-years of employment in permanent positions in 1971 and up to about 1,200 in 1972 in order to keep backlogs from developing in their claim and benefit paying operations.

The Commissioner pointed out the overtime situation was precisely what they were trying to correct when the Secretary strongly urged that 1,800 jobs be added for the Social Security program for FY 1971. Further, the Assistant Budget Director, OMB, advised the Commissioner that the President personally approved the Secretary's appeal for new positions for SSA. The Appropriations Committees were told that the added SSA positions were for the purpose of substituting permanent employment for overtime manpower. The Congressional Committees strongly supported the policy. It was explicitly mentioned in the report of the Senate Appropriations Committee on the 1971 bill.

As of March 3, 1971, the Office of the Secretary had not replied to the Commissioner's letter. The Staff was advised that SSA and Office of the Secretary officials were scheduled to meet the week of March 8, 1971, to discuss the above problems.

5. Ceilings Not a Substitute for Effective Manpower Management

The above situation documented pertinent practices and significant problems in administering personnel ceilings. The Office of Personnel and Training recently drafted Instruction 312-2 on employment ceilings. It was the first time the Department had developed an instruction that defined position and employment categories as they related to ceiling controls and identified the rule for counting employment against ceilings.

The draft instruction requires agencies to monitor and control their

use of temporary positions, to report significant shifts of employment ceiling, and to report employment against ceilings assigned to their bureaus. The draft instruction establishes the conditions agencies must meet in requesting employment ceiling increases and establishes the Deputy Assistant Secretary for Personnel and Training as the agencies' initial point of contact when requesting employment ceiling adjustments.

In attempting to finalize the draft instruction, several important issues raised by the agencies were not resolved. SSA, for example, had serious objections to the draft instruction and it was believed that they would probably appeal to the Secretary.

As mentioned previously, SSA objects to having a month to month ceiling. They point out, and officials in the Office of the Secretary concur, that OMB requires only an end-of-year ceiling and places no restrictions on employment during the year as long as they get down by June 30 without taking drastic actions. The month to month ceiling thus is a Department restriction, which SSA argues, unnecessarily takes away the flexibility of the Commissioner.

Officials of the Office of the Secretary stated that they established the rule primarily because it was one of the few effective tools they had for getting agencies to make manpower studies. They believed that with no restrictions on employment throughout the fiscal year, agencies don't get around to digging into the way they are using their people--activities are thus continued that long since should have been evaluated and restructured consistent with current requirements.

While ceilings afford management officials some administrative control, they should not be used as a substitute for effective manpower mangement. Managers at all operating levels should plan for and utilize manpower consistent

with well-defined programs. There is a constant need for integrating manpower planning as an essential part of an agency's or an activity's overall planning system.

D. Management Control of Manpower Utilization

With the exception of the operations management systems of a few agencies, such as those used by the Food and Drug Administration and the Social Security Administration for monitoring the performance of their district offices, there was little in the way of systematic control of the utilization of DHEW manpower resources. There was no overall system for determining whether personnel were being utilized effectively and efficiently. Efforts in this direction were mainly on the basis of special task forces, fragmentary analyses, and one-time reviews rather than through effective on-going management systems.

An official of the Office of the Assistant Secretary, Comptroller, advised the Staff that there was no emphasis on manpower controls in the Department except for the employment ceilings imposed by OMB. These are managed by the Manpower Analysis Group in the Office of Personnel and Training. It appeared that the practice was to get as many dollars and people as possible, and then accomplish as much of the programs as possible with the personnel received. Emphasis was on obtaining additional personnel to perform additional work rather than examining operations to see where manpower could be saved. Generally, programs were developed in an atmosphere where there were no rewards for efficiency or holding down manpower, and on the assumption that manpower was not a critical factor.

1. Management Staff Functions Relating to Manpower Utilization

There was no management staff organization in the Office of the Secretary

performing an effective management analysis function in relation to manpower utilization on a continuing basis. The Office of Management Systems, in the Office of the Assistant Secretary for Administration, was charged with the responsibility of evaluating and improving the organization, management, and operational systems required for administration of the Department's programs. An official of that office informed the Staff that 13 of the 35 personnel of the office had been assigned to an ad hoc management group under a Deputy Under Secretary for a substantial period of time, and as a result the office failed to accomplish the management studies desired and other necessary work. Previously, numerous management studies had been conducted in-house, by task forces made up of individuals from other government agencies, and by private management consultant firms under contract. The reports on these studies in many cases pointed at areas where economies in both manpower and funds could be effected and recommended actions to improve the efficiency of operations. However, the official stated that, in most instances, the reports wound up being filed on the shelf to gather dust, with very little, if any, action being generated to implement the recommendations. Further efforts of his Office to foster improvements in the management systems relating to the overall operations of DHEW did not receive the support needed from top management, including the Secretary, the Under Secretaries, the Assistant Secretary for Administration, and the various agency heads.

The Programs Systems Office in the Office of the Assistant Secretary for Planning and Evaluation, was responsible for over-all analysis and planning of new DHEW programs. There was a "mirror image" of the office in each of the operating agencies and their component bureaus. In its evaluation of a new program, the office was primarily concerned with determining whether the

program was well conceived and structured to meet its objective. The office was not concerned with any manpower planning related to programs, nor the implementation and internal efficiency of programs. The office had no function or assignment to mesh programs, and thus effect economies, but in the evaluation procedure would on occasion raise questions as to whether another program was needed or whether the problem could best be handled under an existing program. An official of the office advised the Staff that when new programs were received, DHEW tended to create a bureaucracy for each program and there was no incentive to do a better job with less people because salaries of program managers and their staffs were related to the number of people on the program. He stated that most programs of DHEW were "check writing" programs, and noted that when the programs were cut the staffs were not reduced; however, when budgets were increased there was always a need for more personnel.

The evaluation function performed by the Evaluation and Monitoring Office in the Office of the Assistant Secretary for Planning and Evaluation, and its counterparts in the operating agencies, primarily involved determining the effectiveness of DHEW programs in reaching their objectives, rather than the efficiency of program management. Evaluation was done outside through grants and contracts, and consisted of: (1) evaluation of ultimate impact of the program on the population, in terms of social improvement; (2) looking at alternatives to achieving program objectives; and (3) monitoring and performance evaluation, involving progress reporting. None of these evaluations involved reviewing the utilization of manpower on the programs. An official of the office advised the Staff that the efficiency of performance of a program was the function of management evaluation for which another office was responsibile. In reply to the Staff's inquiry as to whether such evaluations

have resulted in the elimination or cut backs of any programs, the official stated that generally the evaluations have resulted in changing programs around, rather than cut backs.

In addition to its primary responsibility for establishing and maintaining a Department-wide budget execution system, the Division of Operations Analysis, in the Office of the Assistant Secretary, Comptroller, was charged with other functions. These included developing policies for efficient and effective expenditure of funds administered by DHEW; performing special studies of organizations and processes for the purpose of improving methods and procedures; and coordinating and stimulating the development of recommendations for improved program operation, efficient and economical performance, and effective program coordination. An official of the Division advised the Staff that in the budget execution function, emphasis was on the billions being spent on programs, rather than DHEW costs of administering programs, including manpower, and that the Comptroller could not afford the "luxury" of using his staff to see where manpower could be saved within the Department, because there were more important things to get done. In regard to systems for measuring performance against plans, both as to program objectives and manpower utilization, the official stated his opinion that when an operating agency has time to spend on such "elaborate" systems, it is probably "fat" on staffing or should be spending more time on getting programs accomplished.

Under the direction of the Assistant Secretary, Comptroller, the DHEW Audit Agency is responsible for the performance of comprehensive audits of the Department and its grantees and contractors, in order to determine whether the Department's operations are being conducted economically and efficiently, and to provide a reasonable degree of assurance that Federal funds are being expended

62-917 O - 71 - pt. 4 -- 72

properly and for the purpose for which they were appropriated. Although the installation and management audits in some instances disclosed deficiencies relating to the utilization of personnel, such internal audits did not have evaluation of manpower utilization "per se" as an audit objective. Audit efforts in the DHEW regional offices visited by the Staff were directed mostly in examination of state and local agencies, with little being done in the way of internal management audits.

2. Manpower Utilization Review of 1969

The Manpower Utilization Review (MUR) which the Department initiated in April 1969, in anticipation of continued personnel reductions in FY 1970, was conducted at each agency and in the Office of the Secretary by individual task forces under the direction of a DHEW task force headed by a Deputy Under Secretary. Based on a self-examination concept, the agency task forces were comprised of representatives from the agency, program, and field levels, and in a few instances had non-government representation. Similarly, the task force which reviewed the Office of the Secretary was composed of staff members from that office.

Basically, the purpose of the MUR was to provide the Department with information needed for more effective allocation of manpower resources. Under the first phase, completed in June 1969, each task force report was required to indicate the number of personnel allocated to specific programs and operations for FY 1968 and FY 1969, and the planned allocation of the reduced number of personnel for FY 1970, with identification of shifts of personnel from lower to higher priority work and explanation of consequences of elimination or significant reduction of programs. Since the task forces only worked 8 to 10 weeks on this phase of the MUR, there was no in-depth studies

made to determine whether personnel allocated to the programs and operations were utilized effectively and efficiently.

The task force reports were also required to identify areas for intensive study and analysis which were expected to produce significant DHEW manpower savings. These study projects were supposed to be accomplished as the second phase of the MUR. The first follow-up on the study projects was initiated by the Secretary, in October 1969, at which time each agency was requested to submit by the following month, schedules for the manpower savings projects to be performed in FY 1970. Progress in getting these projects underway was very slow in some agencies. For example, in November 1970, or about a year later, the Office of Education was just preparing to start on its projects. In December 1970, an official of the Office of the Assistant Secretary for Administration informed the Staff that some special studies are made relative to manpower utilization on a selected basis but there are no regularly scheduled or comprehensive reviews comparable to the MUR of 1969.

3. Federal Assistance Streamlining Task Force

Because DHEW grant programs were big and complicated, the vast amount of paper work and administrative handling involved, in many cases, tended to obscure or even get in the way of program objectives. Grant programs had grown rapidly and haphazardly, with little in the way of real planning or systematic review. As a consequence, the programs became encrusted with procedures and buried in mounds of red tape which worked particular hardships on the grantee, who often had to fill out complex, largely meaningless application forms, undergo a lengthy process of review, and wait several weeks for approval or disapproval. In addition, grantees were required to submit endless reports that did not appear to provide the information needed to evaluate the programs.

In March 1969, the President directed a Government-wide review of the patterns of field establishments and delegations of authority to lead toward greater and more consistent decentralization of Federal programs. The goal was to streamline assistance to states and communities and improve coordination between all levels of government. To carry out this streamlining program within DHEW, the Secretary, in August 1969, created a 40-member task force, called the Federal Assistance Streamlining (FAST) task force, to review each of the more than 250 DHEW grant programs to identify and utilize every opportunity to eliminate, simplify, or decentralize the programs. Under the direction of a Deputy Under Secretary, the task force consisted of program personnel with a variety of backgrounds from various DHEW organizational units from headquarters and the field. The initial task force, and two succeeding task forces, each functioned about 4 months and reviewed approximately 40 to 50 grant programs. Thus, by October 1970, 145 grant programs with a dollar value totaling $10.6 billion had been studied by the FAST task forces.

Although the primary objective of FAST reviews was to eliminate paper work, cut red tape, and speed up grant processing in order to make it easier for state and local agencies to do their job, there were also benefits to DHEW in terms of improved program effectiveness and manpower savings expected to result from implementation of FAST recommendations. In a summary report, it was estimated that FAST activities through September 1970 would:

a. Free 329 man-years of state and Federal manpower by eliminating 57 reports required from states and other formula grantees.

b. Save 33,000 man-days of DHEW staff and committee time by abolishing 51 committees or limiting their function,

and streamlining project grant management by eliminating 202 steps to the review process.

c. Save 915 man-years of effort for state and Federal government by reducing and simplifying state planning documents relating to 29 programs.

However, the weakness of FAST was the lack of authority or procedure to assure that the recommended changes were implemented or to determine whether the agencies, in fact, disregarded the recommendations or reverted to the old procedures. In this regard, a city official in one of the DHEW regions visited by the Staff stated that the paper work requirements for grant applications on some programs had been increased, rather than reduced, and showed the Staff the voluminous application, about three inches thick, required to be submitted under the Health Services Development Program of Health Services and Mental Health Administration. This official advised the Staff that overstaffing of the office of Regional Health Director had resulted in that office putting more detailed requirements into the application guidelines and overdoing the review process, which took as long as four months.

4. Operational Planning System

In a discussion with a management official of the Department's Management Planning Group, he stated that in early 1969, after the new administration took office, the then Secretary of DHEW identified the following initial problems:

a. The Secretary had no control over DHEW or its operating agencies except for the budgetary process.

b. There was a definite lack of emphasis on the achievement of results.

c. Each agency administrator, commissioner, or director was experiencing the same lack of control over his agency as the Secretary, except for the budgetary process.

The initial effort of the Management Planning Group was to locate, identify, document key problems and priorities, and develop specific objectives.

In March 1970, the DHEW established the Operational Planning System (OPS) in order to fill a critical gap in operational management and to create an environment which focused management attention on achieving results rather than simply keeping up with ongoing activities. Prior to that time, the Department had no systematic way of assuring day-to-day operating decisions followed and supported policy. Strategies were developed and resources were allocated through the long-range planning and budgeting process, but there was no mechanism for influencing operations to insure that budgeted resources were actually applied in accordance with Department strategy. The OPS was designed to provide a framework for translating budget allocations in high priority areas into specific operating plans, and providing feedback on progress against the plans.

The OPS consisted of 3 interrelated phases. In Phase I - Establishing Goals and Objectives, the Secretary issued a statement of top priority goals of the Department, which was compiled from planning and budget documents for the coming fiscal year. Agency heads, building upon the Secretary's statement of goals and their own key priorities, developed from five to ten operational objectives for accomplishment during the fiscal year. Regional Directors, also building upon the Secretary's statement of goals, and the objectives of agency heads, considered major problems or opportunities within their regions, and developed from five to ten regional priorities for special

attention during the fiscal year. Lower levels of agency and regional management each successively developed from five to ten key operational objectives for accomplishment during the fiscal year, considering the objectives of the next highest level. In Phase II - Developing Operating Plans, each level of agency and regional management in succession outlined the major action steps necessary to achieve the operational objectives, the expected completion date for each step, and the DHEW resources required. Plans for each level were reviewed and approved by the next highest level. Approved plans became the bases for subsequent monitoring of progress toward achievement of the operational objectives. In Phase III - Reporting and Follow-Up, each level of agency and regional management was required to submit regular reports to his immediate superior, outlining progress on each operational objective relative to the plan.

Since the OPS was not designed to cover all DHEW activities, the operational plans accounted for only a fraction of the Department's total resources. When agency heads came in with operational plans there was no organizational memory or audit trail by which to relate operation commitments to any promises made at budget time. The OPS manual called for the identification of related resources, but this generally was not done. Without this tie to resources, the agency heads were able to promise a great deal in the fall when bargaining for funds, and then promise little in the spring when setting quotas against which their performance would be measured.

Although the OPS measured accomplishments against plans with respect to achieving operational objectives, there was no provision for determining whether objectives were reached with efficient utilization of manpower. In this regard, an official of the Office of the Assistant Secretary, Comptroller,

advised the Staff that the OPS was not concerned with manpower planning and that consideration of manpower resources was explicit in accomplishing objectives, but was of secondary importance. In discussing a comparable deficiency in the management information system of the Office of Education, an official of the Management Evaluation Division, in the Office of the Commissioner, informed the Staff that the failure of the OPS to include a tie-in with manpower utilization was a "missing link" in the system. Because of the shortcomings of both the OPS and the Office of Education management information system, the Bureau of Elementary and Secondary Education decided it needed a more complete system to manage its operations and developed a Total Operations Planning System (TOPS) to provide coverage of all of the operations of the bureau both in terms of accomplishment of objectives and utilization of manpower resources. The bureau was still experimenting with the system at the time of the Staff's review.

One of the regional offices encountered problems with the OPS because of the failure of the central office to fulfill its responsibilities in connection with regional operational plans. This office had established a priority in the Family Planning Program which included a demonstration project, and induced one of the states in its region to develop a program on the state level. The program plan developed by the state was approved by the Social and Rehabilitation Service prior to August 1970 and was ready to be implemented. However, as of December 1970 no action had been taken by the central office on allocation of funding for the program, and the state, which had expended its time and money developing its plan, was not able to proceed with the program.

In a report issued in August 1970 on a study of DHLW's internal management processes by a management consultant firm, it was indicated that the OPS was not integrated with long-range planning and budgeting and was a new system piled on top of all other existing systems

VIII. REGIONAL OFFICE OPERATIONS

A. Introduction

Since its creation in 1953, DHEW has continued to utilize the regional offices which were established in 1948 by its predecessor, the Federal Security Agency. Initially, the regional offices were intended to provide general administrative supervision of regional units by a single regional director. Subsequently, the missions of the regional offices were expanded by DHEW for the purpose of facilitating the work of the Department, coordinating program activities, and providing services to people, states, cities, and localities. The regional offices are intended to provide a framework within which the technical aspects of health, education, and welfare programs can be served.

For the last several years, the various Secretaries of DHEW have emphasized that the work of the Department has been dependent on the active participation of the Federal Government on one hand and the state, local, and nongovernment groups on the other. It was reported that more than 90 percent of the funds appropriated to the Department was allocated to non-Federal agencies.

These Secretaries pointed out that a strong and resourceful regional organization was essential to effectively administer the programs of the Department. They advocated that the regional organization be strengthened and given greater authority for effective decision making at the local level.

The problem of centralization versus decentralization has been debated for many years in all types of organizations, both public and private. For example, the Office of Education, in 1966, endeavored to decentralize the administration of selected programs. It changed its regional activity from a representative type of function to an administrative role, directly connected to its responsibilities for the operation of programs. The decentralization

had been recommended by a White House Task Force on Education which pointed out that a program exceeding $3 billion and reaching into fifty states could not be effectively administered solely from Washington. The Secretary of DHEW at that time issued a directive which pointed out in part:

> "With the vast expansion of departmental programs and the growing need for coordination of all Federal programs at the grassroots level, we need to strengthen our field operations, especially in the Regional Office."
>
> "If all of our agencies have strong field organizations, we can, through the Regional Offices, accomplish far better coordination in the local community and improve coordination with other government departments. Such coordination is high on the White House and Budget Bureau list of priorities."

However, there was strong opposition from major national educational organizations regarding programs under the Elementary and Secondary Education Act and the National Defense Education Act. The position of these organizations was that there should be no regional administration for the elementary and secondary education programs of the Office of Education. The confrontation created by the disagreement was considered unhealthy for the Office of Education and for education in general. In August 1968, the Office of Education established a policy of central office administration of all programs of elementary and secondary education under the Elementary and Secondary Education Act and the National Defense Education Act which had been administered through the regional offices.

In March 1969, the President of the United States announced systematic reforms which were designed to achieve modernization. These reforms included the establishment of common regional boundaries and regional office cities for the Departments of Labor; Health, Education,and Welfare; Housing and Urban Development; Office of Economic Opportunity; and the Small Business Administratio

The regional council concept was to be expanded to all regional offices; and the streamlining and, wherever possible, decentralization of Federal programs from headquarters to regional offices was to be carried out.

In 1969, the Secretary of DHEW made the basic policy decision that headquarters staff would concentrate on policy development, program direction, planning, training,and evaluation. Field personnel would be responsible for planning and implementation of the programs as well as providing technical assistance, reviewing and awarding individual grants, and monitoring grants for compliance and results.

B. Status of Decentralization

In an effort to determine the status of program decentralization and any corresponding transfer of positions from headquarters to the regional offices, the Staff interviewed officials of the Office of Field Coordination in January and February, 1971. These officials advised that in the fall of 1970, the responsibility for determining the status of decentralization of the Department's programs and activities was placed with that office. At that time, the Office of Field Coordination found that at the Department level there was no hard data available regarding program decentralization or to the number of positions assigned to the regional offices as a result of decentralization.

These officials stated that the responsibility for following decentralization was delegated at various times during the last two years to the task force on Federal Assistance Streamlining and to the task force for regional office operations, both of which were under the direction of a former Deputy Under Secretary. It was noted by the Staff in its visits to regional offices, that these offices had responded in the months of August, September, and October 1970 to a request from the Deputy Under Secretary for information

concerning strengthening regional offices in regard to implementation of the recommendations of the Federal Assistance Streamlining Task Force, the extent of delegations of authority to regional agency representatives, and the number of positions provided the regional offices.

Officials of the Office of Field Coordination advised that any information which had been previously developed relative to decentralization was unreliable. About December 1970, the Office of Field Coordination undertook a study to identify programs fully decentralized and the extent to which positions have been transferred from headquarters to the regional offices. The study identified problems in various interpretations and classifications of programs by the agencies as fully or partially decentralized as well as the lack of criteria to measure decentralization in these terms.

On February 16, 1971, an official advised that due to the problems encountered, the limited time devoted to the study, and the reorganization of the Office of Field Coordination, no formal report had been prepared, however, a memorandum would be submitted recommending the need for further study of this matter.

C. Regional Organization

The Regional Director is the Secretary's representative in the region and is assisted by various staff and operating units of the Office of the Secretary. Such offices as the Deputy Regional Director, Executive Officer, Planning Officer, Regional Engineer,and Assistant Regional Directors for Health and Scientific Affairs, Child Development, and Intergovernmental Relations and Community Affairs were added to the organizational structure of the Office of the Regional Director during 1969 and 1970. In addition, representatives of operating agencies are assigned to the regional offices.

The National Institutes of Health is represented in the regional office through the Bureau of Health Professions Education and Manpower Training which is placed in the Office of the Regional Health Director. Prior to December 1970, Environmental Health Services was represented in the regional offices, however, that agency has been abolished as a component of DHEW.

The Office of Field Coordination in the Office of the Secretary was the focal point at the Departmental level for regional and field operations until February 5, 1971, at which time it was reorganized. This reorganization established the Office for Regional and Community Services and the Office for Community and Intergovernment Planning in an effort to improve the Department's performance in the areas of technical assistance, intergovernmental relations, and regionalization.

The operating agencies of DHEW, except the Health Services and Mental Health Administration and the National Institutes of Health, provided organizational units, at headquarters, to be responsible for direction, coordination, overall Departmental and agency policy, evaluation and general administration and management of regional and field services. Health Services and Mental Health Administration had such a headquarters unit at one time, however, the Regional Director was, at the time of the study, reporting directly to the Administrator of that agency. The National Institutes of Health has not had a staff unit for regional activities.

D. Regional Personnel Statistics

The Staff determined that the DHEW management information system does not produce information on a routine and current basis to identify staffing of the regions, relationships of Washington staff to field, and other necessary information for measuring the utilization of personnel with programs

performed at the subordinate agencies. Further, the Department has no formal system for measuring the effect of decentralization on staffing between Washington and field activities. This problem, as it related to the Staff's obtaining Department-wide personnel statistics for a five-year period was discussed on page 11 of the report.

While the lack of such information was a handicap to the Staff in directing its attention to the area of buildup of regional staff, more importantly, top management in the Department does not have essential information to effectively manage its manpower.

The Staff, through interviews with responsible officials as well as from information developed by the Department through its operating agencies and field activities, identified principal areas of personnel growth in the regions for the past five fiscal years as shown in the following schedule:

Organization	1966	1967	1968	1969	1970	Personnel Increases FY 70 over FY 66 Number	Percent
Office of the Secretary	909	983	1,292	1,319	1,773	864	95
Social Security Administration	491	601	719	693	962	471	96
Social and Rehabilitation Service	384	432	549	537	467	83	22
Food and Drug Administration	0	14	14	0	21	21	-
Office of Education	211	448	708	636	467	256	121
Health Service and Mental Health Administration	469	480	579	734	590	121	26
National Institutes of Health	55	58	69	65	73	18	33
Environmental Health Service	132	147	156	180	192	60	45
Total	2,651	3,163	4,086	4,164	4,545	1,894	71

The schedule shows that total regional employment for FY 1970 has increased by 1,894, or 71 percent, over employment for FY 1966. The Office of the Secretary, the Social Security Administration, and the Office of Education staffs in the regions account for most of the increase, having grown 95, 96, and 121 percent, respectively, over FY 1966 employment.

The growth in regional employment for the Office of the Secretary activities was attributable to the establishment of the Facilities Engineering and Construction Agency and the Office of Child Development, and to the expanding work load of the Office for Civil Rights and the DHEW Audit Agency. Also, several staff units have been recently added to the immediate offices of the regional directors.

The buildup in regional staff for the Social Security Administration has been caused generally by the continued growth of existing programs as well as the addition of new programs.

The schedule shows an overall buildup of 256 in employment of regional staff of the Office of Education. A closer analysis shows the buildup occurred in FYs 1967 and 1968, offset to some extent by subsequent decreases in FYs 1969 and 1970. The staffing trends reflect, to a certain extent, the Office of Education's policy for the periods involved with regard to the role and responsibilities of the regional offices. In FYs 1966 and 1967, the Office of Education decentralized the administration of selected programs, however, in August 1968, it reestablished a policy of central office administration. In addition, in FY 1970, the Facilities Engineering and Construction Agency was established and approximately 154 regional personnel of the Office of Education involved in construction and engineering functions were transferred to this Agency which is organizationally located in the Office of the Secretary.

Approximately 70 regional personnel of Health Services and Mental Health Administration engaged in construction and engineering activities were also transferred to Facilities Engineering and Construction Agency in FY 1970.

E. Problems Related to Regional Operations

The operations of the regional offices of DHEW have been impeded by the unclear definition of responsibilities of the Regional Director and of the regional agency heads; the insularity and autonomy of regions and of operating agencies; the lack of program coordination; and the reluctance of Agency headquarters to release decision making authority and to provide the necessary staffing. Also,the Staff found what appeared to be an overlapping of responsibilities among certain officials of Social and Rehabilitation Service as well as regional medical officials.

1. Unclear Responsibility and Lines of Authority

According to DHEW instructions, the Regional Director represents the Secretary in the region and is responsible for coordinating the activities of all Office of the Secretary units and the operating agencies. However, the Regional Director lacks authority to assure that DHEW programs and activities are effectively implemented. Although organizationally all DHEW components and personnel are under the general supervision of a Regional Director, several of the units of the Office of the Secretary and all of the regional operating agencies received program direction from their respective headquarters offices. The Regional Director had no method, except in the area of common management services, such as personnel, financial management and office services, of evaluating the effectiveness and efficiency of programs or personnel in the regional office.

The source of the Regional Directors' policy direction was unclear in

62-917 O - 71 - pt. 4 -- 73

that they received direction from many sources within the Office of the Secretary in addition to the Office of Field Coordination, and sometimes, from more than one source on the same subject. This has resulted in confusion and wasted time and effort. While the Office of Field Coordination was nominally the headquarters focus for the Regional Directors, they would often bypass this office and deal directly with other units in the Office of the Secretary.

In regard to regional agency operations, each agency has its own regional organization, with a regional commissioner or administrator coordinating the various bureaus of the agency. Each bureau office in the region receives strong, centralized line supervision and program direction from its respective bureau headquarters. The regional commissioner or administrator is basically limited to an administrative role over his agency's regional representatives.

The three Regional Directors interviewed by the Staff advised that their role is not clearly defined and that their influence over the programs and activities of DHEW in their region is exerted by persuasion and personal relationships with the regional commissioners rather than by direct authority. This was also confirmed by officials of the Office of Field Coordination.

At Dallas, Texas, the Regional Director pointed out that there are approximately 10,000 DHEW personnel employed and $5 billion in funds expended in his region. He controls only about 5 percent of the funds and a lesser percentage of the personnel.

Two of the Regional Directors agreed that there was no single source within the Office of the Secretary providing them with DHEW policy and they determined policy by reading the Secretary's speeches or other material.

In interviewing Regional Commissioners, the Staff noted that there was

a problem area in regard to definition of their operating responsibilities. They said there seemed to be as many different definitions in this area as there were programs. This resulted in needless friction and negotiation between the headquarters and Regional units and some reduction in overall operational effectiveness.

2. Insularity and Autonomy of Regions and Operating Agencies

The Staff's review of operations at the regional level repeatedly surfaced the problem of independence of the operating agencies and certain Office of the Secretary staff units from the necessity of coordinating with the Regional Director, and to carry this problem a step further, within regional operating agencies there were operating bureaus who were dealing independently of the regional agency heads. Also several components of DHEW, primarily health-type organizations, reported directly to agency headquarters, although located geographically within regional boundaries. Examples of these types of components were Indian Health Hospitals, and Public Health Service hospitals. In addition, the Center for Disease Control, Atlanta, Georgia, is considered a headquarters office, even though not geographically located in the Washington, D. C., metropolitan area.

The Office of Field Coordination was established as the Secretary's staff arm for regional operations as well as being the spokesman in the Office of the Secretary for the regional offices. It was to provide management service, budgetary functions, and manpower allocations for the Office of the Secretary operations in the regional offices along with fiscal, administration, and office services. The Staff was informed by an official of the Office of Field Coordination that, on many occasions, the regional offices bypass the Office of Field Coordination and deal directly with the applicable branch

or unit within the Office of the Secretary on policy decisions, personnel, fiscal, or other administrative matters. Examples of the type of bypassing action were: (1) the regional financial management office dealing directly with units of the Office of the Assistant Secretary, Comptroller; and (2) the regional personnel office dealing directly with branches of the Office of Personnel and Training.

Other examples within regions were the Regional Directors being bypassed by the regional offices for civil rights and the regional audit offices. These two offices dealt directly with their respective headquarters counterparts in Washington. One Regional Director believed that he and certain members of his immediate staff were well qualified on civil rights matters. However, his recommendations for personnel appointments were never acknowledged by the Office for Civil Rights in Washington.

During the conduct of the study, the Staff identified several instances that demonstrate the autonomy and insularity of the operating agencies and bureaus.

For example, the Social and Rehabilitation Service (SRS) is organized so that bureau chiefs report through the SRS Regional Commissioner. However, even SRS is aligned in the regions along the same organizational structure as SRS headquarters. This similar structure fosters program specialization and closer relationships between bureau personnel in regions and headquarters which further results in autonomy of bureaus.

The Staff also noted that the Rehabilitation Service Administration, a bureau of the SRS, entered into a contract with a management consulting firm for an evaluation of its organization at both headquarters and regional levels. This contract was for $48,582, and was performed just prior to an

overall evaluation of the SRS regional organization by a different management consulting firm.

As a further example, the Staff found that 98 percent of the Social Security Administration's (SSA) manpower is controlled by SSA Headquarters through its operating bureaus. Only recently, and after much deliberation, SSA in a step toward increasing the responsibility of its Regional Commissioners decided to allow them flexibility for adjusting or reassigning up to two percent of the regional manpower in order to accommodate unforeseen work load requirements.

The Staff identified situations where regional operating agencies had their own administrative and budget office for maintaining their fund controls even though each region has a regional financial management office. Furthermore, personnel management activities for Food and Drug Administration districts are operated centrally instead of being performed by the DHEW regional personnel offices.

The Communicable Disease Center in Atlanta, Georgia, is responsible for its own financial management, personnel management, and administrative services. It requires "no support whatsoever" from the DHEW Regional Office also located in Atlanta. The Staff's discussions with officials of this activity disclosed that they prefer having their own administrative support.

3. Lack of Program Coordination Within Regions

The Department has been void of any systematic mechanism for coordinating the more than 250 separate programs. Achieving coordination of programs at the regional level is limited by the high degree of agency insularity. The regional agency commissioner or administrator gets direction from and owes prime allegiance to his agency chief in Washington. The Regional Director has no

line authority over these regional agency heads. Thus intra-Department coordination has had little chance to be effective. Also, the bureau heads within regional agencies are receiving technical guidance from the corresponding bureau chiefs in Washington.

In recognition of the problems involved in program coordination, the Secretary issued a memorandum dated Febrary 5, 1971, announcing a reorganization of major sections of the Office of Community and Field Services. This reorganization, which eliminated the Office of Field Coordination and the Center for Community Planning, resulted from the Secretary's review of current performance and capacities in the areas of technical assistance, intergovernmental relations, and decentralization. The memorandum further stated that "one of the most important objectives in this reorganization is to bring about a new capacity for the Department to develop comprehensive strategies with respect to individual cities and states, rather than fragmented ad hoc policies which are little more than the aggregate impact of individual programs and agencies on our own counterpart agencies." Accordingly, the Office for Regional and Community Services and the Office for Community and Intergovernmental Planning were established under the Deputy Assistant Secretary for Community Development. The Secretary regarded the most important function of the Office of Regional and Community Services to be that of operational support for regional office staff and emphasized the necessity for close coordination with other offices of the Office of the Secretary and with the operating agencies.

In January 1970, the former Secretary directed that a Task Force on Technical Assistance be established to review technical assistance capabilities, develop and test techniques for providing assistance to states and cities, and

to prepare recommendations for an expanded Departmental effort. The Task Force Report, published on July 31, 1970, in draft form, contained fifteen recommendations for strengthening technical assistance. These recommendations ranged from better utilization and training of staff involved in technical assistance, to increased staff at the state, regional, and headquarters levels, to redirection of technical assistance activities toward intensive regional-state-local teamwork, thereby improving the delivery of services to people.

The subject of technical assistance and the adequacy of DHEW service delivery systems were often discussed in the Staff's contacts with state officials. Although some state officials indicated satisfaction with the technical assistance provided by the regional office staffs of DHEW, others, particularly those associated with state health departments, expressed disappointment with this phase of the regional office operations. One state health official pointed out that in the past two years technical assistance has deteriorated and state office people have seen very little of DHEW personnel. Another state health official said that if there has been a concerted effort to strengthen administration and guidance from the regional office to the state it has not been evident in his state. He continued by pointing out that in the past two years there is an increasing tendency on the part of DHEW technical personnel to bypass state and sometimes local health departments and work with local groups, many not connected with official health agencies, thus weakening and disrupting regional office relationships with state departments. This was a complaint expressed by a number of other state officials interviewed by the Staff. One state welfare department official was highly critical of DHEW personnel who visit the state to "sell" federally matched programs by furnishing private groups incorrect and untrue information

in furtherance of their own efforts to sell programs. He further stated that these people,with few exceptions, are pressuring the states to adopt more liberal welfare programs and that they are "empire builders."

Two officials in one state health department stated that technical assistance provided by the DHEW regional office was of little or no value. They stated that in the past, young Public Health Service physicians had been assigned to work directly on state health programs under state supervision and this proved beneficial. However, this is no longer the case and in the absence of such help, they were of the opinion that the state should be provided funds to hire its own people in lieu of receiving technical assistance from the DHEW.

A number of other state welfare officials indicated that in their opinion the root of most of their problems in implementing programs was a lack of timely program guidelines and regulatory material from Washington headquarters after legislation was enacted. One expressed his feeling that this put both the state and the regional office in the untenable position of having to implement programs prior to the time policies and guidelines are released. Another feels that regional office personnel are embarassed by the fact that they are not provided material to assist the states in time to be useful and, in some cases, receive information and instructions after Washington furnishes it to the states.

4. Reluctance of Headquarters to Release Decision-Making Authority and to Provide Necessary Staffing

One of the problems which has hindered the decentralization process is the reluctance of operating agencies and certain Office of the Secretary staff units to delegate decision-making authority to the regional offices,

and in those instances where additional responsibilities have been decentralized to the regions there has been some reluctance to authorize the necessary staffing to assume these responsibilities.

As previously reported, the Department was unable to provide the Staff with information concerning the status of decentralization on a Department-wide basis. However, during the visit to the San Francisco, California, Regional Office, the Staff was informed that a total of 37 programs were decentralized as of January 1, 1971. On the basis of the above data, it would appear that only about 15 percent of the total DHEW programs have been decentralized. An official of this office informed the Staff that the above figure is very "iffy" for a number of reasons. One reason given was that the term "program" is interpreted differently by many people. Some think it means a total program such as Higher Education, which would be counted as one program. Others would count the subprograms of Higher Education as individual programs and thus arrive at a higher figure. Another reason given was that the term "decentralization" is widely interpreted. Some consider a program to be decentralized if it is operated from the region. Others think that all matters pertaining to a program, including funds to be spent and the manpower to be used, should be decided in the region for a program to be fully decentralized.

The Staff was informed by regional officials that delegations on some programs have been made on paper only, and in reality the programs are still being directed from Washington. One Regional Director advised that none of the regional commissioners or administrators of the operating agencies have accepted the concept of decentralization. In his opinion, the decentralization process just results in another layer of bureaucrats because the agency

Headquarters in Washington do not give up any authority. He further described the efforts of the operating agencies toward decentralization as a reluctant, foot dragging operation. He cited the Office of Education as an example of an agency which is non-cooperative with the regions and which tightly controls its programs from the central office in Washington.

With regard to regionalization, the Regional Director cited the Indian Health Service program as one which should be decentralized. He stated that the area covered by the Dallas Regional Office has the largest Indian population in the United States and Indian Health is one of the most important problems in the Region. However, he has no voice in this program which is centrally administered in Washington. The Regional Director's statements on decentralization were confirmed in the Staff's contacts with state education officials. One such official advised that his impression is that Washington headquarters never really implemented the concept of regional offices,while another belives that regional office personnel have no latitude to make decisions or provide leadership due to the voluminous increase in Washington guidelines and directives and to Washington red tape and professional jealousy. Others indicated that the regional office, when contacted, usually served only as a middle man between the state and Washington and that the regional office merely added a layer of administration which is costly and time consuming.

The Staff attempted to ascertain the Regional Director's role in determining the staffing requirements for the Regional Office and the relationship of headquarters to regional staff.

The Regional Directors contacted by the Staff advised they are not involved in developing manpower requirements for the larger units of the Office of the Secretary--Office for Civil Rights, Office of Child Development,

Audit Agency, and Facilities Engineering and Construction Agency. They further stated that they are not involved in determining the manpower requirements for the operating agencies because such requirements are controlled from headquarters offices.

Staff discussions with agency Regional Commissioners invariably included the topic of inadequate staffing in terms of numbers to perform their operations. For example, the Social and Rehabilitation Service (SRS) Commissioners commented on the large ratio (2-1) of SRS headquarters employees to field employees and pointed out that there are two people making policy in headquarters for every one doing the work in the regions. This statement was verified with manpower statistics for FY 1970 provided by the Office of Personnel and Training which showed that of the 1,868 total personnel for SRS, 1,245 are assigned to Washington headquarters. One SRS Commissioner informed the Staff that no additional work load was desired until the necessary staff was made available.

In connection with the review of assignment of manpower to the regions, the Staff analyzed the distribution of executive positions above GS-15 and found that of 272 positions assigned to the Office of the Secretary, Social and Rehabilitation Service, Social Security Administration, Office of Education, and Food and Drug Administration, only 23 positions, or less than 10 percent, were assigned to the regional offices. These 23 positions consisted of 10 Regional Directors for the Office of the Secretary, 5 Regional Commissioners for Social and Rehabilitation Service, and 8 Regional Commissioners for Social Security Administration. The Office of Education and the Food and Drug Administration were assigned 51 and 47 positions, respectively in grades above GS-15. However, none of these positions have been allocated to the regions.

5. Overlapping of Responsibilities Among Regional Officials

In the Staff's review of regional offices, it was noted that the Social and Rehabilitation Service (SRS) employs several high graded officials in most regions who are performing functions which appear to overlap functions of other high ranking regional officials. Of these high graded officials, 20 have recently been appointed to a newly established position, Deputy for State Programs, at an annual cost of at least $467,840. A management consultant's report showed these positions were not clearly defined thereby creating tension, suspicion, and hostility among certain officials in the SRS. In addition, within SRS regional organizational structures there are presently five positions costing at least $121,255 annually for Regional Medical Coordinators whose mission and function appear to overlap those of the newly established position of Assistant Regional Director for Health and Scientific Affairs.

Deputies for State Programs

In July 1970, SRS authorized the employment of Deputies for State Programs in eight of ten DHEW regions. The use of Deputies for State Programs is a new concept of coordinating social and rehabilitation services for each state, which has been superimposed on the long existing concept of providing services along functional or program lines. Each of the eight regions had several Associate Regional Commissioners who were responsible for administering the programs under their sphere of responsibility on a region-wide basis. There were Associate Regional Commissioners for Aging, Assistance Payments, Community Services, Medical Services, Rehabilitation Services, and Youth Development and Delinquency Prevention, who were directly responsible to the Regional Commissioner. Under the new concept, all of their

programs will be coordinated through the Deputies for State Programs.

The Staff's analysis disclosed that there were 43 Associate Regional Commissioners employed in the 8 DHEW regions using the new concept. Of these, 27 were GS-15s, and 16 were GS-14s. There were also 20 Deputies for State Programs recently employed in the same 8 regions, of which 15 are GS-15s and 5 are GS-14s. Using the current GS Pay Schedule at the starting rate for each grade the total cost of the 20 new positions on an annual basis is $467,840 for salaries alone.

These new positions, in effect, are an assumption of certain functions previously assigned to Associate Regional Commissioners as well as an assumption of previous coordinating responsibilities assigned to the Regional Commissioners.

A management consulting firm in its report, dated November 1970, on SRS regional operations disclosed that the role of the Deputy for State Programs was not clearly defined or understood by either the Deputies themselves or the Associate Regional Commissioners. The report also showed that every regional office displayed a degree of tension, suspicion, and hostility toward the new concept of organization.

Some comments received from state welfare officials on the increases of personnel and staff resources, and whether these increases have improved or strengthened their relationships with DHEW regions were as follows:

One state welfare official stated that there is a clear lack of decisiveness and much "fence sitting", that it is difficult to get adequate guidance and that decentralization has created another bureaucratic layer in which decisions are inordinately delayed. Another state official observed that the regional office functioned much more effectively under

62-917 O - 71 - pt. 4 -- 74

the former bureau system with its regional field representatives. Several state officials stated they were not aware of any increase in personnel or strengthened relations during this recent period of decentralization. One official commented that regional staff are kept in a dependent position as decision making has been retained in Washington while another expressed the opinion that at times there seems to be no one at any level of the Social and Rehabilitation Service willing to assume major responsibility for obtaining a consensus and converting it into written policy needed by the state. It is apparent from the above comments that the use of Deputies has not as yet improved the efficiency of the SRS in dealing with the states.

Regional Medical Coordinators

The SRS also employs a Regional Medical Coordinator in five of the DHEW regions. Their primary responsibilities are: (1) develop and coordinate regional health and medical programs of the SRS; (2) act as the principal medical consultant to the Regional Commissioner; (3) advise and consult with the regional staff as appropriate in the review of state plan material, develop policies and procedures, and evaluate programs; (4) represent the Regional Commissioner in the conduct of health and medical programs with state agencies; and (5) maintain medical relationships with other DHEW and Government agencies in the region.

In addition, the Regional Director has been authorized an Assistant Regional Director for Health and Scientific Affairs. This person is responsible for: (1) coordination and review of the formulation and execution of health program components of the regional plan including statements of goals, priorities, issues, and long-range objectives; (2) identifying problem areas and recommending appropriate action to the Regional Director; and (3) serving

as technical adviser to the Regional Director on all phases of regional health operations.

The above described positions are similar in that both are medical consultants--one to the Regional Commissioner and the other to the Regional Director. Both positions require a qualified physician according to their formal job descriptions to coordinate medical activities and both positions are located in the regional office. It appears that a slight expansion of the duties of either position would provide sufficient performance in one position to allow for elimination of the other. Furthermore, the Staff was informed that the Assistant Regional Director for Health and Scientific Affairs in the Boston Regional Office is a former banker instead of a physician as required.

The minimum annual cost of the five Regional Medical Coordinators is $121,255 for salaries alone. The Staff was informed that consideration is being given to placing a Regional Medical Coordinator in each of the other five regions.

In addition to the positions described above, each region has an Office of Regional Health Director which is primarily responsible for activities of the Health Services and Mental Health Administration. The following paragraph denotes the major functions of the Regional Health Director which show that he also performs an important health coordination role in the region:

The Regional Health Director is the principal representative of the Surgeon General in the region and exercises leadership to assure that the regional Health Services and Mental Health Administration staff and resources are utilized effectively in conducting an integrated and balanced program.

He maintains contact with other health service field installations in the region to serve in a liaison capacity between such installations and state and local health agencies. He has primary responsibility for assisting states and local communities in developing their comprehensive health plans and in directing and coordinating the regional office review and approval of such plans. He determines state or local needs for Federal health resources and arranges for the meeting of such needs, and directs and coordinates the work of the regional organization, establishing priorities among major programs and coordinating the provision of technical assistance to state health agencies, including assistance provided by headquarters and field personnel.

* * * * *

APPENDIX

Social and Rehabilitation Services

FEDERAL SHARE OF EXPENDITURES FOR MAINTENANCE ADMINISTRATION, SOCIAL SERVICE, AND STATE AND LOCAL TRAINING

(Information requested on p. 59 follows:)

Social and Rehabilitation Service

Estimate Federal Share of Expenditures for Maintenance Administration, Social Services, and State and Local Training, as Furnished by the States in May 1971 (Dollars in Thousands)

State	FY-1971 Estimate	FY-1971 times 110%	FY-1972 Estimates	FY-1972 Allowance Under Limitation	Estimated "Savings"	Allowance as Percent of FY-72 Estimate
Alabama	$ 11,252	$ 12,377	$ 17,800	$ 12,377	$ 5,423	70
Alaska	2,459	2,705	3,360	2,705	655	81
Arizona	4,864	5,350	7,246	5,350	1,896	74
Arkansas	4,479	4,927	4,913	4,913	-0-	100
California	309,812	340,793	347,985	340,793	7,192	98
Colorado	17,152	18,867	21,201	18,867	2,334	89
Connecticut	13,695	15,065	17,792	15,065	2,727	85
Delaware	2,970	3,267	3,746	3,267	479	87
Dist. of Col.	8,492	9,341	8,458	8,458	-0-	100
Florida	18,222	20,044	38,020	20,044	17,976	53
Georgia	20,262	22,288	26,026	22,288	3,738	86
Guam	194	213	134	134	-0-	100
Hawaii	2,560	2,816	3,623	2,816	807	78
Idaho	1,784	1,962	2,030	1,962	68	97
Illinois	78,062	85,868	115,660	85,868	29,792	74
Indiana	8,958	9,854	9,672	9,672	-0-	100
Iowa	9,475	10,423	12,224	10,423	1,801	85
Kansas	10,418	11,460	11,068	11,068	-0-	100
Kentucky	14,077	15,485	13,473	13,473	-0-	100
Louisiana	17,812	19,593	23,833	19,593	4,240	82
Maine	4,117	4,529	4,898	4,529	369	92
Maryland	25,906	28,497	30,867	28,497	2,370	92
Massachusetts	21,246	23,371	21,856	21,856	-0-	100
Michigan	36,193	39,812	64,115	39,812	24,303	62
Minnesota	17,332	19,065	19,696	19,065	631	97

Estimated Federal Share of Expenditures for Maintenance Administration, Social Services, and State and Local Training, as Furnished by the States in May 1971 (Dollars in Thousands)

(con't)

State	FY-1971 Estimate	FY-1971 times 110%	FY-1972 Estimates	FY-1972 Allowance Under Limitation	Estimated "Savings"	Allowance as Percent of FY-72 Estimate
Mississippi	$ 6,155	$ 6,770	$ 6,801	$ 6,770	$ 31	99
Missouri	20,305	22,335	21,007	21,007	-0-	100
Montana	3,420	3,762	3,734	3,734	-0-	100
Nebraska	7,093	7,802	9,608	7,802	1,806	81
Nevada	2,084	2,292	2,666	2,292	374	86
New Hampshire	2,251	2,476	3,847	2,476	1,371	64
New Jersey	41,400	45,540	46,350	45,540	810	98
New Mexico	5,986	6,585	6,285	6,285	-0-	100
New York	219,348	241,283	294,067	241,283	52,784	82
North Carolina	16,268	17,895	28,398	17,895	10,503	76
North Dakota	3,253	3,578	3,721	3,578	143	96
Ohio	19,055	20,961	27,000	20,961	6,039	78
Oklahoma	14,065	15,471	14,373	14,373	-0-	100
Oregon	25,842	28,426	34,448	28,426	6,022	83
Pennsylvania	53,018	58,320	74,646	58,320	16,326	78
Puerto Rico	6,957	7,653	8,288	7,653	635	92
Rhode Island	6,377	7,015	9,377	7,015	2,362	75
South Carolina	5,425	5,968	10,375	5,968	4,407	58
South Dakota	2,865	3,152	3,536	3,152	384	89
Tennessee	12,702	13,972	13,971	13,971	-0-	100
Texas	25,074	27,581	33,212	27,581	5,631	83
Utah	4,605	5,065	5,695	5,065	630	89
Vermont	1,757	1,933	2,001	1,933	68	97
Virgin Islands	220	242	225	225	-0-	100
Virginia	13,527	14,880	20,584	14,880	5,704	72
Washington	30,428	33,471	39,495	33,471	6,024	85
West Virginia	10,439	11,483	12,263	11,483	780	94
Wisconsin	26,155	28,771	43,425	28,771	14,654	66
Wyoming	1,170	1,287	1,285	1,285	-0-	100
United States	1,249,037	1,373,941	1,610,379	1,366,090	244,289	

Social and Rehabilitation Service

Estimated Federal Share of Expenditures for Maintenance Administration, Social Services, and State and Local Training, as Furnished by the States in May 1971 (Dollars in thousands)

State	FY 1971 Estimate	FY 1971 times 115%	FY 1972 Estimate	FY 1972 Allowance Under Limitation	Estimated "Savings"	Allowance as Percent of FY 1972 Estimate
Alabama	$11,252	$12,939	$17,800	$12,939	$4,861	73
Alaska	2,459	2,828	3,360	2,828	532	84
Arizona	4,864	5,594	7,246	5,594	1,652	77
Arkansas	4,479	5,151	4,913	4,913	-0-	100
California	309,812	356,284	347,985	347,985	-0-	100
Colorado	17,152	19,725	21,201	19,725	1,476	93
Connecticut ...	13,695	15,749	17,792	15,749	2,043	89
Delaware	2,970	3,416	3,746	3,416	330	91
Dist. of Col...	8,492	9,766	8,458	8,458	-0-	100
Florida	18,222	20,955	38,020	20,955	17,065	55
Georgia	20,262	23,301	26,026	23,301	2,725	90
Guam	194	223	134	134	-0-	100
Hawaii	2,560	2,944	3,623	2,944	679	81
Idaho	1,784	2,052	2,030	2,030	-0-	100
Illinois	78,062	89,771	115,660	89,771	25,889	78
Indiana	8,958	10,301	9,672	9,672	-0-	100
Iowa	9,475	10,896	12,224	10,896	1,328	89
Kansas	10,418	11,980	11,068	11,068	-0-	100
Kentucky	14,077	16,189	13,473	13,473	-0-	100
Louisiana	17,812	20,483	23,833	20,483	3,350	86
Maine	4,117	4,735	4,898	4,735	163	97
Maryland	25,906	29,792	30,867	29,792	1,075	97
Massachusetts .	21,246	24,433	21,856	21,856	-0-	100
Michigan	36,193	41,622	64,115	41,622	22,493	65
Minnesota	17,332	19,932	19,696	19,696	-0-	100
Mississippi ...	6,155	7,078	6,801	6,801	-0-	100
Missouri	20,305	23,351	21,007	21,007	-0-	100
Montana	3,420	3,933	3,734	3,734	-0-	100
Nebraska	7,093	8,157	9,608	8,157	1,451	85
Nevada	2,084	2,396	2,666	2,396	270	90

Estimated Federal Share of Expenditures for Maintenance Administration, Social Services, and State and Local Training, as Furnished by the States in May 1971 (Dollars in thousands)

(Con't)

State	FY 1971 Estimate	FY 1971 times 115%	FY 1972 Estimate	FY 1972 Allowance Under Limitation	Estimated "Savings"	Allowance as Percent of FY 1972 Estimate
New Hampshire ...	$2,251	$2,589	$3,847	$2,589	$1,258	67
New Jersey	41,400	47,610	46,350	46,350	-0-	100
New Mexico	5,986	6,884	6,285	6,285	-0-	100
New York	219,348	252,250	294,067	252,250	41,817	86
North Carolina ..	16,268	18,708	28,398	18,708	9,690	66
North Dakota	3,253	3,741	3,721	3,721	-0-	100
Ohio	19,055	21,913	27,000	21,913	5,087	81
Oklahoma	14,065	16,175	14,373	14,373	-0-	100
Oregon	25,842	29,718	34,448	29,718	4,730	86
Pennsylvania	53,018	60,971	74,646	60,971	13,675	82
Puerto Rico	6,957	8,001	8,288	8,001	287	97
Rhode Island	6,377	7,334	9,377	7,334	2,043	78
South Carolina ..	5,425	6,239	10,375	6,239	4,136	60
South Dakota ...	2,865	3.295	3,536	3,295	241	93
Tennessee	12,702	14,607	13,971	13,971	-0-	100
Texas	25,074	28,835	33,212	28,835	4,377	87
Utah	4,605	5,296	5,695	5,296	399	93
Vermont	1,757	2,021	2,001	2,001	-0-	100
Virgin Islands ..	220	253	225	225	-0-	100
Virginia	13,527	15,556	20,584	15,556	5,028	76
Washington	30,428	34,992	39,495	34,992	4,503	89
West Virginia ...	10,439	12,005	12,263	12,005	258	98
Wisconsin	26,155	30,078	43,425	30,078	13,347	69
Wyoming	1,170	1,346	1,285	1,285	-0-	100
United States ...	1,249,037	1,436,393	1,610,379	1,412,121	198,258	88

Social and Rehabilitation Service

Estimated Federal Share of Expenditures for Maintenance Administration, Social Services, and State and Local Training, as Furnished by the States in May 1971 (Dollars in thousands)

State	FY 1971 Estimate	FY 1971 times 120%	FY 1972 Estimate	FY 1972 Allowance Under Limitation	Estimated "Savings"	Allowance as Percent of FY 1972 Estimate
Alabama	$11,252	$13,502	$17,800	$13,502	$4,298	76
Alaska	2,459	2,951	3,360	2,951	409	88
Arizona	4,864	5,836	7,246	5,836	1,410	81
Arkansas	4,479	5,375	4,913	4,913	-0-	100
California	309,812	371,775	347,985	347,985	-0-	100
Colorado	17,152	20,582	21,201	20,582	619	97
Connecticut	13,695	16,434	17,792	16,434	1,358	92
Delaware	2,970	3,564	3,746	3,564	182	95
Dist. of Col. ...	8,492	10,190	8,458	8,458	-0-	100
Florida	18,222	21,866	38,020	21,866	16,154	58
Georgia	20,262	24,314	26,026	24,314	1,712	93
Guam	194	233	134	134	-0-	100
Hawaii	2,560	3,072	3,623	3,072	551	85
Idaho	1,784	2,141	2,030	2,030	-0-	100
Illinois	78,062	93,675	115,660	93,675	21,985	81
Indiana	8,958	10,750	9,672	9,672	-0-	100
Iowa	9,475	11,370	12,224	11,370	854	93
Kansas	10,418	12,502	11,068	11,068	-0-	100
Kentucky	14,077	16,892	13,473	13,473	-0-	100
Louisiana	17,812	21,374	23,833	21,374	2,459	90
Maine	4,117	4,940	4,898	4,898	-0-	100
Maryland	25,906	31,087	30,867	30,867	-0-	100
Massachusetts ...	21,246	25,495	21,856	21,856	-0-	100
Michigan	36,193	43,431	64,115	43,431	20,684	68
Minnesota	17,332	20,798	19,696	19,696	-0-	100
Mississippi	6,155	7,386	6,801	6,801	-0-	100
Missouri	20,305	24,366	21,007	21,007	-0-	100
Montana	3,420	4,104	3,734	3,734	-0-	100
Nebraska	7,093	8,512	9,608	8,512	1,096	89
Nevada	2,084	2,500	2,666	2,500	166	94

Estimated Federal Share of Expenditures for Maintenance Administration, Social Services, and State and Local Training, as Furnished by the States in May 1971 (Dollars in thousands)

(con't)

State	FY 1971 Estimate	FY 1971 times 120%	FY 1972 Estimate	FY 1972 Allowance Under Limitation	Estimated "Savings"	Allowance as Percent of FY 1972 Estimate
New Hampshire	$2,251	$2,700	$3,847	$2,700	$1,147	70
New Jersey	41,400	49,680	46,350	46,350	-0-	100
New Mexico	5,986	7,185	6,285	6,285	-0-	100
New York	219,348	263,220	294,067	263,220	30,847	90
North Carolina ...	16,268	19,522	28,398	19,522	8,876	69
North Dakota	3,253	3,904	3,721	3,721	-0-	100
Ohio	19,055	22,866	27,000	22,866	4,134	85
Oklahoma	14,065	16,878	14,373	14,373	-0-	100
Oregon	25,842	31,010	34,448	31,010	3,438	90
Pennsylvania	53,018	63,622	74,646	63,622	11,024	85
Puerto Rico	6,957	8,348	8,288	8,288	-0-	100
Rhode Island	6,377	7,652	9,377	7,652	1,725	82
South Carolina ...	5,425	6,510	10,375	6,510	3,865	63
South Dakota.....	2,865	3,438	3,536	3,438	98	97
Tennessee	12,702	15,242	13,971	13,971	-0-	100
Texas	25,074	30,089	33,212	30,089	3,123	91
Utah	4,605	5,526	5,695	5,526	169	97
Vermont	1,757	2,108	2,001	2,001	-0-	100
Virgin Islands ...	220	264	225	225	-0-	100
Virginia	13,527	16,232	20,584	16,232	4,352	79
Washington	30,428	36,514	39,495	36,514	2,981	92
West Virginia	10,439	12,527	12,263	12,263	-0-	100
Wisconsin	26,155	31,386	43,425	31,386	12,039	72
Wyoming	1,170	1,404	1,285	1,285	-0-	100
United States	1,249,037	1,498,844	1,610,379	1,448,624	161,755	90

LIST OF WITNESSES

Page

Ball, R. M. ---- 672, 683, 789, 818, 834, 901
Beatty, Don ---- 180
Brady, Dr. R. H ---- 928, 1043
Brown, Robert ---- 633
Brown, R. J ---- 180
Caracciolo, F. S ---- 381
Cardwell, J. B ---- 928, 1043
Corbett, J. P ---- 381
Costa, J. L ---- 1, 20, 502
Coulter, R. C ---- 928, 1043
Crouch, S. E ---- 672, 683, 789, 834, 901
Danzansky, Stephen ---- 552
Drews, B. A ---- 381, 484
Fasser, P. J. Jr ---- 180
Futterman, J. S ---- 672, 683, 789, 818, 834, 901
Garrett, Dr. J. F ---- 1, 381, 484
Kearney, C. F ---- 633
Kiely, Owen ---- 633
Lavan, J. A ---- 238
Lee, Preston ---- 552
Lee, R. W ---- 1, 21, 180, 238, 330, 381, 484, 502
Longmire, R. M ---- 1, 381, 484
Lynch, F. X ---- 238
Martin, J. B ---- 1, 330
Merriam, Mrs. I. C ---- 672, 683, 789, 818, 834, 901
Miller, Charles ---- 1, 20, 180, 238, 330, 381, 484, 502, 552, 633, 672, 683, 789, 818, 834, 901, 928, 1043
Miller, R. E ---- 180
Montell, S. T ---- 672, 683, 789, 818, 834, 901
Montgomery, J. C ---- 381
Newman, Dr. Edward ---- 1, 238
Newman, H. N ---- 1, 20, 502
Orton, R. E ---- 552
Perkins, Miss A. L ---- 502
Pottinger, J. S ---- 633
Roberts, J. P. Jr ---- 180
Rosoff, S. R ---- 552
Sachs, Frederick ---- 238
Shay, H. F ---- 381
Simonds, S. P ---- 1, 20, 180
Smith, D. D ---- 330
Sutton, Jerry ---- 552
Teal, F. T. Jr ---- 330
Tierney, T. M ---- 672, 683, 789, 818, 834, 901
Townsend, W. E ---- 238
Tucker, W. H ---- 180
Twiname, J. D ---- 1, 21, 180, 238, 330, 381, 484, 502
Tyssowski, Mrs. M. L ---- 672, 683, 789, 818, 834, 901
Van Den Toorn, W ---- 633
Veneman, J. G ---- 928, 1043
Wolfe, Mrs. Corrine H ---- 21, 381
Zigler, Dr. Edward ---- 552

INDEX

D

	Page
Departmental Management	928–1042
Action project	984
Appropriations to remain available beyond one year	967
Automation of financial activities	933
Budget for fiscal year 1972	928
Increase in	935
Construction of new headquarters building	936
Employees in Washington, D.C.	976
Employees, ratio of headquarters to field	978
Facilities engineering and construction agency	935
Federal assistance streamlining task force	936
Justification material	986
Locating operations outside of D.C. area	977
Mandatory spending	938
Manpower policies and practices of HEW, investigation report on	1043–1166
Copy of report	1061–1166
Employment ceiling decisions versus congressional intent	1055
Employment controls	1044
Followthrough on report	1058
Objective measures of employment requirements	1047
Positions authorized by the Congress	1044
Positions budgeted and employment ceilings	1049
Public assistance employee retirement system	1060
Recruitment leadtime for new programs	1058
Regional offices, decentralization of authority to	1053
Reorganizations, problems created by	1052
Department of Human Resources, creation of	1053
Shifting of personnel to trouble spots	1059
Social and Rehabilitation Service staffing in regional offices	1053
Social Security Administration, employment levels	1045
Staff, size of	1050
Systematic manpower utilization review, need for	1049
Underestimation of staff needs	1059
Work measurement techniques	1051
Workload increase	1046
Office of Civil Rights	633–71
Areas of worst discriminatory practices	652
Budget for fiscal year 1972	633
Colleges and universities to be reviewed	646–50
Heavy compliance workload in universities	652
Sex discrimination in	659
Compliance plans by cities	651
Contract compliance positions	645
Cooperation with other agencies	657
Discrimination on language basis, elimination of	645
Dual State college systems, disestablishment of	644
Emergency school assistance grantees	655
Enforcement personnel, availability of	657
Health facilities, enforcing compliance in	658
Higher education, desegregation of	660
Hiring of qualified minorities	658
Justification material	662
Location of staff	644
National origin minority groups	659

Departmental Management—Continued
Office of Civil Rights—Continued
Philadelphia, additional people assigned to — Page 651
Positions, additional requested — 652
Programs involved in compliance review — 660
School districts, desegregating urban — 659
Sex discrimination — 654
Swann versus Charlotte-Mecklenburg School Board — 656, 660
Title VI enforcement staff — 644
Training funds — 654
New employees — 658
State compliance staff — 653
Whitten amendment to education bill — 659
Office of the Secretary positions — 935
Parklawn personnel office — 938
President's Council on Physical Fitness — 934
Project Cornerstone — 973
Public information activities — 976
Recruiting and retaining qualified personnel — 976
Special projects — 937
Use of HEW facilities by other organizations — 978
Demonstration costs — 984
Legal suits relating to — 984
Welfare reform, personnel working on — 936

O

Office of Child Development — 552–632
Budget for fiscal year 1972 — 552
Head Start operation and experimentation — 555
Cost of living increase — 557
Evaluation of — 576, 592, 600
Expansion of — 599
Funds required to serve all eligible children — 592
Joint Head Start-model cities research — 583
Legislation, proposed — 557, 574
Monitoring of projects — 594
Parent and child centers — 556, 557, 583, 595
Recruitment of children — 591
Success of program — 558
Justification material — 602
Positions, additional — 563
Research and demonstration projects — 560
Adoptions — 561, 586, 590
Approval process — 560
Children's Concern Center — 564
Coordination of research on child development — 563
Coordination with material and child health centers — 576
Day care demonstration projects — 554, 562
Review of State and local day care licensing — 562
Developing better forms of child care — 584
Foster homes — 589
Health service experiment — 594
Homestart demonstrations — 554, 574, 598
Hyperactive children — 564
Male image to fatherless boys — 597
Models of day care — 596
National Center for Child Advocacy — 563
New research projects — 561
Parenting course for adolescents — 596
Pre- and post-natal cares — 600
State, local and private child care efforts — 585
Television, use of — 590, 598
Utilizing existing child care agencies — 588
White House Conference on Children and Youth — 577, 601
Recommendations of — 577, 588

S

	Page
Social and Rehabilitation Service	1–551
Administrator, testimony of	1–20
Aging, programs for	7
Retired senior volunteer program	18
Alcoholics and drug addicts, rehabilitation of	12
Cooperation with other agencies	16
Day care center for children of HEW employees	15
Developmental Disabilities Services and Construction Act	7, 17
Disadvantaged children, protection of	12
Income maintenance experiments	11
Management initiatives	8
Public assistance program	6
Control over costs	16
Eligibility for, simplified method of determining	19
Regional offices	19
Repatriation of U.S. nationals, assistance to	13, 38
Research and training	8, 18
Residency requirements for welfare	14
Salaries and expenses	8
Social work training funds, reduction in	16
Training of public assistance recipients as welfare workers	15
Vocational rehabilitation	7
Economic effects of	14
Rehabilitation of public assistance recipients	10
Work incentive program	6
Budget for fiscal year 1972	6
Grants to States for public assistance	20–179
Additional funds required for fiscal year 1971	53
Aging, reduction in programs for	96
Budget for fiscal year 1972	21, 22
Adequacy of	24, 53
Child welfare services	53
Compliance with Federal welfare law, State	91, 94
Court decisions affecting welfare recipients	90
Definition of "total and permanent"	27
Developmental Disabilities Services and Construction Act	64
Eligibility determination, simplified method of	19, 54
Encouraging applications for assistance	54
Estimate of requirements for fiscal year 1972	53
Federal share of payments	23
Federal-State public assistance matching ratios	23
Federal takeover of welfare programs	95
Fraud and ineligible recipients, efforts to prevent	56, 86
Growth in public assistance programs	77
Factors attributing to	83
Identification of welfare recipients by social security number	70
Intermediate care facilities	37
Kidney dialysis, funds for	98
Limitation on social services, administration and training	51, 59, 84
Maintenance assistance	25
Aid to families with dependent children:	
Increase in number of recipients	29, 34
Average monthly payment	31, 32, 36
Cost of living adjustments	32
Income maintenance studies	64
Recipients	28
Medical assistance	40
Changing composition of medical costs	43
Efficiency, actions to improve	44
Savings	44
Medicaid:	
Cost sharing by recipients of	63
Federal expenditures	85
Personnel monitoring	86
Policing of	58
Medical assistance to families with dependent children	42
Monitoring medical activities	63

Social and Rehabilitation Service—Continued

Monitoring State information estimates 93
Nevada welfare situation 92
Number of people eligible for public assistance 54
Rehabilitation, research, and training centers 69
Review of welfare cases 93
Social Services:
Adult services, expansion of 49
Family planning services 47
Housing services 48, 88
Limitation on payments 47
Number of recipients 47
Source of salary for welfare workers 83
State and local training program 50, 51
Reduction in 51, 61
State assistance payments, maximum 74
State estimates of payments for public assistance 24
State payment systems, developing 87
Turnover of persons on welfare rolls 48
Welfare reform benefits, timetable for 68
Welfare reform, Federal administrative role in 62
Rehabilitation services and facilities 238–329
Alcoholics, rehabilitation of 250, 258
Allotment authorization, 1972 243
Allotment base, amount of 244
Authorizing legislation and appropriations 272
Benefits of programs 241
Budget for fiscal year 1972 ..... 238, 243
Carryover funds for developmentally disabled 251
Correctional rehabilitation, need for 268
Cost of rehabilitation 248
Compared with benefits 251
Developmental Disabilities Act, implementing of 240, 272
Drug addicts, rehabilitation of 278
Earnings of mentally retarded 277
Epilepsy and cerebral palsy, service to persons suffering from 274
Expansion grants for rehabilitating welfare recipients 247
Families of handicapped, services to 275
Formula grants for the developmentally disabled 242, 251, 258
Adding of new program to existing ones, rationale of 261
Aim of program 259
Construction projects 263
Funding level for developmentally disabled 252
State discretion in use of money 263
State plans 259
Evaluation of 262
Use of funds 260
Innovation grants, phaseout of 245, 266
Innovation in services 275
Jobs for the handicapped, difficulty in finding 275
Justification material 281
Massachusetts, development and disability grants to 274
Number of 1972 rehabilitants 257
Prisoners, rehabilitation of short-term 269
Proportion of disabled reached by programs 273
Public assistance recipients 256
Recidivism among rehabilitants 258
Rehabilitant participation in work incentive program 246
Rehabilitation Institute of Chicago 264
Rehabilitation service projects 242
Beneficiaries and rehabilitants 255
Retarded, new programs to rehabilitate 250
Revenue sharing, effect on rehabilitation programs 276
Services for the developmentally disabled 243
New methods of care for retarded 265

Social and Rehabilitation Service—Continued
Rehabilitation services and facilities—Continued Page
State basic support program 241
Factors causing States to receive less in 1972 255
Grant formula 254
State correctional rehabilitation programs 269
State grant level 244
Stipends for trainees 278
Success of program 241, 273
Time spent in rehabilitation 257, 277
Vocational rehabilitation 239
Welfare rolls reduced by rehabilitation 246
Research and training 381–483
Alcoholics and addicts, rehabilitation of 429
Binaural sensing device for blind 433
Budget for fiscal year 1972 382, 385
Reduction from prior year 388
Coordination with manpower training programs 428
Cost-effectiveness studies of manpower programs 430
Education and job effectiveness, relationship between 411
Findings on AFDC mothers, adult foster care, and other programs 408
Functions of social workers 427
Income maintenance experiments 383, 389, 391, 415
Coordination with OEO 414
Expenditures 415
Gary, Denver and Seattle projects 415, 417, 433
Recipients 415
Savings resulting from 416
Integrating rehabilitation services 427
Justification material 435
Mexican Americans, rehabilitation of 431
National Center for Deaf-Blind 434
Priorities under 1971 funding level 419
Rehabilitation engineering projects 422
Research and demonstrations 383, 388
Role in solving increase in welfare programs 407
Special research and training centers 384, 417, 422
Spinal cord injury rehabilitation 422
Training 384
Aging, programs in field of 430
Community college welfare training programs 423
Cost of traineeships 421
Educational leave for training State and local employees 387
Emphasis on providing scarce skills 385, 387, 426
Funding cycle for 420
Number of students supported 386
Reduction in budget 385, 419
Social work traineeships, reduction in 434
Social workers, training of 411
Stipend schedule 386
Subprofessionals, developing and promoting of 414
Teaching grants, traineeships and total funds, 1955–71 421
Use of paraprofessionals trained 410
Welfare reform legislation, objectives of 407
Salaries and expenses 502–51
Budget for fiscal year 1972 503, 507
Central office personnel 532
Community services 505
Deficiencies in State accounting for social services 538
Justification material 539
Management, improvement in 527
Medicaid and medicare activities 505, 508
Billing by physicians, unintentional 532
Duplicate payments 530
Eligibility requirements 510, 514

Social and Rehabilitation Service—Continued
Salaries and expenses—Continued
Monitoring system—Continued
Page
Financing of 513
Fraud prosecutions 531
Intermediaries 516, 533
Matching formulas 515
Medicaid caseload 529
Medicaid costs 529
New York City medicaid program 537
State medicaid payment administration 515
Monitoring system 506, 512, 519
Nursing homes, prolonged stays in 534
Personnel administering assistance payments 527
Personnel management efficiency 517
Personnel working on welfare reform 519
Positions, increase in 517, 518
Quality control 526, 528, 534, 536
Regionalization of functions 520
Personnel in regional offices 533
Revamping of program administration 504
Areas of major reform 518
Special foreign currency program 484–501
Drug addiction and alcoholism, projects in 489, 491
Examples of research projects overseas 487
Excess currency countries 486
Interchange of experts 490
Justification material 493
Unfunded projects 486
Special programs for the aging 330–380
Areawide model projects 338, 344
Budget for fiscal year 1972 330, 333
Amendment to 331, 333
Decrease originally proposed 333, 334
Priorities in 332
Community program grants 337
Demonstration projects 336, 341
Foster grandparents, selection of 342
Fostering independent living 343
Justification material 346
Local funds, availability of 336, 337
Nutrition projects, discontinuation of 335, 336
Retired senior volunteer program 335, 341, 342, 344
State agencies on aging 343, 345
State planning and administration funds 332
White House Conference on Aging 333, 339, 343
Work incentives program 180–237
Aerospace workers, retraining of 206
Aged, part-time work for 210
Budget for fiscal year 1972 180
Child care services for enrollees 184
Effect of economic fluctuations on enrollment 189
Coordination with States and local agencies 183
Cost of child care 208
Cost per individual job placement 191
Costs of different types of child care 203
Costs related to appropriations 194
Disagreements between welfare and employment agencies 206
District of Columbia area, day care in 211
District of Columbia positions 195
Duration of child care need 211
Earnings of those placed 199
Expansion of 189
Expenditures for child care, Department of HEW 210
Federal interagency day-care requirements 205
Graduates waiting for jobs 202

Social and Rehabilitation Service—Continued
Work incentives—Continued
Page
Illinois, program in 214
Institutional training, types of and expenditures for 199
Interagency team planning 205
Job placements 190, 196
Justification material 216
Male enrollees 203
Manpower Development and Training Act 212
Model cities involvement in day care 204
New Hampshire, program in 205
New York program 191
Obligations and outlays 195
Occupations of graduates 201
People screened but not referred to WIN 196
Private participation in programs 214
Problems of 182, 186, 194
Relationship with other manpower programs 201
Relocation assistance in finding employment 215
State child care matching, expansion of 209
State child care payment 203
State matching funds 188
Statistics on enrollees 190
Success of program 190, 207
Training and incentive program:
Efficiency, increase in 187
Manpower Administrator, statement of 185
On-the-job training procedures 187
Urban-rural child care service 207
Welfare mothers, participation of 196
Social Security Administration 672–927
Advisory Council on Social Security 677
Construction, limitation on 901
Budget for fiscal year 1972 901
Cost overruns 908
District office construction 910
District office rental costs 913
Engineering and architectural staff 906
Escalation of construction costs 916
Headquarters construction 905
Personnel in rented space 906
Justification material 918
Payment center facilities 904, 907
Construction versus rental costs 908, 910
Philadelphia and New York rental costs 914
Cost per square foot 914
Location and function of 913
Peoria district office construction 916
Staffing in Washington and Baltimore 907
Unobligated balance 906
Federalization of welfare and its impact on SSA 677, 681
Legislation introduced (H.R. 1), impact of 680
Eligibles, expansion of number of 682
Workloads, resulting increase in 682
Medicare program:
Cost sharing and financing, changes in 676
Coverage, extension of 676, 681
Major developments in 675
Objectives of SSA 840
Oversea activities (special foreign currency program) 818–833
Aged, research on 826
Areas of research 823
Benefits of foreign research 821
Contracting procedures 825
Cooperation with Social and Rehabilitation Service 824
Death benefits 825

Social and Rehabilitation Service—Continued
Oversea activities (special foreign currency program)—Continued Page
Foreign medical programs 827
Goals of program 821
Justification material 829
Number of countries involved 820
Poland, projects in 822
Public Law 480 funds, use of 827
Staff 820, 824
Travel expenses 827
Yugoslav health insurance program 822
Payments to social security trust funds 683–788
Ability of SSA to administer public assistance program 761
Advisory Council recommendations for financing benefits 755
Automatic inflation adjustments 765
Beneficiaries outside the United States 761
Budget for fiscal year 1972 683
Bureau of Health Insurance 724
Chiropractic services, coverage of 769
Claims backlog 762
Cycling benefit payments, feasibility of 758
Earnings of the trust funds 748
Efficiency, steps to increase 763
Extended care 704
Change in law to solve retroactive denials 723
Home health services, coverage of 767
Hospital insurance for the uninsured 696
Illinois, claims backlogs in 747
Increases in social security benefits 703
Justification material 774
Legislation proposed (H.R. 1):
Additional staff under 768
Cost of 771
Inflation provision in 754
Minimum benefit proposed 760
Medical insurance matching contribution 692
Actuarial estimates of medicare costs 694
Condition of trust fund 702
Fees of physicians 700
Reduction of individual physician charges 701
Increase in supplementary medical insurance premiums 693, 699
Informing public of medicare benefits 702
Matching payments for supplementary medical insurance 694
Physician acceptance of medicare assignment 739
Physician visits, increase in 702
Supplementary medical benefits for medicare beneficiaries 695
Medicare fraud and abuse 728, 738, 760
Legislation to curb abuse and excessive utilization 745
Medicare intermediaries and carriers 705
Old age assistance, social security's impact on 758
Payment of medicare claims for railroad retirement beneficiaries, GAO report on 747
Payments for military service credits 698
Increase in 703
Payments to uninsured persons over age 72 699
Physical therapy payments 723
Prescription drugs under medicare 765, 767
Private versus social security insurance, cost of 756
Profitability of medicare reimbursement 760
Program integrity activities and staff 725, 732, 740
Restrictions on trust fund investments 751
Status of trust funds 770
Tax increases, rationale for 753
Uniform welfare payments 766
Wage base, rationale for increasing 756

Salaries and expenses, limitation on 834–900
Administrative costs, ratio to benefit costs 854
Benefits to persons overseas 859
Budget for fiscal year 1972 ..... 834, 845
Increase requested 848
Claims error rates 853
Conduct of employees toward the public 837, 839, 844
Contractor services 837
Cost of utilizing third parties (non-Federal) 861
Disability claims backlog 845
Disability insurance increase 851
District offices 838, 839, 847
Civil service employees in 844, 846
Efficiency, increase in 847, 849
Employees, need for large number of 858
Employees, non-Federal 855
Employees, part-time and temporary 857
Extended care benefits 845
Indirect State agency costs 850
Intermediary and carriers, role of 855
Justification material 869
Language changes 854
Legislation proposed (H.R. 1), effect on budget 867
Objectives of SSA 840
Overtime 848
Positions, additional 848, 849, 856
Processing and mailing checks, cost of 861
Processing time of claims 851
Productivity, increase in 847
Recruitment and retention of employees 867
Regional offices 838
Retroactive benefit increase 857
Special benefits for disabled coal miners 789–817
Appeals backlog 799
Approval of claims, State variations in 800
Black lung 793, 797, 800
Future benefit costs 803
Treating benefits as workmen's compensation 802
Budget for fiscal year 1972 ..... 789, 792
Denied claims 790, 800
Reconsideration of 794
Disallowance rate 793
Eligibility of widows for benefits 804
Estimates of benefit payments 798
Justification material 806
Language provisions 798
Personnel needs 799, 800
Pneumoconiosis, use of X-rays to detect 801
Processing initial applications 793, 800
Reimbursement for cost of establishing eligibility 805
Retroactive payments 804
Use of State agencies 805
Workload reduction 799
Welfare programs, new 673

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