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DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE APPROPRIATIONS FOR 1976

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

FIRST SESSION

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

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PART 4

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

General Departmental Management
Office for Civil Rights
Office of Human Development
Policy Research
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 FISCAL YEAR 1976

THURSDAY, APRIL 24, 1975.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

PUBLIC ASSISTANCE

WITNESSES

JAMES S. DWIGHT, JR., ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE
JOHN A. SVAHN, DEPUTY ADMINISTRATOR, SRS, AND COMMISSIONER, ASSISTANCE PAYMENTS ADMINISTRATION
M. KEITH WEIKEL, COMMISSIONER, MEDICAL SERVICES ADMINISTRATION
JOHN C. YOUNG, COMMISSIONER, COMMUNITY SERVICES ADMINISTRATION
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MISS ANNA L. PERKINS, ACTING DIRECTOR, DIVISION OF BUDGET, SOCIAL AND REHABILITATION SERVICE
WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

INTRODUCTION

Mr. FLOOD. Now we have the Social and Rehabilitation Services. The statement is by the Administrator. At least you are not acting, anyhow. The presentation will be made by James S. Dwight, Jr., the Administrator of the Social and Rehabilitation Service, and we will include your biographical sketch which I see we have here, Mr. Dwight, in the record.

[The biographical sketch follows:]

BIOGRAPHICAL SKETCH OF JAMES S. DWIGHT, JR.

Position: Administrator, Social and Rehabilitation Service.
Birthplace and date: Pasadena, Calif., March 9, 1934.
Education: Pomona College, Claremont, Calif.; University of Southern California BS—Accounting, 1956.

Experience: June 1973—Administrator, Social and Rehabilitation Service; August 1972–June 1973—Associate Director, Office of Management and Budget; 1967–1972—Chief Deputy Director of Finance, State of California; 1959–1966—Controller, Sunkist Growers, Inc.; and 1955–1959—Certified Public Accountant, Haskins and Sells.

PRESENTATION OF WITNESSES

Mr. FLOOD. Whom here do you want us to know?

Mr. DWIGHT. Mr. Chairman, if I may I would like to introduce my associates and then proceed with the presentation of our formal statement on public assistance if that meets with your approval.

Mr. FLOOD. All right.

Mr. DWIGHT. We have Mr. Coster, the Associate Administrator for Management; Mr. Svahn, the Deputy Administrator; Dr. Weikel, the Commissioner of Medical Services; and Mr. Young, the Commissioner of Community Services; and Mr. Forbush, who I assume you know is from the Comptroller's office.

Mr. FLOOD. Yes.

OPENING STATEMENT

Mr. DWIGHT. Mr. Chairman and members of the committee, the consolidated budget for public assistance includes funds for maintenance assistance, medical assistance, social services, State and local training, child welfare services and public assistance research activities. The total amount requested in the 1976 budget is $14,999,085,000, which is $1,157,606,000 over our revised 1975 request of $13,841,479,000. The above amount is based on an analysis of the States' November 1974 estimates and projected program costs reflected in trend data available at the time the budget was developed last December.

Also included in our transmittal is a request for $3,964,682,000 to cover these same programs during the transition period, July 1, 1976, through September 30, 1976.

MAINTENANCE ASSISTANCE

Our request for maintenance assistance for fiscal year 1976 is $5,166,639,000 which includes $4,583,000,000 for payments to aid families with dependent children (AFDC), funding an average of 55 percent of the total costs, and $540,000,000 for State and local administration which reimburses States at a 50 percent rate. The balance of the request, $43,639,000, is for emergency assistance; adult category support for Guam, Puerto Rico, and the Virgin Islands; and assistance for repatriated U.S. nationals.

The requested funds for AFDC are based upon the estimates of November 1974, adjusted downward as a result of the redefinition of incapacity and to fully reflect the application of the Federal regulations which provide that there shall be no Federal participation in the State assistance payments costs associated with ineligibility over the tolerance level of 3 percent and overpayment rates in excess of 5 percent.

REFUGEES FROM VIETNAM

Mr. FLOOD. Have you been consulted about these refugees from Cambodia and Vietnam coming to this country?

Mr. DWIGHT. Yes, Mr. Chairman.

We are working and trying to establish what, if any, application might be developed from our Cuban refugee program and I might add that the Cuban refugee program is financed through the foreign aid appropriations, so it is not a subject of our presentation to you here today.

Mr. FLOOD. For the record at this point, though, you may want to develop that further under the circumstances.

Mr. DWIGHT. Certainly.

I would be very happy to present something to you on the record.

Basically it would jell around the proposition that there is a fund of experience in terms of bringing persons into this country in an orderly way that meets their social needs and their medical needs and provides them with an opportunity of dispersing themselves throughout the Nation as opposed to all congregating in one place, that is, the place they happen to come into the country.

Mr. FLOOD. At this point in the record I would pay some very careful and special attention to this subject.

Mr. DWIGHT. Yes, we are.

Mr. FLOOD. For this record you might do that.

Mr. DWIGHT. Be happy to do, Mr. Chairman.

[The information follows:]

VIETNAMESE REFUGEES

The Vietnamese refugees are expected to reach the United States during a very short period of time. They are being housed on military bases, as was done in the Hungarian refugee situation. From these reception centers they are being resettled by national voluntary agencies working in cooperation with the Federal Government. A major policy objective in the resettlement program is to avoid a major buildup of the refugees in any one location.

The voluntary resettlement agencies—both religious and nonsectarian—work through local churches, civic organizations, and other interested groups in order to find sponsors and opportunities for homes and self-support for the refugees. This is the same pattern which has operated successfully in the Cuban refugee program, the program for Hungarian refugees, and other refugee movements within the United States.

Utilizing the experience of the Cuban refugee program and the repatriate program, the Social and Rehabilitation Service has participated actively in the planning for Vietnamese refugees in the United States and for destitute repatriated U.S. citizens and their dependents. Special attention is being given to avoid the refugees' becoming a burden on any State's public assistance or medical assistance programs and to be as helpful as possible in providing social, rehabilitative, and educational services to enable the refugees to build new lives for themselves in this country.

Mr. DWIGHT. According to the July–December data the error rates were averaging 8.5 percent for ineligibility, 19.7 percent for overpayments, and 8.2 percent for underpayments.

Increases of $178 million in our April quarterly report covering fiscal year 1975 AFDC costs result primarily from caseload and average payment increases above the level anticipated when the estimates were developed last December and reflects the decision made on quality control whereby adjustments to expenditure claims would be delayed until fiscal year 1976.

The estimate for State and local administration is $540 million and represents an increase of $25,262,000 over our revised 1975 request. When increases were projected for these costs last December it was anticipated that there would be minimal cost increases between 1975

and 1976 with inflation pressures impacting primarily fiscal year 1975 costs. However, the 1975 costs continue to grow as reflected in our April report and these additional costs in 1975 have not been reflected in our current 1976 budget request. The February States' estimates for fiscal year 1976 indicate a need for an additional $24 million for fiscal year 1976.

With the impact of inflation, increasing unemployment and the resulting increases in maintenance assistance payments, the 1976 budget request could be understated. However, the determination of amounts required is dependent upon States' response to the increase in caseload and how this might impact the level of payments to recipients. Review of States' estimates reflects a great deal of uncertainty at this time on 1976 levels. A more detailed assessment can be made when further data are available during the development of the July quarterly status report.

MEDICAL ASSISTANCE

The medicaid program, title XIX of the Social Security Act, funds about 55 percent of the total cost of medical services to eligible needy persons. State and local funds provide the remaining 45 percent.

This request for $7,766 million is $799,625,000 above our revised 1975 request. Excluding funds of $178,358,000 used to complete 1974, the increase for 1976 is 14 percent. Of this 14 percent increase, over 9 percentage points are due to expected increases in prices, 2½ percentage points for expected increases in recipients, and the remaining 2 percentage points for increases in utilization.

Identification of the reasons for program increases in this manner results from an initial implementation of an improved system for obtaining budget data. This system is designed to identify and permit aggregation of the assumptions used by the States in projecting their program requirements. A great deal more effort will be required before the system will be useful for analyzing, in depth, most of the individual State estimates, passing judgment on the appropriateness of States' estimates, and relating annual estimates to the States' quarterly requests for funds. In addition, further improvements in the budget system will require a review of the information needed to manage the program. We must be assured that we can track the factors used in the estimates against actual experience. We will then be using this feedback in reviewing State capacity to use the budget as a management tool and to improve their future estimates.

Other important areas of management improvement, in addition to strengthening the budgeting process, include: assuring the implementation of the early and periodic screening, diagnosis and treatment program; a significantly expanded effort to review provider fraud and abuse; a more systematic and periodic review of State program management; the introduction of a quality control program on medicaid eligibility; and efforts to transfer good management practices found in States to other States needing improvement in those particular areas.

SOCIAL SERVICES

Over the past few years, social services have been directed toward the goals of self-support, self-sufficiency, and family stability. The new title XX legislation which becomes effective on October 1, 1975,

will continue to emphasize those same goals together with three new goals which are directed at preventing or remedying neglect, abuse, or exploitation of children and adults; preventing or reducing inappropriate institutional care; and securing referral or admission for institutional care when other forms of care are not appropriate.

Title XX brings about a significant departure from previous legislation in that the States will have wide latitude and flexibility in determining the types of services that will be provided and to whom they will be provided. At the same time, public accountability for social services is placed on the States through the publication of their annual comprehensive service plans. The oversight of the services program is thus placed with the public constituency in the States through public comments and reaction to the published plan. This should result in the States' services programs being more responsive to the needs of their residents, with priorities being established in a more rational manner.

The 1976 request for $1,948 million is $56,095,000 above the revised request for 1975. This is considered to be a minimal increase because the November 1974 State estimates, which form the basis for our request, did not anticipate funding under title XX. However, we did make some adjustments to include funds that will be available for allotment to Guam, Puerto Rico, and the Virgin Islands. We will be advising you, at least quarterly, of any revisions to this amount.

STATE AND LOCAL TRAINING

The purpose of State and local training is to improve the effectiveness of State personnel. State costs for these programs are reimbursed at 75 percent.

The 1976 request for $60,246,000 is $7,074,000 over the revised request for 1975. This increased requirement results from the pressures of inflation and increased training requirements, essentially for the newly hired staffs implementing the quality control corrective action plans and additional new staff requirements made necessary by increasing assistance caseloads.

CHILD WELFARE SERVICES

The purpose of the child welfare services program is to promote the welfare of children. Each State is provided a minimum grant of $70,000 with the remaining Federal funds distributed by a formula based upon the number of children in the State and the average per capita income.

The 1976 budget request is $46 million, a reduction of $4 million from the 1975 appropriation. We do not believe this reduction in Federal funding will in any way reduce the number or quality of services rendered to or on behalf of the children.

The child welfare service program actually worked in concert with the title IV–A services program, and will continue to coordinate with the new title XX program.

RESEARCH AND EVALUATION

Public assistance research and evaluation funds are used for two basic purposes: (1), development of analytical methods and data

needed to evaluate the effectiveness of the program; and (2), development of techniques to help the States improve the administration of the public assistance programs.

The 1976 request for $12,200,000 is an increase of $3 million over the 1975 appropriation. Two-thirds of this increase will be directed to the newly established title XX services program and one-third to title IV–D child support enforcement, both of which are new programs and will require more research and innovative efforts in their implementation.

CHILD SUPPORT ENFORCEMENT

The Social Security Act amendments of 1974, enacted January 4, 1975, add a new part D to title IV of the Social Security Act for child support enforcement. The majority of its provisions are effective on July 1, 1975, except for garnishment of Federal employees wages provision which was effective upon enactment and a 5 percent penalty provision against States failing to operate adequate child support programs effective January 1, 1977.

The Secretary of HEW has designated the Administrator, Social and Rehabilitation Service, to implement and administer the title IV–D child support program.

Major provisions of the law require the Department to operate a national parent locator service, establish standards for effective child support programs, and prescribe minimum State organizations and staffing standards. The new provisions require States to establish child support units, locate absent parents, establish paternity of children born out of wedlock, and obtain child support payments.

The statute provides fiscal incentives in terms of increasing the rate of Federal reimbursement for State child support adminstrative costs from 50 percent to 75 percent and provides incentive payments to countries and States that collect child support.

The impact of the program involves over 75 percent of the AFDC caseload, although less than 15 percent of the cases are receiving child support payments at the present time. Significantly, the new law requires that the child support program must also be available to non-welfare recipients.

Regulations are being developed and reviewed at the present time with final regulations targeted for issue June 1, 1975. Review is underway of the fiscal impact of these new amendments and data is being collected from the States to assess budget requirements. We will be able to furnish more details of the costs involved as States furnish costs estimates to implement these very significant amendments to the Social Security Act. Our tentative estimates are under review by the Department and of course will be considered further by the Office of Management and Budget.

SUMMARY

In summary, Mr. Chairman, we are requesting $14,999,085,000 for the public assistance programs—an increase of $1,157,606,000 over the 1975 revised request. The request does not include the child support amendments discussed above.

Mr. Chairman, this concludes my statement. We will be glad to answer any questions the committee may have.

DWIGHT'S IMMINENT DEPARTURE

Mr. FLOOD. Mr. Dwight, I understand you are going to leave HEW. That is too bad. We are just about getting to know you.

Mr. DWIGHT. I have enjoyed my association with you, Mr. Chairman.

Mr. FLOOD. Who is going to take over your job? Do you know?

Mr. DWIGHT. That, Mr. Chairman, is a question that only the President can answer inasmuch as the position is a Presidential appointment and is subject to confirmation by the Senate.

Mr. FLOOD. We will have another actor I guess for a while.

Mr. DWIGHT. I would hope not in the sense I have tried to provide a rather long transitionary period so that I could continue to fulfill my responsibilities until such time as a successor is chosen.

PUBLIC ASSISTANCE ESTIMATES

Mr. FLOOD. Again this year there are a lot of uncertainties about this public assistance program, if I may understate the case. I know HEW has been trying to come up with some reliable estimates, but frankly with the economy in such lousy shape as it is I don't have much confidence in these estimates for 1975 or 1976.

They strike us as being too optimistic. This budget was put together 5 or 6 months ago, wasn't it?

Mr. DWIGHT. The final adjustments on the budget were made in late December, Mr. Chairman.

Mr. FLOOD. Of course, you know all about the unemployment situation, about inflation and the cost of living in general. What do you think about the public assistance estimates as of today? Are they still valid?

Mr. DWIGHT. I would say on a subjective basis, Mr. Chairman, that there is a possibility that these——

Mr. FLOOD. Subjective basis?

Mr. DWIGHT. Judgmental basis.

There is a possibility that these estimates will be accurate. A lot depends on what the States do in terms of the grant levels. We know that the caseload increases are greater than we had anticipated.

What we don't know is what the States will do in terms of further upward increases on the grant levels. We hope that the present trend of diminution of inflation will continue and therefore some of the pressure for upward increases in the grant levels will subside.

STATUS OF 1975 FUNDS

Mr. FLOOD. Concerning the 1975 funding situation, you know the House recently passed the supplemental appropriation of $1.7 billion. That makes a total of $13.8 billion for fiscal 1975.

Is that right?

Mr. DWIGHT. Yes; that is the information I have, Mr. Chairman.

Mr. FLOOD. The recent report that you sent us on the status of funds for the third quarter shows that the requirements will be $14.2 billion for 1975.

Mr. DWIGHT. Yes, sir.

Mr. FLOOD. Are you planning to ask for any additional funds for 1975?

Mr. DWIGHT. At this time there is no such plan, Mr. Chairman. We had hoped that that report would be available to both Houses of the Congress in consideration of the 1975 supplemental.

Obviously there is the alternative of using the authority to draw down on 1976 funds to——

Mr. FLOOD. I was just going to say you are not expecting the Congress to appropriate any additional funds without having a budget request, are you?

Mr. DWIGHT. My own view was that by providing that additional data that this would provide the Congress with the basis for reaching the appropriate conclusion——

Mr. FLOOD. If you don't actually submit a budget request, what do you do then? Borrow from 1976?

Mr. DWIGHT. Yes. There is a provision under the law which provides that we may expend funds starting April 1 of 1975 out of the 1976 appropriation.

Mr. FLOOD. If you borrow from 1976 funds isn't that going to upset the budget now pending before us?

Mr. DWIGHT. Yes, in much the same way it did in the current year. We started $200 million short in the current year.

Mr. FLOOD. The answer is "yes."

Mr. DWIGHT. Yes.

REVIEW OF FEBRUARY STATES' ESTIMATES

Mr. FLOOD. The budget for the 1975 supplemental and the pending 1976 request are based upon the State estimates received by HEW back in November 1974; right?

Mr. DWIGHT. Yes, sir.

Mr. FLOOD. Have you finished your review of the February estimates submitted to your office from the States?

Mr. DWIGHT. Yes, and basically the conclusion that we reached in looking at those estimates is that there is a great deal of uncertainty. We are very comfortable with the relationships that exist in the social services and in the medicaid area.

We are not too sure in the AFDC area.

Mr. FLOOD. What kind of adjustments, if any, were made by HEW in the February State estimates?

Mr. DWIGHT. Insofar as 1976, Mr. Chairman, or 1975?

Mr. FLOOD. The February estimates of 1976 requirements. What kind of problems do they have? What adjustments did HEW make on these February State estimates?

Mr. DWIGHT. In terms of the presentation we have before you——

Mr. FLOOD. Right now.

Mr. DWIGHT. No revision, Mr. Chairman.

Mr. FLOOD. Suppose for the record then you supply information showing a comparison of these February estimates, the November 1974 estimates we just talked about, and this pending request, and do this, of course, by category both for 1975 and 1976.

Mr. DWIGHT. Right.

We would be very happy to, Mr. Chairman.

[The information follows:]

Comparison of November 1974 and February 1975
States' Estimates for FY 1975 and FY 1976
with
Budget Requests for these Years
(Federal shares in thousands)

	FY 1975			FY 1976		
	States' Estimates		Revised	States' Estimates		Pending
	Nov. 1974	Feb. 1975	Request 1/	Nov. 1974	Feb. 1975	Request
Maintenance Assistance						
Adult categories	$ 4,505	$ 4,105	$ 4,505	$ 5,757	$ 5,007	$ 5,757
AFDC	4,566,328	4,650,008	4,325,232	4,971,077	5,259,087	4,583,000
Emergency Assistance	40,049	40,738	31,295	42,693	46,455	37,000
State and local administration	510,587	509,235	514,738	558,199	581,786	540,000
Repatriation 2/	882	882	882	882	882	882
Adult phase-out 3/	---	- 20,472	-14,725	---	---	---
Subtotal	5,122,351	5,184,496	4,861,927	5,578,608	5,893,217	5,166,639
Medical Assistance						
Vendor payments	6,692,630	6,749,754	6,691,756	7,911,551	7,785,528	7,439,007
State and local administration 4/	283,248	317,241	274,619	349,834	366,262	326,993
Subtotal	6,975,878	7,066,995	6,966,375	8,261,385	8,151,790	7,766,000
Social Services	1,904,834	1,919,378	1,891,905	2,044,512	2,095,723	1,948,000
State and Local Training	55,098	49,706	53,172	60,246	54,863	60,246
Child Welfare Services 2/	46,000	50,000	50,000	46,000	46,000	46,000
Research and Evaluation 2/	9,200	9,200	9,200	12,200	12,200	12,200
Training 2/	---	8,900	8,900	---	---	---
Total	14,113,361	14,288,675	13,841,479	16,002,951	16,253,793	14,999,085

1/ Includes $214,144,000 of 1975 funds used for 1974 program.
2/ Not estimated by the States.
3/ One time savings figure not estimated by the States.
4/ Includes $10,000,000 in Medicaid Rural Health Research not included in States' estimates.

PROPOSED LEGISLATION

Mr. FLOOD. The President's budget indicates reductions in the public assistance based on proposed legislation.

What are the current estimates of these proposed reductions for 1975 and for 1976?

Mr. DWIGHT. In all probability, Mr. Chairman, the estimates of the impact of legislation that we made on fiscal 1975 will not be affected because the legislation has not as yet been enacted.

As far as 1976 is concerned, if the legislation is enacted prior to the beginning of the year, then I think those estimates would hold.

Mr. FLOOD. What is the status of the proposed legislation?

Mr. DWIGHT. I think Mr. Forbush would have to comment on that. I am not aware of any action taken on any of these provisions except the child support.

Mr. FORBUSH. Legislation has been submitted to Congress but no hearings have been held at all.

Mr. FLOOD. It has just been submitted?

Mr. FORBUSH. Yes; an omnibus package of amendments to the Social Security Act has been submitted but no action has been taken.

Mr. FLOOD. Briefly describe the proposed legislation for this record and indicate the estimated dollar reductions.

Mr. FORBUSH. Yes, sir.

[The information follows:]

Legislation/Regulations Summary

PA Savings - FY 1975/1976
(in millions)

	Regulations		Legislation	
	1975	1976	1975	1976
Maintenance				
Incapacity definition	-27	-73		
Income Accounting period	---	---	-20	-146
Income Disregard	---	---	-63	-203
AFDC Matching Formula	---	---	-20	-60
Absent Parent Support	---	---	-15	-90
	-27	-73	-118	-499
Medical				
UR Savings	-12	-50	---	---
Third Party Liability & High Volume Providers	-6	-17	---	---
Drugs	---	-45	---	---
Adult Dental	---	---	-10	-81
Medicaid Matching	---	---	-200	-636
Hospital Inflation	---	---	---	-17
Free Standing Clinics	---	---	---	+20
Medicare Cost Sharing	---	---	+13	+113
Savings from AFDC Legislation	---	---	-2	-9
	-18	-112	-199	-610
Services				
Reduce Federal Matching	---	---	---	-448
State & Local Training				
Restrict type of training	---	---	-10	-30
Total PA	-45	-185	-327	-1,587

Proposed Legislative Items

Clearer Definition of Incapacity

The request for funds to cover AFDC costs has been adjusted for a savings of $27 million in fiscal year 1975 and $73 million in fiscal year 1976 as a result of regulations issued in September 1974 to clarify the definition of incapacity of a parent that can entitle a needy family to receive welfare payments. These regulations are designed to insure that, with regard to incapacity, AFDC assistance is provided only to those needy families where a medically determined incapacity exists. Parents will be required to obtain a medical certification that their incapacity prevents them from gaining employment.

AFDC Legislation

Legislation is being proposed to change the Income Accounting Period from one month to three months and the welfare offices' redetermination period. This would result in a savings of $20 million in fiscal year 1975 and $146 million in fiscal year 1976. The change in the income accounting period results in savings by not providing assistance to those who currently receive welfare for short periods between jobs. This will target benefits on those who are most in need of assistance. More timely reporting requirements will lead to a more accurate determination of benefits and result in fewer errors and cases of fraud.

Income Disregard

Legislation will be resubmitted to Congress to standardize the amount of income and work expenses that is now disregarded in determining AFDC eligibility. At present, this process of disregarding $30 plus 1/3 of earned income and then deducting child care plus work expenses tends to retain a family on the AFDC rolls even though earned income reaches a considerable level. The Department's legislative proposal would eliminate this inequity and simplify the eligibility process by allowing a flat $60 plus child care expenses, if any, to be deducted before computing the disregard amount at one-third of the remaining income. This would not disadvantage the lowest income group, but would provide a more even-handed treatment of earned income. This legislation would save $63 million in 1975 and $203 million in 1976.

AFDC Matching Formula

The Federal Government currently allows a State to choose between two formulae in determining the Federal matching rate for AFDC payments. The regular rate is to take 5/6 of the first $18 of average monthly payments per recipient and 50-65 percent (dependent on the States' per capita income) of the next $14. Nothing above a $32 average monthly payment is matched under this formula. States can elect the Medicaid rate instead, which reimburses from 50-83 percent (again dependent on per capita income) without any limit on the level of monthly payments.

The 12 States who choose the "regular" AFDC formula get a disproportionately large Federal subsidization and have restricted the level of monthly welfare payments in order to maintain this high Federal reimbursement rate.

In order to make Federal financial participation more equitable and consistent among all the States, the Department is resubmitting legislation to eliminate the "regular" AFDC formula. This will initially reduce the AFDC budgetary requirements by $20 million in 1975 and $60 million in 1976.

Absent Parent Support

The Social Services Act of 1974 (P.L. 93-647) authorizes a national program to find absent fathers and require them to contribute to the support of their families. When he signed this legislation, the President indicated that, while supporting the objective of the absent parent support program, he would submit amendments which removed objectionable features of the law.

The Administration will submit proposed legislation to repeal portions of the child support authorization which are more costly than necessary and perhaps impossible to administer effectively and which compromise the legitimate role of the Federal Government in general, and HEW, in particular. The 1976 budget has been developed on the assumption that these amendments will be accepted by Congress.

Utilization Review Regulations

Achieving the most effective utilization of health services, especially institutional care financed by Medicaid and Medicare, is one of the Department's highest priorities.

Under provision of the 1972 Amendments to the Social Security Act (P.L. 92-603), States may be penalized by a 1/3 reduction in Federal matching for patient stays of more than 60 days in a hospital or nursing home and for stays of longer than 90 days in a mental institution. To avoid this penalty, States will be required to have effective utilization review systems including reviews by the hospital concurrent with the patient's admission to assure the admission is necessary and to assign an expected length of stay based upon established norms. The Department expects to save $50 million in fiscal year 1976 from this cost savings incentive beyond the amounts that the States have already included in their own budget estimates.

In addition, regulations will be issued to further limit reimbursement to hospitals for routine costs. These limitations will be based on what the majority of similar hospitals charge for room and board services and will be consistent with Medicare regulations. The reasonable cost limitations were included in the 1972 amendments to the Social Security Act and are estimated to reduce 1975 outlays by $12 million.

Third-Party Liability and High-Volume Providers

SRS will also intensify their financial management activities to assure that State Medicaid agencies are not paying for health care services where there is another third party, such as an insurance company, liable. Some States have achieved reductions in Medicaid costs through procedures which defer Medicaid payment or recoup Medicaid payment where the eligible individual

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may have payment due from workmen's compensation insurance, insurance protection from employment or an absent parent's insurance policy. Improved procedures can identify where such possibilities exist and lead to deferral or recovery of payment. Enforcement is expected to yield fiscal year 1976 savings of $17 million.

Another special management initiative will stress State review of high-volume Medicaid fee-for-service providers to detect and curtail abuses such as erroneous billings.

Drug Costs

An additional $45 million will be saved in 1976 by disallowing reimbursements for "brand-name" drug costs when the same drug can be purchased under its generic name at a substantially lower price.

Adult Dental Care

The Department is resubmitting legislation to eliminate the provision of non-emergency dental services to adults under the Medicaid program because this expense is of a lesser priority compared to other rapidly escalating medical costs reimbursed by Federal funds. This also recognizes similar coverage policy in private insurance programs.

Federal matching for children's preventive dental care, the most important phase of preventive dental care, would be continued for Medicaid eligible children under 21. If enacted, it would reduce Federal costs by $10 million in fiscal year 1975 and $81 million in fiscal year 1976.

Reduced Minimum Federal Matching for Medicaid

The Department is also resubmitting legislation to lower the matching floor on Federal participation in the Medicaid program from 50 percent to 40 percent. The average Federal share would then be about 51 percent. Total Federal expenditures in Medicaid would be reduced by about $200 million in fiscal year 1975 and $636 million in fiscal year 1976.

The current formula, guaranteeing at least 50 percent matching, weighs the Federal participation disproportionately in favor of the richer States. Only the 13 highest income States would be affected by this change. The distribution of the remaining Federal funds would be more closely related to the States' relative revenue producing capability as reflected by their average per capita income.

Other Legislative Changes

New legislation will be proposed to further limit hospital care inflation and reduce the budget by $17 million.

The Department will again submit legislation requiring States to include free standing clinics, such as neighborhood health centers, in their Medicaid plans. This would add $20 million in Federal matching payments but should result in a more efficient use of resources.

The Medicare cost sharing requirements being proposed in the Social Security section of the budget will make it necessary for Medicaid to pay the additional premiums for Medicaid-eligible Medicare beneficiaries. This will cost $13 million in 1975 and $113 million in 1976.

Reduce Federal Matching for Social Services

The Administration is requesting legislation to reduce the Federal matching rate for this program from 75 percent to 65 percent in fiscal year 1976 and 50 percent in fiscal year 1977 and thereafter. If this legislation is passed, it will reduce Federal costs by $448 million in 1976. The proposed legislation would bring the rate of Federal financial participation more into line with that for cash and Medicaid. This legislative change--coupled with clear Federal guidelines and a stronger obligation for States to plan and account for their social services program contained in the recently enacted Title XX of the Social Security Act--will lead to a more efficient use of resources since States will have a greater financial stake in the programs for which Federal matching is provided.

Restrict Type of Training

States are provided Federal financial participation for the costs of in-service staff training and long-term degree-oriented training to prepare people to work in the Public Assistance area.

The Department is proposing legislation that would restrict the training eligible for Federal matching to short-term, in-service courses which would be directed at the highest priorities of Federal and State welfare agencies. Whereas, States have estimated that their Federal charges will increase by 13 percent or $7 million from fiscal year 1975 to 1976, this legislative change would decrease Federal program costs by $30 million in fiscal year 1976 and by $10 million in fiscal year 1975.

Summary of Proposed Amendments to the Social Security Act Which Would Reduce Federal Public Assistance Outlays

(H.R. 4820)

The Administration has submitted legislation which would amend the Social Security Act and reduce FY 1976 Public Assistance outlays. The various provisions of this legislation are listed below. The savings identified with each assume passage of the legislation by July 1, 1975.

Maintenance Assistance

Income Disregard

The legislation would standardize the amount of income and work expenses that is now disregarded in determining AFDC eligibility. At present, this process of disregarding $30 plus 1/3 of earned income and then deducting child care plus work expenses tends to retain a family on the AFDC rolls even though earned income reaches a considerable level. The Department's legislative proposal would eliminate this inequity and simplify the eligibility process by allowing a flat $60 plus child care expenses, if any, to be deducted before computing the disregard amount at one-third of the remaining income. This would not disadvantage the lowest income group, but would provide a more even-handed treatment of earned income. This legislation would save $203 million in 1976.

AFDC Matching Formula

The Federal Government currently allows a State to choose between two formulae in determining the Federal matching rate for AFDC payments. The regular rate is to take 5/6 of the first $18 of average monthly payments per recipient and 50-65 percent (dependent on the States' per capita income) of the next $14. Nothing above a $32 average monthly payment is matched under this formula. States can elect the Medicaid rate instead, which reimburses from 50-83 percent (again dependent on per capita income) without any limit on the level of monthly payments.

The 12 States who choose the "regular" AFDC formula get a disproportionately large Federal Subsidization and have restricted the level of monthly welfare payments in order to maintain this high Federal reimbursement rate.

In order to make Federal financial participation more equitable and consistent among all the States, the legislation would eliminate the "regular" AFDC formula. This will initially reduce the AFDC budgetary requirements by $60 million in 1976.

Medicaid

Adult Dental Care

The legislation would eliminate the provision of non-emergency dental services to adults under the Medicaid program because this expense is of a lesser priority compared to other rapidly escalating medical costs reimbursed by Federal funds. This also recognizes similar coverage policy in private insurance programs.

Federal matching for children's preventive dental care, the most important phase of preventive dental care, would be continued for Medicaid eligible children under 21. If enacted, it would reduce Federal costs by $81 million in fiscal year 1976.

Reduced Minimum Federal Matching for Medicaid

The legislation would also lower the matching floor on Federal participation in the Medicaid program from 50 percent to 40 percent. The average Federal share would then be about 51 percent. Total Federal expenditures in Medicaid would be reduced by $636 million in FY 1976.

Social Services

The Administration's legislation would reduce the Federal matching rate for this program from 75 percent to 65 percent in fiscal year 1976 and 50 percent in fiscal year 1977 and thereafter. If this legislation in passed, it will reduce Federal costs by $448 million in 1976. The proposed legislation would bring the rate of Federal financial participation more into line with that for cash and Medicaid. This legislative change--coupled with clear Federal guidelines and a stronger obligation for States to plan and account for their social services program contained in the recently enacted Title XX of the Social Security Act--will lead to a more efficient use of resources since States will have a greater financial stake in the programs for which Federal matching is provided.

State and Local Training

States are provided Federal financial participation for the costs of in-service staff training and long-term degree-oriented training to prepare people to work in the Public Assistance area.

The Department is proposing legislation that would restrict the training eligible for Federal matching to short-term, in-service courses which would be directed at the highest priorities of Federal and State welfare agencies. Whereas States have estimated that their Federal charges will increase by 13 percent or $7 million from FY 1975 to 1976, this legislative change would decrease Federal program costs by $30 million in FY 1976.

Mr. FLOOD. Do that for this record.

Mr. FORBUSH. Pardon me, Mr. Chairman.

The budget we have pending before you is a current law budget. It doesn't require a change.

Mr. FLOOD. I know that.

QUALITY CONTROL SAVINGS

Your office has been trying to reduce errors in overpayments and ineligibility through your new regulations. The term that you refer to is "quality control."

What are the current estimated savings that you expect to achieve in 1975 and 1976?

Mr. DWIGHT. In fiscal 1975, Mr. Chairman, I think we have as accurate an estimate of the impact of quality control as we can put together. Basically we are talking about $239 million of public assistance funds not having been expended as a consequence of the quality control initiative.

In the first 6 months it is based upon history. In the second 6 months there is still an element of estimate in there in the sense we are not absolutely sure what the legitimate State supplemental requests will be for the balance of the year.

In terms of fiscal 1976, we are estimating, I believe, $315 million of reductions in Federal fund requirements as a consequence of the quality control program.

Mr. FLOOD. How much has been deducted from the 1976 budget as a result of this quality control?

Mr. DWIGHT. $315 million.

Mr. FLOOD. To what extent does the increased unemployment affect the welfare rolls?

Mr. DWIGHT. I think, Mr. Chairman, that we are commencing to see those consequences. Realistically we are just finalizing the data for the month of February, so the months of January and February of 1975 have seen marked increases in the number of public assistance recipients, not, surprisingly, so much in the unemployed fathers area, but in the AFDC families where there is not a father in the home. As a consequence I would assume that the economic forces are starting to impact on our caseload, and that is the phenomena that we are now just starting to observe.

Mr. FLOOD. Do your estimates assume less unemployment next year?

Mr. DWIGHT. No; in fact, I think that we can say without fear of contradiction that our estimates of caseload in the 1976 year are undoubtedly low. What we don't know is whether that will be compensated for at the State level by either the State not granting increases that we have assumed they would grant, or in some cases States actually reduce the award when they run into financial problems which undoubtedly will be the case in some States.

REASONS FOR MEDICAID INCREASE

Mr. FLOOD. How about medicaid? Your budget shows that the medicaid will increase by nearly $800 million over the previous year. How much of that increase would you say is due to higher prices for medical care?

Mr. DWIGHT. I think about 75 percent of the increase is price increase and the remainder is evenly split between increased numbers of people and what we call increased utilization, which is more services going to the same number of people.

Mr. FLOOD. What percentage rate was used?

Mr. DWIGHT. I am doing it off the top of my head.

Mr. WEIKEL. The percentage increase that we used for hospitals was a 12-percent increase in the prices in the hospital. In the nonhospital sector we used an 8-percent assumption.

Mr. FLOOD. How do these rates compare to 1975?

Mr. WEIKEL. In 1975 we assumed a 15-percent increase in the prices in hospitals and an 8 percent in the all others. I might add in the medicaid program in the hospital area, the inpatient area, we reimburse on a cost basis so that it would parallel the increase in the price in the general sector, but in the physician office, as an example, that is much more controlled in the medicaid program so we would expect it to be lower.

Mr. FLOOD. Last year your budget showed 28.6 million medicaid recipients expected for fiscal year 1975; but now in this budget you show just 24.7 million medicaid recipients.

Mr. DWIGHT. That can't be because we are looking at about a 3-percent increase in recipients, aren't we?

Mr. WEIKEL. The 28 million is not a correct number. The 25 million figure is the one that is correct that we are anticipating. It is 25.7 million I believe.

IMPACT OF SUPPLEMENTAL SECURITY INCOME PROGRAM

Mr. FLOOD. How do you account for the overestimate?

Mr. WEIKEL. One of the difficulties was, and I wasn't with medicaid at that time, that the latest unduplicated recipient count that we had available was 1972 data, and the 28 million was a projection of the 1972 figure forward to 1976. Based on my own analysis when I came into the program, I think that is an overstatement of the number.

Mr. DWIGHT. It may be, Mr. Chairman, that that refers to the discussions that we had a year ago in context with the 1975 appropriation, namely, the now discarded but then prevalent assumption that there would be more SSI recipients, and it seems to me that that number of recipients was about 3 million that just never showed up.

Mr. FLOOD. Yes; but your 1975 budget shows $28,566,000.

Mr. DWIGHT. That must be including that 3 million of SSI recipients that never materialized.

Mr. FLOOD. The new SSI program was expected to increase the number of medicaid recipients. Actually this new program hasn't affected medicaid very much, has it?

Mr. DWIGHT. That was based upon an estimate of how many persons would apply for and be eligible to receive SSI benefits. The increased number of persons which were assumed for the period in late 1972 when the law was enacted just never materialized. There has been an increase but not the large increase that was originally estimated.

We were still carrying that assumption when we were before you a year ago as part of our 1975 appropriation.

EARLY AND PERIODIC SCREENING, DIAGNOSIS, AND TREATMENT

Mr. FLOOD. Way back in 1968 a law was enacted which created a program called "Early and Periodic Screening, Diagnosis and Treatment."

It is estimated that there are 13 million children eligible. This program would appear to be a pretty good way to provide preventative care or health care for needy children.

How many children are now being served under this program?

Mr. DWIGHT. In the current year our target is to screen 3 million children. Prior to this year I believe we screened about 1.5 million. In the budget year we have a target of 5 million children.

Mr. FLOOD. What is causing all the delay in implementing this program in the States.

Mr. DWIGHT. There are a series of factors.

The first factor was that the Department was not as aggressive as it should have been early on. That situation was rectified starting last July and August with the support of and at the insistence of Secretary Weinberger.

I think we have the thing turned around, and we are now deploying a significant amount of resources and energy towards this very high priority objective. In fact, Dr. Weikel has been designated by the Secretary as the person with responsibility for the implementation of early and periodic screening across the Department, not just in Social and Rehabilitation Service, but across the Department.

Mr. FLOOD. Doesn't the basic law allow you to penalize States that don't comply?

Mr. DWIGHT. I think it goes a little bit further than that. It requires us to penalize States that don't comply and we are in the process, at the current time, of taking the analysis that we have conducted in the field and subjecting it to legal review to make absolutely sure that we have given every State every consideration before we assess the penalty. We are cranking down the process of prescribing penalties for a number of States; yes, sir.

REIMBURSEMENT FOR DRUGS

Mr. FLOOD. Several months ago HEW announced a new procedure concerning reimbursement for drugs. I believe it was called MAC.

Dr. DWIGHT. Yes, sir.

Mr. FLOOD. Translated, that stands for maximum allowable cost.

We are interested in this, of course, because it is supposed to reduce drug costs in the medicaid program by about $45 million. Is it too soon now to know how well this is working?

Mr. DWIGHT. Yes; it is, Mr. Chairman.

The rules have not as yet been finalized. They are in the process as I understand it of being finalized. The announcements that you refer to were the announcements that accompanied the notice of proposed rulemaking so at the current time they do not have any impact on the program.

However, I personally strongly support the notion, where generic equivalents are available that adequately meet the health care needs of persons at lower costs than brand name drugs, that it just makes good common sense to use those lower priced drugs.

Do you want me to elaborate on that?

Mr. FLOOD. What reaction has there been from the major drug companies?

Dr. DWIGHT. Less than enthusiastic.

Mr. WEIKEL. It has not been greeted with too great support.

Mr. FLOOD. What about the pharmacists?

Mr. WEIKEL. The major pharmaceutical societies are in support of this, the American Pharmaceutical Association and the National Association of Retail Druggists. I would have to point out that I think some of their membership at the grassroots level have some reservations about it, specifically about our proposal to reimburse them on the basis of the actual acquisition cost of their product plus their professional dispensing fee, and they object because presently they use what they call a red book or a blue book, a price catalog that is 10 to 18 percent higher than they actually pay for the product.

Mr. FLOOD. What amount of savings in medicaid are you now projecting for 1975?

Mr. WEIKEL. No saving in 1975 because the program will not be implemented until 1976.

Mr. FLOOD. What about 1976?

Mr. WEIKEL. $45 million.

TITLE XX—SOCIAL SERVICES LEGISLATION

Mr. FLOOD. Now, last December Congress passed amendments to the social service legislation, title XX. Just to refresh everyone's memory what are the major changes resulting from that new law?

Mr. DWIGHT. Structurally, Mr. Chairman, the most significant change is that most of the Federal requirements are prescribed in the statute. Conceptually the major change is to get away from the traditional categoric grant approach of building the program on a State plan which is subject to Federal review and approval.

Under title XX, which is effective October 1, 1975, there will be no State plan review and approval. Rather, there will be a requirement that the State and the Governor of the State publish annually, before the year commences, what it is the State intends to do in the social services program in terms of who is to be served, what services are to be provided, and what objectives are sought in the provision of those services, the assumption there being that the accountability mechanism will be with the public within the State as opposed to the Federal Government.

We have issued proposed rulemaking to implement the program and Mr. Young has just concluded the third of three seminars whereby we brought together all of the States and reviewed with them in detail the provisions of these regulations, our expectation being that at the expiration of the 30-day comment period we will be able to quickly enact final rules which will give the completed base for operations to the States in advance of the time when they are required to publish their plans. I believe the deadline the States have under the law to publish their plans is July 2.

Mr. FLOOD. What effect will this new title XX have on the Federal share of the cost of social services?

Mr. DWIGHT. We have reflected, Mr. Chairman, a modest increase, about $50 million, in the cost of social services programs, part of which is a recognition that through increased flexibility, some of the States may increase their social services programs.

TITLE IV–D—CHILD SUPPORT ENFORCEMENT

Mr. FLOOD. This new law requires that the Secretary of HEW establish a separate organizational unit reporting directly to him, which will help the States to obtain child support payments from fathers who are obligated to support their children and also to help locate the absent parents.

The 1976 budget appears, despite that, to make no provision in carrying out this law. Instead, the budget appendix, page 437, says this, and I will quote:

"Child support amendments are not reflected in the budget estimates. Legislation is proposed to modify this legislation. In the interim, to the extent necessary to implement current law, activities will be carried out with available resources."

Have you established or do you intend to establish the separate organizational unit required by law?

Mr. DWIGHT. Yes, Mr. Chairman.

We are in the process of establishing the unit through publication in the Federal Register. We are well along in developing the regulations. In fact, the first set of regulations that relate to the implementation of title IV–D were signed by the Secretary on Tuesday.

The question of the budgetary resources for this unit are unfortunately a consequence of timing and Mr. Forbush may want to elaborate on this further.

I learned just last night that the letter that I had transmitted to you on this subject somehow inadvertently had the wrong attachment to it, and if it pleases you, Mr. Chairman, I would like to give you the attachment that accompanied my letter when I signed it as opposed to the one that was attached when it was delivered to you.

Mr. FLOOD. Yes.

Mr. DWIGHT. It might be more enlightening to you in terms of what——

Mr. FLOOD. That makes sense; doesn't it?

Well, have you established this new required parent locator service? Words couldn't be plainer than that.

Mr. DWIGHT. Yes.

Mr. FLOOD. As required by law?

Mr. DWIGHT. That machinery is all designed and ready to set in place, Mr. Chairman.

FUNDING FOR TITLE IV–D

Mr. FLOOD. How must will it cost to carry out this law with available resources?

Mr. DWIGHT. There are no available resources to support this program. It is a brandnew program and it does not represent the continuation of any existing program.

Mr. FLOOD. But the phrase is "with available resources."

Mr. DWIGHT. I wasn't aware of that statement and certainly had I been aware of it I would have objected to it because it is a physical impossibility.

Mr. FLOOD. Where will the money come from?

Mr. DWIGHT. This is the process we are currently in and my recommendations have been made to the Department.

Mr. FLOOD. What are your objections to the law?

Mr. DWIGHT. I have no objection.

In fact, I am strongly supportive of the law, Mr. Chairman. That is why we have taken aggressive action to make sure that the law is implemented, and clear instructions have been issued to the States so that the Federal Government has the capacity to meet its obligations under the law effective July 1.

Mr. FLOOD. Doesn't it make sense to cut down welfare costs by making parents who have good income support their children?

Mr. DWIGHT. Mr. Chairman, just to go back to my comment about timing, the law was signed in January. The budget went to bed in December. So actually we have a piece of legislation that was, in essence, signed after the budget was a fait accompli.

We are working to remedy that situation, basically to get a recommendation to the Congress. On the Senate side the Senate Finance Committee has already presented its recommendation to the Senate Appropriation Committee in terms of what it feels its assessment of the needs of this program are. Mr. Forbush may want to comment in terms of his expectation of timing as to when we can get our departmental proposal to the Congress on that same score because it applies to both the 1975 supplemental and to the 1976 budget.

Mr. FLOOD. Right.

Mr. FORBUSH. We are reviewing the Administrator's request. We plan to submit our recommendations to the Secretary either tomorrow or this afternoon.

SOCIAL SERVICES CEILING

Mr. FLOOD. How many States are receiving their full share of that $2.5 billion ceiling for social services?

Mr. DWIGHT. Currently 10 and we are doubling it in 1976.

Mr. FLOOD. If a State does not use its share of that $2.5 billion can those unused funds be reallocated to other States?

Mr. DWIGHT. Only to Guam, Puerto Rico, and the Virgin Islands.

RETROACTIVE CLAIMS FOR SOCIAL SERVICES

Mr. FLOOD. What is the present situation on these retroactive claims for social services? I understand these claims are somewhere around $3 billion.

Mr. DWIGHT. The current number is in the aggregate about $3 billion, Mr. Chairman. About $300 million of that represents definitive conclusions which have been transmitted to the States.

The balance are still under some active review with one claim, a very large one, from the State of New York, two-thirds of that amount, being the subject of very careful scrutiny. The present status on the New York dispute, I guess that is a good way to characterize it, is that

we are in the process of determining whether the State had an approvable plan under which these programs could have operated.

Mr. FLOOD. By the way, which States have filed court suits on these claims?

Mr. DWIGHT. Basically there are individual State suits involving the States of Texas, Maryland, and Washington, and then there is a group of States who have filed an action on procedural grounds challenging one of the review criteria that we have been using on these claims.

Mr. FLOOD. Have the courts ruled on any of these?

Mr. DWIGHT. The district court has concluded in the Texas case. That is a matter which I believe is on appeal. The rest are not as yet resolved.

Well, there was a preliminary ruling in the *Washington* case some time ago.

Mr. FLOOD. How much do you have now in deferred claims?

Mr. DWIGHT. That is an everchanging amount, Mr. Chairman.

Basically, our policy is that when claims are presented——

Mr. FLOOD. You can't estimate the amount?

Mr. DWIGHT. No; I don't have the figure. It is about $200 million.

Mr. FLOOD. What is the outlook on these? Do you expect to pay any of them?

Mr. DWIGHT. Yes.

Mr. FLOOD. If so, is that reflected in this budget estimate?

Mr. DWIGHT. Yes; we do expect to pay come of them and that expectation is reflected in the budget estimate. In some cases these are procedural questions and in others the States can't get their claims filed on a timely basis.

When States file claims on a timely basis the review procedure is that we must have evidence that the claims are not legitimate. When they file them late, the reverse is true. We must be assured that they are legitimate claims.

STATE AND LOCAL TRAINING

Mr. FLOOD. For State and local training you show an increase of $8.3 million. How did you determine the needs for additional funds? Is that what the States requested?

Mr. DWIGHT. Basically that is what the States are estimating, Mr. Chairman.

Mr. FLOOD. What reaction have you received concerning the proposed legislation to cut back on that Federal support for training?

Mr. DWIGHT. I am sorry, Mr. Chairman, I am not aware of any legislation we proposed. We are proposing in the budget to continue the formula grants to the States for training but not to continue the project grants under section 426.

Mr. FLOOD. But on page 8 of the HEW press release on the 1976 budget, the caption is "State and Local Training."

Mr. DWIGHT. There are two elements there. The project grants, under section 426, we are just not proposing any funds for that in the current year as we have for the last 2 years.

Mr. FLOOD. Any reaction to this? I imagine there will be. What will be the reaction to that?

Mr. DWIGHT. The reaction on the part of the Congress for the last 2 years has been to fund the program. I am corrected here. As part of that omnibus package of legislation, there was a provision in there to restrict the nature of the training, so I stand corrected.

There is a statutory provision in there also.

REACTION TO PROPOSED TRAINING RESTRAINTS

Mr. FLOOD. I know that. Any reaction to it? Did anybody say anything?

Mr. DWIGHT. No; I am not familiar with anything other than the nomal reaction that we would expect from the schools of social work who are opposed to anything that would reduce the funds that flow for training purposes.

Mr. FLOOD. Quoting the HEW press release:

Whereas the States have estimated that their Federal charges will increase by 13 percent, or $7 million, from fiscal 1975 to 1976, this legislative change would decrease Federal program costs by $30 million for fiscal 1976 and by $10 million for fiscal 1975.

Is anybody unhappy with that?

Mr. DWIGHT. As I indicated, I assume that the various schools of social work and universities would not be in support of that proposal.

Mr. FLOOD. But you have heard no reaction so far?

Mr. DWIGHT. No; other than from them. There is no strong expression of concern by the States.

Mr. FLOOD. How does this training differ from the training support authorized by section 426 that we were talking about?

Mr. DWIGHT. The training under section 426 is totally financed by the Federal Government, and it is financed on a project grant basis.

In other words, the relationship is directly between the Federal Government and a university, and specifically a school of social work, whereas under the formula grant approach it is a matching program where the Federal Government puts up 75 percent of the cost of training that the State engages in.

JUSTIFICATION FOR CHILD WELFARE SERVICES ESTIMATES

Mr. FLOOD. On the child welfare services, on page 38 of your justifications you show the total cost decreasing in 1975. Then it goes up in 1976. How does that happen?

Mr. DWIGHT. I am sorry; you have me stumped on that.

Mr. FLOOD. $510 million and $480 million, $520 million.

Mr. DWIGHT. There is an increase of $520 million.

Miss PERKINS. The figures indicate in 1975 there has been some shifting back and forth between the child welfare, which is the $46 million program, and the services program, the $2.5 billion program.

Mr. FLOOD. In the budget justifications, you have the figures for number of families served for 1974, 1975, and 1976. The figures are $510 million in 1974, $480 million in 1975, and $520 million in 1976. Why?

Mr. DWIGHT. We will have to get you something for the record on that, Mr. Chairman.

Mr. FLOOD. All right.

[The information follows:]

REASON FOR ESTIMATED DECREASE IN CHILD WELFARE SERVICES

The $46 million amount for child welfare services under title IV–B represents only a very small percentage of the total expended by the States and by the Federal Government for this purpose. States are increasing their child welfare expenditures under title IV–A and title XX, and have available funding, from the WIN program, for child care and other supportive services, and from foster care payments under the maintenance assistance program. As a result, even though there is a small decrease in the amount for IV–B, it is anticipated that overall, the program level for child welfare services would remain stable.

FEDERAL PARTICIPATION IN CHILD WELFARE SERVICES

Mr. FLOOD. Why does the Federal matching rate increase in 1975 and then drop way down to 8.8 percent in 1976?

Mr. DWIGHT. It really isn't a matching rate, Mr. Chairman. This is an allocation to the States.

Mr. FLOOD. I know, but you call it Federal matching rate in your justification.

Mr. DWIGHT. It is just a comparison between the Federal share of child welfare services——

Mr. FLOOD. This justification says Federal matching rate, 10.4 percent in 1975, 8.8 percent in 1976.

Mr. DWIGHT. That would be misleading in the context. We normally mean matching rates.

Mr. FLOOD. It is misleading. It is normally what?

Mr. DWIGHT. It is a grant and, therefore, when we say matching rate that is just the relationship of Federal funds to State and local funds in the support of child welfare service programs. So matching rate is a misnomer.

Mr. YOUNG. Mr. Chairman, I might say that with title XX being in effect from October on the eligibility criteria, title XX, tends to be more universal and the kinds of services that are offered in the IV–B program can more easily be augmented by title XX dollars and I believe we will find that title XX will be contributing to that sense of the universality of IV–B.

What I am saying is the title XX program will be contributing more Federal dollars, not through the stimulus of IV–B, but through just a greater universe being served by the social services program.

I think that is the sense of the increase in 1976.

Mr. FLOOD. Your justification also indicates that you coordinate child abuse activities with other programs. What programs are you referring to? How do you coordinate them?

Mr. DWIGHT. The Assistant Secretary for Human Development has the departmental lead for programs dealing with child abuse, and we work cooperatively with him so that our efforts support his efforts and vice versa in this area.

Mr. FLOOD. For some reason HEW seems to have a fixation. You seem to like the figure $46 million for child welfare services. Is there something magic about that? Congress appropriated $50 million for several years now. But you still prefer $46 million. Why?

Mr. DWIGHT. I think, Mr. Chairman, that State and local government is not willing to continue its support of these programs so we see no reason why the Federal Government should increase its share.

In other words, if we look over the last several years at the contributions State and local governments have been making it has been

drastically reducing, whereas the Federal Government has been keeping its share constant.

RESEARCH AND EVALUATION

Mr. FLOOD. Now you are proposing a $3 million increase for research and evaluation. We touched on this a minute ago. How much of that is due to the title XX legislation?

Mr. DWIGHT. The $3 million of the increase is for title XX and IV–D.

Mr. FLOOD. In the Office of the Secretary there is what is called a policy research program. Part of that deals with income maintenance. How does that program relate to what you plan to do in the area of income maintenance?

Mr. DWIGHT. We are aware of these special projects—if my memory serves me correctly, one is in Gary, one in Seattle and one in Denver—which have been going on for several years testing the hypothesis of different alternatives for providing this.

Mr. FLOOD. How do they relate to what you are doing?

Mr. DWIGHT. We are not active in that area so they are independent of what we are doing.

They are very long range. These are multiyear prog ams where the——

Mr. FLOOD. You plan to do nothing in this area, is that it?

Mr. DWIGHT. Right, that is correct.

Mr. FLOOD. What results do you have to show from all of these public assistance research projects?

How about a couple of examples? Have you had any results?

Mr. DWIGHT. Yes; very definitely.

Mr. FLOOD. Tell us about a couple of them.

Mr. DWIGHT. I am trying to think of some specific examples. We have an effort going in West Virginia which is testing the hypothesis of training welfare mothers so that they can provide day care, basically using the hypothesis that paraprofessionals can be trained, which starts to solve both the problems of an inadequate supply of day care and jobs for welfare mothers.

We have programs with which you are familiar. In fact, I think I have had some correspondence with your office on some of the integrated services projects in the Wilkes-Barre area which have proved quite successful.

Our understanding is that upon expiration of the demonstration project which is fully financed by the Federal Government, the State intends to continue this type of project.

We have been working in concert with our quality control program in some of these management initiatives to develop computer software systems which assist the States in managing their programs.

Mr. FLOOD. Will you develop a half dozen of those for the record?

Mr. DWIGHT. Certainly.

[The information follows:]

EXAMPLES OF PUBLIC ASSISTANCE RESEARCH PROJECTS

A section 1115 project in Pennsylvania which was designed to test a new concept in administration of social services, resulted in the formulation of the United Services Agency in two countries which combined the function of other service agencies at both State and county levels.

Projects in Florida, New York, Maine, and Oklahoma developed computer systems and software packages for public assistance information systems. The tested system were transferred to other States at a savings in developmental cost partially offset by modification costs. Twelve States, subsequently installed modified systems for income maintenance, social services, medical services and vocational rehabilitation.

Also, in Kentucky the human services coordination project has demonstrated through development of products and procedures that service integration strategies can have a beneficial impact on the human services delivery system and consumers of these services. Collaborative efforts of the Department of Human Resources, Commonwealth of Kentucky and the subject project have been initiated to implement the results of the project statewide, particularly the general problem assessment system, the service provision reporting system user's manual and service outcome assessment system.

The paraprofessional child care system project in West Virginia for the first time has been able to introduce a formal training program for family day care providers. Welfare recipients employed as paraprofessional "advisers" are trained to bring training materials and learning materials for children into the family day care homes. The State is committed to retaining the advisor positions and the training program. This project is especially important because of increasing emphasis of family day care because of the effect of the wage and hour on the cost of in-home and center day care.

SRS-funded early and periodic screening, diagnosis and treatment demonstration projects are already having an impact on the program.

The Texas State Department of Public Welfare is now using community aides to do their EPSDT outreach as a result of the success the barrio comprehensive child health care project had with this method of outreach. The community health aide is frequently a person drawn from the welfare recipient group. The department also has asked the barrio project director to develop an outreach program for selected portions of the city of San Antonio.

In Contra Costa County, Calif., the county health department has switched over from the use of a well-child health clinic and the individual public health nurse orientation to the comprehensive EPSDT approach complete with using community aides, a comprehensive record system and follow-up as is being promoted in the SRS/EPSDT demonstration and RRI project evaluation.

Also in Contra Costa County, the health department is tightening up its follow-up procedures on keeping immunizations current. (Appropriate to the age of the child in providing maximum protection.) This is the direct result of a sample follow-up study on the immunization status of children in the EPSDT demonstration project which showed to the nurses that about half the children were not adequately protected and followed up for booster short, et cetera.

No evaluation of public assistance programs was funded with fiscal year 1973 moneys. Fiscal year 1974 funded projects will be completed at the end of fiscal year 1975 and it is anticipated that these studies will result in recommendations to (1) improve specification of accounting periods related to the medicaid spend-down, (2) to reassess policy in relation to disregards of earned income in the AFDC program, (3) to improve forecasting capability in the AFDC program, and (4) to more effectively target child care services.

SOCIAL WORK TRAINING

Mr. FLOOD. Talking about the section 707 training, do you plan to spend any 1975 funds on that?

Mr. DWIGHT. I think that law has expired.

Mr. FLOOD. I was going to ask you that.

Well, you told us last year and you tell us again this year, that you think Federal support for child welfare training should be terminated, right?

Mr. DWIGHT. No, I would like to clarify that statement. The training program under 426 we think can be terminated because there does

not seem to be a large unmet need for social work training. That does not go to the State and local training issue which is basically providing the same kind of training to the same people.

In other words, in the past we have had two social work training programs, one the project grant with the States and one direct with the universities.

It is the one that is direct with the universities that we are recommending for the third or fourth consecutive year be terminated.

Mr. FLOOD. Going back to section 707, take a look at page 45 of your justifications. You refer there to training under section 707. The authorization for that program has expired.

Mr. DWIGHT. We were not aware at the time that this was printed that it had expired. Our attorneys have told us that it has in fact expired now.

Mr. FLOOD. Just so we know.

PUBLIC ASSISTANCE APPROPRIATION LANGUAGE

Now you are requesting rather lengthy appropriation language for the public assistance program.

Is all of that additional language related to the budget for the interim period?

Mr. DWIGHT. Mr. Forbush can answer that.

Ms. PERKINS. Yes, sir.

Mr. FLOOD. Isn't there a simpler way to handle appropriation language for the interim budget period?

Can't you go back downtown and get those fellows who wear the green eyeshades to simplify that gobbledegook?

Mr. DWIGHT. I would certainly hope so if that is your wish.

Mr. FORBUSH. We will examine this and see if we can condense it a bit.

INTERIM BUDGET ESTIMATES

Mr. FLOOD. How was the amount for the interim budget calculated?

Ms. PERKINS. That is based on our quarter-to-quarter experience.

In the AFDC area I think we have a 6-percent factor in there for the quarter beginning July going through September.

Mr. DWIGHT. It is July through September, 1976.

Ms. PERKINS. In the medicaid budget I think there is a quarter to quarter experience of about 13 percent.

We averaged four quarters for that.

In the social services area we tried to use our first quarter of experience each year to apply to these figures.

Mr. FLOOD. There will be a lot of questions on this interim budget figure. It is a can of worms. You had better address that for the record.

Mr. DWIGHT. Yes.

[The information follows:]

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Explanation of the Factors Used
in Developing the Interim Budget

Maintenance Assistance

For AFDC we assumed that the average payment would continue to rise at about its present rate through the interim period. This rise would put the average monthly payment per recipient at $73.75 for the period. Recipiency was similarly projected with the expected level to average approximately 11,253,000 during the interim period.

Using these basic factors, we arrived at an unadjusted cost figure which we then modified for the quarterly effect of non-matchable costs associated with quality control and the incapacity redefinition. These factors brought the AFDC estimate down to a level of $1,214,581,000 for the interim period.

For Emergency Assistance and State and Local Administration, we assumed a 6 percent growth rate over the 1976 levels and computed the quarterly values of $10,000,000 and $143,100,000 respectively.

For the adult categories, we assumed a cost of $1,250,000 for the period.

These components, when added, yielded the requested interim budget of $1,368,931,000.

Medical Assistance

The estimate of $2,006,251,000 was derived by projecting what would have been FY 1977 at the same rate of increase as FY 1976 over FY 1975 (14.41 percent) and applying to that estimate the percentage of full year costs that the first quarter has historically represented.

Social Services

The 1976 level, as presently projected, was used as the base for the interim period projection. We assumed continuation of previous experience of first quarter costs and adjusted the interim period level to the request of $560,000,000.

State and Local Training

The forecast of 1976 costs of $60,246,000 were continued into the interim period at one quarter of that value for the requested level of $15,000,000.

Child Welfare Services

This activity was projected on the basis of one quarter of the 1976 level of $46,000,000 or $11,500,000.

Research and Evaluation

This activity was projected on the basis of one quarter of the 1976 level of $12,200,000 or $3,000,000 for the interim period.

MAINTENANCE ASSISTANCE—ENFORCEMENT

Mr. FLOOD. Mr. Natcher.

Mr. NATCHER. The amount of the request for maintenance assistance for fiscal 1976 is $5,166,639,000, which includes $4,583 million for payments to aid families with dependent children. Where is the responsibility, Mr. Dwight, as far as enforcement is concerned? Is it with the Federal Government or with the State? Those that are ineligible and should be removed from the rolls, where is the responsibility, with the State or with the Federal Government?

Mr. DWIGHT. That is primarily a State responsibility. However, it is one that we became quite concerned about in 1972 and 1973 and determined that because of the partnership relationship which exists between the State and Federal Government that we would work with the States in a very aggressive way to identify and correct those kinds of problems which is an effort that we have had going on since that time.

We started to show some real results, I think.

Mr. NATCHER. Along about that time in the Department I believe some plan was formulated whereby if the States refused to remove from the rolls those that were ineligible or did not cooperate a certain penalty money-wise would be assessed.

In my home State, for instance, the amount was a little over $80,000. That would increase accordingly and could go well over $1 million.

Do you still have that procedure underway at this time, Mr. Dwight, as far as enforcement is concerned? The reason why I am talking with you about this matter is because 9 people out of 10 in the United States, Mr. Dwight, as you well know, believe that those that are ineligible should be removed by the Federal Government. Some people believe that the Government not only funds these programs, running into the billions of dollars, but the responsibility is on the Federal Government. That is not correct, is it?

Mr. DWIGHT. No, sir.

The Federal Government cannot take any administrative action that can impact on an individual except perhaps in the area of supporting a state activity from the point of view of prosecuting fraudulent practices. From that point of view I would say the Federal Government would have no specific role in any individual administration action. For instance, hearings, notices, the judicial review, all of those things are primarily related to the State.

ASSESSMENT OF PENALTIES FOR NONCOMPLIANCE

Mr. NATCHER. Mr. Dwight, the people in this country believe the responsibility is in your shop and not in the states. That is what they believe. Now do you still have underway the plan that you formulated 2 or 3 years ago as far as the assessment against the States when they do not enforce the law.

As you well know, I am chairman of a subcommittee where this is a major problem. Do you still have this plan underway?

Mr. DWIGHT. Yes, sir.

The phase that you have referred to will commence on July 1 of the current year.

The efforts to date have proved moderately successful. I am told that your State is one of the States that has met its goals. This has not been construed as an abrupt sort of thing. We have recognized that it would take the States a period of time to implement corrective action and produce the kinds of results that you are talking about which the Secretary and I also very strongly support. Ineligible people should not receive benefits, and those who are eligible should receive benefits in the proper amount—not more and not less than they are entitled to.

That is our objective. We are encouraged by the progress we have made. That progress has not met our expectations but we are still encouraged by the progress and the recognition of the States and particularly the Governors for the necessity of moving in this direction.

EXAMPLE OF A CASE OF UNREPORTED EARNINGS

Mr. NATCHER. I agree.

Those in need must be assisted and those who are ineligible must come off the rolls and certainly should not be supported.

Let me say this: We had a murder case here in the city of Washington where they were searching for the man who committed the murder. They went to the home where he lived and the landlady said, "He is not here, he is at work." They said, "He is not working. This man has been on welfare rolls for 7 years." She said, "You must be wrong. He has had the same job for 11 years." That is one of the cases I am talking about. Not people who are hungry and need help. Certainly we must help these people.

Mr. DWIGHT. Yes, sir, that is a case of unreported earnings.

Mr. NATCHER. Not only in aid to dependent children, but in welfare generally we run into those cases. They located this man and I assume and I hope they corrected it.

Mr. DWIGHT. I might comment and bring this particular situation back to a question the chairman asked me about some of these research and demonstration projects. We are working jointly with the State of Maryland and the District and hope to have the State of Virginia involved so that the earnings records that exist in the public domain can be used as a reference point for the public assistance rolls to ascertain if there are individuals who are working and have earnings and those earnings are not being reported in the process of determining ineligibility and calculating the grants. The results to date, although we do not have them well articulated, are quite encouraging.

We are hopeful that this kind of an effort, where areas of residence which embrace more than one State jurisdiction, can be used as an example of what can be done.

Let's use the Newark, N.J., New York City interrelationships for an example. And there are many others—where single areas of population concentration encompass more than one State. This kind of an exchange can be very helpful in correcting the very problem that you mention.

WELFARE RECIPIENTS AS PART OF TOTAL POPULATION

Mr. NATCHER. Mr. Dwight, as you probably know, here in Washington we have about 722,000 people. For a number of years one out of every 7 was on welfare. Now it averages out to about 1½ out of 7 that are on welfare here in our Nation's Capital. In the city of New York with about 7½ million people, one out of every seven is on welfare. That is the situation as it exists in this country.

We have from time to time on this subcommittee requests from Governors throughout the United States. A great many Governors, in fact, I would say a majority, would like to see all of the welfare money appropriated by the Federal Government in every category, aid to dependent children on down the list, and complete enforcement on the part of the Federal Government. They say we cannot enforce it. We cannot take them off. They said the Federal Government should do it.

We have had them in the last 3 years to say to our subcommittee by way of telephone calls and correspondence, that they would like to see the Federal Government appropriate all the money and enforce it.

Now Mr. Dwight, I doubt if the Congress would approve of that system. Locally they know and have a better chance to know who is eligible and who is not. So the system that you started now in the last 2 or 3 years is still underway. Every attempt is being made to take off the ineligibles. The amount here of $4,583 million for payments to aid families with dependent children, I don't have the figures before me but what is the increase over 1975, Mr. Dwight?

Dr. DWIGHT. The total increase would be in the order of magnitude of about $400 million, something like that. $4.1 was the amount originally requested for AFDC, but we must be comparing apples and oranges. My recollection is that it is an increase of about $400 million as between the two years with a slight increase in population and about a 10-percent increase or 8-percent increase in the level of grants being made. I have been corrected. It is $250 million.

Mr. NATCHER. I think I have the exact figure, $257,778,000 increase.

Mr. DWIGHT. Yes, sir.

Going back to your earlier comments, I think you are absolutely right about the catastrophe that would befall a nation in its welfare program if either the cost or the administration of this AFDC program were shifted to the Federal Government. I can say with a great sense of confidence that what we have been able to achieve in reducing errors would not have been in any way possible had we not had the effective efforts of the States in this area.

A major reason is, as you say, they are much better aware of what is going on. I think that there may be some changing of the views of some of the Governors in terms of whether they can do something about it.

Some of the Governors have proved something can be done about this and they are doing it. I cannot argue with the proposition that with the increasing costs of public assistance and the necessity that arises from that increase in cost of raising state and local tax levies that this is in fact a very difficult thing for an elected official at either the State or local level to do. That also forces accountability.

Now that we have started to develop a pattern of the policymakers, the Governors, members of State legislature, members of city councils and the county boards of supervisors, et cetera, being able to get ahold of this thing, identify the problems and do something about them, I think the future looks good and we have proven to a lot of people that maybe this welfare system we have now is not as unmanageable as we at one time thought.

Mr. NATCHER. You agree that as far as enforcement, it would be much better to leave it at the State level?

Mr. DWIGHT. Absolutely.

Mr. NATCHER. Thank you.

Mr. FLOOD. Mr. Michel.

1975 PUBLIC ASSISTANCE ESTIMATES

Mr. MICHEL. The Department, in response to the Congress request, has been submitting quarterly reports on the public assistance estimates. These reports are very useful in tracking expenditures over the course of the fiscal year. However, I am concerned that the latest report, submitted to this committee on April 14, shows that the total requirements for fiscal year 1975 budget authority for public assistance are estimated to be $359 million more than was estimated when the supplemental of $1,729 million was approved by this committee. What is the reason for this and are you changing your 1976 request to reflect this new estimate of 1975 spending?

Mr. DWIGHT. I am pleased that you share our opinion on the usefulness of the quarterly reports, and I wish to state that we are equally concerned about the $359 million increase from January, when the supplemental request was prepared, to the April report.

The causes of this increase are: continued high unemployment rates which result in increased recipiency in AFDC and medicaid; and, inflationary pressures which impact the costs of medical care, salaries, rental of space, equipment, and the like. Our 1976 budget, like our 1975 supplemental request, was prepared in late December, early January, so it did and does not reflect the increased spending rate we know now to exist. We are not, however, prepared to revise our 1976 request at this time, but will, like you, keep a careful eye on how things develop through our up coming July and October reports.

PARTICIPATION IN GRANTS TO UNBORN CHILDREN

Mr. MICHEL. The U.S. Supreme Court on March 18, 1975, ruled that Congress did not intend to include unborn children within the AFDC program. Nonetheless, HEW has made no change in its regulations which provides Federal financial participation in AFDC grants to unborn children. How can HEW continue to provide payments to categories which have not been authorized by Congress?

Mr. DWIGHT. In the case of *Burns* v. *Alcala*, the Supreme Court on March 18, 1975 decided that a fetus was not a child for purposes of the Social Security Act and therefore States were not required to consider unborn children eligible for AFDC benefits. The Court expressly declined to consider the validity of the long-standing Federal policy permitting States to consider such individuals eligible.

Mr. MICHEL. How can this expansion of eligibility be justified in view of the fact that Congress has expressly reserved the right to alter, amend, or repeal any provision of the Social Security Act to itself and not to HEW?

Mr. DWIGHT. This policy, based on the Secretry's rulemaking authority under section 1102 of the Social Security Act, was considered as one which advances the purposes of title IV–A of the act.

"$30 AND ONE-THIRD" EARNINGS EXEMPTIONS

Mr. MICHEL. Does the data demonstrate any marked change in the rate of able-bodied AFDC recipients becoming self-supporting as a result of the "$30 and one-third" earnings exemption, placed in the Social Security Act in 1967, and the work-related expense deductions, placed in the Social Security Act in 1962?

Mr. DWIGHT. Studies made by the National Center for Social Statistics provide some indication of the labor force participation by recipent mothers: 6.6 percent had full-time employment in 1967. 7.5 percent in 1969, 8.3 percent in 1971, and 9.8 percent in 1973. The change from year to year is not statistically significant. However, the increased rate of participation from 1967 to 1973 is significant. Further, a special study of recipients in the 1973 study who subsequently left the welfare rolls showed that those employed full time are more likely to go off welfare than those who are not employed.

In sum, there has been increased participation in the work force by recipient mothers beginning after 1967 when the disergard was introduced into the program. This also suggests an impact in making families self-supporting.

Mr. MICHEL. What savings may be attributed directly to such provisions?

Mr. DWIGHT. Program savings arising from the 1967 amendments result from the increase in net earnings available as recipient resources after deducting the exempted amounts for work-related expenses and disregards. This net monthly amount rose about $30 million from 1968 to 1971. The program savings due to these earnings above the disregard will exceed $200 million a year not counting those whose earnings are high enough to get them off welfare entirely.

Mr. MICHEL. What has been the estimated cost of each provision, by year and cumulatively, in Federal, State, and local funds—that is, the amount of additional assistance provided in lieu of deducting work-related expenses and earnings, both in terms of supplemental grants to persons who would otherwise be eligible and grants to persons who would be otherwise ineligible?

Mr. DWIGHT. The Department has not collected on a continuing basis information on the amounts of work-related expenses of recipients who, while working, received assistance payments by the States. Nor are there available, on a continuing basis, the amount of earnings disregarded in computing available resources to recipients of assistance payments. However, periodically the financial circumstances of AFDC recipients have been the subject of special studies carried out by the National Center for Social Statistics. These data have been published and in summary show something like this. In the 1967 study, work expenses in the study month were $80 million and the regarded earn-

ings $5.5 million; in 1969 $13.5 million and $12.6 million; in 1971 $25 million and $13 million; and in 1973 $23.9 million and $49.9 million respectively.

The month in which these studies were made varies. The 1967 study was made in the months of November and December; 1969 in May; 1971 and 1973 in January. The studies are based upon samples and amounts are approximate.

The 30-percent increase from 1971 to 1973 in the amount of disregarded earnings indicates a significant rise in the applicability of disregards and is associated with greater overall earnings.

Mr. MICHEL. Presently, the "$30 and one-third" earnings exemptions are allowed first from gross income, and then the work-related expense deductions from net income. This has the effect of deducting one-third of the work-related expenses twice, one-half at the outset and then 100 percent of them later. Why doesn't HEW apply the "$30 and one-third" earned income exemption against net income rather than gross income?

Mr. DWIGHT. The Department has considered several alternatives to the present method of allowing work expenses and disregarding of income in the AFDC program. And it has proposed legislation incorporated in H.R. 4820, which takes into account the possible anomalies to which you refer. The legislation introduces a new provision for disregarding of income replacing the current provisions for work expense allowances and the $30 and a third earned income disregard. The new provision will allow first for disregard of the first $60 of earned income; second, for child care expenses reasonably attributable to earning of income; and third, for disregard of one-third of the remainder of earned income.

SCREENING OF ILLEGAL ALIENS

Mr. MICHEL. What is HEW doing to establish an effective system to screen out illegal aliens from receiving welfare?

Mr. DWIGHT. The Department has issued regulations limiting AFDC to citizens and aliens lawfully admitted for permanent residence or otherwise permanently and lawfully residing in the United States. The regulation does not prescribe procedures to the States for establishing citizenship or alienage. It is the Department's view that States should have the option of using such administrative procedures as are appropriate to its particular circumstances.

ELIGIBILITY PROCEDURES FOR FOOD STAMPS

Mr. MICHEL. What efforts has your Department been making to dovetail AFDC and food stamp eligibility procedures so that eligibility workers do not have to go through two completely different eligibility processes for the same individual?

Mr. DWIGHT. Households in which all persons are receiving AFDC are, according to Department of Agriculture regulations, automatically eligible for food stamps. Thus eligibility workers make a determination on eligibility for AFDC and food stamps simultaneously. It is only in households in which some of the persons are not receiving AFDC that a separate determination is made. This difference stems from the fact that food stamp eligibility is related to household composition, while AFDC eligibility is related to family composition.

PROSECUTION OF FRAUD

Mr. MICHEL. Mr. Dwight, how much of the public asistance appropriation will go for prosecution of fraud?

Mr. DWIGHT. There is no specified amount in the public assistance appropriation for prosecution of fraud. Such amounts as are expended by the States in accordance with required State plan provisions on fraud and abuse are reflected in the appropriation requests for State and local administration for AFDC and State and local administration and training for medicaid.

CASH SAVINGS GENERATED BY UTILIZATION REVIEW IN MEDICAID

Mr. MICHEL. Last year the Department was undertaking a major utilization review operation in the medicaid program pursuant to the requirements of the 1972 Social Security Act Amendment. These amendments require that Federal matching in the medicaid program be reduced where States don't meet the utilization review requirements. Have you recognized any cash savings in the budget from this activity and are any States going to be penalized for failure to meet the requirements?

Dr. WEIKEL. To date cash savings resulting from application of the penalty provision of the statute (1903(g)) have not been determined on a national basis. However, in Massachusetts the Commonwealth Hospital Administration Plan (CHAMP) has on a basis of 13 hospitals produced a 6-percent decrease in hospitalization which if applied to all of Massachusetts would result in an $8.4 million savings in hospital costs. SRS is currently analyzing preliminary information received from regional staff which conducted onsite validation surveys in each State. Upon completion of this data analysis we would expect that from 5 to 10 States may be subject to the one-third reduction in FEP called for in the statute. Application of the penalty could result in an FFP reduction from 6 million to 40 million.

Mr. FLOOD. Mr. Conte.

REDEFINITION OF INCAPACITY

Mr. CONTE. Mr. Dwight, in your statement you said that the AFDC estimates were adjusted downward as a result of the redefinition of incapacity. Would you explain what that means?

Mr. DWIGHT. In September 1974 a regulation was promulgated to redefine incapacity to insure that incapacity is medically certified, and that such incapacity prevents employment; otherwise the family is not eligible for receipt of AFDC benefits. Expenditures in 1975 are expected to be reduced by about $27 million in the 4th quarter because of this modification, and $73 million in 1976.

DETERMINATION OF TOLERANCE LEVELS

Mr. CONTE. Can you tell me how you set the tolerance levels of 3 percent for ineligibility and 5 percent for overpayment? Are those just arbitrary determinations, or is there some basis for those particular levels?

Mr. DWIGHT. The tolerances referred to were established in the quality control system in 1970 which preceded my arrival at HEW. In 1973, prior to issuing regulation 45 CFR 205.41 which disallows Federal reimbursement on expenditures in excess of the tolerances, the basis on which these tolerances were established was thoroughly reviewed and their appropriateness concurred upon. The empirical basis for these tolerances is as follows:

From 1964 through 1969, quality control operated on what was called a "case action" sample design. By this we mean that the worker's decision to approve an application or continue assistance at the time of redetermination was reviewed for correctness at the time it was made. As a result, the error rates on ineligibility and overpayment were not reflective of the total caseload but rather only that portion of the caseload in which decisions were made. Obviously, error rates based on decisions were less than the error rate in the total caseload if for no other reason than an ineligible case was not subject to being sampled by quality control until after the worker acted on the case. The worker, of course, could close the case which would result in quality control finding the case action proper (no error). This caused problems since inquiries on State and national error rates were always in terms of the validity of the total caseload; not the validity of a portion of the caseload on which the agency had recently taken some action.

In 1970, therefore, the quality control sample design was changed to a cross section sample of the caseload and sample size significantly increased to give a valid finding on the error rate in the total caseload. At that time the 3 and 5 percent tolerances were established. In establishing these tolerances, the average national error rate from 1964 to 1969 was reviewed and found to be approximately 2 percent over this span of time. An ineligibility tolerance based on a cross section sample would be higher than that of the case action for the reason previously noted. Further, it was recognized that error in determining the correct payment was almost double that of error in ineligibility. Taking these things into consideration, tolerances of 3 for ineligibility and 5 percent for under and overpayments were established until further experience was gained under the new sample design.

In 1972, after allowing some time for the new system to be implemented and become operational, the services of a nationally recognized consulting firm in the area of quality control, Westat Research Inc., was engaged to undertake a comprehensive study of the appropriateness of the existing tolerances and make recommendations.

The consultants report was received in February 1973. The review of this report had to be done within the framework that up until that time States had not fully implemented the quality control system. Few States were completing as much as 85 percent of their sample; some 14 States were cited for compliance action by the Federal agency; corrective action by States to eliminate the cause of errors identified in quality control was minimal and often times perfunctory. In a word, the system lacked priority at State level.

The report indicated that the 3 percent tolerance on ineligibility and the 5 percent tolerance on underpayments was attainable. They found that the 5 percent tolerance on overpayments should be 9 percent given the state of things that existed in 1972. By and large, the tolerances established in 1970 were found to be reasonable in spite of a lack of vigorous program of corrective action by States. How much more so would they be reasonable under an intensive program of corrective action.

My decision, after reviewing the situation in total, was that, given a vigorous corrective action program, the established tolerances were reasonable and attainable. They remained unchanged in the issuance of the April 1973 regulation.

INELIGIBILITY AND OVERPAYMENT PERCENTAGES BY STATE

Mr. CONTE. Would you provide a chart showing each State's ineligibility and overpayment percentage for the most recent available reporting period? On that chart, also please furnish the amount of money which your tolerance levels will save in payments to each State.

Dr. DWIGHT. I will be glad to supply the chart for the record.

[The information follows:]

QUALITY CONTROL

AFDC July-December 1974 Case Rates of Ineligibility and Overpayments and Estimated FY 1976 Savings in Federal Funds for Assistance Payments Expenditures Due to Error Rates in Excess of Case Rate Tolerance Levels of 3% for Ineligibility and 5% for Overpayments, by State 1/

State	Cases With Errors as a Percent of Total Cases		FY '76 Est. Savings in Federal Funds Due to Error Rates in Excess of Tolerances (000)
	Ineligible	Eligible but Overpaid	
U.S. Total.....	8.5	19.7	$486,645
Alabama.....	7.7	13.1	3,158
Alaska.....	5.2	16.2	462
Arizona.....	13.5	23.2	3,265
Arkansas.....	3.3	10.9	640
California.....	6.1	15.1	30,681
Colorado.....	6.7	12.1	2,562
Connecticut.....	5.8	16.3	3,131
Delaware.....	10.9	21.8	1,474
Dist. of Col.....	12.7	22.1	5,097
Florida.....	9.6	22.0	7,858
Georgia.....	10.7	27.6	14,371
Hawaii.....	5.5	23.0	2,069
Idaho.....	1.9	14.6	375
Illinois 2/.....	15.2	28.1	59,783
Indiana.....	3.5	14.1	1,689
Iowa.....	7.2	21.4	4,752
Kansas.....	12.3	18.5	3,603
Kentucky.....	5.1	18.7	4,380
Louisiana.....	8.0	13.2	5,351
Maine.....	6.2	19.5	3,178
Maryland.....	12.4	28.8	11,308
Massachusetts....	11.5	24.8	28,264
Michigan.....	7.8	27.9	35,049
Minnesota.....	7.1	17.2	5,389
Mississippi.....	2.7	8.5	360
Missouri.....	8.2	14.8	8,132
Montana.....	9.8	15.9	954
Nebraska.....	10.9	25.3	1,909
Nevada.....	--	2.5	--
New Hampshire....	16.7	37.3	3,089
New Jersey.....	4.0	20.8	10,035
New Mexico.....	4.5	9.4	550
New York.....	12.7	29.6	129,331
North Carolina...	7.0	22.2	6,965
North Dakota.....	1.3	4.6	--
Ohio.....	11.0	14.5	18,342
Oklahoma.....	1.6	5.8	141
Oregon.....	4.7	14.0	2,283
Pennsylvania.....	9.0	18.8	38,654
Puerto Rico.....	11.3	20.4	2,223
Rhode Island.....	5.9	18.9	1,715
South Carolina...	6.9	20.1	2,970
South Dakota.....	3.7	14.4	382
Tennessee.....	7.5	15.4	5,414
Texas.....	5.1	8.9	3,364
Utah.....	5.4	12.3	914
Vermont.....	3.8	19.2	510
Virgin Islands...	11.0	11.7	106
Virginia.....	4.7	18.4	4,600
Washington.....	4.4	9.1	1,430
West Virginia....	4.0	7.8	513
Wisconsin.....	5.1	15.7	3,650
Wyoming.....	8.6	13.8	220

1/ Savings based on latest reported FY 1976 estimates of expenditures (SRS-OA-25 State reports, dated 2/15/75) and assuming error rates at the July-December 1974 level.

2/ Savings based on latest reported FY 1975 estimates. Estimates for FY 1976 are not available.

QUALITY CONTROL ERROR RATES

Mr. CONTE. You mention error rates of about 8.5 percent for ineligibility and 19.7 percent for overpayments. Would you tell me how to measure these rates? Can you explain why they are so high? What is being done to bring them down?

Mr. DWIGHT. With respect to how the rates are measured, quality control prescribes the sample size for each State and the review method to be employed. The sample size for each State is dependent upon the size of the caseload and range from 1,200 cases over a 6 month period for a caseload of 40,000 or more to 150 cases for a caseload under 7,000. These sample cases are selected by the systematic random sampling method from each State's monthly listing or payroll of cases receiving a direct money payment in that month. The case is then subject to a full review including a field investigation to determine whether or not eligibility did in fact exist for receipt of the payment and, if eligible, whether or not the payment is correct. The cases found to be in error in the sample are statistically projected to the total caseload since the sample is representative of the caseload.

There is no simple answer to why are the rates so high, the complexity of the program is a major contributor and it is getting more complex all the time. The numerous income disregard policies complicate the budgeting process; the circumstances pertaining to eligibility for the unemployed father program with its quarters of coverage, recent attachment to the labor force, et cetera, require undivided attention to detail; other examples could be cited. The threefold increase in the rolls in the last decade without a comparable increase in State staff has made for heavy workloads. Constantly being required to alter its operating procedures, i.e., simplified method, separation of services from income maintenance, WIN registration units, et cetera, made for errors simply because of the new approach. Truly, the reasons for mistakes are many and place a premium on sound management.

The problem of reducing error rates is being approached by a variety of methods. First and foremost, the potential loss of reimbursement has served the purpose of forcing States to place a high priority on the quality control system and the reduction of error rates. Since April 1973, States have moved quickly to use quality control as an effective management tool. In the last 18 months, States have initiated in excess of 650 major corrective actions designed to impact causes of errors and improve the management of the program. Also, working with the States, we are attempting to identify Federal regulations that complicate State operation. Those that we can change, we are changing. To date we have extended the time period for processing an application from 30 to 45 days thus giving States more time to make decisions. We have rescinded the simplified method; made changes in the recoupment policy as well as the fair hearing policy, et cetera. We have identified the major problem areas giving rise to errors in quality control and written up procedures on States that handle these problems reasonably well—"How They Do It." Thus far we have issued to States some eight of these plus a number of other publications that were developed on management techniques, et cetera, workload standards, training, task analysis, work measurement, local review system, et cetera. At the same time, we are funding a number of State proposals

under the research and demonstration project grants. These systems, once developed, can be transferred to other States.

DELAY OF CLAIMS ADJUSTMENTS

Mr. CONTE. I believe that you referred to a quality control decision to delay adjusting claims until fiscal year 1976. Do you mean to say that you did not adjust claims this year and don't intend to make any adjustments until July? Can you explain what the reasoning was behind this decision?

Mr. DWIGHT. Secretary Weinberger's decision on this matter was expressed in a news release on March 26, 1975 as follows:

The quality control campaign to reduce costly errors in the aid to families with dependent children (AFDC) program continues to show positive results.

Because of the States' administrative commitments due to the current high rate of unemployment and the uncertain state of the economy, the Department has decided to give the States an additional grace period to reduce their error rates during which no penalty will be imposed. Thus there will be no disallowances of Federal funds pursuant to quality control regulations for the interim periods of July 1, 1974 through June 30, 1975.

However, beginning July 1, 1975, there will be no Federal financial participation for errors thereafter in excess of the 3 percent of ineligible cases and 5 percent of overpayment cases.

The Department's action today in no way reflects any weakening of HEW's determination to eliminate errors from the AFDC program. On the contrary, the Department's regulations reflecting these changes in the AFDC quality control program, to be published shortly, will emphasize our continuing and strong commitment to the elimination of all errors from this program.

STATE AND LOCAL ADMINISTRATION

Mr. CONTE. Mr. Dwight, you said that the February States' estimates for 1976 indicate a need for $24 million above the 1975 level. But you are requesting more than $25 million above the 1975 level for State and local administration. Can you explain the difference?

Mr. DWIGHT. The 1976 request for $540 million was based on the States' November 1974 estimate of $558 million which we evaluated as being about $18 million high. The requested 1976 level is approximately $25 million higher than our revised request for 1975 of approximately $515 million. Subsequent to the preparation of both these requests, the States revised their estimates in February and adjusted both their 1975 and 1976 estimates, 1975 downward by $1.4 million and 1976 upward by $23.6 million. The effect of their 1975 adjustment has, of course, been reflected in our April report to you which now shows the 1975 level to be $550 million. This would then place the States' revised 1976 estimates at about $31.3 million higher than the new 1975 level. We do not, however, believe that this shifting is sufficiently large or well enough supported to revise either the 1975 or 1976 request for this activity at this time.

ASSUMPTIONS FOR RATES OF INFLATION AND UNEMPLOYMENT

Mr. CONTE. You conceded in your statement that the 1976 budget request could be understated. Would you tell me what assumptions for the rates of inflation and unemployment you used in preparing your maintenance-assistance payment estimates?

Mr. DWIGHT. Basically we're rather tied to the States' estimates at a point in time, and, at the time these estimates were prepared, November 1974, unemployment was running at about 6 percent and inflation at about 10 to 11 percent. Since that time, of course, AFDC recipients have gone up by about 390,000 and average payments by about $1.50, and these factors were really unknown in November as most economic forecasts were for a reduction of both unemployment and inflation.

Now, having had the December, January, and February experience, we are beginning to feel less certain of our earlier figures. As time progresses, however, we will be watching this and reporting to you as I indicated in my opening statement.

Mr. CONTE. Do you have a "worst case" forecast? What do you think is the maximum that your budget request might be understated?

Mr. DWIGHT. At this time we have no "worst case" forecast, nor do we have a figure for the maximum understatement. A lot of imponderables are playing in this area. For example, in any State, the amount of Federal reimbursement is predicated on that State's ability to meet matching requirements, and, if the State has insufficient funds, then it must make some adjustment. We don't have a way of determining, this far in advance, how many States will or might be in this condition. We know that several States are already borrowing to meet unemployment benefit costs, but there is not necessarily a direct relationship between that fact and the welfare financing problem.

IMPROVEMENT IN FORECASTING

Mr. CONTE. What steps are being taken to improve your forecasting accuracy?

Mr. DWIGHT. At present and for the past year we have had a team of skilled professionals such as mathematicians, economists, and statisticians working on forecasting models. To date, we have been able to work out a system that is acceptably accurate on the short range, say one to two quarters hence. The mid- and long-range models are less satisfactory as our programs are too responsive to unpredictable events such as court actions, legislative changes, fuel crises, auto industry shutdowns and the like.

Mr. CONTE. To what do you attribute the enormous amounts by which your budget estimates have been off in previous years? How close were you in 1975?

Mr. DWIGHT. All of these factors, of course, have had their impact on our past estimates, and they will have a similar impact on future estimates. I would like to point out, though, that our performance is not as dismal as has been alleged. For that purpose, I am providing this table for the record.

[The information follows:]

Public Assistance
History of Initial Requests vs. Expenditures
in Uncontrollable Programs
1970 to 1975
(amounts in millions)

	Initial Request	Expenditure	Difference	Percent Difference
1970				
Maintenance	$3,863	$ 4,331	-$ 468	- 12.1
Medical	3,057	2,638	+ 419	+ 13.7
Services	552	535	+ 17	+ 3.1
State and Local Training	31	32	- 1	- 3.2
Total	7,503	7,536	- 33	- 0.4
1971				
Maintenance	4,955	5,573	- 618	- 12.5
Medical	3,114	3,374	- 260	- 8.3
Services	509	692	- 183	- 36.0
State and Local Training	26	35	- 9	- 34.6
Total	8,604	9,674	- 1,070	- 12.4
1972				
Maintenance	6,655	5,945	+ 710	+ 10.7
Medical	3,828	4,360	- 532	- 13.9
Services	838	1,598	- 760	- 90.7
State and Local Training	44	33	+ 11	+ 25.0
Total	11,365	11,936	- 571	- 5.0
1973				
Maintenance	7,564	6,341	+ 1,223	+ 16.2
Medical	4,503	4,998	- 495	- 11.0
Services	1,266	1,607	- 341	- 26.9
State and Local Training	51	36	+ 15	+ 29.4
Total	13,384	12,982	+ 402	+ 3.0
1974				
Maintenance	5,544	5,496	+ 48	+ 0.9
Medical	5,281	5,833	- 552	- 10.5
Services	2,000	1,562	+ 438	+ 21.9
State and Local Training	45	43	+ 2	+ 4.4
Total	12,870	12,934	- 64	- 0.5

	Initial Request	Expenditure	Difference	Percent Difference
1975				
Maintenance	$4,601	5,061 *	- 460	- 10.0
Medical	6,592	6,839 *	- 247	- 3.7
Services	2,000	1,957 *	+ 43	+ 2.2
State and Local Training	33	52 *	- 19	- 57.6
Total	13,226	13,909	- 683	- 5.2

* April 14, 1975 report to Congress reduced to take out 1975 funds used for 1974 program as a method to get to expenditures.

Source: Presidential Budget Appendices.

Mr. DWIGHT. Thus, since our percentage of error ranged from an undercall of 12.4 percent in 1971 to an overcall of 3 percent in 1973 for an average discrepancy of 3.4 percent and an average dollar amount of $336.5 million in programs that are by all accounts uncontrollable, our record is not too bad.

REASON FOR INCREASE IN UTILIZATION

Mr. CONTE. I believe that your statement indicated that increased utilization accounted for about 2 percent of the increases in Federal payments to the medicaid program. I can see why you might have an increase in the number of recipients, but I wonder how and why you expect an increase in utilization?

Dr. WEIKEL. We can expect increases in utilization for a number of reasons. As more is accomplished in the early screening program (EPSDT), we can expect some children who have minimal services in a year to have other conditions found by EPSDT which would require treatment—for example, a child who has been to see the doctor for an infection may need eyeglasses, dental work, et cetera, which may not be noticed during his visit for the infection.

Over the past years, States have added optional services; for example, since 1970, 10 States have added clinic services, 17 States have added the provision of prosthetic devices. We expect these trends to continue.

Some States are attempting to increase the availability of and access to providers. In New York, for example, there is a marked effort to increase the number of ICF's. Also, in New York, the State expects more physicians to participate in medicaid as a result of a 25 percent increase in the reimbursement rate for physician's services.

I would like to point out that the 2-percent increase figure for utilization is a very rough estimate. In the new approach we are using to budget estimating and justification, the utilization factor is the most difficult to aggregate for projections and, therefore, the area in which the most work remains to be done.

IMPLEMENTATION OF EARLY AND PERIODIC SCREENING PROGRAM

Mr. CONTE. Would you tell me what steps you will be taking in 1976 to assure the implementation of the early and periodic screening, diagnosis, and treatment program? To what extent is this being implemented now?

Dr. WEIKEL. In fiscal year 1976 we will continue to use the penalty provision of Public Law 92-603 to enforce minimum State compliance with the EPSDT program. An improved approach—based on a sample of recipients—will be taken to carry out our responsibilities here.

More important, however, we will pursue a variety of ways to further this highly essential program. Financial incentives to States coupled with improved regulations will be explored. A new technical assistance effort—much of it by contract with professional medical organizations—will be launched. Neglected programmatic areas like

mental and developmental assessment will be emphasized, and major collaboration will be sought with other DHEW agencies, especially the Public Health Service.

Many activities are now being carried out, of course, to determine State penalty compliance. Initial penalty determinations are now in final legal review and should be finally decided shortly. A large number of guides to screening, to provider participation, and other areas has been prepared and distributed. Other types of technical assistance are being carried out, and our demonstration projects—in Texas, the District of Columbia, and California—continue their fine work in testing various programmatic aspects of EPSDT. Though we remain concerned about problems in the program, we should recall that by the end of the first quarter almost 2 million children had been screened by this program.

The SRS regional offices are also conducting a preliminary version of the recipient sample this quarter, which will provide highly useful information for technical assistance and program improvement plans with States early in fiscal year 1976.

Contracts for a wide range of EPSDT supportive activities are also being prepared—for direct technical assistance to States, support by voluntary organizations, medical society coordination of health care resources, and increased provider participation.

Mr. CONTE. Under the title XX program, you say that public accountability is being placed on the States, and that the oversight is now placed with the public constituency. Where was the public accountability and who had oversight responsibility for social services before the new title XX legislation? Would you outline for me the advantages of the new system relative to the old one?

Mr. DWIGHT. Prior to the title XX legislation, oversight responsibility for social services resided with the Department of HEW through the approval of State plans and through monitoring and auditing State operations against the approved plan. There was no requirement for citizen involvement in the development or review of the State plans.

Some of the advantages of title XX as opposed to the former titles are: (1) it provides a means for an open planning process with emphasis on citizen involvement, (2) it gives the States the needed flexibility to offer and provide services not just to recipients of public assistance but also to the working poor, and (3) it gives the States wide latitude in designing social services programs to meet the specific needs of their residents. Under title XX, the Department still has responsibility for the oversight of Federal expenditures; that is, that the requirements for Federal financial participation are met by the States.

Mr. CONTE. Would you provide a listing of the amount which each State will receive under the child welfare services program?

Mr. DWIGHT. Certainly.

[The information follows:]

Child Welfare Services

1976 State Allotments

States	Tentative Allotments
Alabama	$ 958,648
Alaska	134,436
Arizona	545,747
Arkansas	567,329
California	3,552,666
Colorado	565,855
Connecticut	532,661
Delaware	167,039
District of Columbia	163,236
Florida	1,540,146
Georgia	1,207,829
Guam	106,393
Hawaii	218,031
Idaho	265,834
Illinois	1,911,834
Indiana	1,165,964
Iowa	631,129
Kansas	489,699
Kentucky	863,292
Louisiana	1,050,085
Maine	314,131
Maryland	792,848
Massachusetts	1,086,625
Michigan	1,767,596
Minnesota	873,878
Mississippi	723,570
Missouri	1,010,086
Montana	232,367
Nebraska	370,917
Nevada	167,829
New Hampshire	237,077
New Jersey	1,187,380
New Mexico	376,211
New York	2,840,573
North Carolina	1,288,304
North Dakota	201,631
Ohio	2,168,001
Oklahoma	656,018
Oregon	515,931
Pennsylvania	2,232,912
Puerto Rico	1,165,435
Rhode Island	244,024
South Carolina	784,582
South Dakota	227,376
Tennessee	1,011,162
Texas	2,779,390
Utah	395,689
Vermont	182,362
Virgin Islands	100,370
Virginia	1,053,070
Washington	720,388
West Virginia	474,433
Wisconsin	1,032,060
Wyoming	147,765
United States Total	$46,000,000

Mr. CONTE. Would you explain why a $4 million decrease in funding for child welfare services will not reduce the number or quality of services rendered under this program?

Mr. DWIGHT. States are able to pick up funding for this program from other Federal sources such as title XX services, income disregard for day care under the work incentives program, and foster care payments under maintenance assistance. These sources provide a Federal match that is much higher than the amount available under the allocation for child welfare—about 9 percent of total program costs; therefore, the States will continue to utilize these titles XX, IV–C and IV–A sources to the fullest extent possible.

RESEARCH AND EVALUATION

Mr. CONTE. Under research and evaluation, you preferred to the need for "more research and innovative efforts" in the implementation of title XX and title IV–D. Would you tell me what sort of "innovative efforts" you have in mind?

Mr. DWIGHT. I would like to provide, for the record, an outline of our proposed research and evaluation efforts in implementing titles XX and IV–D.

[The information follows]

FISCAL YEAR 1976 EVALUATION

A major increase is proposed in the evaluation budget to support legislatively mandated evaluation activities related to Title XX. Proposed fiscal year 1976 efforts include:

1. Evaluation of Title XX Implementation — $400,000

   This effort follows up a fiscal year 1975 study of the initial Title XX implementation in the States. The fiscal year 1976 effort will focus on measuring changes in State resource allocation which have taken place under the new comprehensive service planning and citizen review processes. The study will provide a continuing assessment of the State planning process, citizen review, organizational changes, utilization of fees, management of purchase of service, development of data for program planning and management, etc.

2. Development of Sample Microdata Reporting — $100,000

   Design and development of reporting requirement. This annual report will provide a State and national data base for continuing evaluation of the effectiveness and impact of Title XX social services programs. The reporting requirement will be effective October 1977.

3. Studies to Assess the Appropriateness of the Title XX Federal Interagency Day Care Requirements — $500,000

   A series of studies on the impact of Federal Interagency Day Care Requirements on the welfare of children in out-of-home care and the costs of compliance. These studies will contribute to the required report to the Congress.

A substantial increase in Income Maintenance evaluation will be directed toward assessment of the new Title IV-D child support program.

Child Support Evaluation — $300,000

A baseline study of State child support is being conducted in fiscal year 1975. This will be followed by an evaluation of State child support efforts in fiscal year 1976. The study will document operational changes in States and measure increased collections and their impact on Aid to Families with Dependent Children participation. Child support efforts on behalf of families which do not receive public assistance benefits will be studied to assess their impact on reducing enrollment in Aid to Families with Dependent Children.

Total Fiscal Year 1976 Evaluation — $1,300,000

FISCAL YEAR 1976 RESEARCH AND DEMONSTRATIONS

Title XX

1.	Developing Predictive Model(s) of Demand for and Use of Social Services	Improved State planning for services under Title XX	$200,000

2.	Development of Measures of Outputs of Post-Employment Training	Develop criteria and measures for determining effectiveness of State/ local agency training in relation to operation and provision of services under Title XX.	$150,000
3.	Impact of Title XX on Funding Services Delivery Programs (University of Southern California Regional Research Institute)		$100,000
4.	Planning Factors for Social Services	Improved State Planning for services under Title XX	$150,000
5.	Comprehensive Planning Projects	Improve the planning ability of local committees-- to plan their efforts consistent with public need; allocate their resources; maintain fiscal and program accountability; improve program responsiveness and management efficiency.	$450,000
	Total Fiscal Year 1976 Title XX Research and Demonstrations		$1,050,000

Title IV-D

Child Support Enforcement $1 Million

A high priority in the Fiscal Year 1976 Plan is the development of research and demonstration projects related to the implementation of Title IV-D (Public Law 93-647, Part B). The research and demonstration projects will have the objective of: helping States or counties in designing, establishing, and administering a child support enforcement program and in providing technical assistance by addressing such specific topics for research and demonstrations such as parent location, establishment of paternity, assessment of absent parent's financial status, and collection of support payments and arrearages. Research and demonstration projects will take into account different State and county administrative structures and involvement of district attorneys and other public prosecutors as well as disposition of cases by the courts. Other research and demonstration areas which will be developed are: automation of the child support enforcement reporting system and the interfacing of child support enforcement reporting with other required Social and Rehabilitation Service reporting, and alternative models of staffing and organization of IV-D agencies for both families in the public assistance program of Aid to Families with Dependent Children and families with dependent children not on public assistance.

Since nationwide data in child support enforcement are at best fragmentary and at worst nonexistent, demonstration projects will concentrate on (1) those States and counties which have already effective systems, in the hope that some of their techniques and procedures will be replicable in other States and counties, and (2) those States or counties which do not yet have an effective child support program in place and, therefore, have to start from the beginning, to assure that the beginning is in the right direction and without false or ineffectual starts.

Research and demonstration projects in child support enforcement will also be designed to help the Social and Rehabilitation Service/Office of Child Support Enforcement to determine which systems work best and are most cost-effective.

Total Fiscal Year 1976 - Research and Demonstrations	$2,050,000
GRAND TOTAL - Fiscal Year 1976 for Evaluation & Research and Demonstrations	$3,350,000

COST ESTIMATES FOR TITLE IV–D

Mr. CONTE. Would you tell me what your tentative estimates are for the cost of the title IV–D program?

Mr. DWIGHT. We are still working on cost and savings estimates for the new IV–D child support program. For 1976 we expect support collections to total something over $100 million; however, due to administrative costs and incentives, the net Federal cost will be about $48 million.

DEMAND FOR PERSONS TRAINED IN SOCIAL WORK

Mr. CONTE. I see that you are proposing to eliminate social work training again. Is there less demand for persons trained in social work fields this year?

Mr. DWIGHT. There continues to be a lack of hard statistical evidence concerning the current demand for, and supply of, persons trained in social work fields. There is no clear evidence of a real shortage of trained personnel, and there is some evidence that social work graduates do not have immediately available to them the choice of job opportunities that existed in the 1960's. In view of this situation, and the availability of Federal matching for social work training under the State and local training grant program, the Department has continued to recommend discontinuance of the social work training program under sections 426 and 707.

SOCIAL WORK TRAINING FUNDS AVAILABLE

Mr. CONTE. Would you tell me how much money is available for the support of social work training under other programs?

Mr. DWIGHT. It is not possible to say precisely how much money is available for social work training under other programs since the programs are broader in scope. However, the open ended State and local training program can support social work training at a 75 percent matching rate. The States must decide how much of the estimated $60 million expenditure for State and local training would go for the social work activity. In addition, the National Institute of Mental Health is expending $12 million this year for social work education in the field of mental health. Lesser amounts in support of social work education are available from the Rehabilitation Services Administration, the Administration on Aging, and the National Institute of Drug Abuse and Alcoholism. Grants and loans for general student support is available through the Office of Education.

QUALITY CONTROL SAVINGS

Mr. CONTE. Would you outline some of the facets of your AFDC quality control program? How much would you estimate has been saved by this program?

Mr. DWIGHT. The quality control program is a joint Federal/State effort and was designed to gather nationwide data through a scientific statistical sample on rates of ineligibility, overpayments, and underpayments, and to identify specific error factors. These data are used as a basis for developing corrective action plans to reduce error rates and improve the administration of the AFDC program. The quality

control program was initiated in 1961 as a result of congressional request and was modified and improved in 1970. In early 1973, the program still had a low priority in many States. Understaffing, samples not being completed, reports not being submitted, and corrective action plans not being developed and implemented prevailed nationwide.

The quality control program was elevated to a high priority by SRS, DHEW, and the President. In April 1973 revised quality control regulations were issued and an intensive Federal effort was launched.

Accomplishments:

(*a*) Put into place a Federal, regional, and State system incluing trained staff, procedures, guide materials, and management controls.

(*b*) Obtained commitments from Governors and State welfare administrators to carry out the program.

(*c*) All State quality control samples were completed for the first time in the history of the program.

(*d*) Regulations were issued which aided States in improving the administration of the AFDC program.

(*e*) More accurate results achieved—error rates 50 percent higher than previous results. Better job was done in identifying errors.

(*f*) All States developed and submitted corrective action plans which evidence a genuine commitment to reduce errors. Over 650 individual major corrective action steps have been implemented nationwide.

During calendar year 1974, $133 million in Federal, State, and local funds were saved due to the quality control program.

ALTERNATIVES TO TRADITIONAL LONG-TERM CARE

Mr. CONTE. Would you tell me, and elaborate for the record, about your examinations of alternatives to traditional long-term care?

Dr. WEIKEL. Our concern for the constant emerging of problems in nursing homes has led us to the study and evaluation of alternate modes of providing long-term care services. In 1972, we recognized the need for better management of services, cost controls, improved access to services, closing gaps in services through policy and program development, and influencing legislation which would enhance the quality of services and the delivery of those services. With a view toward these goals, a conference on "Alternatives to Long-Term Institutional Care" was sponsored in 1972 by medicaid and American University. The conference identified some 20 new or different means of delivering health care.

After careful examination of the concepts developed by this conference, SRS, specifically the Medical Services Administration and the Administration on Aging, decided to test the medically oriented adult day-care service concept. This concept was chosen because it appeared to have more potential for keeping elderly and disabled persons out of hospitals and long-term-care institutions. Four 3-year grants were awarded in June 1972. The project sites have both service and evaluation components. Final reports on these projects will be available in October 1975.

Medically oriented adult day care is structured to provide a package of services comparable to those provided in hospital outpatient

clinics, nursing homes, and intermediate care facilities. The primary difference is that these services are provided without the high cost of room and board. A person admitted to the demonstration site comes by the recommendation of his personal physician. An assessment is done by the physician, R.N., social worker, appropriate therapists, and dietition. A team conference is convened and a determination is made whether the person's needs can be appropriately treated in the day center. If the decision is yes, and the persons agree, a plan of care is developed and he is admitted.

Services offered in the adult day-care programs vary but are generally a mix of the following: part-time physician, nursing—R.N., physical therapy, occupational therapy, speech therapy, inhalation therapy, screening, arrangements for dental care, pharmacy, and podiatric services.

Results to date have been encouraging. Costs range from about $15 per day upward to approximately $45. Factors attributing to higher costs are labor, service package offered, and facilities. One must also recognize that this is an active treatment program which is aimed at:

(1) Preventing institutionalization until absolutely medically necessary. Seven days per week—24-hour care.

(2) Getting persons out of institutions who are there because no other option exists.

(3) Having an option of this kind which potentially can get people out of costly hospital beds sooner than if the option were not available.

This is but one concept. There are others which we are evaluating in terms of their potential for improving the health and welfare of our recipients and all Americans.

MINIMUM FEDERAL SHARE OF MEDICAID PAYMENT

Mr. CONTE. Is the administration still proposing to reduce the minimum Federal share of medicaid payment support to States? Would you outline the arguments in favor of the decrease?

Dr. WEIKEL. The administration is still proposing to reduce the minimum Federal share from 50 percent to 40 percent. The arguments in favor of this proposal concern the problem of what priorities to fund in times of heavy budgetary pressures and who should make those decisions.

The formula which determines the Federal Medical Assistance Percentage allows for more Federal funds to go to States with relatively lower per capita income; it is these States which have less ability to raise State tax revenues to fund programs which receive a greater Federal subsidy. States with high per capita income receive less Federal matching because they are more capable of generating tax revenue than other States.

This proposal would insure that those States with lower average per capita income would continue to receive their present percentage of Federal matching funds and would only reduce the Federal matching percentage to a few high per capital States who would also have the ability to elect to fund the difference. In this approach, the Federal Government is not telling the States that we are arbitrarily cutting support of any recipient group or program benefit to meet budget pressures.

We are suggesting that the large States with a greater ability to generate funds share in the decisions as to which programs will be cut and by how much. In this way States may trade off their priorities.

REDUCTION OF MATCHING RATES FOR SOCIAL SERVICES

Mr. CONTE. Would you outline the arguments in favor of reducing the Federal matching rate for social services from 75 percent to 65 percent?

Mr. DWIGHT. When the 1976 budget was developed, it was estimated that the reduced matching rate from 75 percent to 65 percent would produce a $448 million savings in 1976. The 65-percent rate would bring the Federal financial participation more in line with that for cash and medicaid, and would lead to a more efficient use of resources since States would have a greater financial stake in the program.

CHILD WELFARE SERVICES

Mr. CONTE. Your justification states that child welfare services are not limited to the poor, but are available to all children who need them. I think that is a generally sound policy. But does that mean, for example, that there is no income requirement for eligibility for homemaker and day care services under this program?

Mr. DWIGHT. It is true that there is no test of financial eligibility for child welfare services similar to that for public income maintenance. child welfare services are principally directed toward protecting children from abuse, neglect, or exploitation and for remedying the causes of these conditions. Where parents are willing and able to pay the cost of these services they would generally be expected to do so. In some instances, however, the children of affluent parents may be exposed to unwholesome circumstances, and in these instances the welfare of the child is paramount, irrespective of the willingness of the parents to pay.

Mr. CONTE. That is all. Thank you.

Mr. FLOOD. Thank you, Mr. Dwight.

Mr. DWIGHT. Thank you, Mr. Chairman.

JUSTIFICATION OF THE BUDGET ESTIMATES

(Appropriation Estimate)

PUBLIC ASSISTANCE

For carrying out, except as otherwise provided, titles I, IV, VI, X, XI, XIV, XVI, [and] XIX, and XX of the Social Security Act, and the act of July 5, 1960 (24 U.S.C., ch. 9), [$12,111,731,000, of which $50 million] $14,999,085,000, of which $46 million shall be for child welfare services under part B of title IV.

For making, after March 31 of the current fiscal year, payments to States under

titles I, IV, VI, X, XIV, XVI, [and] XIX, and XX, respectively, of the Social Security Act, for the last 3 months of the current fiscal year (except with respect to activities included in the appropriation for "Work incentives"); and for making, after April 30 of the current fiscal year, payments for the [first quarter of the next succeeding fiscal year] period July 1, 1976, through September 30, 1976,[1] such sums as may be necessary, the obligations incurred and the expenditures made thereunder for payments under each of such titles to be charged to the subsequent appropriations therefor for the current [or succeeding] [2] fiscal year or the period July 1, 1976, through September 30, 1976, or fiscal year 1977.

In the administration of titles I, IV (other than part C thereof) VI, X, XIV, XVI, [and] XIX, and XX, respectively, of the Social Security Act, payments to a State under any such titles for any quarter in the period beginning April 1 of the prior year, and ending June 30 of the current year may be made with respect to a State plan approved under such title prior to or during such period, but no such payment shall be made with respect to any plan for any quarter prior to the quarter in which [such] a plan was submitted [for approval] which was subsequently approved.[3]

Such amounts as may be necessary from this appropriation shall be available for grants to States for any period in the prior fiscal year subsequent to March 31 of that year.

For "Public assistance" for the period July 1, 1976, through September 30, 1976, $3,964,682,000 of which $11,500,000 shall be for child welfare services under part B of title IV of the Social Security Act.

For making, after June 30, 1976, payments to States under titles I, IV, VI, X, XIV, XVI, XIX, and XX, respectively, of the Social Security Act, for the first quarter of fiscal year 1977 (except with respect to activities included in the appropriation for "Work incentives") and for the period July 1, 1976, through September 30, 1976, such sums as may be necessary, the obligations incurred and the expenditures made thereunder for payments under each of such titles to be charged to the subsequent appropriations therefor for the transitional period or fiscal year 1977.

In the administration of titles I, IV (other than part C thereof) VI, X, XIV, XVI, XIX, and XX, respectively, of the Social Security Act, payments to a State under any such titles for any quarter in the period beginning April 1 of fiscal year 1976 and ending September 30, 1976, may be made with respect to a State plan approved under such title prior to or during such period, but no such payment shall be made with respect to any plan for any quarter prior to the quarter in which a plan was submitted which was subsequently approved.

Such amounts as may be necessary from this appropriation shall be available for grants to States for any period in fiscal year 1976 subsequent to March 31 of that year.

The transition appropriation language carries forward the same provisions as the regular 1976 public assistance appropriation language.

EXPLANATION OF LANGUAGE CHANGES

1. Language has been deleted and new language added which will make funds available during the transition period from the fiscal year prior to the transition period.

2. Again the language has been modified for operations during the transition period. This new language makes funds available during fiscal year 1976 from the transition period or fiscal year 1977.

3. Language has been added for the purpose of clarification.

Language provision	Explanation
For carrying out, except as otherwise provided, titles I, IV, VI, X, XI, XIV, XVI, [and] XIX, *and* XX of the Social Security Act, and the Act of July 5, 1960 (24 U.S.C., ch. 9), [$12,111,731,000, of which $50,000,000] *$14,999,055,000, of which $46,000,000* shall be for child welfare services under part B of title IV.	The Child Welfare Services program is a closed-end formula grant program as opposed to the open-ended Maintenance, Medicaid and Social Services programs; thus, funds are specifically identified. Authorization for repatriation of U.S. nationals (Sec. 1113) expired June 30, 1973; therefore, $252,000 of the request is via point of order.
For making, after March 31 of the current fiscal year, payments to States under titles I, IV, VI, X, XIV, [and] XIX, *and* XX, respectively, of the Social Security Act, for the last three months of the current fiscal year (except with respect to activities included in the appropriation for "Work incentives"); and for making, after April 30 of the current fiscal year, payments for the [first quarter of the next succeeding fiscal year] *period July 1, 1976, through September 30, 1976,* [1] such sums as may be necessary, the obligations incurred and the expenditures made thereunder for payments under each of such titles to be charged to the subsequent appropriations therfor for the current [or succeeding] [2] fiscal year *or the period July 1, 1976, through September 30, 1976, or fiscal year 1977.*	The various titles of the Act have similar language to the following exerpts from Sec. 403(b): "(b) The method of computing and paying such amounts shall be as follows: (1) The Secretary of Health, Education, and Welfare shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a),... "(2) The Secretary of Health, Education, and Welfare shall then certify to the Secretary of the Treasury the amount so estimated,... "(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department and prior to audit or settlement of the General Accounting Office, pay to the State, at the time or times fixed by the Secretary of Health, Education, and Welfare, the amount so certified." This language requirement is the basis for the issuance of first quarter grants prior to the beginning of the fiscal year and the need for authority to use subsequent year funds. Language excludes "Work Incentives", a title IV program which is funded through a separate appropriation.

Language provision	Explanation
In the administration of titles I, IV (other than part C thereof) VI, X, XIV, XVI, [and] XIX, *and* XX, respectively, of the Social Security Act, payments to a State under any such titles for any quarter in the period beginning April 1 of the prior year, and ending June 30 of the current year may be made with respect to a State plan approved under such title prior to or during such period, but no such payment shall be made with respect to any plan for any quarter prior to the quarter in which [such], a plan was submitted [for approval] *which was subsequently approved.* [3]	Each Title of the Act requires a State plan. This language restricts payments for matchable expenditures to those contained in a current State plan, also restricts claims for prior year expenditures to those applicable to the last quarter of the prior year.
Such amounts as may be necessary from this appropriation shall be available for grants to States for any period in the prior fiscal year subsequent to March 31, of that year.	This provision reconfirms authority provided in the prior year appropriation to permit the use of subsequent year funds for current year activity after March 31, of current year.
	The appropriation language for the interim period provides similar language to the above.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Public Assistance

Amounts Available for Obligation

	1975 Estimate	1976 Estimate
Appropriation	$12,111,731,000	$14,999,085,000
Proposed supplemental	1,729,748,000	---
Subtotal, adjusted appropriation	13,841,479,000	14,999,085,000
Appropriation available in prior year	-3,283,535,000	-3,672,000,000
Appropriation available from subsequent year	3,672,000,000	3,964,682,000
Total, obligations	14,229,944,000	15,291,767,000

Summary of Changes

1975 Budget Authority	$12,111,731,000
Plus: 1975 Proposed supplementals	1,729,748,000
Subtotal, 1975 Revised budget authority	13,841,479,000
1976 Requested budget authority	14,999,085,000
Net change	+1,157,606,000

	1975 Base	Change From Base
Increases:		
A. Built-in		
1. Non-recurring recoveries in 1975 of prior year funds used for Adult categories		+$14,725,000
B. Program:		
1. Maintenance assistance		
(a.) Adult categories	$ 4,505,000	+$ 1,252,000
(b.) Aid to families with dependent children	4,319,301,000	+ 263,699,000
(c.) Emergency assistance	31,265,000	+ 5,735,000
(d.) State and local administration	509,174,000	+ 30,826,000
2. Medical assistance		
(a.) Medical payments	6,516,252,000	+ 922,755,000
(b.) Administration and training	271,765,000	+ 55,228,000
3. Social services	1,868,904,000	+ 79,096,000
4. State and local training	51,912,000	+ 8,334,000
5. Research and evaluation	9,200,000	+ 3,000,000
Subtotal program increases		1,369,925,000
Total, increases		+1,384,650,000

	1975 Base	Change From Base
Decreases:		
A. Built-in:		
1. 1975 funds used to complete 1974 requirements.....	$ 214,144,000	- $ 214,144,000
B. Program:		
1. Child welfare services.....	50,000,000	- 4,000,000
2. Social work training.....	8,900,000	- 8,900,000
Total program decreases..		- 12,900,000
Total decreases.....		- 227,044,000
Total, net change.....		+1,157,606,000

Explanation of Changes

Increases:

A. Built-in:

1. Adult phase-out - In 1975 $14,725,000 was recouped from previously committed funds. Similar returns in 1976 are not anticipated.

Explanation of Changes

Increases:

A. Program:

1. Maintenance assistance

(a.) Adult categories - The increased cost of $1,252,000 is due primarily to an increase in payment levels for Guam, Puerto, Rico and the Virgin Islands of about $5.00 per recipient.

(b.) Aid to families with dependent children - The increase of $263,699,000 is related to two factors: (1) an increase of 200,000 in the average number of recipients and (2) an increase of about $6.00 in average monthly payments per recipient.

(c.) Emergency assistance - The increase of $5,735,000 is primarily due to an estimated increased payment of $60 per family per month.

(d.) State and local administration - The increase of $30,826,000 is primarily due to increasing costs of supplies, materials, fuel, salaries, etc.

2. Medical assistance

(a.) Medical payments - The most significant factor in the increase of $922,755,000 is a 10 percent increase in prices. Additionally it is expected that the Medicaid program will experience a 2.5 percent increase in recipients and a 2 percent increase in the utilization of services.

(b.) Administration and training - The increase is $55,228,000. Administrative costs generally increase proportionally to the increase in vendor payments. Such increases are due to the following factors: higher eligibility determination costs; additional claims to be processed; and the impact of inflation.

3. Social services

The increase of $79,096,000 allows only a modest 4.2 percent increase from 1975 to 1976. Allowances have been made for the potentials of title XX which becomes effective October 1, 1975, only for the probable impact of Guam, Puerto Rico, and the Virgin Islands.

4. State and local training

The increase of $8,334,000 is based on the State estimates for fiscal year 1976.

5. Research and evaluation

The increase of $3,000,000 is primarily for the funding of evaluation studies mandated by the recently enacted Amendments of the Social Security Act. This includes an evaluation of (1) Federal day care standards (2) State service programs under Title XX and (3) State child support programs.

Decreases:

A. Built-in:

1. The decrease of $214,144,000 relates to the use of fiscal year 1975 budget authority to complete fiscal year 1974 program requirements. Included in this total was $11,525,000 for maintenance assistance $178,358,000 for medical services, $23,001,000 for social services, and $1,260,000 for State and local training.

B. Program:

1. The decrease of $4,000,000 for child Welfare Services is related to efforts to reduce Federal outlays in a program area where such reduction will not hamper its operation in total dollars spent or in services rendered.

2. The decrease of $8,900,000 for Social Work Training is requested based on the availability of training funds for SRS related programs under the open-ended State and local formula grant training program and financial assistance under the student loan programs.

Obligations by Activity

Page Ref.		1975 Estimate	1976 Estimate	Increase or Decrease
18	Maintenance assistance	$ 4,861,927,000	$ 5,166,639,000	+$ 304,712,000
26	Medical assistance	6,966,375,000	7,766,000,000	+ 799,625,000
32	Social services	1,891,905,000	1,948,000,000	+ 56,095,000
36	State and local training	53,172,000	60,246,000	+ 7,074,000
38	Child welfare services	50,000,000	46,000,000	- 4,000,000
40	Research and evaluation	9,200,000	12,200,000	+ 3,000,000
45	Training projects	8,900,000	—	- 8,900,000
	Subtotal, obligations against budget authority	$13,841,479,000	$14,999,085,000	+1,157,606,000
	Available in prior year	- 3,283,535,000	- 3,672,000,000	- 388,465,000
	Available in subsequent year	3,672,000,000	3,964,682,000	+ 292,682,000
	Total obligations during the fiscal year	$14,229,944,000	$15,291,767,000	+$1,061,823,000

Obligations by Object

	1975 Estimate	1976 Estimate	Increase or Decrease
Other services.....	$630,000	$630,000	---
Grants, subsidies and contributions.....	14,229,314,000	15,291,137,000	+1,061,823,000
Total obligations by object.....	14,229,944,000	15,291,767,000	+1,061,823,000

Significant Items in House and Senate Appropriation Committee Reports

Item	Action taken or to be taken
1975 Senate Report	
Research and demonstration grants	
1. Committee directs the SRS to make available up to an additional $10 million from existing Medicaid resources to allow the Medical Services Administration to conduct research and demonstration projects for attracting physicians assistants and nurse practitioners to rural scarcity areas to supplement and attract additional physician manpower.	1. Thus far in FY 1975 the Medical Services Administration has: (a) committed nine new full time positions to manage these research and development subjects to be filled as soon as possible. (b) Established the requested coordination with the Maternal and Child Health, National Cancer Institute, and National Library of Medicine programs and (c) Developed the policies, standards, and procedures for instituting the projects. Initial projects will be funded by the end of the fiscal year.

Authorizing Legislation

Legislation	1976 Authorized	1976 Appropriation requested
Social Security Act		
Section 1 -- Old-age assistance (Maintenance)	Indefinite	$3,511,000
Section 401 -- Aid to families with dependent children (Maintenance)	Indefinite	4,583,000,000
Section 401 -- Emergency assistance (Maintenance)	Indefinite	37,000,000
Section 420 -- Child welfare services (Child welfare)	$246,000,000	46,000,000
Section 426 -- Child welfare research, training, and demonstration project (Research)	Indefinite	2,000,000
Section 1001 -- Aid to the blind (Maintenance)	Indefinite	63,000
Section 1110 -- Cooperative research or demonstration projects (Research)	Indefinite	6,200,000
Section 1113 -- Assistance for United States citizens returned from foreign countries (Maintenance)	1/	252,000
Section 1115 -- Demonstration projects (Research)	4,000,000	4,000,000
Section 1401 -- Aid to the permanently and totally disabled (Maintenance)	Indefinite	2,183,000
Section 1601 -- Aid to the aged, blind, or disabled (Maintenance)	Indefinite	2/
Section 1901 -- Medical assistance program (Medicaid)	Indefinite	7,766,000,000
Public Law 86-571		
Section 2 -- Assistance for certain nationals of the United States adjudged insane or otherwise found mentally ill in foreign countries (Maintenance)	Indefinite	630,000
Authorized in various titles of the Social Security Act		
Social Services (Titles I, IV, VI, X, XI, XIV, XIV & XX)	2,500,000,000	1,948,000,000
Maintenance assistance administration (Title I, IV, X, XIV, and XVI)	Indefinite	540,000,000
State and local training (Title I, IV, VI, X, XIV, and XVI)	Indefinite	60,246,000

1/Authorization expired; extension legislation proposed.
2/Included under Titles I, X, and XIV.

Public Assistance

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
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	9,682,057,000	9,682,057,000	9,682,057,000	9,682,057,000
1972	12,215,134,000	12,215,134,000	12,215,134,000	12,215,134,000
1973	13,975,687,000	14,000,687,000	13,975,687,000	13,975,687,000
1974	12,068,521,000	11,851,521,000	11,626,521,000	11,663,521,000
1975	13,280,770,000	12,402,864,000	12,111,731,000	12,111,731,000
Proposed Supplemental	1,729,748,000			
1976	14,999,085,000			

Justification

Public Assistance

Program/Activity	1975 Estimate	1976 Estimate	Increase or Decrease
Maintenance assistance	$ 4,861,927,000	$ 5,166,639,000	+$304,712,000
Medical assistance	6,966,375,000	7,766,000,000	+799,625,000
Social services	1,891,905,000	1,948,000,000	+56,095,000
State and local training	53,172,000	60,246,000	+7,074,000
Child welfare services	50,000,000	46,000,000	-4,000,000
Research and evaluation	9,200,000	12,200,000	+3,000,000
Training projects	8,900,000	--	-8,900,000
Total	$13,841,479,000	$14,999,085,000	+$1,157,606,000

General Statement

Grants to States for public assistance are made for the Federal share of State expenditures for maintenance assistance, medical assistance, social services, State and local training, and child welfare services. In addition, assistance is provided for repatriated U.S. nationals. Estimates of requirements for this appropriation are based primarily on estimates received from the States in November 1974, adjusted to take into consideration the impact of Federal policy changes not yet fully reflected in the States' estimates and the impact of Federal management initiatives.

The 1976 budget request is for $14,999,085,000, an increase of $1,157,606,000 over 1975 requirements. The highlights and components of this increase are as follows:

-- The AFDC caseload has essentially stabilized compared to previous growth patterns. However, due to the current economic conditions, pressures are operating that may cause significant changes in current trends. The FY 1976 Budget projects a modest increase in caseload with the major increase primarily representing increases in average payments. Its cost has been reinforced by increases in payments to recipients brought on by inflationary pressures.

-- The cost of medical services, operating under wage/price controls through May 1, 1974, have accelerated rapidly since that date and account for almost all the Medicaid increase from 1975 to 1976.

-- The Department's efforts at controlling the AFDC cost through the quality control program have been and will continue to be a major activity in reducing Federal costs by reducing the incidence of ineligibility and payment errors in the program.

-- The Department's Medicaid quality control and utilization control systems will continue to be emphasized in 1976 as part of the overall efforts to improve Medicaid management. Particular attention is directed to fraud and abuse in the Medicaid program and an additional 108 new positions in 1976 are requested for this purpose.

Improvement in techniques of evaluation of the States' estimates, and the sharing on a continuing basis of the knowledge gained in this process with the Congress has had and will continue to have the effect of improving the mutual understanding of the difficult and sometimes volatile public assistance programs. Estimates of the fiscal impact of the newly enacted legislation for services and absent parent support are under development and have not fully been reflected in the 1976 budget.

1. Maintenance Assistance

Program	1975 Estimate	1976 Estimate	Increase or Decrease
Maintenance Assistance:			
Adult Categories	$4,505,000	$5,757,000	+$1,252,000
Aid to families with dependent children	4,325,232,000	4,583,000,000	+257,768,000
Emergency assistance	31,295,000	37,000,000	+5,705,000
State and local administration	514,738,000	540,000,000	+25,262,000
Assistance to Repatriated U.S. Nationals	882,000	882,000	---
Adult Phase-out	- 14,725,000	---	+14,725,000
	4,861,927,000	5,166,639,000	+304,725,000

Grants are made to reimburse State welfare agencies for part of the costs of cash assistance payments made to families with dependent children. Grants are also made to Guam, Puerto Rico, and the Virgin Islands to enable these jurisdictions to furnish financial assistance to the needy aged, blind, and permanently and totally disabled. These programs are authorized under Titles I, IV, X, XIV, and XVI of the Social Security Act. The State-Federal programs of Old-age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled were terminated as of January 1, 1974, by Public Law 92-603 with the federalization of these programs.

Included in these estimates are 100 percent funds for the repatriation program that provides financial assistance and services to U.S. nationals repatriated from abroad because of illness, destitution, or international crises.

Objectives, 1976: Of particular concern at this time is the effect that the current economic situation will have on the AFDC program. During the early 1970's, and dating back to the late 1960's, this program experienced a dramatic growth in recipients. This growth period began to taper in 1972 and reached its peak in March 1973. Following this peak, it began a sloping off until August 1974 when monthly increases began, again, to be experienced. These increases, through November 1974, amounted to 142 thousand recipients in 80 thousand families in only four months. Total monthly costs also rose by $42 million. Direct relationship between the unemployment rates and these increases are obscured, as the unemployed father segment of AFDC has declined in recipient count, though family count and costs have increased. The anomaly of the variances between the total program and the unemployed father segment is due, we believe, to the extended unemployment compensation benefits and decreasing family size.

Certainly, if economic stability is not shortly forthcoming, the forces tending to reduce AFDC will be overcome and we will again be experiencing the increases of the late 1960's and early 1970's.

We are not, however, at this time projecting this into 1976. Instead, we anticipate a moderating of the present negative economic situation through 1976, with a 200 thousand recipient increase to a monthly average of 11.2 million recipients and a projected $6 increase in average monthly payments to $70.

These factors will be closely monitored, and will be included in the quarterly reports to Congress on the status of public assistance funding.

Countering these adverse trends are two thrusts, the continuing quality control program and an increased emphasis to be placed on review of State programs and plan material to assure that operations and plans adhere to Federal law and policy. Savings or cost avoidances are inherent in these activities being in operation, as well as assuring that the intent of the basic legislation is being served in providing equitable assistance to the eligible needy families in all jurisdictions.

Legislative changes are also to be introduced which will, when enacted, reduce Federal costs and also afford more just application of the original intent of basic law. Three proposals are to be introduced: 1, a change in the treatment of earned income disregard, and the amount of such income to be applied against needs; 2, elimination of one of the two options States have in claiming Federal financial participation; and 3, changing the accounting period for income and resources to be applied against needs in computing assistance payments to families. Savings anticipated from enactment of these proposals together with proposed amendments to the parent support provisions total $499 million.

Accomplishments 1974/1975: Efforts to improve the administration of the AFDC program have continued and are producing changes. All States have submitted corrective action plans designed to reduce the ineligibility and payment error rates. While error rates have been reduced, further improvement is possible and efforts to achieve improvement will continue. Federal matching funds equal to the amount in excess error rates are being withheld from the estimates of States not making scheduled improvement.

The number of individuals receiving payments reached its highest in March 1973 with 11,156,000 persons on the rolls. The number went below 11,000,000 in June 1973 and has stayed below 11,000,000 thru November 1974. This leveling of trend can be compared to annual monthly recipient averages of 5,349,000 for 1968; 7,258,000 for 1970; and 10,540,000 for 1972. While some of the change in trend can be attributed to the impact of quality control other factors are also surfacing. The number of persons per recipient family has dropped from a high of 4.1 in 1968 to 3.3 in 1974. The number of families receiving payments reached a new high in October 1974. Decreasing family size and increasing cost of living have worked together to steadily increase average payments.

The following Tables 1 through 6 summarize total and Federal expenditures by program, together with program trend data from 1971 through 1975.

Table 1a. Maintenance Assistance Summary - Total Federal, State, and local expenditures and the Federal share thereof, Fiscal Year 1975

	1975 Estimate		
		Federal Share	
	Total	Amount	% of Total
Total expenditures....	$9,523,254,000	$4,861,927,000	51.1
	Payments to Recipients		
Total.....	$8,519,669,000	$4,361,032,000	51.2
Old-age assistance.....	5,574,000	2,765,000	49.6
Aid to the blind.....	107,000	50,000	46.7
Aid to the permanently and totally disabled...	3,389,000	1,690,000	49.9
Aid to families with dependent children.....	8,448,000,000	4,325,232,000	51.2
Emergency assistance....	62,590,000	31,295,000	50.0
	State and Local Administration		
Total.....	$1,029,476,000	$514,738,000	50.0
	Repatriation		
Total.....	$882,000	$882,000	100.0
	Adult Phaseout		
Total.....	-$26,773,000	-$14,725,000	55.0

Table 1 b. -- Maintenance Assistance Summary - Total Federal, State, and local expenditures and the Federal share thereof, Fiscal Year 1976

	1976 Estimate		
		Federal Share	
	Total	Amount	% of Total
Total expenditures..	$10,638,078	$5,166,639,000	48.6
	Payments to Recipients		
Total.....	$ 9,520,800,000	$4,625,757,000	48.6
Old-age assistance.....	7,022,000	3,511,000	50.0
Aid to the blind.....	126,000	63,000	50.0
Aid to the permanently and totally disabled..	4,366,000	2,183,000	50.0
Aid to families with dependent children....	9,423,900,000	4,583,000,000	48.6
Emergency assistance...	85,386,000	37,000,000	43.3
	State and Local Administration		
Total.....	$1,116,396,000	$540,000,000	48.4
	Repatriation		
Total.....	$882,000	$882,000	100.0
	Adult Phaseout		
Total.....	-	-	-

Table 2.--Summary of Adult Categories: Estimated expenditures for maintenance payments to recipients, Fiscal Years 1975 and 1976

	1973 Actual	1974 Actual[1/]	1975 Estimate	1976 Estimate
Old-age assistance:				
Payments to recipients:				
Total	$1,781,136,000	$853,055,000	$5,574,000	$7,022,000
Federal share	1,122,267,000	530,902,000	2,765,000	3,511,000
Average monthly number of recipients	1,916,925	1,839,439	22,300	22,200
Average monthly payment.	$77.43	$75.30	$20.83	$26.35
Aid to the blind:				
Payments to recipients:				
Total	$101,876,000	$50,822,000	$107,000	$126,000
Federal share	60,453,000	29,801,000	50,000	63,000
Average monthly number of recipients	78,166	77,772	540	500
Average monthly payment.	$108,61	$109.04	$16.51	$21.00
Aid to the permanently and totally disabled:				
Payments to recipients:				
Total	$1,447,469,000	$829,991,000	$3,389,000	$4,366,000
Federal share	821,378,000	464,300,000	1,690,000	2,183,000
Average monthly number of recipients	1,163,690	1,229,994	18,160	18,300
Average monthly payment.	$103.66	$112.46	$15.55	$19.88

1/ Reflects reduction for Federalization of program January 1, 1974

Table 3a.--Aid to families with dependent children: Estimated expenditures for maintenance payments to recipients, fiscal years 1975 and 1976

	1975 Estimate	1976 Estimate	Change 1976 from 1975 Revised
1. Payments to recipients:			
Total 1/	$8,448,000,000	$9,423,900,000	+$975,900,000
Federal Share: 2/			
Amount	4,325,232,000	4,583,000,000	+257,768,000
Percent of total	51.2	48.6	---
2. Average monthly number: 1/			
Families	2,946,300	3,000,000	+53,700
Recipients	11,000,000	11,200,000	+200,000
Children	8,053,700	8,200,000	+146,300
Recipient rate per 1000 total civilian population	52.5	52.9	---
3. Average monthly payment: 1/			
Per family	$238.94	$261.33	+$22.39
Per recipient	64.00	70.00	+6.00

Recent Trends in the AFDC Program

	Fiscal Year		
	1972	1973	1974
Recipients:			
Average monthly number	10,510,852	10,979,630	11,066,424
Percentage change from preceding fiscal year	+12.7	+4.5	+.8
Recipient rate per 1,000 total civilian population	50.6	52.4	52.8
Average monthly payment:			
Amount per recipient	$52.23	$52.78	$56.60
Change from preceding fiscal year	+3.23	+0.55	+3.82

1/ Unadjusted for Federal initiatives.
2/ Reflects estimated savings from Federal initiatives to improve program management.

Table 3b.--Aid to families with dependent children: Estimated expenditures for foster care, fiscal years 1975 and 1976 (Included in Table 3a.)

Item	1975 Estimate	1976 Estimate	Change 1976 from 1975 Estimate
1. Payments to recipients:			
Total	$256,099,000	$313,500,000	+$57,401,000
Federal Share:			
Amount	136,908,000	166,526,000	+ 29,618,000
Percent of total	53.5	53.1	---
2. Average monthly number of children	110,179	120,196	+ 10,017
3. Average monthly payment per child	$193.70	$217.35	+ $ 23.65

Recent trends in the foster care segment of aid to families with dependent children are shown below.

	Fiscal Year		
	1972	1973	1974
Recipients			
Average monthly number of children	73,069	84,369	94,110
Percentage change from preceding fiscal year	39.6	15.5	11.5
Average monthly payment:			
Amount	$139.75	$145.43	$166.06
Change from preceding fiscal year	+$27.21	+$ 5.68	+$20.63

Table 4. --Emergency assistance: Estimated average monthly number of recipients and expenditures for maintenance assistance and medical assistance, fiscal years 1975 and 1976.

	1975 Estimate	1976 Estimate	Change, 1976 from 1975 Estimate
1. Payments, including medical assistance:			
Total	$62,530,000	$85,386,000	+$22,856,000
Federal share	31,295,000	37,000,000	+5,705,000
2. Average monthly number of families	35,000	34,000	-1,000
3. Average monthly payment per family	$148.88	$209.30	+$60.42

Recent trends in the program of emergency assistance are shown below.

	Fiscal Year		
	1972	1973	1974
Recipients			
Average monthly number of families	23,073	31,684	55,249
Percentage change from preceding fiscal year	+83.0	+37.3	+74.4
Average monthly payment per family	$158.32	$92.72	$114.86

Table 5 --State and local administration of maintenance assistance programs: Estimated expenditures for fiscal years 1975 and 1976

Item	1975 Estimate	1976 Estimate	Change, 1976 from 1975 Estimate
Expenditures for State and local administration			
Total.....	$1,029,476,000	$1,116,398,000	+$86,922,000
Federal share..	514,738,000	540,000,000	+25,262,000

Table 6 --Repatriation of U.S. Nationals

	1975 Revised	1976 Estimate	Change, 1976 from 1975 Revised
Mentally ill.....	$630,000	$630,000	-
Others 1/.....	252,000	252,000	-
Total.....	$882,000	$882,000	-

1/ Program amount authorized by section 1113 of the Social Security Act. The Section expired June 30, 1973. Legislation has been proposed to reinstate Section 1113 and extend the authority indefinitely.

2. Medical Assistance

Program	1975 Estimate	1976 Estimate	Increase or Decrease
1. Medical Vendor Payments	$6,691,756,000	$7,439,007,000	+ 747,251,000
2. State and local administration	274,619,000	326,993,000	+ 52,374,000
Total for all activities	$6,966,375,000	$7,766,000,000	+ 799,625,000

General Statement

Grants for medical assistance under Title XIX of the Social Security Act (Medicaid) are made to States and jurisdictions having plans approved by the Department of Health, Education, and Welfare (currently Arizona is the only State or jurisdiction not having a Medicaid program). The purpose of Title XIX, which became effective in January 1966, is to assist States to provide medical care to their low-income population.

In 34 States all persons receiving an SSI payment are covered for Medicaid; in the remaining 16 States, Medicaid coverage of SSI recipients is limited to those who can meet additional more restrictive Medicaid eligibility criteria, although those persons may deduct their medical expenses from their income to establish eligibility. About 30 States have chosen the option to cover persons eligible for State supplemental payments, subject to certain limitations. As before, all AFDC cash recipients are covered. In addition, 29 States have elected to cover other medically needy persons.

Program funding is on the basis of a formula which determines the percentage of total program to be matched by Federal dollars. Grants are made to States quarterly based upon their estimated need and availability of State funds; overestimates or underestimates are corrected in subsequent quarterly grant awards.

1976 Estimates

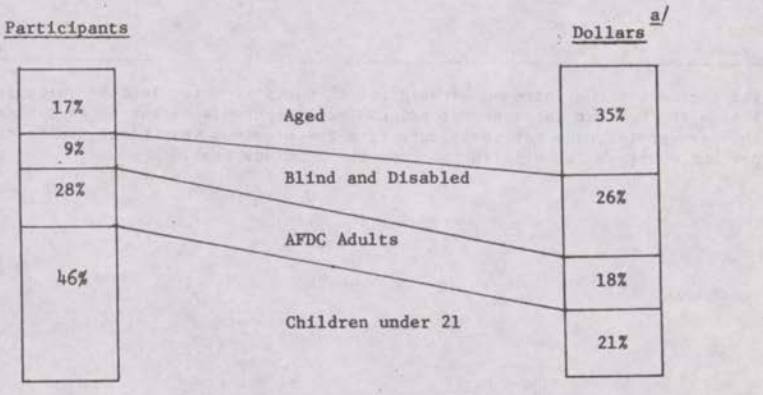
Requirements for this program are estimated to increase by $799,625,000 from 1975 to 1976. The major reason for this increase, based upon information provided in States' estimates is inflation in the prices paid for medical care. Over nine percent of the increase is due to inflationary pressures. Since wage and price controls were no longer in effect after May 1, 1974, a number of States have increased reimbursement rates to physicians and other practitioners. Hospital cost increases have also been significant because their reimbursement is made on the basis of reasonable cost, and the States exercise less control over their rates. The budget request is based upon our estimate that inpatient hospital prices will inflate by 12 percent and that the prices of all other services will increase by 8 percent. The remaining increase is evenly split between estimated increases in recipients of Medical Assistance and some slight increase in the utilization of services. The utilization increases are due to: States adding optional services; some increased provider participation as a result of increased rates of reimbursement; and the increased use of services related to Early and Periodic Screening, Diagnosis, and Treatment of children under 21.

Distribution of Federal Payments
Obligations
(dollars in millions)

Type of Service	1975 dollars	1975 percent of total vendor payments	1976 dollars	1976 percent of total vendor payments
General & TB	1,784	27.4	1,927	25.9
Mental	274	4.2	305	4.1
SNF	1,270	19.5	1,510	20.3
ICF	996	15.3	1,108	14.9
Outpatient[1/]	378	5.8	484	6.5
Physicians	677	10.4	766	10.3
Dental	182	2.8	208	2.8
Drugs	436	6.7	491	6.6
Other[2/]	515	7.9	640	8.6
Subtotal, Vendor Payments	6,512	100.0	7,439	100.0
Administration and Training	276		327	
Total	6,788		7,766	

1/ Outpatient includes Clinic Services and Outpatient Hospital Services.
2/ Other includes Other Practitioners Services, Laboratory and Radiological Services, Home Health Services, SMIB, and Other Services.

Distribution of Participants and
Dollars by Category of Assistance



a/ Although based on FY72 statistical data (the most recent available) it is not expected that significant deviations from this distribution would appear. Source: NCSS B-4 (FY72)

Analysis of Factors Contributing to Program Change

As part of our effort to improve understanding of the forces operating in the Medicaid Program, the Medical Services Administration has developed the following format which allows quantification and interrelation of the major factors causing increases in the cost of the program. 1/

Explanation of Increases (dollars in millions)

FY 1974	Increase	FY 1975	Increase	FY 1976
$5,833	16.37% $955	$6,788	14.41% $978	$7,766

I. Increase from FY 1974 to FY 1975 of 16.37%

Factor	Program Base	Base as a Percentage of Total Program $	Percent Change	Weighted Impact	Total Impact
A. Prices	1. Inpatient Hospital	33.00%	15.00%	4.95%	
	2. All Other	67.00%	8.00%	5.36%	
	Total				10.31%
B. Recipients	1. SSI	61.00%	1.50%	.92%	
	2. AFDC	39.00%	2.00%	.78%	
	Total				1.70%
C. Utilization	Total	100.00%	3.73%	3.73%	3.73%

Factor for the total increase = 1.1031 x 1.0170 x 1.0373 = 1.1637 or 16.37%

1/ The factor for the increase between fiscal years is determined by multiplying 1 plus the percent increase for prices from the previous year times 1 plus the percent increase for recipients from the previous year times 1 plus the percent increase for utilization from the previous year.

II. Increase from FY 1975 to FY 1976 of 14.41%

Factor	Program Base	Base as a Percentage of Total Program $	Percent Change	Weighted Impact	Total Impact
A. Prices	1. Inpatient Hospital	33.00%	12.00%	3.96%	
	2. All Other	67.00%	8.00%	5.36%	
	Total				9.32%
B. Recipients	1. SSI	61.00%	1.50%	.92%	
	2. AFDC	39.00%	4.00%	1.56%	
	Total				2.48%
C. Utilization	Total	100.00%	2.13%	2.13%	2.13%

Factor for the total increase = 1.0932 x 1.0248 x 1.0213 = 1.441 or 14.41%

Number of Recipients

The following is the estimated number of different individuals, by basis of eligibility, receiving Federal medical assistance.

	1974	1975	1976
All recipients	24,279,000	24,732,000	25,558,000
Aged 65 and over	4,200,000	4,263,000	4,327,000
Blind	144,000	146,000	148,000
Permanent and total disability	2,100,000	2,132,000	2,164,000
Children under 21	11,070,000	11,291,000	11,743,000
Adults in AFDC families	6,765,000	6,900,000	7,176,000

Accomplishments, 1974-1975; Program Plans for 1976

There are five major program objectives in the Medicaid program for FY 1976. Persons eligible for and in need of health care need to be assured that they have access to services and that services are used appropriately; persons eligible need to understand their rights and responsibilities in using services. Health services provided to eligible persons must meet standards of quality for adequate health care equivalent to what is available to the rest of the population. Funds must be used in positive ways to influence improved methods of delivery and financing health care. Providers of health service should understand their rights and responsibilities under the program and be persuaded to participate and receive prompt compensation. Accountability to the public for expenditures of tax dollars must be assured through application of necessary and appropriate administrative controls over eligibility for services, program costs and program services.

EPSDT

The law requires that States provide Early and Periodic Screening, Diagnosis, and Treatment for children under 21. The States are required to identify eligible children, inform families who are eligible about EPSDT, furnish screening, diagnostic and treatment services, assess and follow-up each child's complete medical history, refer for further diagnosis and treatment, treat hearing, visual and dental defects, and provide transportation to recipients who cannot otherwise obtain services. Twenty-six of the additional 90 positions authorized in the FY75 Appropriations Act will be assigned to the Regional Offices to assure the implementation of these requirements. Of the approximately 13 million children eligible for EPSDT services we expect that 3 million will have been reached by the close of FY75 and an additional 5 million in FY76.

Long-Term Care

About 35 percent of total Medicaid expenditures are for long-term care; over 3/4's of the care provided in skilled nursing facilities is for persons over 65 years old. Our utilization review activity will assure the appropriateness of the care provided to these and other recipients. We are also engaged in active study and testing of such alternatives to traditional long-term care as home health services, day care, and day hospitals.

Increasing State Capabilities

Improved State management of the program requires transferring good management practices to other States, strengthening the planning and budgeting process, following through on third party liability, more effective utilization control, and improving the delivery of health services to eligibles.

Improved Monitoring of State Operations

In order to improve the Federal Government's ability to monitor State programs, a more systematic approach to collecting program data is required. State Program reviews will be done to supplement routinely collected information. Provider fraud and abuse will be examined through strengthened financial review and through examination of high dollar volume providers.

Rural Health Research and Demonstration

As a response to the growing disparity in rural and urban health delivery systems, the decreasing number of primary care physicians in rural areas, the inequities in the availability of health care services to the Medicaid eligible population in rural areas, and in preparation for a future National Health Insurance, up to $10 million of title XIX program funds will be used to provide innovative research and demonstration models of rural health care.

These models will provide primary medical care services to Medicaid eligibles. Other members of the rural communities served by these projects will also be able to receive these services on a fee-for-service or other reimbursable basis. There will be particular emphasis on maternal and child health services, the early and periodic screening, diagnosis and treatment of children and pap smear testing, and breast cancer detection for women. These models will demonstrate the effective use of preventative health services and health education in reducing utilization and improving health status. They will also do research on and demonstrate the viability of recruiting and attracting various patterns of physicians extenders and use of telecommunications technology in delivering effective health care services to rural populations. The projects will demonstrate the ability to attract primary care physicians to these innovative settings. These projects are a coordinated effort between the Medical Services Administration, the Maternal and Child Health Program, the National Cancer Institute and the National Library of Medicine.

These projects are to be instituted in diverse geographical settings throughout the United States in order to provide a set of models applicable to most rural settings in the U.S. The first six projects will be initiated by the end of FY 1975 and it is anticipated that they will continue for up to five years. In FY 1976 it is anticipated that at least twenty new projects will be initiated.

Improvements in Estimates

Beginning in FY 1975, the Congress requested a quarterly report on the status of public assistance obligations and an assessment of requirements for a supplemental appropriation or rescission in the current year. The first three reports have been submitted to the Congress and the data in the January report are the basis for the 1975 estimate column.

In order to better evaluate the State estimates, the budget estimating process in Medicaid has been improved. The most serious shortcomings in the past has been the inability to identify all of the factors in the State estimates which account for program increases and a total lack of any ability to aggregate the available data about assumptions into meaningful summaries. Regional Office staff, as a part of the requirement to review and evaluate States' estimates, are translating the reasons for program changes into a structure which identifies the changes by type: prices, recipients, and utilization by those recipients. This provides a common structure for aggregating estimates as well as showing why total costs are changing. As this process is improved and expanded, the information needed for a more thorough evaluation of the validity and reasonableness of the estimate will be more universally available among the States; and this, in turn will lead to higher quality, more understandable States estimates.

3. Social Services

	1975 Estimate	1976 Estimate	Increase or Decrease Amount
Grants.....	$1,891,905,000	$1,948,000,000	+$ 56,095,000

General Statement

The Social Security Act, as amended in 1973 authorized Federal financial participation in State and local costs of providing social services to persons in families with dependent children under Title IV-A of the Act; to aged, blind, and disabled individuals under Title VI (recipents of SSI); and, at State option, to persons identified as former or potential recipients of assistance.

Federal financial participation in State and local costs of social services was provided through formula grants matched at the 75% rate except for family planning (90% Federal financial participation) and emergency services (50%). Initially, the funding under the social services program was open-ended. In 1972, the Congress placed a ceiling of $2,500,000,000 per year on Federal funds for social services, to be allotted to States on the basis of population. This law also limited Federal financial participation for services to former and potential recipients of AFDC financial assistance to 10% of the total AFDC service expenditures except for child care, family planning, child foster care services, services to the mentally retarded, drug addicts, and alcoholics.

In 1973, new social services regulations were proposed by the Department which were designed to redirect a larger portion of the total expenditures to recipients of public assistance and provide more effective administration and control of the services program. However, Congress postponed the implementation date until January 1, 1975 so that a further review of the impact could be made.

During the period of postponement, the Department, in concert with the Congress, a coalition of States under the Council of State Governments, and a broad range of interested public and private groups and agencies worked together to develop new legislation designed to place on the States increased authority and responsibility to achieve and demonstrate accountability for social services. The outgrowth of this effort is the 1974 Social Services Amendments to the Social Security Act which establishes a new Title XX--Grants to States for Services (P.L. 93-647). The effective date of this legislation is October 1, 1975. The 1973 proposed regulations were further postponed until October 1, 1975.

Title XX authorizes Federal financial participation in State and local costs of providing services to eligible individuals directed at the goal of:

(1) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency;

(2) achieving or maintaining self-sufficiency, including reduction or prevention of dependency;

(3) preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating or reuniting families;

(4) preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care, or

(5) securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions.

This formula grant program provides for 75 percent Federal financial participation subject to the following conditions or exceptions:

- A ceiling of $2,500,000,000 is placed on Federal funding with each State receiving an allocation in proportion to the percentage of its population to the National population. Each State must certify whether its allotment is more or less than needed and must specify the amount by which its allotment is more or less than needed. If a State certifies that its allotment exceeds its needs for the fiscal year, the allotment will be reduced accordingly and the amount made available in this manner will be allotted as follows: Puerto Rico - $15,000,000, Guam - $500,000 and the Virgin Islands - $500,000. This special allocation is in addition to amounts available to these territories subject to other legislative limitations.

- Family planning services are matched at 90 percent Federal financial participation.

- Each State must expend an amount equal to at least 50 percent of their annual Federal payment for the provision of services to persons receiving or eligible to receive Aid to Families with Dependent Children, Supplemental Security Income, or Medicaid.

- A State may not spend less in appropriated State and local funds for social services than it spent in fiscal year 1973 or fiscal year 1974, whichever is less. No State, however, is required to spend more than is needed to entitle it to its full Federal allotment.

- States must impose income-related fees for services if the family gross monthly income is more than 80 percent of either the State or National median income of a family of four, whichever is less. Federal financial participation is not available if the family income is above 115 percent of such median income. However, information or referral services or protective services for adults and children may be provided to anyone without regard to any eligibility criteria whatsoever except need for the service.

Title XX repeals the requirement under which 90 percent of Federal funding for AFDC social services (except for certain specified types of services) must be used for services to individuals receiving AFDC payments.

The 1976 Program:

The new social services legislation (Title XX) involves major changes for Federal-State social services programs. Among those features affected are eligibility requirements, and services planning and accountability. States are required to develop and make generally available to the public annual Comprehensive Service Plans. The oversight of the services program is thus placed with the public constituency in the States through public comment and reaction to the published plan. This should result in the States' services program being more responsive to the needs of their residents.

Technical assistance will be provided to States relative to the content of their services program planning, reporting, administration and evaluation. New program, financial and reporting requirements will be published in Federal regulations. Specific program and evaluation guides and other technical assistance materials will be developed. States will be encouraged to build planning systems to assure adequate coordination with other programs.

The 1976 estimates are based on (1) the November 1974 State estimates and an assessment of their validity (estimates did not include funding required for Title XX); and (2) additional funding needed for implementation of Title XX, including funds available for allotment to Guam, Puerto Rico, and the Virgin Islands. A continuing assessment of States' funding requirements will take place throughout the year and such reports will be submitted to Congress quarterly.

The Department is requesting legislation to reduce the Federal matching rate for this program from 75 percent to 65 percent in fiscal year 1976. The change in the Federal matching rate would reduce Federal costs by an estimated $448,000,000 in 1976. This legislative change, coupled with clear Federal guidelines and a stronger obligation on the part of States to plan and account for their social services program as contained in Title XX, should lead to more efficient use of resources.

Beneficiaries, as listed below, are an estimated unduplicated count of recipients of one or more services during the fiscal year.

Federal Costs	1974	1975	1976
AFDC	$1,142,364,000	$1,299,739,000	$1,340,000,000
Adult	420,377,000	592,166,000	608,000,000
Total	$1,562,741,000	$1,891,905,000	$1,948,000,000

Beneficiaries	1974	1975	1976
AFDC	4,300,000	5,400,000	5,600,000
Adult	1,800,000	2,900,000	2,800,000
Total	6,100,000	8,300,000	8,400,000

The 1974 and 1975 Programs:

During FY 1975, pursuant to Congressional mandate, steps were taken to improve the Social Services estimating process. Quarterly status of funds reports were submitted to Congress outlining on a State-by-State basis (1) the most recent State estimates and an assessment of their validity; (2) actual and estimated obligations by quarter; and (3) an assessment of the need for any possible recission or supplemental budget request. The FY 1975 budget estimates were based on such review and analysis of social services requirements.

During 1974 and 1975 efforts were directed toward assisting States to provide the most efficient delivery of effective services under the existing regulations. Federal administration under these regulations centered on development and implementation of a viable management information system, evaluation techniques and cost-effectiveness and cost benefit measures.

In January 1975 with Title XX enacted, an implementation program commenced focusing on States' planning and reporting requirements, Federal evaluation requirements, financial accountability surrounding the prohibitions and eligibility requirements, and technical assistance to States.

4. State and Local Training

	1975 Estimate	1976 Estimate	Increase or Decrease Amount
Grants.....	$53,172,000	$60,246,000	+$ 7,074,000

General Statement

The 1962 Amendments to the Social Security Act authorizes 75 percent Federal financial participation to States for costs associated with providing training to public assistance staff and persons preparing for employment in public assistance agencies. The 1967 Amendments to the Act requires that States provide for the use of volunteers and training and effective use of sub-professionals as community services aides. Through the State and Local Training program, provision is made for orientation, continuing training and educational leave for employees, and grants to educational institutions and stipends for education and training of individuals preparing for employment in public assistance.

Funds are used to assist State and local governments to train the personnel they need as they assume greater responsibility for management and operation of the Federal-State welfare programs. The intended result is to improve the efficiency and effectiveness of staff and to help insure that an adequate supply of qualified persons are available for employment in public assistance agencies.

The 1974 Social Services Amendments, Title XX, which are effective October 1, 1975, gives statutory authority for continued use of training funds for the above purposes for the services programs. Training for personnel administering the payments assistance programs continues to be authorized under other titles of the Social Security Act.

The 1976 Program:

The Department is proposing legislation that would restrict the training eligible for Federal matching to short-term, in-service courses which would be directed at the highest priorities of Federal and State welfare agencies. The proposed legislative changes would result in maximizing the effectiveness of expenditures and upgrading State and local staff responsible for the administration of the public assistance payments and services programs. The use of funds to obtain academic degrees would be curtailed.

The $60,246,000 requested is based on State estimates of funds required. This expenditure level would provide seminar and workshop attendance type training for approximately 203,000 individuals. An estimated 1,800 individuals will be on full-time educational leave and an additional 5,000 will be on part-time leave. However, the proposed legislative change would decrease Federal program costs by $30,000,000 in 1976.

The 1974 and 1975 Programs:

In 1975, approximately 190,000 individuals will attend workshops and seminars. An estimated 1,600 individuals will be on full-time educational leave and another 4,700 will be on part-time leave. This compares to a 1974 level of approximately 148,000 individuals attending workshops and seminars, with 1,300 persons on full-time educational leave and 3,700 on part-time leave.

5. Child Welfare Services

	1975 Estimate	1976 Estimate	Increase or Decrease
Grants.....	$50,000,000	$46,000,000	-$4,000,000

General Statement

Child Welfare Services are authorized under Title IV, Part B of the Social Security Act, as amended. Each State receives a uniform grant of $70,000 and an additional grant which varies directly with the child population and inversely with the average per capita income. The basic statute establishes a Federal financial participation rate of from 33-1/3 to 66-2/3 percent.

These funds are used by the child welfare agencies to provide services to promote the welfare of children primarily through supplementation or substitution for parental care and supervision. Child welfare services are not limited to the poor but are available to all children who need them. Among the important services provided under the Child Welfare Services program are foster care in foster homes or institutions, adoption placement services, services to prevent the abuse, neglect or exploitation of children, homemaker services, and day care services.

The following table reflects child welfare program data for fiscal years 1974, 1975, and 1976. Although the program level for FY 1976 is expected to match that of FY 1975, the total expenditures for the program are expected to increase by about eight percent due to increased costs.

	1974	1975	1976
Average number of children served.....	430,000	400,000	400,000
Number of families served.....	238,000	222,000	222,000
Total Cost.....	$510,000,000	$480,000,000	$520,000,000
Average cost per child/year of service	$1,186	$1,200	$1,300
Federal participation	$47,421,414	50,000,000	$46,,000,000
Federal matching rate	9.3%	10.4%	8.8%

1976 Program

Continued emphasis will be placed on coordinating child abuse and neglect activities with those administered by the Office of Child Development (OCD) under the Child Abuse Prevention and Treatment Act, P.L. 93-247. Standards for protective services to abused and neglected children, which are mandated in P.L. 93-247 will be developed jointly with OCD. Emphasis will also be placed on assisting State and local welfare agencies in the early identification of child abuse and neglect cases and in more effective provision of protective services to abused and neglected children.

The problem of runaway children will continue to receive attention in FY 1976. Assistance will be provided to State and local communities in determining the nature and size of the problem and in determining how child welfare services can be most effectively utilized.

States will be encouraged to develop an array of more cost-effective in-home services for children as opposed to more expensive foster care. Through early identification of warning signals of family disintegration, appropriate methods of intervention and services may be developed which will forestall unnecessary removal of children from their own homes. Efforts will also be made to identify children in foster care who could be returned to their own homes or be placed in stable family settings through adoption.

1974 and 1975 Programs:

States are encouraged to improve the effectiveness of the child welfare services program through better planning and the development of model programs, guidelines, and standards. Continued coordination between the child welfare services program and the AFDC social services program is also required. States are also encouraged to improve overall services to children in their own homes and to improve the quality and increase the quantity of foster and adoptive homes for children who must be removed from their own homes.

Two projects have been funded relating to determining early warning signals of child abuse and neglect and the development of an evaluation system for measuring cost effectiveness of protective services to abused and neglected children. In addition, efforts have been directed toward working jointly with OCD in implementing P.L. 93-247. Federal regulations relative to child welfare services have been revised to conform with provisions of the Act and new State plan material has been submitted. Also 35 national trainers have been recruited to train State and local welfare staff providing services to abused and neglected children.

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6. Research and Evaluation

	1975 Estimate	1976 Estimate	Increase or Decrease
Social Services	$2,725,000	$4,750,000	+$2,025,000
Health Services	$3,175,000	$3,175,000	-
Income Maintenance	$2,775,000	$3,775,000	-$1,000,000
Social Security	$ 525,000	$ 500,000	-$ 25,000
Total	$9,200,000	$12,200,000	+$3,000,000

General Statement

The Public Assistance Research and Evaluation program as authorized by Sections 1110, 1115, and 426 has two basic purposes: (1) to develop the analytic methodologies, the program data, and the programmatic knowledge needed to evaluate and implement major policy and program options; and (2) to develop the methodological and technological knowledge necessary to improve both Federal, State and local administration of and the local delivery of services for the current Public Assistance programs.

Grants may be made only to States and nonprofit organizations, whereas contracts may be made with nonprofit organizations. Awards are for evaluation and innovative research and demonstrations of national significance that are responsive to SRS program priorities in Public Assistance. Contracts are usually let for one year while Section 1115 of the State Social Security Act are limited to the agency responsible for the administration of Public Assistance titles of the Social Security Act.

The 1976 Public Assistance R&D and Evaluation budget reflects the mandates of Title XX and Title IV-D and our efforts to support programmatic initiatives, develop the information bases and evaluative capabilities that are necessary to effectively manage the public assistance programs, and to provide an improved understanding to support rational policy making.

	1975 Estimate	1976 Estimate	Increase or Decrease
Social Services....	$2,725,000	$4,750,000	+$2,025,000

Title XX of the Social Security Act imposes a significant responsibility on States and local governments in planning and administering their Social Service programs. In carrying out this responsibility, a major emphasis in the SRS R&D program will be on the development of improve knowledge, methods, and technology for State planning and administration of Social Service programs. Social Services R&D efforts will be concentrated in three principal areas: child welfare social services, social services administration, and social services technology development. Specific directions in child welfare social services will be on (1) assessing the cost effectiveness of different types and mixes of day care, (2) developing alternative approaches for foster care and adoptions, and (3) ameliorating child abuse and neglect. Under social services administration, R&D efforts will focus on (1) a national survey of utilization patterns of social services, (2) development of organizational models and methods for comprehensive social services planning, as emphasized in the new Title XX, (3) assessing alternative financing methods for social services, and (4) improving the manpower and training capabilities in the States. In the area of social services technology development, R&D efforts will be targeted toward developing telecommunications as an alternative delivery media for social services and automating social services information systems to improve program delivery.

Title XX places major responsibility on SRS for the evaluation of State programs and for examining the appropriateness of existing standards for day care facilities. FY 76 evaluation of social services will focus on assessment of the new provisions of Title XX. Under Sec. 2006(a) continuing evaluation of State social service programs is required. A continuing assessment of process issues such as the State planning process, citizen review, utilization of fees, management of purchased services, development and accessing of data for program planning and organizational arrangements for effective implementation of the Act will be carried out. Analyses of initial recipient data will be conducted to evaluate the effectiveness of services in assisting individuals to achieve goals. Comparison group methodology and a national control panel will be developed to provide the capability to conduct net impact evaluation. A special study effort will be implemented to assess the appropriateness of the Congress as required under Sec. 2002(a)(9)(B). Analyses will be conducted of resources to determine how much of which services are provided to particular target groups.

	1975 Estimate	1976 Estimate	Increase or Decrease
Health Services....	$3,175,000	$3,175,000	-

Health Services R&D efforts in FY 76 will be concentrated in three principal areas: Cost control, long-term care, and Early Periodic Screening, Diagnosis and Treatment (EPSDT). The firts two of these areas are critical in developing State and Federal capability to administer NHI. In the area of cost control R&D efforts will focus on (1) developing a Medicaid Quality Control program to check for eligibility and coverage for services, (2) conducting utilization review and PSRO studies, (3) demonstrating alternative cost reimbursement methods, and (4) improving the Medicaid Management Information System (MMIS). Under long-term care, efforts in FY 76 will be directed toward (1) developing cost models for ICFs, SNFs, and IMRs, (2) conducting various analytic studies to include assessing physician referral patterns, and (3) demonstrating alternatives to long-term care and their financing. Under EPSDT, alternative delivery models will be demonstrated based on FY 75 research design efforts and demonstrations of a proposed national evaluation system will be started. Finally, FY 76 funding will also support Medicaid program impact studies examining effects on both providers and recipients.

In FY 76, health evaluation will include: (a) continuing study on the impact of family palnning services in preventing unwanted births, and (b) continuation of the evaluation of the impact of providing screening, diagnosis and treatment to eligible minors. Longitudinal evaluation of EPSDT is required to measure the long-term impact of services to determine the cost/benefits of the program, and (c) continuation of the evaluation of long-term care to determine the cost effectiveness of alternative long-term care services for individuals with various lands of functional impairment, (d) an evaluation of initiatives to improve the quality of care provided in SMFs and ICFs, (e) an assessment of the impact of prospective reimbursement methods on controlling health care costs, (f) an evaluation of the impact of utilization review on the appropriate provisions of health care services and (g) an evaluation of the impact of State reimbursement policies on providers participation and on utilization. In support of NHI, particular emphasis will be placed on evaluating State capabilities in administering Medicaid. A major effort in developing a data base on utilization patterns and State reimbursement practices in response to price change will be undertaken in order to improve our ability to make near term budget estimates.

	1975 Estimate	1976 Estimate	Increase or Decrease
Income Maintenance...	$2,775,000	$3,775,000	+$1,000,000

In both the R&D and program evaluation area, efforts will be increased on developmental and program evaluation efforts consistent with the mandate of Title IV-D, Child Support, of the Social Security Act.

Income Maintenance R&D efforts in FY 76 will be concentrated in three principal areas: improving State administration of AFDC program, improving Federal administration, and welfare reform studies. Under State administration, R&D efforts will focus on (1) initiating administrative improvement demonstrations to reduce the eligibilty and overpayment of child support from absent parents as the recently enacted Title IV-D emphasizes, (3) assessing the costs and benefits of alternative income accounting systems, (4) automatic AFDC administration, and (5) developing administrative cost standards. In the area of Federal administration, efforts in FY 76 will be directed toward (1) developing administrative cost standards and controls, (2) demonstrating an assistance payment information system for tracking recipients across several program areas, and (3) improving the capability to forecast future costs and caseloads in the AFDC program. In the welfare reform area, projects will be oriented toward testing alternative work requirement schemes and conducting studies of a state-of-the-art nature involving tradeoffs of Federal and State control over the welfare program.

A more extensive commitment will be made to assess the extent to which adequate assistance is provided in an equitable, timely and accurate manner and to evaluate alternative methods of achieving these goals. The focus of the FY 76 evaluation program in income maintenance will be on equity and adequacy of benefits and on the effectiveness of work experience approaches in reducing the rolls. Evaluation efforts will include: (a) an evaluation of the impact of the AFDC-UF program, considering the role of general assistance programs, unemployment rates, case load turnover, etc. to determine the effectiveness on current law and policy on providing assistance to needy intact families, (b) an assessment of impact of work experience programs operated by the States on reducing dependency, controlling costs and reducing the public assistance rolls, (c) an evaluation of the net impact of the several federally-supported income transfer programs on overall levels of support for recipients of multiple benefits, food stamps and manpower training stipends, and (d) evaluation of the effectiveness of absent parent support provisions under Title IV-D.

	1975 Estimate	1976 Estimate	Increase or Decrease
Social Security....	$525,000	$500,000	-$25,000

Fiscal 1976 research grants will continue to stress those areas of primary concern to the Social Security Administration. The following problems will be studied: The effectiveness and/or efficiency of social security programs as related to both the recipients and the economy; medical care costs of alternative methods for delivering health services to recipients; utilization of health and rehabilitation services by recipients; and cost effectiveness of such services in relation to employability. As in the past, grants supported by these funds will supplement other SSA research efforts relating to problems of old age, retirement, disability, income maintenance and health care financing. New problems to be studied are those which are associated with the adult categories who used to receive welfare assistance payments and are now receiving social security payments instead.

7. Training Projects

	1975 Estimate	1976 Estimate	Increase or Decrease Amount
Grants.....	$8,900,000	---	-$8,900,000

General Statement

Social service training grants, including teaching grants, traineeship grants for student support, and short-term training grants are provided under the authority of Section 426 of the Social Security Act. Teaching grants for institutional support of social work education are provided under Section 707 of the Act. Section 426 is directed at filling the need for personnel to work in the field of child welfare through Federal grants to public and non-profit institutions of higher learning. Section 707 is directed at filling the need for trained social work personnel in all areas of social service activity under the Social Security Act, and is provided to educational institutions offering undergraduate and graduate programs in social work. No new funds are being requested for FY 1976.

The 1974 and 1975 Programs:

The 1975 appropriation will be used under Section 426 to fund long-term training for child and family services through teaching grants and student financial assistance, and will also fund short-term projects to train personnel currently employed in the child welfare field. Training projects will give particular attention to areas of high national and State priority such as implementation of Title XX, improved management of child and family service programs, and improved delivery of preventive services to children and families. Under Section 707, the 1975 appropriation will be used to support long-term projects at the undergraduate and graduate levels that will improve social work training in areas of high national and State priority, such as administration and management, social services to the aged, and other areas. An estimated 200 projects will be funded altogether under Sections 426 and 707.

In 1974, Section 426 was used to fund only short-term projects (142 projects) and Section 707 funded 45 long-term projects to improve social work training in the area of administration and management.

Social and Rehabilitation Service

Public Assistance

Program Purpose and Accomplishments

Activity: Maintenance Assistance (Social Security Act, as amended, Sections 1, 401, 1001, 1113, 1401 and 1601: Public Law 86-571)

1975	1976	
Estimate	Authorization	Budget Estimate
$4,861,927,000	Indefinite	$5,166,639,000

Purpose: Under formulas established by the Congress the Federal government participates in financial assistance payments made to eligible needy persons by the State public assistance agencies.--The programs are aid to families with dependent children in the 50 States, the three territories and the District of Columbia and for the needy aged, blind and permanently and totally disabled for the territories only. Federal financial participation is also available in the costs of administering these programs. Repatriation is 100 percent federal funds for financial assistance and services provided to U. S. Nationals repatriated from abroad because of mental illness, other illness, destitution, or international crises.

Explanation: The maintenance 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 as being in accord with these regulations and the provisions of the Social Security Act. 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. Section 1113 expired June 30, 1973; legislation extending this section indefinitely has been proposed.

Accomplishments in 1975: During 1975, assistance payments will be made to an average of 11 million persons, almost all in the aid to families with dependent children category. The average monthly payment per person ranges from $10 per person to a high of over $90 with a national average of $63. During 1975, Federal rules and regulations were reviewed with a view to simplify and assure consistency in order to improve State administration. Technical assistance was provided to a number of States consolidating assistance standards. During the year, State welfare agencies with Regional and Central office assistance implemented a large number of corrective action plans designed to reduce the number of over and under payments and the number of ineligible assistance recipients. Federal matching funds equal to the amount in excess error rates are being withheld from the estimates of States not making scheduled improvement. Approximately 600 persons are expected to receive assistance and/or services under the Repatriation program, including about 100 mentally ill persons.

Objectives for 1976: During FY 1976 it is anticipated that assistance payments will be made to an average of eleven and a quarter million needy recipients with nearly all of these in the families with dependent children category. Average monthly payments per person will range from a low of $11 per month to a high of nearly $100 per month with a national average payment of about $70. The Quality Control initiative, begun in 1973, will continue into 1976. Federal funds equal to the excess error rate will be withheld from those States not achieving goals. This same effort includes a continuing review and evaluation of the States' corrective action plans to determine their effectiveness in eliminating the casual factors which created the high rates of ineligibility and erroneous payment. Federal review has been completed of regulations and other policy material to identify obsolete and contradictory items. Their revision or deletion will result in improved administration and understanding of the AFDC program. Review of States' plans and operations under these plans will be emphasized to insure consistency with Federal law and regulations and to assure that the States and localities are operating within the approved plans.

Legislation is being proposed which is expected to reduce Federal outlays by nearly $500 million.

SOCIAL AND REHABILITATION SERVICE

Public Assistance

Program Purpose and Accomplishments

Activity: Medical Assistance (Title XIX of the Social Security Act)

1975	1976	
Estimate	Authorization	Budget Estimate
$6,966,375,000	Indefinite	$7,766,000,000

Purpose: 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 assist States to provide medical care to their low-income population.

Explanation: Federal financial participation in State Medicaid expenditures, by law, ranges from a minimum of 50 percent to a maximum of 83 percent, according to a formula related to the per capita income of the State. Grants are made to States quarterly based upon their estimates of need and availability of State funds; overestimates or underestimates are corrected by adjusting subsequent quarterly grant awards.

Accomplishments in 1975: In 1975, $6.8 billion was spend for medical care for an estimated 24.7 million persons; this averaged $275 per person in Federal funds. State and local funds used to match Federal funds were about $225 per person for an average total cost of $500 per person. An estimated 3 million children have been screened under the EPSDT program; 35 of the additional 90 positions provided to the Medicaid program were assigned to this program to assure complete implementation by the States.

Objectives for 1976: The 1976 estimate provides for an estimated 25.6 million persons to receive Medicaid benefits at a Federal cost of $7.8 billion. This averages to a cost of about $300 in Federal funds and $250 in State and local funds for an average total cost of $550 per person. We estimate that an additional 5 million children will be screened under the EPSDT program in 1976.

Additional staffing will permit a more extensive review of State management of the Title XIX program. Improved State management will result in more appropriate use of services by eligibles (utilization control) and improving access to quality care. Efforts will be implemented to improve State management, to make compensation of providers more timely, and to assure public accountability. Such efforts will include the transfer of good management practices between States, the strengthening of their planning and budgeting processes, greater stimulus toward the collection of reimbursement for services by third parties, more effective utilization control and intensified monitoring to identify fraud and abuse.

Legislation is being proposed which is expected to reduce Federal outlays by $610 million.

SOCIAL AND REHABILITATION SERVICE

Public Assistance

Program Purpose and Accomplishments

Activity: Social Services (Social Security Act, Titles I, IV-A, VI, X, XIV, XVI, and XX, as amended through 1974)

1975	1976	
Estimate	Authorization	Budget Estimate
$1,891,905,000	$2,500,000,000	$1,948,000,000

Purpose: The Social Security Act as amended through 1973 authorizes grants to assist States in the provision of social services which will help strengthen family life and assist individuals and families attain and maintain maximum capability for self-care and independence. Services are provided to persons who are applicants or recipients of public assistance under any of the Titles authorizing this program. At the option of each State, eligibility can be extended to former and potential recipients.

The Social Services Amendments of 1974 established a new Title XX--Grants to States for Services--effective October 1, 1975. Services are directed toward each of the five goals specified in the Act. An amount equal to at least fifty percent of the total Federal expenditures in each State must be for persons receiving or eligible to receive Aid to Families with Dependent Children, Supplemental Security Income, or Medicaid.

Explanation: Under the 1972 Amendments, Federal financial participation in State and local costs for social services given to families with dependent children and aged, blind and disabled individuals is provided through formula grants at the 75 percent rate, except for family planning which is matched at 90 percent and emergency services matched at the 50 percent rate. Under Title XX, Federal financial participation is at the 75 percent rate except for family planning which is matched at 90 percent.

Accomplishments in 1975: Efforts were directed toward assisting States to provide the most efficient delivery of effective services under the existing regulations and assisting States in preliminary planning for implementation of Title XX. In 1975, it is estimated that 5,400,000 individuals in families and 2,900,000 aged, blind or disabled persons will receive services. This compares with a 1974 level of 4,300,000 individuals in families and 1,600,000 aged, blind and disabled individuals who received services.

Objectives for 1976: Technical assistance will be provided to States relative to implementation of Title XX. Federal administration will center on providing assistance to States on program planning, reporting requirements, financial accountability, administration and evaluation. In 1976, it is estimated that 5,600,000 individuals in families and 2,800,000 aged, blind and disabled persons will receive one or more social services. The Department is proposing legislation to reduce the Federal matching rate for this program from 75 percent to 65 percent in 1976. Such legislation would reduce Federal costs by an estimated $448,000,000.

SOCIAL AND REHABILITATION SERVICE

Public Assistance

Program Purpose and Accomplishments

Activity: State and Local Training (Social Security Act, Titles I, IV-A, VI, X, XIV, XVI, and XX, as amended through 1974)

1975 Estimate	1976 Authorization	1976 Budget Estimate
$ 53,172,000	Indefinite	$60,246,000

Purpose: The 1962 Amendments to the Social Security Act authorized Federal financial participation in costs associated with providing training to public assistance staff and persons preparing for employment in public assistance agencies. The 1967 Amendments added a requirement that States provide for the use of volunteers and for the training and effective use of sub-professionals as community services aides. The purpose of this program is to improve the efficiency and effectiveness of staff and to help insure that an adequate supply of qualified persons are available for employment in public assistance.

Explanation: Federal financial participation at the 75 percent rate is authorized for formula grants to States for the provision of educational leave and in-service education and training to employees, and stipends and training for individuals preparing for employment in public assistance.

Accomplishments in 1975: In 1975, approximately 192,000 individuals in public assistance programs will attend seminars and workshops. An estimated 1,600 individuals will be on full-time educational leave and an additional 4,700 will be in part-time programs.

Objectives for 1976: The $60,246,000 request would provide seminar and workshop attendance type training for approximately 203,000 individuals. An estimated 1,800 individuals will be on full-time educational leave and an additional 5,000 will be on part-time leave.

The Department is proposing legislation that would restrict the training eligible for Federal matching to short-term, in-service courses. Such legislative changes would result in maximizing the effectiveness of expenditures in upgrading State and local staff responsible for the administration of the public assistance payments and social services programs. It is anticipated that proposed legislative changes will reduce Federal program costs by $30,000,000 in 1976.

SOCIAL AND REHABILITATION SERVICE

Public Assistance

Program Purpose and Accomplishments

Activity: Child Welfare Services (Social Security Act, Title IV-B)

1975 Estimate	1976 Authorization	1976 Budget Estimate
$50,000,000	$246,000,000	$46,000,000

Purpose: Child Welfare Services are authorized under Title IV, Part B of the Social Security Act, as amended. The purpose of this program is to protect and promote the welfare of children through supplementation or substitution for parental care. Child welfare services are not limited to the poor but are available to all children who need them.

Explanation: Each State receives a uniform grant of $70,000 and an additional grant which varies with the child population under 21 and inversely with the average per capita income. The basic statute established a Federal financial participation rate of from 33-1/3 to 66-2/3 percent.

Accomplishments in 1975: Two projects have been funded relative to determining early warning signals of child abuse and neglect and the development of an evaluation system for measuring cost effectiveness of protective services to abused and neglected children. The average number of children expected to be served in 1975 is estimated to be 400,000 at a total estimated cost of $480,000,000. This compares with a 1974 level of 430,000 children receiving services at a cost of $510,000,000.

Objectives for 1976: The average number of children expected to be served in 1976 is estimated to be 400,000 at a total estimated cost of $580,000,000. Although the program level for 1976 is expected to be the same as 1975, total expenditures are expected to increase by an estimated 8 percent due to increased costs.

SOCIAL AND REHABILITATION SERVICE

Public Assistance.

Program Purposes and Acccomplishments

Activity: Research and Evaluation (Social Security Act, Sections 426, 1110, and 1115)

1975 Estimate	1976 Authorization	1976 Budget Estimate
$9,200,000	Indefinite 1/	$12,200,000

Purpose: To develop the analytic methodologies, the program data, and the programmatic knowledge needed to evaluate and implement major policy and program options; and to develop the methodological and technological knowledge necessary to improve both Federal, State and local administration of and the local delivery of services for the current Public Assistance programs.

Explanation: Federal grants and contracts are made to finance part or all the costs of projects to discover and evaluate new and past principles and concepts in the public assistance program and for the demonstration of new systems for delivery of services to the disadvantaged.

Accomplishments: In Research, some thirty new projects will be started in 1975 in the areas of income maintenance, health, and social services. A major reorientation of the research and demonstration program that ties R&D projects very closely with policy and programs issues is near completion. State participation in the program has increased markedly.

In the Evaluation area, activities were continued to improve the capability to forecast accurately AFDC costs and conduct policy analysis related to cost containment and a program was formulated for continuing evaluation of the new Title XX Social Services program based on assessment of planning, administration and evaluation processes of State Title XX agencies. Also, technical aides were prepared for States who wish to implement evaluation and a major evaluation policy of long term care was continued.

Objectives in 1976: Research and Evaluation emphasis in 1976 will be placed on improved management and operation of the Income Maintenance and Medicaid program. A significant amount of effort will focus on the provisions of Title XX and Title IV-D of the new Social Services Act.

1/ Applies to Sections 426 and 1110. Section 1115 has an authorization of $4,000,000.

In the Income Maintenance program, research efforts will be aimed at developing administrative costs standards, promoting the enforcement of child support from absent parents as the recently enacted Title IV-D emphasizes, and initiating administrative improvement demonstrations to reduce the eligibility and over-payment error rates uncovered in the Quality Control program. Evaluation initiatives in this area will lend heavily on equity and adequacy of benefits and on the effectiveness of work experience approaches in reducing the rolls. Studies will be conducted on the effectiveness of absent parent support provisions under Title IV-D and the impact of the AFDC-UF program.

Our major concerns in the Medicaid area will be on Early, Periodic Screening, Diagnosis and Treatment, developing a Medicaid Quality Control program to check for eligibility and coverage for services, studying the impact of family planning services in preventing unwanted births, an evaluation of initiatives to improve the quality of care provided in SMF's and ICF's and the impact of utilization review on the appropriate provisions of health care services.

Due to the recently enacted Social Services Act, major research and evaluation efforts in Social Services will be directed to the provisions that it contains. Some of which are the assessment of the appropriateness of the Federal Interagency Day Care Requirements, the process issues such as the State planning process, citizen review, program planning and organizational arrangement for effective implementation of the Act. Attention will also be devoted for assessing the cost effectiveness of different types and mixes of day care and developing alternative approaches for foster care and adoptions.

SOCIAL AND REHABILITATION SERVICE

Public Assistance

Program Purpose and Accomplishments

Activity: Social Work Training (Social Security Act, Section 426 and 707)

1975 Estimate	1976 Authorization	1976 Budget Estimate
$8,900,000	Indefinite	---

Purpose:

Social service training grants are authorized under Section 426 of the Social Security Act. Teaching grants for institutional support of social work education are provided under Section 707 of the Act. The purpose of this program is to fill the need for trained personnel to work in the field of child welfare services (Section 426), and in all areas of social services activity (Section 707).

Explanation:

Under Section 426 training grants, including teaching grants, traineeship grants for student support, and short-term training grants are made to public and non-profit institutions of higher learning. Under Section 707, teaching grants for institutional support of social work education are provided to educational institutions offering undergraduate and graduate programs in social work.

Accomplishments in 1975:

Training projects under Section 426 will give particular attention to areas of high national and State priority such as implementation of Title XX, improved management of child and family service programs, and improved delivery of preventive services to children and families. Section 707 projects will focus on improved social work training in areas such as administration and management and social services to the aged. An estimated 200 projects will be funded altogether.

MAINTENANCE ASSISTANCE: Actual Federal Share of State Expenditures
Fiscal Year 1974

States and Territories	Adult 1/ Categories	Aid to families with dependent children	Emergency assistance	State and local administration	Total
Alabama	$43,703,782	$32,517,971	-	$3,534,535	$79,756,288
Alaska	1,797,518	5,553,560	-	289,793	7,640,871
Arizona	7,482,021	21,346,198	-	2,172,237	31,000,456
Arkansas	23,449,849	27,455,093	$39,459	2,275,200	53,219,601
California	200,446,317	524,280,604	-	99,178,999	823,905,920
Colorado	10,902,475	37,447,357	-	2,759,762	51,109,594
Connecticut	5,233,577	47,696,051	-	3,510,843	56,440,471
Delaware	1,579,060	8,190,112	(3,412)	847,292	10,613,052
Dist. of Col.	4,889,245	39,094,510	410,650	6,032,864	50,427,269
Florida	26,069,923	78,867,122	-	11,402,994	116,340,039
Georgia	35,477,338	97,136,434	-	9,016,100	141,629,872
Guam	304,701	1,017,930	-	23,523	1,346,154
Hawaii	2,130,222	21,877,591	-	1,298,149	25,305,962
Idaho	2,120,586	8,771,359	-	676,963	11,568,908
Illinois	31,211,482	297,469,943	508,356	32,027,098	361,216,879
Indiana	6,069,827	46,400,715	-	4,536,112	57,006,654
Iowa	3,494,520	31,118,612	-	1,987,200	36,600,332
Kansas	3,427,352	26,068,485	19,728	2,224,275	31,739,840
Kentucky	24,098,923	49,401,259	215,311	4,429,328	78,144,821
Louisiana	40,745,742	59,157,545	-	7,269,180	107,172,467
Maine	7,592,716	25,843,026	-	1,195,310	34,631,052
Maryland	9,976,123	62,097,947	2,039,618	5,002,350	79,116,038
Massachusetts	34,690,723	156,567,378	-	17,536,785	208,794,886
Michigan	24,135,435	253,052,231	3,273,929	17,831,792	298,293,387
Minnesota	12,999,104	69,033,963	1,235,430	4,865,733	88,134,230
Mississippi	30,450,533	25,448,907	-	3,428,539	59,327,979
Missouri	36,444,741	66,385,444	-	7,902,460	110,732,645
Montana	1,864,736	8,439,798	24,293	844,190	11,173,017
Nebraska	3,578,190	11,692,995	96,274	1,727,263	17,094,722
Nevada	809,036	3,659,692	-	1,120,790	5,589,518
New Hampshire	1,048,463	11,700,258	-	782,728	13,531,449
New Jersey	10,532,079	170,838,814	314,009	11,090,704	192,775,606
New Mexico	5,489,447	19,667,027	(10)	2,341,939	27,498,403
New York	92,078,993	590,493,856	8,008,765	92,740,090	783,321,704
North Carolina	23,543,845	51,799,870	2,681	3,813,631	79,160,027
North Dakota	2,230,523	7,330,278	-	396,701	9,957,502
Ohio	21,307,973	151,778,742	4,390,842	16,916,234	194,393,791
Oklahoma	23,596,547	38,511,308	142,305	6,237,923	68,488,083
Oregon	16,529,113	38,925,491	134,825	4,195,134	59,784,563
Pennsylvania	21,590,857	263,013,723	5,617	32,994,631	317,604,828
Puerto Rico	3,549,719	14,353,169	-	5,264,362	23,167,250
Rhode Island	2,972,684	23,209,363	-	831,891	27,013,938
South Carolina	9,478,277	27,829,996	-	2,418,171	39,726,444
South Dakota	1,529,019	11,587,630	22,957	1,045,998	14,185,604
Tennessee	22,545,338	55,335,468	-	6,130,045	84,010,851
Texas	53,270,049	117,781,421	-	12,400,936	183,452,406
Utah	2,166,764	19,088,176	28,462	1,402,200	22,685,602
Vermont	2,504,920	12,383,113	155,531	652,307	15,695,871
Virgin Islands	98,023	451,587	-	71,999	621,609
Virginia	9,167,436	61,334,241	(97,543)	5,153,422	75,557,556

See footnote at end of table (on next page).

MAINTENANCE ASSISTANCE: Actual Federal Share of State Expenditures, Fiscal Year 1974--con't

States and Territories	Adult 1/ Categories	Aid to families with dependent children	Emergency assistance	State and local administration	Total
Washington	$13,219,375	$66,485,169	$297,171	$4,849,807	$84,851,522
West Virginia ...	8,686,487	26,486,636	211,436	3,659,094	39,043,653
Wisconsin	6,869,445	82,199,677	18,091	463,481	89,550,694
Wyoming	535,389	2,863,756	40,545	260,971	3,700,661
Subtotal	$991,716,562	$4,008,538,601	$21,535,320	$473,062,058	5,494,852,541
Repatriation of U.S. Nationals.	---	---	---	---	717,000
Subtotal					5,495,569,541
Adjustments					-295,317,541
Total					$5,200,252,000

1/ Consolidated programs of old-age assistance, aid to the blind, and aid to the permanently and totally disabled.

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, FY 1975 (Based on States' November 1974 estimates)

States and Territories	Aid to families with dependent children	Emergency assistance	State and local administration	Total
Alabama	$40,973,000	-	$3,704,000	$44,677,000
Alaska	6,693,000	-	526,000	7,219,000
Arizona	21,210,000	-	2,423,000	23,633,000
Arkansas	34,547,000	$43,000	977,000	35,567,000
California	554,808,000	-	93,945,000	648,753,000
Colorado	43,658,000	-	2,739,000	46,397,000
Connecticut	56,919,000	-	3,429,000	60,348,000
Delaware	9,940,000	-	1,105,000	11,045,000
Dist. of Col.	40,821,000	447,000	4,525,000	45,793,000
Florida	69,426,000	-	11,394,000	80,820,000
Georgia	98,858,000	-	8,867,000	107,725,000
Guam	750,000	-	100,000	1,114,000
Hawaii	24,635,000	-	1,257,000	25,892,000
Idaho	10,895,000	-	786,000	11,681,000
Illinois	306,053,000	353,000	36,246,000	342,652,000
Indiana	49,493,000	-	6,319,000	55,812,000
Iowa	38,688,000	-	2,771,000	41,459,000
Kansas	27,137,000	19,000	2,424,000	29,580,000
Kentucky	67,683,000	409,000	4,568,000	72,660,000
Louisiana	59,140,000	-	9,084,000	68,224,000
Maine	34,257,000	-	1,224,000	35,481,000
Maryland	64,059,000	1,922,000	5,700,000	71,681,000
Massachusetts	169,458,000	305,000	6,569,000	176,332,000
Michigan	307,802,000	4,345,000	18,292,000	330,437,000
Minnesota	72,982,000	1,839,000	4,549,000	79,370,000
Mississippi	26,297,000	-	1,712,000	28,009,000
Missouri	72,399,000	-	8,955,000	81,354,000
Montana	9,323,000	32,000	759,000	10,114,000
Nebraska	14,285,000	158,000	1,322,000	15,765,000
Nevada	3,770,000	-	1,385,000	5,155,000
New Hampshire	12,331,000	-	553,000	12,884,000
New Jersey	192,918,000	542,000	15,331,000	208,791,000
New Mexico	22,941,000	-	2,457,000	25,398,000
New York	644,488,000	14,722,000	116,160,000	775,370,000
North Carolina	62,969,000	-	4,076,000	67,045,000
North Dakota	7,443,000	-	343,000	7,786,000
Ohio	168,670,000	5,189,000	15,919,000	189,778,000
Oklahoma	43,844,000	137,000	5,162,000	49,143,000
Oregon	47,635,000	176,000	4,889,000	52,700,000
Pennsylvania	321,032,000	-	41,271,000	362,303,000

See footnote at end of table.

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, Fiscal Year 1975--continued
(Based on States' November 1974 estimates)

States and Territories	Aid to families with dependent children	Emergency assistance	State and local administration	Total
Puerto Rico.....	$15,250,000	-	$4,200,000	$23,593,000 1/
Rhode Island.....	26,171,000	-	629,000	26,800,000
South Carolina...	30,384,000	-	3,300,000	33,684,000
South Dakota.....	13,256,000	(67,000)	806,000	13,995,000
Tennessee.....	58,708,000	-	4,497,000	63,205,000
Texas.....	108,908,000	-	11,361,000	120,269,000
Utah.....	20,115,000	5,000	1,012,000	21,132,000
Vermont.....	12,944,000	163,000	695,000	13,802,000
Virgin Islands...	422,000	-	72,000	592,000 2/
Virginia.....	75,938,000	60,000	5,017,000	81,015,000
Washington.....	69,926,000	352,000	4,911,000	75,189,000
West Virginia....	26,933,000	283,000	3,593,000	30,809,000
Wisconsin.....	95,324,000	(215,000)	4,032,000	99,141,000
Wyoming.....	2,792,000	46,000	232,000	3,070,000
Subtotal....	4,418,301,000	31,265,000	498,174,000	4,952,245,000 2/
Adjustments.....				- 91,200,000
Subtotal....				4,861,045,000 2/
Repatriation of U.S. Nationals.				882,000
				4,861,927,000 2/

1/ Excludes, respectively, adult category amounts for:

Guam.....	$ 264,000
Puerto Rico.....	4,143,000
Virgin Islands.....	98,000
Total.....	$4,505,000

2/ Adult category costs of $4,505,000 included in totals.

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, FY 1976
(Based on States' November 1974 estimates)

States and Territories	Aid to families with dependent children	Emergency assistance	State and local administration	Total
Alabama	$43,591,000	-	$4,936,000	$48,527,000
Alaska	8,157,000	-	875,000	9,032,000
Arizona	25,432,000	-	4,016,000	29,448,000
Arkansas	38,434,000	$45,000	1,968,000	40,447,000
California	626,163,000	-	97,454,000	723,617,000
Colorado	45,039,000	-	3,214,000	48,253,000
Connecticut	65,399,000	-	3,910,000	69,309,000
Delaware	13,304,000	-	1,180,000	14,484,000
Dist. of Col.	39,916,000	262,000	4,571,000	44,749,000
Florida	66,514,000	-	17,765,000	84,279,000
Georgia	101,826,000	-	9,536,000	111,362,000
Guam	750,000	-	100,000	1,153,000 1/
Hawaii	28,540,000	-	1,425,000	29,965,000
Idaho	16,371,000	-	788,000	17,159,000
Illinois	342,696,000	375,000	35,060,000	378,131,000
Indiana	54,423,000	-	4,413,000	58,836,000
Iowa	41,563,000	-	3,128,000	44,691,000
Kansas	30,798,000	17,000	2,631,000	33,446,000
Kentucky	77,907,000	462,000	4,594,000	82,963,000
Louisiana	70,722,000	-	9,784,000	80,506,000
Maine	38,231,000	-	1,150,000	39,381,000
Maryland	80,859,000	2,280,000	5,605,000	88,744,000
Massachusetts	215,424,000	5,000,000	17,653,000	238,077,000
Michigan	369,320,000	4,620,000	19,165,000	393,105,000
Minnesota	81,504,000	2,703,000	3,919,000	88,126,000
Mississippi	28,408,000	-	1,596,000	30,004,000
Missouri	74,372,000	-	8,260,000	82,632,000
Montana	11,920,000	26,000	963,000	12,909,000
Nebraska	15,664,000	173,000	2,000,000	17,837,000
Nevada	5,622,000	-	1,300,000	6,922,000
New Hampshire	15,094,000	-	1,078,000	16,172,000
New Jersey	222,401,000	570,000	17,100,000	240,071,000
New Mexico	23,896,000	-	2,776,000	26,672,000
New York	711,109,000	19,800,000	128,630,000	859,539,000
North Carolina	67,484,000	-	4,425,000	71,909,000
North Dakota	8,779,000	-	398,000	9,177,000
Ohio	158,724,000	4,874,000	17,368,000	180,966,000
Oklahoma	46,961,000	166,000	6,102,000	53,229,000
Oregon	71,267,000	268,000	6,205,000	77,740,000
Pennsylvania	376,766,000	-	48,018,000	424,784,000

See footnote at end of table.

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, Fiscal Year 1976--continued
(Based on States' November 1974 estimates)

States and Territories	Aid to families with dependent children	Emergency assistance	State and local administration	Total
Puerto Rico.....	$18,372,000	-	$6,740,000	$30,405,000[1/]
Rhode Island.....	30,169,000	-	1,050,000	31,219,000
South Carolina...	43,563,000	-	3,694,000	47,257,000
South Dakota.....	13,034,000	10,000	1,727,000	14,771,000
Tennessee.....	65,826,000	-	5,185,000	71,011,000
Texas.....	110,519,000	-	14,648,000	125,167,000
Utah.....	24,859,000	70,000	1,260,000	26,189,000
Vermont.....	18,336,000	189,000	1,044,000	19,569,000
Virgin Islands...	1,236,000	7,000	98,000	1,502,000[1/]
Virginia.....	80,973,000	52,000	5,824,000	86,849,000
Washington.....	65,680,000	312,000	5,653,000	71,645,000
West Virginia....	30,056,000	272,000	3,420,000	33,748,000
Wisconsin.....	103,814,000	90,000	2,500,000	106,404,000
Wyoming.....	3,290,000	50,000	297,000	3,637,000
Subtotal....	4,971,077,000	42,693,000	558,199,000	5,577,726,000[2/]
Adjustments.....				-411,969,000
Subtotal....				5,165,757,000[2/]
Repatriation of U.S. Nationals.....				882,000
Total.....				5,166,639,000[2/]

1/ Excludes, respectively, adult category amounts for:

Guam.....	$ 303,000
Puerto Rico.....	5,293,000
Virgin Islands.....	161,000
Total.....	$5,757,000

2/ Adult category costs of $5,757,000 included in totals.

MEDICAL ASSISTANCE: Federal Share of Medical Vendor Payments, and State and Local Administration and Training; by State; FY 1974 - FY 1976.

States and Territories	FY 1974 Actual	FY 1975 Estimate	FY 1976 Estimate
Alabama	$ 79,420,001	$ 98,048,000	$ 115,297,000
Alaska	3,690,738	5,320,000	6,821,000
Arizona	-	-	-
Arkansas	53,609,404	80,647,000	102,232,000
California	763,223,615	826,169,000	983,444,000
Colorado	48,397,890	61,570,000	80,366,000
Connecticut	67,110,035	79,651,000	86,910,000
Delaware	6,662,855	8,097,000	9,578,000
Dist. of Col.	37,966,895	52,343,000	56,303,000
Florida	72,399,521	95,284,000	111,464,000
Georgia	123,028,934	167,871,000	177,523,000
Guam	540,510	689,000	473,000
Hawaii	16,932,084	20,088,000	27,324,000
Idaho	12,666,071	16,542,000	25,802,000
Illinois	336,983,399	358,263,000	456,434,000
Indiana	80,699,615	88,251,000	113,382,000
Iowa	37,243,261	48,451,000	52,148,000
Kansas	42,746,968	48,793,000	58,315,000
Kentucky	64,949,592	87,831,000	111,757,000
Louisiana	83,937,054	103,424,000	122,126,000
Maine	36,825,981	51,204,000	61,248,000
Maryland	91,697,677	103,581,000	112,352,000
Massachusetts	245,269,855	251,210,000	355,767,000
Michigan	280,329,295	353,059,000	400,627,000
Minnesota	138,116,981	154,687,000	175,407,000
Mississippi	70,823,532	86,560,000	105,006,000
Missouri	46,142,657	51,992,000	73,388,000
Montana	14,361,070	19,407,000	21,608,000
Nebraska	29,120,980	35,732,000	36,385,000
Nevada	7,102,753	8,067,000	11,657,000
New Hampshire	14,855,388	19,039,000	20,387,000
New Jersey	161,852,821	195,532,000	239,660,000
New Mexico	20,560,909	26,626,000	31,782,000
New York	1,224,668,203	1,384,408,000	1,601,414,000
North Carolina	100,482,557	120,317,000	143,777,000
North Dakota	12,128,721	15,056,000	18,600,000
Ohio	170,033,093	189,286,000	293,863,000
Oklahoma	90,152,272	100,391,000	117,966,000
Oregon	37,986,695	50,675,000	57,239,000
Pennsylvania	273,074,547	311,958,000	369,294,000
Puerto Rico	29,999,997	30,103,000	30,000,000
Rhode Island	36,019,504	42,648,000	47,139,000
South Carolina	44,729,784	61,257,000	112,864,000
South Dakota	12,399,543	17,126,000	18,570,000
Tennessee	68,427,355	87,801,000	125,355,000
Texas	260,048,997	293,509,000	452,249,000
Utah	22,595,478	24,825,000	29,207,000
Vermont	19,523,053	22,059,000	26,477,000
Virgin Islands	862,204	1,141,000	1,141,000
Virginia	89,939,478	112,585,000	113,903,000

See Footnote on next page.

(continued)

MEDICAL ASSISTANCE: Federal Share of Medical Vendor Payments, and State and Local Administration and Training; by State; FY 1974 - FY 1976. (continued)

States and Territories	FY 1974 Actual Adjusted Expenditures	FY 1975 Estimate	FY 1976 Estimate
Washington	$ 72,303,248	$ 102,086,000	$ 100,998,000
West Virginia	22,939,737	27,074,000	49,818,000
Wisconsin	152,706,452	198,287,000	204,482,000
Wyoming	2,943,567	3,397,000	4,056,000
Subtotal	5,833,232,826	6,800,017,000	8,261,385,000
Adjustments	-833,232,826	+ 166,358,000	- 495,385,000
Total	$5,000,000,000	$6,966,375,000	$7,766,000,000

SOCIAL SERVICES

Federal Share of State Expenditures[1/]

States	1974 Actual	1975 Estimate	1976 Requested
Alabama	$ 20,258,888	$ 23,132,000	$ 24,365,000
Alaska	3,082,404	4,387,000	3,901,000
Arizona	3,008,528	3,522,000	12,148,000
Arkansas	5,529,881	6,164,000	10,238,000
California	233,650,966	247,380,000	245,500,000
Colorado	25,009,858	26,347,000	29,000,000
Connecticut	38,076,277	40,607,000	36,750,000
Delaware	4,802,710	4,865,000	5,332,000
District of Columbia	8,763,644	9,960,000	9,000,000
Florida	28,948,592	114,968,000	56,252,000
Georgia	36,409,612	35,790,000	48,182,000
Guam	113,641	64,000	263,000
Hawaii	6,091,366	8,734,000	9,713,000
Idaho	6,584,260	8,340,000	9,076,000
Illinois	86,632,149	101,056,000	133,585,000
Indiana	7,178,537	5,258,000	12,240,000
Iowa	15,626,828	20,666,000	29,632,000
Kansas	7,575,813	10,145,000	18,304,000
Kentucky	24,936,349	25,633,000	32,603,000
Louisiana	20,570,149	22,774,000	33,136,000
Maine	6,535,379	7,073,000	10,500,000
Maryland	29,867,705	39,044,000	48,439,000
Massachusetts	29,017,753	49,841,000	69,250,000
Michigan	91,903,430	80,820,000	84,309,000
Minnesota	41,254,945	62,240,000	46,500,000
Mississippi	5,025,027	4,847,000	9,872,000
Missouri	17,548,120	19,477,000	20,629,000
Montana	3,913,631	3,851,000	5,805,000
Nebraska	11,830,852	14,092,000	15,072,000
Nevada	2,254,696	2,367,000	2,652,000
New Hampshire	4,221,056	6,868,000	7,125,000
New Jersey	49,136,817	54,459,000	56,294,000
New Mexico	8,566,648	9,598,000	13,250,000
New York	231,697,062	221,915,000	217,500,000
North Carolina	20,636,379	23,892,000	31,129,000
North Dakota	3,347,330	3,360,000	4,896,000
Ohio	46,867,231	48,588,000	84,396,000
Oklahoma	17,299,739	18,381,000	24,916,000
Oregon	13,928,740	26,316,000	26,500,000
Pennsylvania	95,461,690	108,510,000	127,825,000
Puerto Rico	2,092,406	2,283,000	6,448,000
Rhode Island	10,735,287	11,913,000	11,500,000
South Carolina	11,561,215	17,147,000	27,180,000
South Dakota	1,505,620	1,515,000	5,130,000
Tennessee	15,355,396	21,523,000	26,478,000
Texas	78,414,495	126,522,000	140,500,000
Utah	5,586,894	5,293,000	5,994,000
Vermont	2,966,425	3,243,000	5,500,000
Virgin Islands	211,913	278,000	531,000
Virginia	23,068,498	24,132,000	34,306,000

SOCIAL SERVICES

Federal Share of State Expenditures 1/ continued

States	1974 Actual	1975 Estimate	1976 Requested
Washington.....	$ 42,520,951	$ 42,218,000	$ 40,750,000
West Virginia.....	10,554,856	13,869,000	15,600,000
Wisconsin.....	43,848,658	51,921,000	54,266,000
Wyoming.....	1,153,253	1,716,000	4,250,000
Subtotal.....	$1,562,740,549	$1,848,904,000	$2,044,512,000
Adjustments...	-200,487,549	+43,001,000	-96,512,000
Total.....	$1,362,253,000	$1,891,905,000	$1,948,000,000

1/ Appropriation authority of $2,500,000,000 for States is allocated on the basis of population. Guam, Puerto Rico, and the Virgin Islands require Federal matching at program levels.

1/ Appropriation authority of $2,500,000,000 for States is allocated on the basis of population. Guam, Puerto Rico, and the Virgin Islands require Federal matching at program levels.

STATE AND LOCAL TRAINING

Federal Share of State Expenditures

States	1974 Actual	1975 Estimate	1976 Requested
Alabama	$ 1,057,173	$ 1,119,000	$ 1,108,000
Alaska	426,176	784,000	744,000
Arizona	80,901	116,000	384,000
Arkansas	210,873	362,000	436,000
California	4,404,906	4,465,000	4,644,000
Colorado	761,971	796,000	896,000
Connecticut	38,613	141,000	221,000
Delaware	76,814	132,000	120,000
District of Columbia	196,209	332,000	264,000
Florida	1,476,705	1,409,000	1,461,000
Georgia	755,738	1,072,000	1,125,000
Guam	34,075	4,000	44,000
Hawaii	147,897	170,000	184,000
Idaho	188,660	198,000	307,000
Illinois	714,098	346,000	600,000
Indiana	103,850	13,000	196,000
Iowa	671,832	804,000	971,000
Kansas	380,582	502,000	666,000
Kentucky	796,647	1,267,000	1,320,000
Louisiana	883,340	958,000	1,176,000
Maine	54,731	35,000	69,000
Maryland	2,012,368	2,495,000	2,649,000
Massachusetts	298,246	1,036,000	881,000
Michigan	301,530	151,000	220,000
Minnesota	514,610	975,000	882,000
Mississippi	571,935	549,000	793,000
Missouri	788,735	995,000	1,017,000
Montana	667,737	508,000	868,000
Nebraska	244,600	237,000	278,000
Nevada	232,010	266,000	189,000
New Hampshire	56,079	23,000	85,000
New Jersey	1,589,951	1,668,000	1,932,000
New Mexico	219,976	111,000	126,000
New York	7,469,270	16,624,000	18,762,000
North Carolina	572,272	805,000	742,000
North Dakota	104,469	135,000	135,000
Ohio	674,533	840,000	1,404,000
Oklahoma	332,024	313,000	284,000
Oregon	665,257	708,000	1,030,000
Pennsylvania	4,539,114	3,398,000	2,482,000
Puerto Rico	---	---	---
Rhode Island	184,071	245,000	251,000
South Carolina	346,294	594,000	557,000
South Dakota	34,750	(87,000)	224,000
Tennessee	652,036	645,000	636,000
Texas	2,097,988	2,851,000	3,030,000
Utah	815,186	882,000	940,000
Vermont	10,943	19,000	23,000
Virgin Islands	16,999	18,000	39,000
Virginia	700,741	373,000	643,000

STATE AND LOCAL TRAINING

Federal Share of State Expenditures continued

States	1974 Actual	1975 Estimate	1976 Requested
Washington	$ 1,108,205	$ 730,000	$ 873,000
West Virginia	271,387	279,000	339,000
Wisconsin	1,017,058	1,409,000	900,000
Wyoming	74,629	92,000	96,000
Subtotal	$42,646,794	$54,912,000	$60,246,000
Adjustments	- 5,947,794	-1,740,000	---
Total	$36,699,000	$53,172,000	$60,246,000

CHILD WELFARE SERVICES

Actual and Estimated Awards[1/]
Fiscal Years 1974 - 1976

States	1974 Actual	1975 Enacted	1976 Requested
Alabama	$ 1,016,868	$ 1,068,194	$ 982,911
Alaska	137,821	142,060	134,223
Arizona	566,895	591,631	537,071
Arkansas	547,145	626,766	576,931
California	3,602,472	3,785,586	3,473,864
Colorado	588,472	631,360	577,273
Connecticut	541,350	560,491	521,233
Delaware	175,898	182,782	173,008
District of Columbia	154,252	153,857	152,043
Florida	1,516,614	1,687,602	1,531,519
Georgia	1,241,179	1,314,395	1,203,903
Guam	68,008	104,996	101,822
Hawaii	220,249	229,148	214,715
Idaho	268,209	281,266	262,106
Illinois	2,020,681	2,104,408	1,939,719
Indiana	1,212,420	1,270,844	1,164,582
Iowa	688,241	722,092	668,399
Kansas	516,504	541,715	503,603
Kentucky	900,489	952,630	876,344
Louisiana	1,092,425	1,160,497	1,067,916
Maine	321,292	333,636	310,339
Maryland	842,358	879,718	809,593
Massachusetts	1,096,641	1,145,965	1,058,626
Michigan	1,895,713	1,965,511	1,810,397
Minnesota	925,520	959,020	885,821
Mississippi	754,865	793,095	732,372
Missouri	1,063,019	1,116,084	1,026,672
Montana	244,653	251,969	236,051
Nebraska	391,768	410,707	381,940
Nevada	164,297	171,628	162,412
New Hampshire	167,446	254,959	238,185
New Jersey	1,289,409	1,336,972	1,230,756
New Mexico	374,436	401,722	371,013
New York	2,856,968	2,970,564	2,691,064
North Carolina	1,351,564	1,427,630	1,311,234
North Dakota	229,066	239,008	224,292
Ohio	2,271,759	2,357,365	2,173,317
Oklahoma	670,408	709,899	653,063
Oregon	527,095	558,649	515,418
Pennsylvania	2,371,243	2,457,078	2,270,089
Puerto Rico	1,077,589	1,142,157	1,044,923
Rhode Island	255,595	265,075	248,939
South Carolina	801,880	856,179	788,121
South Dakota	240,732	250,053	235,564
Tennessee	1,062,307	1,141,470	1,043,671
Texas	2,823,399	2,999,868	2,734,159
Utah	398,871	428,834	393,847
Vermont	181,067	186,733	177,307
Virginia	1,117,114	1,186,841	1,083,331
Virgin Islands	94,479	96,565	94,156

CHILD WELFARE SERVICES

Actual and Estimated Awards 1/
Fiscal Years 1974 - 1976 (continued)

States	1974 Actual	1975 Enacted	1976 Requested
Washington	$ 749,220	$ 771,086	$ 716,106
West Virginia	503,810	526,721	487,849
Wisconsin	1,080,759	1,140,502	1,049,427
Wyoming	148,880	154,417	146,761
Sub-Total	47,421,414	50,000,000	46,000,000
Adjustments	+78,586	---	---
Total	$47,500,000	$50,000,000	$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.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Public Assistance

Amounts Available for Obligation

	1976	Interim Period
Appropriation	$14,999,085,000	$3,964,682,000
Appropriation available in prior year	- 3,672,000,000	- 3,964,682,000
Appropriation available from subsequent year	3,964,682,000	4,280,693,000
Total, obligations	$15,291,767,000	$4,280,693,000

Obligations by Activity

	1976 Estimate	Interim Period
Maintenance assistance	$ 5,166,639,000	$ 1,368,931,000
Medical assistance	7,766,000,000	2,006,251,000
Social services	1,948,000,000	560,000,000
State and local training	60,246,000	15,000,000
Child welfare services	46,000,000	11,500,000
Research and evaluation	12,200,000	3,000,000
Subtotal, obligations against budget authority	14,999,085,000	3,964,682,000
Available in prior years	-3,672,000,000	-3,964,682,000
Available in subsequent year	3,964,682,000	4,280,693,000
Total obligations during the fiscal year	15,291,767,000	4,280,693,000

Obligations by Object

	1976 Estimate	Interim Period
Other services	$630,000	$158,000
Grants, subsidies and contributions	15,291,137,000	4,280,535,000
Total obligations by object	15,291,767,000	4,280,693,000

Justification

Public Assistance

In general, the budget policy for the interim period of July 1, 1976 to October 1, 1976, is of funding programs at a rate of one-fourth of the fiscal year 1976 level except where for programmatic reasons another level of funding is required.

Maintenance Assistance

The five maintenance assistance activities have been projected at about 6% above the fiscal year 1976 rate for an interim period request of $1,368,931,000.

Medical Assistance

In medical assistance, the fiscal year 1975 to fiscal year 1976 increase was 14.41 percent. This same year-to-year increase was used in calculating the medical assistance estimate for the interim period. Calculations are shown below with $7,766,000,000 being the fiscal year 1976 estimate and 22.58 percent being the fiscal year 1974 first quarter percentage of total expenditures:

1.1441 x $7,766,000,000 = $8,885,000,000

$8,885,000,000 x .2258 = $2,006,000,000

Social Services

In fiscal year 1974 the States spent 19 percent of total expenditures for the year during the first quarter. In fiscal year 1975, expenditures in the first quarter increased by 4 percent to 23 percent of the total estimated for the year. It is estimated that expenditures in fiscal year 1976 could increase to an additional range of 30% in the first quarter. A 5 percent change from the previous year's experience was used to determine the interim budget of $560,000,000 as shown below:

$1,948,000 x .29 = $560,000,000

The primary factor affecting this first quarter increase in expenditures is that the States are able to use the excess in their allocations for Title XX planning. The bulk of which will be accomplished in the first quarter.

State and Local Training

State and local training activities have been projected at one-fourth of the FY 1976 rate resulting in $15,000,000 estimated for the interim period requirements.

Child Welfare Services

Child welfare service activities have been projected at one-fourth the fiscal year 1976 level for an interim period request of $11,500,000.

Research and Evaluation

Research and evaluation activities have been projected at about one-fourth the fiscal year 1976 level for an interim period request of $3,000,000.

Work Incentives

WITNESSES

JAMES S. DWIGHT, JR., ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE
JOHN A. SVAHN, DEPUTY ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE, AND COMMISSIONER, ASSISTANCE PAYMENTS ADMINISTRATION
PIERCE A. QUINLAN, ASSOCIATE MANPOWER ADMINISTRATOR FOR MANPOWER DEVELOPMENT PROGRAMS
MERWIN S. HANS, EXECUTIVE DIRECTOR, NATIONAL COORDINATION COMMITTEE, DEPARTMENT OF LABOR
SHELDON BLOOM, DEPUTY DIRECTOR, NATIONAL COORDINATION COMMITTEE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
SAMUEL E. MARTZ, ASSISTANT ADMINISTRATOR FOR FINANCIAL MANAGEMENT, SOCIAL AND REHABILITATION SERVICE
MISS ANNA L. PERKINS, ACTING DIRECTOR, DIVISION OF BUDGET, SOCIAL AND REHABILITATION SERVICE
T. JAMES WALKER, CHIEF, DIVISION OF BUDGET FORMULATION AND ANALYSIS, DEPARTMENT OF LABOR
WILLIAM J. FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. Flood. We will hear now about the work incentives program. We have your biographical information Mr. Dwight, which we will insert in the record.

Department of Health, Education, and Welfare, Social and Rehabilitation Service

BIOGRAPHICAL SKETCH

Name: James S. Dwight, Jr.
Position: Administrator, Social and Rehabilitation Service.
Birthplace and date: Pasadena, Calif., March 9, 1934.
Education: Pomona College, Claremont, Calif.; University of Southern California, B.S.—Accounting, 1956
Experience: June 1973—Administrator, Social and Rehabilitation Service; August 1972–June 1973—Associate Director, Office of Management and Budget; 1967–72—chief deputy director of finance, State of California; 1959–66—controller, Sunkist Growers, Inc.; 1955–59—certified public accountant, Haskins & Sells.

Opening Statement

Mr. Flood. We will insert your formal statement in the record at this point and go on to questions if that is satisfactory.
Mr. Dwight. That will be fine, Mr. Chairman.
[The information follows:]

Mr. Chairman and members of the committee, I am pleased to appear here today to present to you the fiscal year 1976 appropriation estimate for the work incentive program.

The budget request for WIN in 1976 totals $330 million, providing about the same program level as fiscal year 1975; $233 million is requested for the Department of Labor for training and employment activities including registration of individuals for WIN, program orientation, skill training, counseling, job development, referral and placement, and follow up of all employed participants. Additionally, $97 million is requested for the Department of Health, Education, and Welfare in order to provide child care and other supportive

services to all program participants who require such services to enable them to accept work or training.

WIN, authorized under title IV of the Social Security Act, as amended, is the major resource of manpower and employment services for the estimated 1.3 million recipients of aid to families with dependent children who will be registered for employment and work-related training during fiscal year 1976. This is a State administered program designed to encourage and assist AFDC recipents to achieve self-support through training, work experience, employment, child care and other supportive services.

During 1976, the Departments of Labor and Health, Education, and Welfare intend to continue implementing a redirection of the WIN program in order to increase the emphasis on job placements by exposing to the labor market all persons who register for WIN. The goal is to make as many immediate placements as possible and actively engage all other registrants in seeking a job.

Increased emphasis on intake/service and job placement will be accompanied by a slight decrease in work and training components. Appraisals for employability potential will approximate the 1975 level and applicant employability assessment and work orientation will be provided to all unappraised registrants in 1976. With increased emphasis on job placements, work experience will decrease by 20 percent and on-the-job training by 16 percent, public service employment will decrease 11 percent, while institutional training will remain at the fiscal year 1975 level of 8,100 man-years.

TRAINING AND INCENTIVES

The Department of Labor has the major responsibility for determining employability and placement of WIN participants. Under the redesigned program, all applicants for AFDC who are not exempt from WIN and those who volunteer will be registered by the local employment service office.

We estimate that during 1976, 1.3 million individuals will be registered for WIN at the employment service office; 800,000 registrants will be appraised for possible direct placement into employment, for job preparation through training, or for job search activities; 23,700 man-years of subsidized work and training will be provided and 200,000 participants placed in unsubsidized employment.

In 1975, WIN plans to place 200,000 into unsubsidized jobs and provide 26,500 man-years of training. By comparison, in 1974 WIN achieved 177,000 job placements and provided 38,732 man-years of training.

To date, WIN continues to place AFDC recipients into jobs at about the same rate as during fiscal year 1974. As of January 1975, more than 100,000 persons obtained employment through WIN which is a slight increase over the previous year. This has been accomplished in spite of the rising unemployment rate. The program results, thus far, indicate it is appropriate to continue the strong placement emphasis. We will, however, be closely monitoring program outcomes for any severe impact from the economic conditions which may require revising current strategies.

CHILD CARE AND SUPPORTIVE SERVICES

The Department of Health, Education, and Welfare has responsibility for determining WIN eligibility and providing WIN participants with supportive services which include child care, homemaker services, and other services necessary to enable the recipient to participate in work and training.

Child care services encompass full and part-time care for children of WIN participants. Care may be provided in their own homes, in family day care homes, and in day care centers.

During fiscal year 1976, an estimated 71,625 years of child care and 104,800 man years of other supportive services will be provided. This is the same level as in fiscal year 1975.

SUMMARY

In summary, the 1976 budget request for the work incentive program is $330,000,000. This includes $233,000,000 for administering the manpower training and incentives activities of the Department of Labor and $97 million for carrying out the child care and other supportive service activities of the Department of Health, Education and Welfare. This program benefits the individuals receiving AFDC by providing them the necessary services so they may independently support themselves and their families through permanent employment.

Mr. Chairman, this concludes my statement. I will be happy to answer any questions you or members of the committee may have.

FUNDING FOR 1975 WORK INCENTIVES PROGRAM

Mr. FLOOD. Now, before discussing the pending 1976 budget on work incentives, I want to review the 1975 funding for work incentives.

You will recall that the House agreed on the 1975 budget figure as $280 million. That was later cut down to $210 million. The cut, supposedly, did not reduce the program level because funds were carried over from the previous years.

Will you explain this business of funds carried in, carried out, carried over. These budget jokers carry in and carry out, but what does it mean? Can you explain it?

Mr. DWIGHT. As a general proposition, Mr. Chairman, the WIN program on both the labor side, which is the training side, and on our side, which is the social services side, has had funds obligated in one year for services to be provided in the subsequent year.

In the current year the excess funds for services have terminated. But in prior years those funds had been rolled forward into the next year. I would totally agree with your assessment that it does make an understanding of the program very difficult. But specifically, the phenomena that you referred to in your representation of that is accurate according to my understanding, save one circumstance. At the time that we were before you a year ago, we had not as yet become aware of the very substantial growth in the social services side of the WIN program, which came very late in fiscal 1974. As a consequence of that, funds were consumed which were not anticipated to be consumed in 1974. In addition, the level of expenditure for 1975 would have risen proportionately. We felt that we could handle that problem because there still would have been some excess funds in the current year.

But then when that last minute reduction came for the WIN appropriation it took that flexibility away from us, and as a consequence, we had to go to an apportionment system.

NEED FOR CARRYOVER FUNDS

Mr. FLOOD. Why is it necessary to carry such large balances over from year to year?

That invites the killers to cut back.

You are leading with your chin on that.

Mr. DWIGHT. We have concluded from the social services side that there is no need to carry funds over. Mr. Hans might want to comment on the need for carryover funds for the training side.

Mr. HANS. Mr. Chairman, the training funds are obligated in a contract between the Department of Labor and the States. The majority of these funds are both obligated and expended in the current fiscal year. A small amount of carryover represents obligated funds which have not been expended but which are committed for those people in training slots who have not completed training at the end of the fiscal year. I can give you an example of a contract that might be negotiated today for a 1 year public service employment slot.

Mr. FLOOD. What do you mean?

Mr. HANS. A public service employment job that would have a cost of $5,000 over a 12-month period is negotiated and obligated now. By the end of this fiscal year you would have only expended about one-fourth of that obligation. We would be carrying over, as obligated, but unexpended, three-fourths of the value of that contract. That is what those figures represent. They are not free money. They actually are obligational authority that is necessary to maintain a continuing contractual training and employment program.

1975 EMERGENCY EMPLOYMENT APPROPRIATION

Mr. FLOOD. You understand and I understand. We understand in the appropriations committee. We go through this right along. But I want you to understand the other Members on the floor who are not in this, what it invites. Right after the 1975 appropriation bill was passed, we began to get mail, telephone calls, and delegations protesting that the program is being cut back all over the lot. So actually the program was cut back, wasn't it?

Mr. DWIGHT. Very definitely, particularly in some of the States that had become disproportionately high users of WIN service funds.

Mr. FLOOD. In the pending emergency employment appropriation bill, the House included $70 million for this program.

Does the Administration support those funds? Do you know?

Mr. FORBUSH. The appeal letter the Secretary sent to the Senate Appropriations Committee indicated that we wanted those funds taken out on the simple grounds that they exceeded the appropriation.

Mr. FLOOD. The answer is no?

Mr. FORBUSH. The answer is no.

Mr. DWIGHT. From a practical point of view, I would offer two other points that might be relevant to this discussion: One, coming so late in the year it is questionable whether the funds could be used because the States have already made other plans. Second, as this phenomena occurred that I explained earlier—the rapid rise in the use of service funds—we commenced some audit activities in those areas where we noticed very large growth.

Our expectation is, though these are not final, that probably some of the funds used are not properly used under the law.

IMPACT OF SUPPLEMENTAL APPROPRIATION

Mr. FLOOD. Suppose this additional $70 million is appropriated, will you revise your information and justifications on pages 93 and 94 on your own justifications there? You can do that for the record just in case that $70 million is passed.

Mr. DWIGHT. We would have to make some rather bold assumptions.

Mr. FLOOD. I know.

Mr. DWIGHT. The assumption we would have to make is what, if any, of the additional funds for 1975 could be used in view of the lateness.

Mr. FLOOD. The House bill provides an additional $35 million for child care. Can you give us some idea what effect these additional funds will have on the 1976 requirements?

Mr. DWIGHT. I think that is the part that we really don't know about. The training funds, as I understand it, would have no programmatic impact. They would just add to the amount carried forward that we were previously discussing.

On the service side the funds would be available. How much of that the States could use in 1975 would depend, first, on when they were aware that they were available and second, how quickly they could change their pattern of operation in order to utilize the funds.

Then, depending on what the answer is to that, would be our assessment of what the implication of the funding would be in 1976. However, we will be glad to provide the revised pages 93 and 94 of our justification. These are preliminary estimates and will be revised should the additional funds be appropriated.

[The information follows:]

Insert p. 4291A-1

WORK INCENTIVES
PROGRAM COSTS FUNDED
(total costs in thousands)

TRAINING AND INCENTIVES	FY 1975 Estimate Workload	Unit Cost	Total Cost
Intake/Services			
Income Maint Unit Elig 1/	57,100	20	1,142
Registr/Job Bank Search	816,000	11	8,976
WIN Hist & Job Bank Search 1/	1,360,000	7	9,520
Apprais/Employ Planning	800,000	8	6,400
Employ Planning/LMI 2/	385,000	22	8,470
Orientation 3/	---	---	---
Direct Placement 3/	---	---	---
Intensive Manpower Services 1/	720,000	87	62,640
Adjudication	13,500	93	1,255
Program Direction & Eval	---	---	20,228
Subtotal			$118,631
Work and Training			
On-the-Job Training	10,700	5,157	55,179
Public Service Employment	4,700	6,967	32,744
Institutional Training	8,100	2,277	18,443
Work Experience	3,000	1,445	4,335
Subtotal	26,500 M/Y		$110,701
Total, DOL Costs			$229,332
CHILD CARE AND SUPPORTIVE SERVICES			
Child Care	97,222	593	57,652
Supportive Services	142,255	495	70,416
Total, HEW Costs			$128,068
Total, WIN Costs			$357,400

	DOL	HEW	Total
New Budget Authority	175,000	105,000	280,000
Prog Cost Funded Prior Years	+124,193	+23,068	+147,261
Prog Cost Funded Subseq Years	-69,861	---	-69,861
Less Unobligated Bal Lapsing	---	---	---
Less Adjustment to Prior Years	---	0	0
Costs	$229,332	$128,068	$357,400
(Outlays)	**($229,000)**	**($128,000)**	**($357,000)**

1/ Components implemented in FY 1975 as a result of the WIN redesign.
2/ The LMI portion of this component was absorbed in the FY 1975 WIN history and Job Bank Search component under the WIN redesign.
3/ This component was absorbed by the Intensive Manpower Services component under the WIN redesign.

Insert p. 4291A-2

WORK INCENTIVES
PROGRAM COSTS FUNDED
(total costs in thousands)

TRAINING AND INCENTIVES	FY 1976 Estimate Workload	Unit Cost	Total Cost
Intake/Services			
Income Maint Unit Elig 1/	57,100	21	1,199
Registr/Job Bank Search 4/	1,300,000	20	26,000
WIN Hist & Job Bank Search 1/	---	---	---
Apprais/Employ Planning 5/	800,000	38	30,400
Employ Planning/LMI 2/	---	---	---
Orientation 3/	---	---	---
Direct Placement 3/	---	---	---
Intensive Manpower Services 1/	520,000	80	41,600
Adjudication	13,500	93	1,255
Program Direction & Eval	---	---	20,083
Subtotal			$120,537
Work and Training			
On-the-Job Training	10,700	5,157	55,179
Public Service Employment	4,700	6,967	32,744
Institutional Training	8,100	2,277	18,443
Work Experience	3,000	1,445	4,335
Subtotal	23,700 M/Y		$110,701
Total, DOL Costs			$231,238
CHILD CARE AND SUPPORTIVE SERVICES			
Child Care	80,000	610	48,800
Supportive Services	144,400	507	63,375
Total, HEW Costs			$112,175
Total, WIN Costs			$343,413

	DOL	HEW	Total
New Budget Authority	217,825	112,175	330,000
Prog Cost Funded Prior Years	69,861	---	69,861
Prog Cost Funded Subseq Years	-56,448	0	-56,448
Less Unobligated Bal Lapsing	---	---	---
Less Adjustment to Prior Years	---	---	---
Costs	$231,238	$112,175	$343,413
(Outlays)	($231,000)	($112,000)	($343,000)

1/ Components implemented in FY 1975 as a result of the WIN redesign.
2/ The LMI portion of this component was absorbed in the FY 1975 WIN history and Job Bank Search component under the WIN redesign.
3/ This component was absorbed by the Intensive Manpower Services component under the WIN redesign.
4/ In FY 1976 under the WIN redesign, this component will include WIN History and Job Bank Search function.
5/ In FY 1976 under the WIN redesign, this component will include Employability Planning function.

DISTRIBUTION OF APPROPRIATED FUNDS

Mr. FLOOD. Here is another one of these things we get mixed up in, when the budget for the work incentive program is prepared, how do you decide on the split between the training you were talking about and the child care?

Does HEW fight this out with Labor, or does OMB decide this, or what?

Mr. DWIGHT. Generally speaking, the WIN program per se is run by a National Coordinating Council which is comprised of two people, Mr. Kolberg, Assistant Secretary for Manpower in the Department of Labor, and myself. Basically, we work it out in the beginning. If we had a dispute, which we have not had for the last several years, I assume it would be resolved by OMB and the Congress, but we have not had any disputes.

Mr. FLOOD. What method is used to distribute these work incentive funds we were talking about to the States? Is there some formula?

Mr. DWIGHT. Yes. The training funds have been apportioned on a formula basis for several years. The service funds up until the current year were apportioned based upon the request of the States because there was always adequate money to meet every request of the States.

In the current year it was obvious that that was no longer the case and we would have to generate some equitable basis for apportioning the limited funds among the States. In 1975 the apportionment is 25 percent based upon the formula used by the Department of Labor and 75 percent based upon the apportionment in 1974. In 1976 it will be 50 percent based upon the formula used by the Department of Labor and 50 percent based upon the apportionment in 1975.

Mr. FLOOD. Are you sure that is right? Something is wrong with that someplace.

Mr. HANS. The proportions are right. In 1975 the apportionmnet will be 75 percent based on the apportionment in 1974 and 25 percent based on the formula used by the Department of Labor. In 1976 it is a 50–50 split.

JOB PLACEMENT

Mr. FLOOD. You are placing all this emphasis on job placement. Now with all these high unemployment rates all over the country, do you feel this program is going to achieve that goal of 200,000 placements?

Mr. DWIGHT. Surprising as it may seem, the placement record continues to be on target.

Mr. FLOOD. I heard that, but I just cannot put that together. That is why I wanted to ask you about this.

Mr. DWIGHT. There have been studies which indicate that even in areas of high unemployment, placement activities continue for WIN participants. In addition, there has been increased emphasis on placement, which is a function of the law that was passed in 1971.

Mr. FLOOD. There are some recent press stories on that. I just could not figure that out. A lot of people wonder how that could be in view of the present high unemployment.

Mr. DWIGHT. It suggests that had the economy stayed in a more healthy state that our expectations would have been exceeded by a fairly substantial amount. That is the only conclusion I can come to.

Mr. FLOOD. I'm not talking about exceeding. How in the world did you do what you did under the circumstances?

Mr. DWIGHT. It is a shift in emphasis which is producing a result. Apparently it is averaging out so our expectations are being realized.

MALE/FEMALE PARTICIPATION

Mr. FLOOD. What is the percentage of distribution of participants between male and female?

We understand that the female placements in these jobs get lower wages than men. Is there a particular reason for that? Can you do anything about that?

Mr. HANS. The male-female distribution is approximately 75 percent female, 25 percent male.

Mr. FLOOD. I'm also talking about the lower wages.

What is the reason for that?

Mr. DWIGHT. Well, I would guess that the females in general have gotten lower wages, because of the kinds of jobs that are most readily available to them.

Mr. FLOOD. That is not much of an answer. This is your business. Why do females get lower wages, just because she is a female, period; is that it?

Mr. DWIGHT. That is part of it.

Mr. FLOOD. That is a great answer.

Mr. DWIGHT. The kinds of jobs that are most readily available for females are very heavily in the service occupations and in the clerical occupations. We do not place that many females in union construction jobs, for example.

Mr. FLOOD. I do not mean just classification of jobs. I mean lower wages on placements.

Mr. DWIGHT. They are not getting lower wages on a particular job. If they go into a hospital as a hospital nurse attendant, there would not be a difference in wages between male and female.

Mr. FLOOD. You mean a female paramedic gets the same as a male paramedic?

Mr. DWIGHT. Yes, very generally.

Mr. FLOOD. How generally?

Mr. DWIGHT. I could not give you the specifics on that but within that area I am trying to explain that the reason for the wage difference is the different kinds of jobs. It is not a differential between male and female on the same job.

Mr. FLOOD. You better get together on that and see what you can do, if you can do anything.

WELFARE SAVINGS

Last year you told us that the program achieved $106 million in welfare saving in 1973. That is what you told us last year. What is the estimated savings for 1974?

Mr. DWIGHT. We estimate $150 million in 1975.

Mr. HANS. These are welfare grant reductions as opposed to total welfare savings.

Mr. FLOOD. I am talking about the estimated savings.

Mr. HANS. Grant reductions reported in the most recent months were $12 million per month, which would annualize to $150 million.

Mr. FLOOD. The welfare savings in 1973, you told us last year, were $106 million. I want to know the comparable figure for 1974.

Mr. DWIGHT. For calendar year 1975 we estimate $150 million.

Mr. FLOOD. Last year you told us about 1973. You said it was $108 million. On the same basis you used last year, what do you estimate now on 1974?

Mr. DWIGHT. We will have to provide that information for the record.

[The information follows:]

In calendar year 1973, WIN calculates that approximately $106 million of welfare grants were reduced or eliminated. This figure does not include other welfare services that are affected when a person leaves welfare, such as food stamps or medicaid, et cetera. This $106 million is the minimum amount of savings from reductions in grant payments for the first year only. A proportion of these savings could be projected for more than 1 year.

In calendar year 1974, WIN calculates that $129 million of welfare grants were reduced or eliminated for those who entered jobs. Again, this figure does not include other welfare savings, which accrue when a person leaves welfare, such as food stamps, medicaid, subsidized housing, et cetera.

In calendar year 1975, WIN anticipates $150 million of first-year welfare grants, reduced or eliminated, which does not include the other welfare savings factors.

Mr. FLOOD. By the way, how do you calculate these welfare savings? Isn't that pretty tough to calculate over the long term?

Mr. SVAHN. The difficulty comes in getting the States and localities to accurately report reductions made as a result of WIN placements.

[The information follows:]

WIN calculates the welfare grants reduced from the WIN reports which the States prepare and send in monthly. The national office reviews the figures for reasonableness in relation to placements for each State. The State grant reductions are then annualized, modified by the State's 6-month retention rate, and adjusted for missing, or grossly incorrect, reports. Finally, the national office totals the 54 State agencies' annualized welfare grant reduction figures, which are used as a basis for the planning year's performance allocation formula.

Even more difficult in the calculation, I would have to admit, is trying to calculate the total savings associated with the WIN placement in terms of food stamps and medicaid benefits which also are reduced or terminated as employment is achieved.

ONE-THIRD REQUIREMENT

Mr. FLOOD. But that is not an easy job. Your budget shows a decrease for on-the-job training and public service employment. Now the basic law requires at least one-third of the expenditure to be used on those two areas. What do you think?

Are the States going to be able to meet that minimum requirement?

Mr. DWIGHT. We have had a number of discussions with Senator Talmadge who is responsible for that particular provision in the law. His objective in suggesting to the Congress that the law be enacted was to move away from the formalized training activities of WIN and get into things that would result in employment as opposed to resulting in training, because training is not the objective of the WIN program. Placement or jobs is the objective of the WIN program.

The proposition of activities which were solely concerned with placement was not a factor in the WIN program in those times. So basically, and I think with the support of those who have been concerned about

the WIN program for a long time, we have been trying to keep the one-third requirement right at that point so that we can concentrate all the resources on placements. This may in part answer the question you asked earlier about why the placements are holding up so well.

Mr. HANS. We, in fact, are meeting the one-third requirement. We are estimating that our total costs against that category in 1975 will exceed 40 percent. But it will be increasingly difficult to meet that without the carryover funds that are necessary for longer term contracting in this particular category. We will meet the requirement this year as we have each year since the requirement was enacted.

Mr. FLOOD. Mr. Michel.

IMPLEMENTATION OF WORK REQUIREMENT

Mr. MICHEL. Mr. Dwight, we understand that you and Mr. Kolberg have been working to implement the work requirement together with other elements of the 1971 statute. What have you done and why is it taking so long?

Mr. DWIGHT. The 1971 amendment to the Social Security Act provided that individuals required to register in the WIN program must accept employment or training as a condition of receiving AFDC benefits. This provision, the WIN work requirement, was implemented nationally on July 1, 1972, the effective date of the amendments. Since that date, all WIN registrants are subject to the work requirements as they proceed through the program. Individuals who fail to participate in the WIN program without good cause are terminated from AFDC. A fair hearing process is available to registrants who wish to contest a termination decision.

STATUS OF WORK INCENTIVES PROGRAM REDESIGN

Mr. MICHEL. What is the status of the WIN redesign? It was published last fall in the Federal Register, but was never implemented.

Mr. DWIGHT. As a result of the some 200 comments received on the proposed regulations, there were a number of revisions. One issue remains unresolved—whether job search should be required of all WIN registrants or limited to those certified as job-ready by the separate administrative unit. This issue was sent to the Office of Management and Budget for resolution, and the new regulations will not be published until a decision on this question is reached.

SOCIAL SERVICE FUNDING

Mr. MICHEL. Could you tell us the status of the WIN social service funding?

Mr. DWIGHT. In 1974, approximately $110 million was available for WIN child care and supportive service needs. In 1975, the Department of Health, Education, and Welfare published limits of entitlements in the Federal Register which limited expenditures to $94.3 million. The formula aims to assure that social service funds support the training and employment activities. As of December 30, 1975, States have submitted expenditures for approximately $58 million for child care and supportive services.

Mr. MICHEL. How did the States respond to this formula?

Mr. DWIGHT. The States responded critically to the reduction in social service fund levels, but agreed with the formula approach of trying to relate social service funds more closely to training and employment goals.

Mr. MICHEL. I understand the allocation was not made until January. Why was it so late?

Mr. DWIGHT. The 1975 appropriation law for the Departments of Labor and Health, Education, and Welfare was not signed until December 1974, and until then the Departments were operating under continuing resolutions. The Senate reduction of $70 million necessitated changing the allocation performance criteria. The Department of Labor funds had to be redistributed to the States before their percentages could be used for the social service distribution formula.

SEPARATE ADMINISTRATIVE UNIT

Mr. MICHEL. Could you tell us what is being done by the separate administrative unit of workers?

Mr. DWIGHT. In accordance with title IV–A of the Social Security Act, there is in each State a separate administrative unit functioning at both the State and local project level to administer the welfare portion of the WIN program. This unit has the responsibility to provide directly or through arrangements for those social services which are necessary to enable registrants in the WIN program to accept employment or receive manpower training.

In carrying out this function the unit participates with the manpower sponsor in appraising registrants, developing individual employability plans and self-support services plans as requested by the manpower sponsor, making arrangements for necessary services, certifying to the manpower sponsor that such services are available, and providing counseling and other services for a period of up to 60 days to individuals who have refused training or employment without good cause.

COLLOCATION OF WORKERS

Mr. MICHEL. What is the status of collocation of workers and State employment specialists?

Mr. DWIGHT. Although collocation has been totally accomplished at the Federal regional office level, no State to date has collocated its separate administrative unit and Employment Service WIN staff at the State office level. There are, however, in every State formal and informal working relationships between the agencies which permit the WIN program to operate effectively. Collocation remains a priority at the national level and is stressed in contacts with the States.

At the local level, a number of WIN projects are collocated. In some States, all local projects are completely integrated as a result of the heavy emphasis placed on this aspect of program operations. Where this is the case, we believe that it can be demonstrated that the program operates more smoothly and with a minimum of interagency problems.

Mr. MICHEL. Thank you.

Mr. FLOOD. Mr. Conte.

JOB PLACEMENTS

Mr. CONTE. Mr. Dwight, would you explain the redirection of the WIN program to increase the emphasis on job placements?

Mr. DWIGHT. Registration would take place in the WIN sponsor's office, the Employment Service, rather than at the welfare office. At this time the WIN registrants will be exposed to available employment. In addition, the job search activity is intended to provide automatic exposure to available jobs for registrants not actively involved in a training component. There will be increased emphasis on assisting individuals in finding their own job.

Mr. CONTE. Hasn't job placement always been the focus of the program? How is this redirection different from before? What used to be the focus of the program?

Mr. DWIGHT. While placement has always been the primary goal, the redirection of the program will allow AFDC applicants to be offered available employment at the time of registration, which they can accept on a voluntary basis. AFDC recipients who are required to register must accept suitable employment if offered. Job ready registrants not actively involved in a component or working full time will be referred to jobs or assisted in seeking work on their own. In the past there was greater emphasis on short-term training. In 1974 there were 38,700 man-years of work and training, including 20,000 man-years of institutional training. In 1975 there are expected to be 26,500 man-years of work and training and 23,700 man-years in 1976.

Mr. CONTE. Is there any evidence that with increased placements, and the downgrading of such things as training, the people you place are less able to keep their jobs?

Mr. DWIGHT. While we had expected some decrease in the job retention after 90 days, reports show there has been no decline in the first 6 months of fiscal year 1975 over fiscal year 1974. Approximately 70 percent of the persons were still on the job after 90 days for both periods. We are continuing to monitor for this possibility but there has been no indication yet that WIN registrants entering employment are less likely to keep their jobs than in previous years.

Mr. CONTE. What proportion of the WIN participants who are placed stay employed for a year or more? Do you think that this is indicative of success in the program?

Mr. DWIGHT. The data indicates that for the 3-month job entry period the job retention rate is 67 percent. In February, a study of selected data indicate a 12-month retention rate of better than 60 percent. Steady employment is a major factor in breaking the welfare cycle and this retention factor does indicate success in the WIN program.

Mr. CONTE. During the past 2 years we have appropriated billions of dollars for public service employment. Would you tell me why you say public service employment will decrease 1 percent in 1976?

Mr. DWIGHT. The WIN program is the only federally funded program dealing specifically with the employment problems of welfare recipients. They receive specialized employment services to enable them to accept suitable unsubsidized employment. In an effort to increase direct placements, public service employment has been slightly decreased by 500 man-years. It should be noted, however, that when

Comprehensive Employment and Training Act slots are available, WIN registrants are placed in these jobs, as has been done in the past. Also, as Comprehensive Employment and Training Act appropriations increase it is expected that additional WIN registrants will be placed.

APPLICANTS EXEMPT FROM THE WIN PROGRAM

Mr. CONTE. Would you tell me the categories of aid to families with dependent children applicants who are exempt from the WIN program?

Mr. DWIGHT. Applicants are exempt if they are a child under the age of 16, a child 16 to 21 who is a full-time student, a mother or other caretaker relative of a child under the age of 6, or a mother or other female caretaker of a child, when a nonexempt adult male relative in the home is registered and has not refused without good cause to participate in the WIN program or accept employment. A person who is ill, incapacitated, or of advanced age, or who is a caretaker in the home whose presence is required on a substantially continuous basis is also exempt. In addition a person who lives so far from any WIN project that he cannot effectively participate is exempt.

1976 LEVEL FOR CHILD CARE AND SUPPORTIVE SERVICES

Mr. CONTE. You say that you are providing child care and supportive services at the same level as in 1975. Is this sufficient, given the present economic situation and your desire to increase placements this year?

Mr. DWIGHT. The emphasis upon achieving early placement of WIN registrants in jobs results in reduced costs per placement. This is caused by a reduction in the length of time during which child care or other supportive services are needed. WIN placement figures continue at a comparable level to a year ago in spite of the economic situation.

WORKLOAD DETERMINATION

Mr. CONTE. Your justification indicates that you expect the same workload this year as last year. What sort of assumptions about the unemployment rate are built into that expectation?

Mr. DWIGHT. Our employment and job entry completion rates have not shown any decline so far as a result of the unemployment rate. We believe that the secondary labor market, clerical and service workers which hire the bulk of WIN clientele, have not been severely affected by the higher unemployment rate. Our assumption is this will continue to be true in fiscal year 1976 and that we will be able to place the same number of individuals as in fiscal year 1975 and 1974.

ALTERNATIVE MODELS FOR CHILD CARE

Mr. CONTE. Can you tell me what kinds of alternative models of child care you will be looking at in 1976?

Mr. DWIGHT. During fiscal year 1976 we will be looking very closely at family day care models as an alternative to in-home or center day care. A model which holds forth considerable promise is one in which mothers who are AFDC recipients are trained and used as family day

care providers. This model offers a number of advantages. It is easier to monitor and establish standards for than traditional in-home care. It provides an employment potential for AFDC mothers. And, it may prove more cost effective than other forms of day care. This model is already operative in a number of locations and will be reviewed with the view to promoting it nationally.

COST-BENEFIT STUDIES

Mr. CONTE. Have you done any cost-benefit studies of the WIN program?

Mr. DWIGHT. The Department of Labor is using a cost effective approach to allocate the discretionary funds. This procedure involves comparing annualized welfare grant reductions to the State's training and incentive costs, and annualized wages generated by WIN job entrants compared to the State's cost.

Mr. CONTE. Can you estimate the reduced welfare costs arising out of the program?

Mr. DWIGHT. The calendar year 1973 annualized welfare grant reductions totaled $106 million for 1973 only. The calendar year 1974 annualized grant reductions totaled over $129 million for that year. The grant reduction figures do not include other welfare savings such as food stamps, medicaid, taxes paid on wages, et cetera, which accrue when a person leaves welfare. Further, these figures should be projected for additional years to determine actual welfare savings resulting from the program.

Mr. CONTE. How does this relate to the cost of the program?

Mr. DWIGHT. The Pacific Training and Technical Assistance Corp. is currently studying this issue over a 2½-year period and we are expecting conclusions by early 1976. Upon completion of the current cost-benefit studies we will be in a better position to determine a comprehensive cost-benefit ratio for the program.

WIN COMPARED WITH OTHER MANPOWER PROGRAMS

Mr. CONTE. To what extent do the services provided by the WIN program duplicate services offered by other programs? Would you go

into some detail, cataloging each service offered and the other Federal programs which offer the same or equivalent services?

Mr. DWIGHT. Programs funded under the Comprehensive Employment and Training Act provide services to a wide range of individuals just as WIN provides similar services to AFDC applicants and recipients. These include: on-the-job training; public service employment; institutional or classroom training; counseling; job development and job referral and supportive services.

The public employment services provide job development and referral services to any eligible individual. Job referrals may include referral to on-the-job training and public service employment slots available in the community. Social services in the existing title IV of the Social Security Act will become a part of the new title XX in October 1975, and continue to allow welfare agencies to provide non-WIN supportive services such as child care to AFDC recipients.

Mr. CONTE. To what extent is WIN different and/or better than related programs in the manpower development area?

Mr. DWIGHT. WIN limits its services to AFDC applicants and recipients, while these individuals are a small proportion of the Comprehensive Employment and Training Act and regular employment service caseload. Placement of an AFDC recipient results not only in benefits to the individuals but also to Federal and local governments, in the form of savings from welfare grants, food stamp and medicaid as well as taxes paid.

Non-WIN related supportive services offered by welfare agencies under title IV–A are not likely to be directly job-related as are the WIN supportive services provided by these agencies under the same part of the law.

Mr. CONTE. Thank you.

Mr. FLOOD. Thank you, Mr. Dwight.

Mr. DWIGHT. Thank you, Mr. Chairman.

Justification of the Budget Estimates

Appropriation Estimate

WORK INCENTIVES

For carrying out a work incentives program, as authorized by part C of title IV of the Social Security Act, including registration of individuals for such program, and for related child care and other supportive services, as authorized by section 402(a)(19)(G) of the Act, including transfer to the Secretary of Labor, as authorized by section 431 of the Act, ~~$210,000,000~~ *$330,000,000*, which shall be the maximum amount available for transfer to the Secretary of Labor and to which the States may become entitled pursuant to section 403(d) of such Act, for these purposes.

For "Work Incentives" for the period July 1, 1976, through September 30, 1976, $80,000,000, which shall be the maximum amount available for transfer to the Secretary of Labor and to which the States may become entitled.

WORK INCENTIVES

Appropriation Language	Explanation
For carrying out a work incentives program, as authorized by part C of title IV of the Social Security Act, including registration of individuals for such program, and for related child care and other supportive services, as authorized by section 402(a)(19)(G) of the Act, including transfer to the Secretary of Labor, as authorized by section 431 of the Act, [$210,000,000] *$330,000,000*, which shall be the maximum amount available for transfer to the Secretary of Labor and to which the States may become entitled pursuant to section 403(d) of such Act, for these purposes.	Appropriation is authorized under Title IV, Sec. 431(a): "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 moneys appropriated pursuant to this section, to enable him to carry out such purposes." Language is written to insure the limitation of expenditures incurred in the fiscal year, consistent with the closed end appropriation nature of the program as opposed to the open-ended appropriation programs for cash assistance, medical and social services authorized in the Act.
For "Work Incentives" for the period July 1, 1976, through September 30, 2976, $80,000,000, which shall be the maximum amount available for transfer to the Secretary of Labor and to which the States may become entitled.	The explanation of the interim language is the same as the above.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Work Incentives

Amounts Available for Obligation

	1975 Estimate	1976
Appropriation	$210,000,000	$330,000,000
Total obligations	$210,000,000	$330,000,000

Summary of Changes

1975 Estimated obligations	$210,000,000
1976 Estimated obligations	$330,000,000
Net change	+$120,000,000

	1975 Base		Change from Base	
	Pos.	Amount	Pos.	Amount
Increases:				
A. Program				
1. Training and Incentives	255	$140,000,000	---	+$ 93,000,000
2. Child Care and Supportive Services	---	70,000,000	---	+ 27,000,000
Total, net change	255		---	+$120,000,000

Explanation of Changes

Increases:

A. Program

1. Training and Incentives: The program level for training and incentives in 1976 is estimated at $218,121,000, slightly lower than the 1975 level. To carry out the planned level, $233,000,000 in new budget authority is required in addition to the $34,861,000 available from prior year commitments. The new budget authority will permit continuation of training and employment for those participants on board at the end of 1975.

2. Child Care and Supportive Services: The program level for child care and supportive services is estimated at $96,834,000, about the same level as 1975. To carry out the planned level, $97,000,000 in new budget authority is required.

Obligations by Activity

Page Ref.		1975 Estimate Pos.	1975 Estimate Amount	1976 Estimate Pos.	1976 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
86	Training and Incentives	255	$140,000,000	255	$233,000,000	---	$+ 93,000,000
90	Child Care and Supportive Services	---	70,000,000	---	97,000,000	---	+ 27,000,000
	Total obligations	255	$210,000,000	255	$330,000,000	---	$+120,000,000

Obligations by Object

	1975 Estimate	1976 Estimate	Increase or Decrease
Total number of permanent positions	255	255	--
Full-time equivalent of all other positions	1	1	--
Average number of all employees	246	246	--
Personnel compensation:			
Permanent positions	$3,830,700	$3,994,700	+$164,000
Positions other than permanent	27,000	27,000	--
Other personnel compensation	20,000	20,000	--
Subtotal, personnel compensation	3,877,700	4,041,700	+ 164,000
Personnel benefits	348,900	363,900	+ 15,000
Travel and transportation of persons	433,400	433,400	--
Transportation of things	15,800	15,800	--
Rent, communication and utilities	1,197,200	1,217,200	+ 20,000
Printing and reproduction	110,800	127,800	+ 17,000
Other services	1,019,800	1,096,800	+ 77,000
Project contracts	12,427,300	12,658,300	+ 231,000
Supplies and materials	77,100	77,100	--
Equipment	51,000	51,000	--
Grants, subsidies, and contributions	190,441,000	309,917,000	+119,476,000
Total obligations by object	210,000,000	330,000,000	+120,000,000

Authorizing Legislation

Legislation	1976 Authorized	1976 Appropriation requested
Social Security Act as amended		
Section 431--Work Incentive Program for Recipients of Aid to Families with Dependent Children.....	Indefinite	$233,000,000
Section 401--Child Care (Related to Work Incentive Program).....	Indefinite	$ 97,000,000

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	170,180,000	120,180,000	98,180,000	98,180,000
1972	275,198,000	259,198,000	259,198,000	259,198,000
1973	290,420,000 1/	2/	455,133,000	290,420,000 3/
1974	543,434,000	384,434,000	340,443,000	340,443,000
1975	280,000,000	280,000,000	210,000,000	210,000,000
1976	330,000,000			

1/ Comparable revised request shown for 1973.

2/ House did not consider request.

3/ No appropriation received; comparable funds received under a continuing resolution.

Justification

Work Incentives

	1975 Estimate		1976 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Training and Incentives	255	$140,000,000	255	$233,000,000	---	+$93,000,000
Child Care and Supportive Services	---	70,000,000	---	97,000,000	---	+ 27,000,000
Total	255	$210,000,000	255	$330,000,000		+$120,000,000

General Statement

The Work Incentive Program, authorized under Title IV of the Social Security Act, as amended, is designed to encourage and assist recipients of Aid to Families with Dependent Children (AFDC) to achieve self-support through a program of training, work experience, employment, child care, and other supportive services. Funds are appropriated directly to the Department of Health, Education and Welfare, which provides WIN participants with supportive services including child care, transportation and related expenses, pre-referral services, medical aid, family and budget planning, to enable them to accept work and training. State expenditures are matched by Federal payments at the rate of 90 percent.

In addition, the Department of Health, Education and Welfare transfers to the Department of Labor sufficient funds to carry out the Training and Incentives portion of the WIN program in 54 States/jurisdictions including over 300 local projects. The transferred funds in the form of Federal grants covering 90 percent of the costs of manpower and training activities are made to the State manpower agencies. Fifty percent of the transferred funds are distributed among the States based on each State's percentage of Work Incentives registrants during the preceding January. The remaining funds in each year are distributed at the Secretary of Labor's discretion, based on performance.
The funds received by the manpower agencies provide for the registration of individuals, program orientation, testing, counseling (including the development of an employability plan for each WIN participant), job referral services, job development, direct job placement, and follow-up of all employed participants. The manpower agencies also negotiate sub-contracts with local employers and educational and training facilities who provide on-the-job training, subsidized public service employment, work experience and institutional training. Funds for overall program development, evaluation, research and administration are retained at the national office level.

The Work Incentive Program is the major resource of manpower and employment services for the recipients of Aid to Families with Dependent Children who will be required to register for employment and work-related training during fiscal years 1975 and 1976. Therefore, the primary emphasis of WIN remains that of placing the maximum number of participants in self-supporting employment, thus reducing the cost of the nation's welfare assistance.

WORK INCENTIVES

The following data indicate 1976 planned workload and program levels in comparison with fiscal years 1974 and 1975. The 1975 workload reflects increased emphasis on placement oriented services.

Workload

	1974	1975	1976
Registration/Job Bank Search 1/	820,100	816,000	1,300,000
WIN History and Job Bank Search 1/	---	1,360,000	---
Appraisal/Employability Planning	547,500	800,000	800,000
Intensive Manpower Services	---	720,000	520,000
Man-years of work and training	38,700	26,500	23,700
Placements 2/	177,300	200,000	200,000
Average number of children receiving child care	80,700	71,600	71,600
Average number of persons receiving supportive services	125,200	104,800	104,800

1/ Registration includes WIN History and Job Bank Search in fiscal year 1976.
2/ Placements in 1974 and 1975 are those who "enter job entry," and in 1976 those who "enter employment."

Costs/Budget Authority
(Dollars in thousands)

	1974	1975	1976
Budget authority	$340,443	$210,000	$330,000
Program costs funded in prior years	140,985	147,261	34,861
Program costs funded for subsequent years	-147,261	-34,861	-49,906
Less unobligated balance lapsing	- 143	---	---
Less adjustments to prior years	- 1,014	1,281	---
Current year program costs	333,010	323,681	314,955

Program costs of $314,955,000 represent the level of program activity to be conducted during 1976 from new budget authority and from funds obligated in prior years to continue training and employment activities for WIN participants. For fiscal year 1976, $330,000,000 in new budget authority will be required in addition to funds obligated in 1975 to continue the training and employment of those participants on board at the end of 1975. The 1975 and 1976 program levels are discussed in detail in the following pages.

Training and Incentives

	1975 Estimate		1976 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel comp. and related services.....	255	$19,559,000	255	$20,083,000	---	+$ 524,000
Grants.....	---	120,441,000	---	212,917,000	---	+92,476,000
Total...	255	$140,000,000	255	$233,000,000	---	+$93,000,000

1976 Program

The primary objective of the WIN program in Fiscal Year 1976 will continue to be the placement of AFDC recipients in unsubsidized employment, thereby resulting in welfare savings. To accomplish this objective, the WIN program plans to place 200,000 registrants in unsubsidized employment. These "entered employments" will result from the continued emphasis by the WIN program on timely labor market exposure and the direct placement of WIN participants.

The vehicle for carrying out the 1976 WIN program objective is the WIN redesign. Under the redesign, registration responsibilities have been transferred from the Income Maintenance Unit to the local employment service office to facilitate labor market exposure. The WIN registrant is interviewed and a complete work history is taken. Where possible, registrants will be directly placed into a job. Those registrants who cannot be placed directly and who are found to be most nearly job ready may be placed in intensive manpower services. Here they receive job counseling, acquire job development skills, are provided any necessary supportive services and will receive incentive payments. Registrants who are not placed into intensive manpower services will be put into a job search activity. Job search may, where appropriate, provide job development, referral and placement assistance and supportive assistance. In addition, training will continue to be available to selected WIN registrants where it is deemed that it will lead to unsubsidized employment.

Collocation has greatly facilitated administration of the WIN program. Not only the national office, but also all ten regional offices now operate with the Department of Labor and Department of Health, Education, and Welfare staff physically collocated. Further administrative improvements are planned in Fiscal Year 1976. The revised management information system should simplify reporting and avoid certain duplication that had existed in the reports of the two agencies. The development of a system of management indicators should improve overall program monitoring.

It is hoped that improved administrations will act in part to offset a very realistic problem of operating a program so closely related to employment during a period of economic downturn without sustaining a decrease in the program's effectiveness.

In Fiscal Year 1976, WIN will continue to emphasize the quality of job placements by attempting to place registrants in positions which have proven to be of longer duration and which command higher wages. In addition, WIN will continue with efforts to increase job options for women.

To assure coordinated programs from the national and local levels, WIN projects will be encouraged to establish linkages with appropriate Comprehensive Employment and Training Act prime sponsors for training and employment activities. Successful pilot ventures will be publicized to WIN projects and local manpower advisory councils.

The workload is estimated to remain at the same level for Fiscal Year 1976. Although training activities will decrease somewhat, the emphasis on placement activities will continue as a result of the implementation of the redesign and will require that supportive services be provided at least on the same level as the previous fiscal year.

A total of $233,000,000 in new budget authority is required to support the 1976 planned program level, in addition to the $34,861,000 in program costs obligated in 1975 to continue training and employment for those WIN participants on board on June 30, 1975.

The 1976 program level is estimated at $218,120,000 compared to a level of $229,332,000 projected for 1975. This level of funding will provide for the full compliment of redesign activities with its increased emphasis on intake services. The lower program level is a result of a decrease in work and training activities, particularly on-the-job training. The new budget authority will provide $218,917,000 to be distributed among the State manpower agencies.

1975 Program

The primary objective of the 1975 WIN program continues to be the placement of WIN registered AFDC recipients into unsubsidized employment in order to achieve welfare savings. It is estimated that 200,000 individuals will obtain employment through WIN in 1975.

In order to achieve this goal, the Departments of Labor and Health, Education, and Welfare are implementing a redesign of the WIN program. Under the program redesign, all applicants who are eligible for Aid to Families with Dependent Children and are nonexempt for WIN will be registered for WIN by the local employment service office. During the face-to-face interview, a complete work history will be taken. All registrants who are marginally employable or not fully employed will be appraised, certified and either directly placed into jobs or placed in a component devised to bring them into contact with employment. At a minimum, each participant will be assigned to a job search component, providing job development, referral and placement assistance. A total of 26,500 man-years of work and training opportunities will also be provided for those participants who require employability development services to qualify for an employment opportunity.

The Secretary of Labor used a formula based on mandatory and discretionary factors to allocate WIN training and incentives funds. In 1975, one-half of the national WIN/DOL new obligational authority was allocated to each State based on its share of the WIN registrant population in January 1974, as required by the WIN legislation. The remaining WIN/DOL program funds were allocated to each State based on performance. This performance involved programmatic, fiscal and cost/benefit factors that measure each State's achievement in annual welfare grant reductions and annual wages realized by WIN participants.

A major training effort was conducted during the first half of 1975 to prepare regional and State WIN personnel for implementation of the redesign. Draft regulations were distributed and the new redesign procedures were explained in detail. Special attention was given to the importance of close working relationships between local welfare and manpower agency staff. Implementation of the redesign is expected to occur in the third and fourth quarters of the fiscal year.

The WIN emphasis on placement has meant that WIN staff have attempted to remove all artificial barriers to the employment of WIN participants. In the past, this effort has included negotiation for the removal of such job requirements as high school diplomas, height and weight specifications, and age, where appropriate. In 1975, the Department of Labor has contracted with the Center for Human Systems, Inc., to develop a training package on increasing nontraditional jobs for women WIN participants. The training package will include research on the attitudes and practices of employers, staff and participants which perpetuate the placement of women in traditionally lower paid female employment positions. In cooperation with the Women's Bureau, an employers conference will be conducted to obtain the cooperation of major employers, unions, CETA sponsors, members of educational and vocational institutions and other appropriate community representatives.

Studies on the development of WIN management indicators and a verification of data elements in the funding allocation model are expected to be completed during the third quarter.

A total of $140,000,000 will be obligated in 1975 to operate the training and incentives portion of the WIN program. Of this amount, $125,369,000 will be obligated by State manpower agencies for training and incentives and $14,631,000 will be obligated for Federal program direction and evaluation.

1974 Accomplishments

During 1974, the Department of Labor continued to operate a placement-oriented WIN program, in accordance with the 1971 amendments to the Social Security Act. The increased emphasis on appraisal, direct placement, job development, on-the-job training and public service employment and corresponding decrease in institutional training resulted in 177,000 WIN participants obtaining unsubsidized employment in 1974. This was a 29 percent increase over the 1973 level of 136,800 placements and a 320 percent increase over the 1972 level of 42,100. In order to help achieve this increase in placements, emphasis was placed on assuring that data developed by the local WIN Labor Market Advisory Councils were properly utilized so that all training was conducted in occupations for which employment was readily available. Long-term institutional training was therefore reduced from 30,000 man-years in 1973 to 19,900 man-years in 1974. Page provides a summary of workload data by component.

Coordination between the Departments of Labor and Health, Education, and Welfare was significantly improved in 1974 through the collocation of national and regional office WIN staff. These collocated staffs strengthen the joint planning process necessary to provide training, placement and supportive services enabling WIN participants to obtain and retain employment.

A cost/benefit allocation formula was developed during 1974 for use in 1975 and subsequent years. This formula measures the benefits received from WIN expenditures measured by welfare grant reductions, wage levels and job retention rates resulting from WIN registrants entering unsubsidized employment.

The WIN redesign to be implemented in 1975 was designed and developed in 1974. Revised program regulations were drafted by the national office collocated staff and representatives of regional and local WIN staff. Training and technical assistance materials were prepared and revisions of the WIN handbook were drafted.

A total of $250,127,000 was obligated in 1974 to operate the training and incentives portion of the WIN program. Of this amount, $238,362,000 was obligated by State manpower agencies for training and employment and $11,765,000 was obligated for Federal program direction and evaluation.

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Child Care and Supportive Services

	1975 Estimate	1976 Estimate	Increase or Decrease
Grants.....	$70,000,000	$97,000,000	+ $27,000,000
Total	$70,000,000	$97,000,000	+ $27,000,000

The Work Incentive Program, authorized under Title IV of the Social Security Act, as amended, is a State-administered program designed to encourage and assist recipients of Aid to Families with Dependent Children (AFDC) to achieve self-support through a program of training, work experience, employment, child care, and other supportive services. Funds are appropriated directly to the Department of Health, Education, and Welfare, which is responsible for determining WIN eligibility and providing WIN participants with supportive services including child care, transportation and related expenses, pre-referral services, medical aid, and family and budget planning.

The 1971 Amendments to the Social Security Act authorize child care and other supportive services to be provided to all WIN registrants who need such care and services to enable them to accept work or training. State expenditures are matched by federal payments at the rate of 90 percent.

1976 Program

Child care services include full-time and part-time care for children of WIN participants. Child care may be in their own home, in family day care homes, and in day care centers. Other supportive services which may be provided include family planning, medical examinations, remedial medical services, homemakers, home management, housing improvement, transportation for access to services, and vocational rehabilitation services. During 1976, an estimated 71,625 years of child care and 104,820 man-years of services will be provided.

Rising day care costs coupled with an inadequate number of day care slots which meet the minimum federal standard, have made it difficult to provide day care service to registrants. The WIN program will test alternative models for the provision of employment-related child care which meet federal interagency day care standards and are cost effective. Cost effective models meeting these standards will be promoted as alternatives to existing methods of providing day care services.

1975 Program

During 1975, an estimated 71,625 years of child care and 104,820 man-years of supportive services will be provided. To assure improved coordination between the welfare services and the employment services, the Department of Health, Education, and Welfare limits of entitlement will partially relate to the placement performance of State agencies. The estimate for FY 1975 assumes availability of prior year funds obligated for 1975 program activity. To the extent adjustments to prior year costs are necessary a shift in funding of up to $1,000,000 from the Training and Incentives activity may be required.

1974 Accomplishments

The WIN program placed 177,000 participants in jobs in FY 1974. These placements were supported by the 80,700 average number of children receiving child care, and the 125,200 who received supportive services. Of the child care provided in 1974, two-thirds was full-time and nearly one-third part-time. Child care for children in their own homes accounted for 51 percent of the total care provided, while 34 percent received care in family day care homes and 15 percent were cared for in day care centers. Coordination between the Departments of Labor and Health, Education, and Welfare was significantly improved in 1974 through the collocation of national and regional office WIN staff. These collocated staffs jointly developed the State Operating Plans for FY 1975 covering employment and social service required to train and place WIN participants.

WORK INCENTIVES
PROGRAM COSTS FUNDED
(total costs in thousands)

	FY 1974 Actual		
	Workload	Unit Cost	Total Cost
TRAINING AND INCENTIVES			
Intake/Services			
Income Maint Unit Elig	$ ---	$---	$ ---
Registr/Job Bank Search	820,126	11	9,021
WIN Hist & Job Bank Search	---	---	---
Apprais/Employ Planning	547,464	8	4,379
Employ Planning/LMI	354,923	22	7,808
Orientation	141,275	16	2,260
Direct Placement	119,334	393	46,898
Intensive Manpower Services	---	---	---
Adjudication	13,434	93	1,249
Program Direction & Eval	---	---	13,439
Subtotal			$85,054
Work and Training			
On-the-Job Training	10,738	5,157	55,375
Public Service Employment	4,669	6,967	32,528
Institutional Training	19,942	2,277	45,407
Work Experience	3,383	1.445	4,888
Subtotal	38,732 M/Y		$138,198
Total, DOL Costs			$223,252
CHILD CARE AND SUPPORTIVE SERVICES			
Child Care	80,710	592	47,780
Supportive Services	125.210	495	61,978
Total, HEW Costs			$109,758
Total, WIN Costs			$333,010

	DOL	HEW	Total
New Budget Authority	$250,257	$90,186	$340,443
Prog Cost Funded Prior Years	+98,341	+42,644	+140,985
Prog Cost Funded Subseq Years	-124,193	-23,068	-147,261
Less Unobligated Bal Lapsing	-130	-13	-143
Less Adjustment to Prior Years	-1,023	9	-1,014
Costs	$223,252	$109,758	$333,010
(Outlays)	($231,934)	($107,928)	($339,862)

WORK INCENTIVES
PROGRAM COSTS FUNDED
(total costs in thousands)

TRAINING AND INCENTIVES	FY 1975 Estimate Workload	Unit Cost	Total Cost
Intake/Services			
Income Maint Unit Elig 1/	57,100	20	1,142
Registr/Job Bank Search	816,000	11	8,976
WIN Hist & Job Bank Search 1/	1,360,000	7	9,520
Apprais/Employ Planning	800,000	8	6,400
Employ Planning/LMI 2/	385,000	22	8,470
Orientation 3/	---	---	---
Direct Placement 3/	---	---	---
Intensive Manpower Services 1/	720,000	87	62,640
Adjudication	13,500	93	1,255
Program Direction & Eval	---	---	20,228
Subtotal			$118,631
Work and Training			
On-the-Job Training	10,700	5,157	55,179
Public Service Employment	4,700	6,967	32,744
Institutional Training	8,100	2,277	18,443
Work Experience	3,000	1,445	4,335
Subtotal	26,500 M/Y		$110,701
Total, DOL Costs			$229,332
CHILD CARE AND SUPPORTIVE SERVICES			
Child Care	71,625	593	42,473
Supportive Services	104,800	495	51,876
Total, HEW Costs			$ 94,349
Total, WIN Costs			$323,681

	DOL	HEW	Total
New Budget Authority	140,000	70,000	210,000
Prog Cost Funded Prior Years	+124,193	+23,068	+147,261
Prog Cost Funded Subseq Years	-34,861	---	-34,861
Less Unobligated Bal Lapsing	---	---	---
Less Adjustment to Prior Years	---	1,281	1,281
Costs (Outlays)	$229,332 ($222,000)	$94,349 ($94,000)	$323,681 ($316,000)

1/ Components implemented in FY 1975 as a result of the WIN redesign.
2/ The LMI portion of this component was absorbed in the FY 1975 WIN history and Job Bank Search component under the WIN redesign.
3/ This component was absorbed by the Intensive Manpower Services component under the WIN redesign.

WORK INCENTIVES
PROGRAM COSTS FUNDED
(total costs in thousands)

TRAINING AND INCENTIVES	FY 1976 Estimate Workload	Unit Cost	Total Cost
Intake/Services			
Income Maint Unit Elig 1/	57,100	21	1,199
Registr/Job Bank Search 4/	1,300,000	20	26,000
WIN Hist & Job Bank Search 1/	---	---	---
Apprais/Employ Planning 5/	800,000	38	30,400
Employ Planning/LMI 2/	---	---	---
Orientation 3/	---	---	---
Direct Placement 3/	---	---	---
Intensive Manpower Services 1/	520,000	80	41,600
Adjudication	13,500	93	1,255
Program Direction & Eval	---	---	20,083
Subtotal			$120,537
Work and Training			
On-the-Job Training	9,000	5,157	46,412
Public Service Employment	4,200	6,967	29,261
Institutional Training	8,100	2,277	18,443
Work Experience	2,400	1,445	3,468
Subtotal	23,700 M/Y		$ 97,584
Total, DOL Costs			$218,121
CHILD CARE AND SUPPORTIVE SERVICES			
Child Care	71,625	610	43,691
Supportive Services	104,820	507	53,143
Total, HEW Costs			$ 96,834
Total, WIN Costs			$314,955

	DOL	HEW	Total
New Budget Authority	233,000	97,000	330,000
Prog Cost Funded Prior Years	34,861	---	34,861
Prog Cost Funded Subseq Years	-49,740	-166	-49,906
Less Unobligated Bal Lapsing	---	---	---
Less Adjustment to Prior Years	---	---	---
Costs	$218,121	$96,834	$314,955
(Outlays)	($218,000)	($97,000)	($315,000)

1/ Components implemented in FY 1975 as a result of the WIN redesign.
2/ The LMI portion of this component was absorbed in the FY 1975 WIN history and Job Bank Search component under the WIN redesign.
3/ This component was absorbed by the Intensive Manpower Services component under the WIN redesign.
4/ In FY 1976 under the WIN redesign, this component will include WIN History and Job Bank Search function.
5/ In FY 1976 under the WIN redesign, this component will include Employability Planning function.

Work Incentives

Program Purpose and Accomplishments

Activity: Training and Incentives (Social Security Act, Section 431)

1975 Estimate		1976		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
255	$140,000,000	Indefinite	255	$233,000,000

Purpose: The 1971 amendments to the Social Security Act authorize a work incentive program designed to encourage and promote employment, work experience and training of recipients of Aid to Families with Dependent Children.

Explanation: Federal grants covering 90 percent of the costs of manpower and training activities are made to the State manpower agencies. All non-exempt and voluntary recipients of Aid to Families with Dependent Children (AFDC) are registered and given labor market exposure. Those with employment potential are certified and provided such services as job counseling, orientation, employability planning, on-the-job training, public service employment, institutional training and work experience.

Accomplishments in 1975: By June 30, 1975, the Department of Labor plans to have registered 816,000 individuals, called in 800,000 for appraisal and provided employability planning to 385,000 participants. An estimated 26,500 man-years of work and training will be provided. Placements are estimated at 200,000.

Objectives for 1976: During 1976, an estimated 1,300,000 AFDC recipients will receive labor market exposure, of which 816,000 will be new registrants and 484,000 prior year registrants. An estimated 800,000 will be appraised and provided employability planning, and 520,000 will receive intensive placement assistance. An estimated 23,700 man-years of work and training will be provided. Placements are estimated at 200,000.

Work Incentives

Program Purpose and Accomplishments

Activity: Child Care and Supportive Services (Social Security Act, Section 401)

1975 Estimate		1976		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$70,000,000	Indefinite	---	$97,000,000

Purpose: The 1971 Amendments to the Social Security Act authorize child care and other supportive services to be provided to all WIN registrants who need such care and services to enable them to accept work or training.

Explanation: Federal financial participation is provided to States at a 90 percent matching rate to enable them to provide child care and supportive services to persons participating in training or work under the Work Incentive Program.

Accomplishments in 1975: To assure improved coordination between the welfare services, the Department of Health, Education, and Welfare, limits of entitlement will partially relate to the placement performance of State agencies. It is estimated that 71,625 years of child care and 104,820 man-years of supportive services will be provided.

Objectives for 1976: To assure improved coordination with the Department of Labor's placement and training goals, the HEW allocation of support resources will continue to be more closely related to DOL, the joint planning and review process will be enhanced, and the provision of day care services will be improved through the development of cost effective models to meet the Federal Interagency Day Care Requirements.

We anticipate 71,625 years of child care and 104,820 man-years of supportive services will be needed.

Work Incentives

Actual and Estimated Awards for Training and Incentives
Fiscal Years 1974 - 1976

State	FY 1974 Actual	1975 1/ Estimate	1976 2/ Estimate
Alabama	$1,709,510	$1,153,000	$2,811,000
Alaska	924,862	614,000	783,000
Arizona	1,956,314	1,535,000	2,257,000
Arkansas	1,760,982	1,502,000	1,902,000
California	29,088,929	13,271,000	28,589,000
Colorado	4,365,925	1,357,000	3,458,000
Connecticut	3,366,340	1,664,000	2,569,000
Delaware	843,455	337,000	653,000
Dist. of Col.	2,921,620	2,770,000	3,352,000
Florida	5,622,253	2,643,000	4,902,000
Georgia	4,573,090	3,433,000	4,790,000
Guam	50,126	127,000	308,000
Hawaii	1,056,599	817,000	1,294,000
Idaho	1,284,670	354,000	1,031,000
Illinois	9,229,281	5,573,000	8,749,000
Indiana	1,722,376	1,457,000	2,029,000
Iowa	2,721,629	547,000	2,260,000
Kansas	1,851,057	538,000	1,916,000
Kentucky	1,813,375	1,771,000	1,940,000
Louisiana	2,91[illegible],290	1,017,000	2,039,000
Maine	1,793,776	468,000	1,717,000
Maryland	5,918,259	2,901,000	4,706,000
Massachusetts	7,427,154	1,968,000	6,834,000
Michigan	11,016,910	9,202,000	14,054,000
Minnesota	4,515,759	2,017,000	4,117,000
Mississippi	2,171,774	1,412,000	2,634,000
Missouri	4,425,179	2,159,000	3,983,000
Montana	1,575,337	253,000	955,000
Nebraska	1,500,508	309,000	1,124,000
Nevada	275,389	455,000	656,000
New Hampshire	507,640	177,000	405,000
New Jersey	4,669,888	4,767,000	5,717,000
New Mexico	1,388,846	940,000	1,126,000
New York	28,574,456	19,143,000	24,583,000
North Carolina	1,996,462	1,515,000	2,311,000
North Dakota	825,103	525,000	663,000
Ohio	7,780,883	6,482,000	8,592,000
Oklahoma	2,008,027	1,360,000	2,213,000
Oregon	5,789,808	2,099,000	3,972,000
Pennsylvania	11,954,329	2,958,000	9,468,000

aining and Incentives - cont'd

State	FY 1974 Actual	1975 1/ Estimate	1976 2/ Estimate
Puerto Rico	$6,123,410	$1,238,000	$4,614,000
Rhode Island	1,268,212	324,000	1,325,000
South Carolina	1,586,278	1,036,000	1,691,000
South Dakota	1,038,470	640,000	805,000
Tennessee	2,146,918	1,685,000	2,750,000
Texas	7,755,249	3,048,000	6,436,000
Utah	2,849,940	1,785,000	2,667,000
Vermont	632,912	449,000	666,000
Virginia	3,700,906	1,441,000	2,847,000
Virgin Islands	345,655	24,000	209,000
Washington	6,504,641	2,685,000	4,914,000
West Virginia	9,405,832	1,723,000	4,458,000
Wisconsin	8,635,680	5,529,000	7,648,000
Wyoming	478,408	172,000	425,000
Total	$238,361,681	$125,369,000	$218,917,000

1/ These amounts are subject to change since revised State plans have not yet been finalized.

2/ These amounts subject to change based on actual number of WIN registrants in January 1975.

Work Incentives

Actual and Estimated Awards for WIN Social Service
Including Child Care and Administration
Fiscal Years 1974 - 1976

State	1974 Actual	1975 1/ Estimate	1976 1/ Estimate
Alabama	$1,619,480	$808,000	$1,250,000
Alaska	747,572	84,000	450,000
Arizona	865,960	757,000	1,070,000
Arkansas	853,797	453,000	700,000
California	-	3,860,000	6,650,000
Colorado	1,283,728	1,052,000	1,240,000
Connecticut	1,444,762	823,000	1,280,000
Delaware	388,559	322,000	380,000
Dist. of Col.	1,356,722	1,451,000	1,670,000
Florida	-	2,307,000	2,370,000
Georgia	4,777,713	478,000	2,870,000
Guam	-	48,000	60,000
Hawaii	266,928	318,000	350,000
Idaho	1,237,051	174,000	620,000
Illinois	244,000	2,529,000	2,600,000
Indiana	65,264	465,000	810,000
Iowa	784,001	945,000	970,000
Kansas	758,257	765,000	790,000
Kentucky	1,239,562	761,000	1,220,000
Louisiana	1,634,647	406,000	1,000,000
Maine	549,603	632,000	650,000
Maryland	1,755,499	2,238,000	2,300,000
Massachusetts	856,538	1,342,000	1,770,000
Michigan	14,867,730	6,748,000	10,800,000
Minnesota	1,923,509	993,000	1,630,000
Mississippi	419,858	446,000	610,000
Missouri	1,220,015	1,792,000	1,840,000
Montana	472,022	339,000	490,000
Nebraska	479,798	456,000	470,000
Nevada	41,436	102,000	110,000
New Hampshire	133,479	156,000	160,000
New Jersey	6,708,986	4,889,000	6,450,000
New Mexico	492,748	247,000	390,000
New York	12,138,157	10,133,000	13,400,000
North Carolina	1,088,908	1,256,000	1,390,000
North Dakota	291,084	144,000	230,000
Ohio	67,009	2,266,000	2,330,000
Oklahoma	1,139,009	410,000	830,000
Oregon	3,647,558	1,809,000	2,630,000
Pennsylvania	2,083,952	2,010,000	2,680,000

WIN Social Service Including Child Care and Administration - cont'd

State	1974 Actual	1975 1/ Estimate	1976 1/ Estimate
Puerto Rico	$1,152,475	$1,250,000	$1,290,000
Rhode Island	739,473	549,000	710,000
South Carolina	811,263	934,000	990,000
South Dakota	320,448	184,000	300,000
Tennessee	1,619,041	806,000	1,260,000
Texas	5,095,888	1,392,000	3,000,000
Utah	805,161	981,000	1,220,000
Vermont	659,049	558,000	580,000
Virginia	1,326,814	1,257,000	1,370,000
Virgin Islands	-	43,000	50,000
Washington	2,251,959	1,041,000	1,810,000
West Virginia	1,346,773	1,379,000	1,510,000
Wisconsin	3,782,121	2,328,000	3,260,000
Wyoming	144,634	84,000	140,000
Total	$90,000,000	$70,000,000	$97,000,000

1/ These amounts are subject to change dependent upon receipt of revised State Plans and development of "needs" patterns from States' estimates and expenditure reports.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

SOCIAL AND REHABILITATION SERIVCE

Work Incentives

Amounts Available for Obligation

	1976 Estimate	Interim Period
Appropriation.....	$330,000,000	$ 80,000,000
Total obligations.....	$330,000,000	$ 80,000,000

Obligations by Activity

	1976 Estimate		Interim Period	
	Pos.	Amount	Pos.	Amount
Training and Incentives	255	$233,000,000	255	$52,821,000
Child Care and and Supportive Services	---	97,000,000	---	27,179,000
Total Obligations	255	$330,000,000	255	$80,000,000

Obligation by Object

	1976 Estimate	Interim Period
Total number of permanent positions	255	255
Full-time equivalent of all other positions	1	1
Average number of all employees	246	246
Personnel compensation:		
Permanent positions	$3,994,700	$ 1,019,000
Positions other than permanent	27,000	7,000
Other personnel compensation	20,000	9,000
Subtotal, personnel compensation	4,041,700	1,035,000
Personnel benefits	363,900	93,000
Travel and transportation of persons	433,400	108,000
Transportation of things	15,800	4,000
Rent, communication and utilities	1,217,200	304,000
Printing and reproduction	127,800	32,000
Other services	1,096,800	274,000
Project contracts	12,658,300	3,165,000
Supplies and materials	77,100	19,000
Equipment	51,000	13,000
Grants, subsidies, and contributions	309,917,000	74,953,000
Total obligations by object	330,000,000	80,000,000

Justification

Work Incentives

The $80,000,000 is slightly less than one-fourth of the 1976 Budget Request as provided for by the Congressional Budget and Impoundment Control Act of 1974. It will maintain the 1976 planned level through the transition period. It will provide for the funding of subcontracts of work and training and for intake services, as well as funding the child care and other supportive services.

Salaries and Expenses

WITNESSES

JAMES S. DWIGHT, JR., ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE
JOHN A. SVAHN, DEPUTY ADMINISTRATOR, SRS, AND COMMISSIONER, ASSISTANCE PAYMENTS ADMINISTRATION
CLARENCE M. COSTER, ASSOCIATE ADMINISTRATOR FOR MANAGEMENT, SOCIAL AND REHABILITATION SERVICE
SAMUEL E. MARTZ, ASSISTANT ADMINISTRATOR FOR FINANCIAL MANAGEMENT, SOCIAL AND REHABILITATION SERVICE
MISS ANNA L. PERKINS, ACTING DIRECTOR, DIVISION OF BUDGET, SOCIAL AND REHABILITATION SERVICE
WILLIAM J. FORBUSH, HEW
KEITH WEIKEL, COMMISSIONER, MEDICAL SERVICES ADMINISTRATION
JACK YOUNG, COMMISSIONER, MEDICAL SERVICES ADMINISTRATION

INTRODUCTION

Mr. Flood. The committee will be in order.

We have one more item today from the Social and Rehabilitation Service. It is "Salaries and expenses."

The presentation of "Salaries and expenses" will be made by James S. Dwight, Jr., Administrator for Social and Rehabilitation Service. We have your biographical sketch which we will place in the record at this time.

Department of Health, Education, and Welfare—Social and Rehabilitation Service

BIOGRAPHICAL SKETCH

Name: James S. Dwight, Jr.
Position: Administrator, Social and Rehabilitation Service.
Birthplace and date: Pasadena, Calif., March 9, 1934.
Education: Pomona College, Claremont, Calif.; University of Southern California, B.S.—accounting, 1956.
Experience: June 1973—Administrator, Social and Rehabilitation Service; August 1972–June 1973—Associate Director, Office of Management and Budget; 1967–72—Chief Deputy Director of Finance, State of California; 1959–66—Controller, Sunkist Growers, Inc.; 1955—59—Certified public accountant, Haskins & Sells

OPENING STATEMENT

Mr. Flood. Do you have a prepared statement?

Mr. Dwight. Yes, sir. I would ask that it be inserted in the record.

Mr. Flood. Fine. We will place your statement in the record.

[The information follows:]

Mr. Chairman and members of the committee, in fiscal year 1976 nearly 30 million Americans will be served by public assistance programs administered by the Social and Rehabilitation Service. To support SRS activities, we have requested a total budget of $15,401,860,000. This includes $72,775,000 for the salaries and expenses required for Federal administration of SRS programs. Of this sum, $40,475,000 is designated for central operations and $32,300,000 for regional operations.

STAFFING IN 1975/1976

The current authorized staffing level for the Social and Rehabilitation Service is 2,370 permanent positions, of which 484 (including support staff) are associated with the Rehabilitation Services Administration. The Rehabilitation Services Administration was transferred to the Office of Human Development effective February 2, 1974; thus, RSA's fiscal year 1976 budgeted administrative costs are included in the SRS request.

Our current request provides for an increase of 108 positions to address the problems of medicaid fraud and abuse. This makes a total of 2,478 permanent positions (including the 484 identified with RSA) for the Federal administration of the Social and Rehabilitation Service programs in 1976.

MAJOR PRIORITIES FOR FISCAL YEAR 1976

We have identified a number of high-priority programs for fiscal year 1976:

Title IV–D.—The Federal duties and responsibilities with regard to child support and establishment of paternity under provision of title IV–D of the Social Security Act have been assigned to the Administrator of the Social and Rehabilitation Service. We are proceeding to assure that the requisite activities of the Public Law 93–647 are fully operational by July 1, 1975.

Title XX.—Social service legislation promulgated as title XX, will be implemented by the Community Services Administration. The Federal role will involve the provision of technical assistance to the States, drafting of new program, financial and reporting requirements, and publication of evaluation guides and other technical assistance materials.

EPSDT.—Early detection and treatment of medical problems in children under 21 years of age is the purpose of the early periodic screenings, diagnosis, and treatment program. In 1976, major emphasis in this effort will be placed on increasing the availability of treatment, expanding screening and mental health care facilities, providing health education to families, and improving management of the entire EPSDT process.

Management initiatives.—SRS is undertaking management initiatives to reduce costs and to improve the management of both the AFDC program and the medicaid program.

The goal of the quality control program for AFDC will be to bring error rates below 3 percent for ineligibility and 5 percent for underpayments and for overpayments. Federal efforts will involve continued samplings to determine error rates, review of States' corrective action plans, and provisions of technical assistance.

There are three management improvement programs for medicaid: Utilization control, medicaid eligibility quality control, and provider fraud and abuse. We are working (in accordance with title XIX, sec. 1903(g) of the Social Security Act) to assure that all utilization control systems are fully established and operational by the end of fiscal year 1975. During fiscal year 1976, the implementation of these utilization review procedures should reduce unnecessary care without depriving anyone of entitled benefits.

The medicaid eligibility quality control program is being developed and will be operational in fiscal year 1976. The purpose of this initiative is to improve the management of the medicaid program with a view to eliminating or substantially reducing the number of ineligible recipients on the rolls.

Fraud and abuse on the part of doctors, pharmacists, and nursing home owners is one of the major excesses and management weaknesses of the medicaid program. Situations have surfaced in a number of areas which suggest that these problems are costly and pervasive. We believe that it is imperative that we address this issue in order to enhance the efficiency of the medicaid program, and to establish the kind of control system with regard to providers that is essential for sound management. Accordingly, we are asking for 108 new positions for our provider fraud and abuse program which will be developed and implemented in fiscal year 1976. The concentration of effort will include monitoring of high volume providers, examination of nursing home practices and conditions, and investigation of cases where there is evidence of claims paid for services not rendered. All new positions will be assigned to the regional offices.

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CHANGES FOR FISCAL YEAR 1976

The $72,775,000 request for the "Salaries and expenses" portion of the SRS budget reflects an increase of $8,813,000 over the comparable 1975 appropriation. Built-in changes in the amount of $5,420,000 constitute 62 percent of the increase. This amount includes $3,707,000 for new positions funded on a part-year basis in 1975, and $1,713,000 for other built-ins—within grade pay increases, costs for annualizing the October 1974 pay raise, the additional workday in 1976, and increased charges in the working capital fund. The new positions, together with related contractual support for the fraud and abuse initiative, account for $3,393,000 of the requested increase.

SUMMARY

In summary, Mr. Chairman, we are requesting $72,775,000 to provide the administrative support to conduct the Social and Rehabilitation Service programs for fiscal year 1976. Built-in budgetary changes total $5,420,000, which comprises most of the $8,813,000 increase over the 1975 appropriation; new efforts to improve the management of the medicaid program account for $3,393,000 of the total increase. The request does not reflect the impact of title IV–D and title XX provisions discussed above. After review by the Department and the Office of Management and Budget, we will be furnishing you the impact of these provisions.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions the committee may have.

CURRENT VACANCIES

Mr. FLOOD. You indicate in your statement that in your current authorized staffing is 2,370 positions. How many are vacant?

Mr. DWIGHT. At the present time a little over 200 of our positions are vacant.

Mr. FLOOD. Will you make that figure exact?

Mr. DWIGHT. Yes, sir.

[The information follows:]

SRS VACANCIES

For fiscal year 1975 SRS was authorized 2,370 positions. This level has been subsequently reduced by the transfer to Office of the Secretary, Departmental Management, of 5 positions associated with the Office of the Commissioner of Welfare—effective March 16, 1975—and 484 positions associated with RSA, to the Office of Human Development—effective February 2, 1975—leaving SRS with a revised authorized staffing level of 1,881 positions. As of April 30, 1975, 231 of these positions are vacant.

AUTHORIZED POSITIONS

Mr. FLOOD. No doubt an agency like yours has a large responsibility under your umbrella. But every year there is a request for more and more new jobs. What we want for the record on this shop is the number of new positions, year by year, for the last 10 years. Last year we allowed you 135 new jobs for this agency. How many were associated with the medicaid program?

Mr. DWIGHT. Ninety, with the medicaid program and 45 with the rehabilitation program.

Mr. FLOOD. This medicaid program keeps growing and growing rapidly every year. What effect, if any, will these new jobs have on controlling the cost of medicaid?

Mr. DWIGHT. Two things: One, last year there was an increase of 135 jobs. There was also a decrease of 107 jobs from our request. The second point, these positions which were authorized last year for the medicaid program, except for a few in early and periodic screening are all restricted to the central office by our interpretation of language that the committee put in on them.

Specifically, these people are being recruited to design effective ways of entering into the activities or concerns for fraud and abuse, supplementing our efforts to initiate a medicaid quality control program.

Basically they are building the capacity to utilize the additional staff we have requested for fiscal year 1976 who will be out in the field to start to embrace the major problems we have identified in the medicaid program. A year from now, whoever is here will have some good answers for you as to what we are doing about starting to control these runaway costs and some of these very questionable practices that we see in the medicaid program.

Mr. FLOOD. We agree on that. In this budget you are requesting an additional 108 new jobs for medicaid.

Mr. DWIGHT. That is correct.

Mr. FLOOD. These would be used, as you have just mentioned, for what you call provider fraud and abuse.

Mr. DWIGHT. That is one of the activities.

Mr. FLOOD. What do you do in these new jobs?

Mr. DWIGHT. We have four major areas we are addressing in the medicaid program: First the medicaid quality control program, for which we think we have adequate staff; second, the provider abuse area which includes fraud and other abuses; third, the question of the way the States handle their administrative processes at the State level, and I think that may be somewhat relevant to the questions you and Mr. Natcher were asking this morning about who does things in these programs; and lastly, our utilization and control activities. We are trying to build together all four of these areas. The 108 new positions requested will be used in the regions to fill out the staff shortages so that we can adequately support all those activities with the States.

[The information follows:]

HISTORY OF SRS AUTHORIZED POSITIONS

	Actual or budgeted positions	Total comparable positions	Change from prior year
For fiscal year—			
1969	1,693	1,237	(1)
1970	1,903	1,422	[3] 185
1971	1,768	1,542	[3] 120
1972	2,382	2,074	[4] 532
1973	2,582	2,074	[5] 0
1974	2,781	2,273	[6] 199
1975	2,462	2,370	[7] 97
1976	2,478	2,478	[8] 108

[1] Actual 1969 staffing as subsequently augmented by 32 positions from supplemental programs; i.e., repatriation, rehabilitation research and juvenile delinquency less comparability transfers including 216 positions to OHD (AoA/JD), 242 positions to HSMHA (maternal and child health), 20 positions to ACTION and 10 positions to departmental management.

[2] Increase of 125 medicaid positions as requested in budget amendment plus an additional 60 positions authorized for maintenance (2), medical (17), social services (30) and juvenile delinquency (11) management improvement. Total comparable positions also reflect the transfer as indicated in footnote (1).

[3] Increased positions include 65 contained in the regular appropriation for improved SRS management (medical (28), social services (10) regional commissioners' staff (10) and executive direction (7)) plus 55 QC positions authorized in a supplemental appropriation. Excluded from the total comparable positions are transfers for AoD/JD (216) and departmental management (10).

[4] Increased positions include 50 for medicaid and social services contained in the regular appropriation, 142 positions authorized in the nursing home supplemental and 427 positions authorized in a supplemental; rehabilitation of PA recipients (29), quality control AFDC (59), maintenance (35), medical (80), social services (165), States claims (34) and prior year expenditures (25). Excluded from the total comparable positions are subsequent transfers, 77 positions for long-term care and 15 positions for management to regional directors offices.

[5] Increased positions were authorized for the Nutrition program (AoA), subsequently transferred to OHD. These positions are excluded from the total comparable positions together with those reflected in footnote (d).

[6] The increase of 199 positions reflects congressional action which authorized ". . . up to 200 of the 725 additional positions proposed . . ." (House Report No. 93–682). The requested positions were to strengthen all areas of Federal/State management of the public assistance programs. Total comparable positions exclude the following 508 transferred positions: long-term care (77), Regional Directors Offices (15) and AoA/JD (416).

[7] Reflects a net increase of 97 positions which includes 135 newly authorized (90 medicaid and 45 RSA) less a loss of 38 from the base due to specific direction from the Congress to shift within total resources to provide for funding of those newly authorized. The total comparable positions exclude 77 long-term care and 15 regional directors offices transfers.

[8] This increase is the 1976 request for 108 new positions for medicaid management, particularly to address the problem of provider fraud and abuse and States medicaid practices. Total comparable positions exclude 77 long-term care and 15 regional directors offices transfers.

Note: Recent transfers of 484 positions to OHD for RSA, effective Feb. 2, 1975, and 5 positions to departmental management for office of the commissioner of welfare, effective Mar. 16, 1975, have not been deleted from staffing figures reflected on this table as administrative support is included in the SRS 1976 request.

LONG-TERM CARE

Mr. FLOOD. Over in the Office of the Secretary there is something called long term care. That apparently involves nursing homes that participate in medicaid. How does that program differ from what your office is doing in administering medicaid?

Mr. DWIGHT. We have the administrative responsibility for the medicaid program. One aspect of administration, however, is being taken care of elsewhere, namely, the review process of the effectiveness of State and medicare activities which involves going in and looking at nursing-home facilities and intermediate-care facilities to make sure that their standards are adequate to meet the medical needs of the people who are there.

As I am sure you are very well aware, they have been very active in the State of Pennsylvania.

Mr. FLOOD. Yes.

TRANSFER OF REHABILITATION SERVICES ADMINISTRATION

Now in this budget you have funds for the Rehabilitation Services Administration.

Mr. DWIGHT. Yes, sir.

Mr. FLOOD. Since that office has been transferred over to the Office of Human Development, why wasn't the budget changed to reflect that transfer?

Mr. DWIGHT. Again this was a question of timing. Since the development and submission of this budget we have concluded that 484 of the positions in Social Rehabilitation are either directly or indirectly involved in the rehabilitation program.

Those people have been transferred to the Office of Human Development. The funds necessary to support those people are in the process of being identified, both for the balance of the current year and for 1976.

Mr. FLOOD. We thought you would have a plan to propose such a shift in the budget.

Mr. DWIGHT. I assume fiscal 1977 will be the first time the presentation by the Department to the Congress for appropriation will recognize the fact that the rehabilitation program has moved into the Office of Human Development. Is that correct?

Mr. FORBUSH. I think what remains in this appropriation is the overhead, outside of RSA itself, that division has been completely transferred to the Office of Human Development and its budget is part of the Human Development budget request for 1976.

Ms. PERKINS. I will have to correct that. All of the rehabilitation salaries and other expenses are still in this budget.

Mr. FLOOD. That is what I am talking about.

Ms. PERKINS. Yes, absolutely. At the time the budget was prepared the people had not transferred. That became effective February 1.

Mr. FORBUSH. That is correct. The program dollars have been transferred. I'm sorry, Mr. Chairman.

TECHNICAL ASSISTANCE CONTRACTS

Mr. FLOOD. Now you are asking for $1,150,000 increase for technical assistance contracts. What are these contracts supposed to accomplish?

Mr. DWIGHT. Mr. Chairman, we have used in the launching of these new initiatives extensively third-party contracts to develop the methodology and move into these areas. Specifically, next year we are talking about the areas I mentioned with specific emphasis on the question of fraud and abuse.

Mr. FLOOD. Why do you need such a large increase?

Mr. DWIGHT. We are not doing anything on that this year.

Mr. FLOOD. How many contracts are involved in this?

Mr. DWIGHT. That is our estimate of the amount that will be necessary to adequately launch this effort.

Mr. FLOOD. How many contracts?

Mr. DWIGHT. We do not know at this time.

Mr. FLOOD. You don't know?

Mr. DWIGHT. No. In other words, we feel we need that much effort to complement the people we can recruit in order to successfully implement those four initiatives I mentioned.

Mr. FLOOD. At what point are you going to know how many contracts?

Mr. SVAHN. Mr. Chairman, what we are talking about here are startup costs in terms of contracting and in developing the new pro-

grams and the new initiatives. It is much more cost-effective when you need a large number of people working on a program right at the start and then taper off.

Mr. FLOOD. You have $2 million this year and you do not know how many contracts. What about the $2 million?

Mr. DWIGHT. No, I think we have $200,000 or $300,000 this year for contracts.

Mr. FLOOD. Do you send these justifications to us, and then forget about them? Take a look at page 108 under "Program, item B, increases." B–2, project contracts, 1975 amount to $2 million.

Mr. DWIGHT. The $2 million of existing would address itself to a wide diversity of project activities. Take most of our computer work that is done outside of the Department. That would all be in there, as an example. Also the efforts that we initiated this year in our parent support program, which we talked about this morning in terms of funding, were in there.

Mr. Coster, do you want to set out for the chairman some of the other activities?

Mr. FLOOD. That is what I asked you. You said there were no contracts.

Mr. DWIGHT. I said I did not know how many there would be for the additional million.

UTILIZATION OF CURRENT CONTRACT FUNDS

Mr. SVAHN. The $2 million deals with the contracts the agency has right now, outstanding contracts such as for the development of guides in child abuse and neglect, things such as mailing services, contracts in quality control, contracts in research and evaluation.

Mr. FLOOD. How many?

Mr. SVAHN. I can count them up for you here.

I am informed that these are broken out by dollar allocations and could represent two or three contracts in each one. If you like, we can put it in the record.

Mr. FLOOD. Please do that.

[The information follows:]

Insert 4316A

Analysis of SRS Contracts

The following summary is an estimate of project contracts included in the $2 million FY 1975 estimate:

Subject:	Number of Contracts	Amount in Plan
Office of Information Systems		
Technical assistance to 33 States by an automated quality control data analyses network.	2	$100,000
Hendrickson Corp. - Computer tape output files; part of Medicaid Management Information System	3	150,000
Data files for analysis of Impact of Inflation	1	60,000
Magnetic tapes for Medicaid Utilization Review	2	11,000
Sub-total	8	$321,000
Community Services Administration		
Consultant Services for Implementation of Title XX	1	75,000
Development of Audit guides Title XX, Neglected Children, etc.	3	125,000
Regional Office staff training for Title XX implementation	1	25,000
ADP/Time Sharing support for systems design HEW parent locator service	1	100,000
Sub-total	6	325,000
Office of Planning, Research and Evaluation		
Case-recording for AFDC study	1	60,000
		60,000
Associate Administrator for Management		
Regional Medicaid Eligibility Quality Control Orientation Sessions	1	120,000
Contractual Services for the performance of financial review for Public Assistance	3	400,000
Sub-total	4	520,000
Office of Policy Coordination		
Advertising Council, Inc. to assist SRS/OPA for national rehabilitation advertising campaign - radio and TV public service announcements, news and magazine ads, etc.	1	110,000
TV spot - Family Planning	1	9,000
Bi Centex Exhibit	1	5,000
National Audio Visual Center for film re-stocking, film maintenance and repair services	1	10,000
Sub-total	4	134,000

Insert 4316A (cont'd)

Subject:	Number of Contracts	Amount in Plan
Medical Services Administration		
Development of Medicaid Provider Abuse Detection Program.	3	$450,000
Early and Periodic Screening, Diagnosis and Treatment Management Information System Development for administration in States	1	180,000
Sub-total	4	630,000
Assistance Payments Administration		
Title IV-A earnings information to be used in Quality Control program	1	10,000
Sub-total	1	10,000
Grand total	28	$2,000,000

JUSTIFICATION FOR TRAVEL INCREASE

Mr. FLOOD. How did you figure out that you need an increase of $670,000 for travel?

That is an increase of over 20 percent.

Mr. DWIGHT. There are several reasons for that, Mr. Chairman. This year our travel is artificially reduced because of the overall limitation of 1974. As between 1974 and 1975, we moved in our AFDC quality control program from a heavily dominated contract activity to one where the work was all being done by employees.

As a consequence we are very short on travel funds in the current year. It is in some respects curtailing our activities. Second, the new positions, both the 90 positions this year or really the 135 positions, plus the 108 next year, are very travel-intensive positions in the sense that these people will be out in the field almost entirely dealing with the States.

As a consequence, they will need a disproportionately high share of travel.

Mr. FLOOD. For the record, we are talking about a specific line item now, travel. Suppose you make a detailed analysis for the record showing how this request for travel was computed.

Mr. DWIGHT. Certainly.

[The information follows:]

Additional Support for 1976 Travel Request

The total travel budget requested for FY 1976 is $3,824,000 -- an increase of $670,000 over FY 1975. This increase is attributed primarily to the travel requirements of the 135 new positions authorized in FY 1975 and the 108 additional positions requested for FY 1976.

Of these 243 new positions, 45 are assigned to RSA for rehabilitation of the severely disabled. The remaining 198 positions are assigned to MSA for Medicaid management improvement programs which require substantially more travel by each professional than is experienced in other SRS programs. The activities of the management-improvement staffs dictate they spend an extensive amount of time in travel status, requiring a disproportionate increase in the amount of funds for travel.

The 135 New Positions for FY 1975

The hiring and orientation processing for the 135 positions authorized in 1975 will be completed by June 30, and intensive travel by the staffs will commence in FY 1976. Additional funds in the amount of $231,000 will be needed to support these positions in FY 1976 (no travel funds were provided and no appreciable travel activity was undertaken in FY 1975). Travel costs projected for these positions in 1976 were based on a unit (man-year) cost of $1,865 which provides for about a 25 percent increase over the current SRS man-year travel cost of $1,500. Annualization costs for support of positions authorized in 1975 provide for 124 man-years of support i.e., about 90 percent of total annual costs not funded in 1975.

The 108 New Positions for FY 1976

Of the 108 new positions requested for the fraud and abuse initiative in FY 1976, 85 are professionals who will spend a considerable amount of time in travel status. The request provides for 81 man-years of support in FY 1976 (provide full on-board staff for 75 percent of the year) and assumes that initial recruitment/hiring effort will be directed toward the professional staff.

Due to the intensive travel requirement associated with this activity, the estimated average unit (man-year) cost for travel is $2,333, for a total of $189,000.

Increased Travel Requested

In view of the travel constraints included in the 1975 appropriation and the urgent need to intensify efforts in the areas of AFDC Quality Control and Medicaid Eligibility Quality Control for improved management of the rapidly escalating costs associated with the welfare programs, the SRS request includes an additional $250,000 for travel requirements associated with such effort.

Summary Table

FY 1975 Travel Budget	$3,154,000
Travel Requirements for 135 Positions Authorized in 1975 (124 man-years)	231,000
Travel Requirements for 108 Positions Requested in 1976 (81 man-years)	189,000
Increase Requirements for Intensified PA Management Initiatives	250,000
Total 1976 Travel Request	$3,824,000

SOCIAL AND REHABILITATION SERVICE REORGANIZATION

Mr. FLOOD. We have not heard much lately about this SRS reorganization plan. Where does that stand now?

Have you finished reorganizing for a while? Around town here we get to the point of where we are in favor of reorganizations against any more reorganizations. Where are you with this one?

Mr. DWIGHT. Mr. Chairman, I believe that most of our structural reorganization efforts were completed in November of 1973. Since that time we have been doing a little work in our regional offices. Those have very recently, within the last 2 months, been completed and published in the Federal Register.

The only changes we have left to do are those where we find that the recorded organizational structure within some of the program bureaus differs from the existing mode of operation.

In other words, we are not operating the agencies like the Medical Services Administration and the Community Services Administration and the Assistance Payments Administration in a fashion which is consistent with the way they are reflected by the published organizational records in the Federal Register. These are just in the process of being done and I understand that the assistance payments and the medical services organizations are now over with the Secretary. These will not represent a change from the existing pattern but rather conforming the recorded organization to the actual organization. Technically they are reorganizations, but as a matter of practicality, from the point of view of the people in the agency, they would not perceive a change.

Mr. FLOOD. When you sit in appropriations committees the most expensive things are reorganizations and something that is temporary. A temporary agency or temporary building is the most permanent thing we have.

MEDICAID PAYMENTS

By the way, I have before me the Washington Post for Thursday April 24, 1975. Here on the very front page is a story entitled "Doctor Gets $309,468 in Medicaid Pay." I am sure you saw the story or heard about it.

Mr. DWIGHT. Yes, sir.

Mr. FLOOD. Well, what is he running, a clinic?

Mr. DWIGHT. I am not personally familiar with the operation. On reading the story, it seems as though the gentleman has a fairly effective health delivery operation. At least that is the way it was reported in the press.

Mr. FLOOD. I know. But one doctor, $309,468?

Mr. DWIGHT. I doubt if it is one single doctor.

Mr. FLOOD. Apparently it is only one, according to the newspaper story.

PROGRAM MONITORING

Mr. DWIGHT. We do keep track in our program, and the States are obliged to report to us annually physicians whose practices are paid over $100,000 a year.

Mr. FLOOD. Is this a clinic?

Mr. DWIGHT. I don't know. Maybe Dr. Weikel knows.

Dr. WEIKEL. I do not have the information specifically, but he is an obstetrician in Washington. We have data from the States indicating that there are 363 physicians who got $100,000 or more from the medicaid program during 1974. Some of that is not necessarily one physician. He may be operating a clinic. We do not have the data broken down.

One of the reasons we are asking for additional people is to look specifically at these high-dollar-volume providers to have people check their records and see if they are providing the services and if they are quality services, et cetera.

Mr. FLOOD. There must have been a half dozen Members who brought this article to my attention. I wanted you to know about this. I don't think you are surprised since you are on top of it.

Dr. WEIKEL. We are concerned. That is why we are asking for the additional resources. It is not just physicians. We want to look at nursing homes, pharmacies, et cetera—to go in whenever they go over a certain dollar volume.

It is conceivable that some of the high-dollar-volume providers are providing good services.

Mr. FLOOD. I don't doubt that.

Mr. DWIGHT. It is also conceivable that they are not and that is what we would like to know.

Mr. FLOOD. That is right.

Mr. PATTEN. Rather than for us to try to guess what the facts are, I would like to have you say that for those of us who are the butt of these questions, that sometime in the future we are going to be given more evidence so we can answer our colleagues.

That would please me more.

Dr. WEIKEL. We can give that to you in a couple of days.

Mr. FLOOD. I do not think they knew the hearings were going on, but they have come after me with this one story. They had torn the article out and were carrying it around. I told them we would have to get that information and let them know.

Mr. DWIGHT. We will have to talk to Mr. Yeldell, who is the head of the District of Columbia Department of Human Resources.

Mr. PATTEN. We went through this in New Jersey. We have had grand juries and legislative investigations into every phase of medicare. We have had some investigating newspaper reporters who dig some of these large sums that certain physicians receive. You have probably been in on it.

Dr. WEIKEL. We have 12 in New Jersey.

Mr. FLOOD. Well, we like to get the facts and the truth, otherwise we will be saying things here for the record which we may regret. Let's get the story straight.

[The information follows:]

CLARIFICATION OF THE WASHINGTON POST STORY ON DR. EDWARDS

Dr. Edwards practice consists predominantly of medicaid patients. He works alone and makes extensive use of ancillary staff. The District of Columbia's utilization control system has a mechanism, to review certain services provided to medicaid recipients, which they believe provides appropriate review of physicans' practices. Our regional staff has no indication that this system has found any improper actions by Dr. Edwards.

Mr. FLOOD. Thank you very much, gentlemen.

Mr. Patten.

GROWTH OF ASSISTANCE PROGRAMS

Mr. PATTEN. This is $15 billion. I was there before you were born. In 1930 we had a mayors volunteer committee, to help the unemployed. We solicited like you do for the Community Chest. We raised the magnificent sum of $28,000 after a Herculean effort to take care of about 8,000 unemployed.

The State was not in the picture. There was no Federal aid. All these things were going to come later. You did not even have old age assistance in 1930. We had the overseer of the poor locally with a $16,000 budget. Here we are with $15 billion. I just wonder about oversight. When I go home and I talk about helping Vietnam they will say, "Let's help our own." I would say if you give me oversight in your appropriation, your whole philosophy or the results of your investigations to strengthen me to support what we are doing in the Government, it would be a big help to me.

Mr. DWIGHT. I would be very happy to.

Mr. PATTEN. I was there when it started in 1931. When I think the $15 billion—paid by 227 million people, if we take a percentage of our gross national product or the total earned income it may be good government.

Mr. DWIGHT. We will be happy to give you anything you would like, Mr. Patten.

Mr. PATTEN. If the people feel it is right and a good job is being done, we will be supported.

Mr. FLOOD. Mr. Conte.

AFDC QUALITY CONTROL PROGRAM

Mr. CONTE. In your statement, you said that the goal of the AFDC quality control program was to bring error rates below your targets of 3 percent for ineligibility and 5 percent for overpayment. Earlier today you told us that the present rates were tremendously above that. Just so we have it here, what are the present error rates?

Mr. DWIGHT. The rates will be supplied for the record.

QUALITY CONTROL

Table 2. AFDC ERROR RATES BY STATE, July-December 1974

State	Cases with errors as a percent of total cases			Amount of payment errors as a percent of total payments		
	Ineligible	Eligible but Overpaid	Eligible but Underpaid	Ineligible	Overpaid	Underpaid
National average	8.5	19.7	8.2	7.4	6.2	1.5
Alabama	7.7	13.1	7.6	6.1	5.1	2.2
Alaska	5.2	16.2	5.8	6.1	5.1	1.8
Arizona	13.5	23.2	10.6	10.8	6.7	1.9
Arkansas	3.3	10.9	9.0	2.5	2.8	2.4
California	6.1	15.1	6.8	5.5	3.7	1.0
Colorado	6.7	12.1	3.6	6.1	4.4	0.6
Connecticut	5.8	16.3	10.1	4.8	3.9	0.8
Delaware	10.9	21.8	12.8	9.5	6.6	2.1
Dist. of Col.	12.7	22.1	7.3	10.3	6.7	1.2
Florida	9.6	22.0	7.8	7.5	8.7	2.3
Georgia	10.7	27.6	9.2	8.3	10.1	2.7
Hawaii	5.5	23.0	10.7	4.5	6.9	1.7
Idaho	1.9	14.6	3.9	1.3	3.6	0.7
Illinois	15.2	28.1	5.3	12.9	10.9	1.2
Indiana	3.5	14.1	8.6	2.2	4.5	1.4
Iowa	7.2	21.4	12.8	5.6	6.3	2.5
Kansas	12.3	18.5	10.4	10.4	5.1	2.2
Kentucky	5.1	18.7	5.9	3.5	5.8	1.0
Louisiana	8.0	13.2	5.5	7.0	5.2	1.5
Maine	6.2	19.5	4.0	4.4	7.3	0.9
Maryland	12.4	28.8	11.9	10.8	9.3	2.0
Massachusetts	11.5	24.8	12.0	12.3	5.6	1.2
Michigan	7.8	27.9	8.2	7.2	7.5	0.8
Minnesota	7.1	17.2	5.4	5.7	6.1	0.8
Mississippi	2.7	8.5	3.5	2.2	3.1	0.9
Missouri	8.2	14.8	3.0	7.5	6.2	0.7
Montana	9.8	15.9	3.7	8.6	5.8	1.6
Nebraska	10.9	25.3	9.3	9.2	7.4	1.7
Nevada	--	2.5	3.8	--	0.4	1.2
New Hampshire	16.7	37.3	7.4	14.0	10.1	1.7
New Jersey	4.0	20.8	7.0	3.1	5.1	1.4
New Mexico	4.5	9.4	7.7	4.3	2.0	1.6
New York	12.7	29.6	18.6	11.8	9.9	2.6
North Carolina	7.0	22.2	16.4	5.4	6.5	3.4
North Dakota	1.3	4.6	3.9	1.2	0.8	0.7
Ohio	11.0	14.5	3.8	10.8	5.1	0.7
Oklahoma	1.6	5.8	3.3	1.1	2.0	0.6
Oregon	4.7	14.0	3.8	4.6	3.7	0.6
Pennsylvania	9.0	18.8	6.0	8.0	5.6	1.1
Puerto Rico	11.3	20.4	8.8	8.8	7.4	2.9
Rhode Island	5.9	18.9	4.1	4.7	5.1	0.5
South Carolina	6.9	20.1	12.6	6.3	6.2	4.0
South Dakota	3.7	14.4	2.3	1.6	4.1	0.4
Tennessee	7.5	15.4	4.2	6.8	5.9	1.2
Texas	5.1	8.9	2.3	4.2	3.5	0.7
Utah	5.4	12.3	7.3	4.1	4.3	1.7
Vermont	3.8	19.2	4.9	4.2	3.7	0.6
Virgin Islands	11.0	11.7	6.2	8.4	4.4	1.7
Virginia	4.7	18.4	7.5	3.2	5.8	1.4
Washington	4.4	9.1	3.7	3.9	2.5	0.6
West Virginia	4.0	7.8	4.0	3.3	2.2	1.1
Wisconsin	5.1	15.7	14.4	5.1	2.6	1.7
Wyoming	8.6	13.8	5.3	6.6	5.3	1.8

ERROR RATE

Mr. CONTE. How do you propose to bring the error rate down so drastically? Do you think that this is a realistic goal? Since you have decided not to provide funding in excess of the target error rates, won't that provide sufficient incentive to the States to reduce the rates?

Mr. DWIGHT. These two questions are complimentary to one another. Actually, the second question is a partial answer to the first question. Although reducing error rates to within acceptable tolerance might be deemed to be a drastic reduction for many States, we believe it to be a realistic goal for the following reasons: The disallowance policy provides the necessary predisposition and incentive for States to assure the needed staffing, organizational structure, and other resources to give this objective the required priority. This priority effort by the States has been in effect now since April 1973 or for 2 years. Over that period of time, States have implemented in excess of some 650 major management initiatives designed to impact the error rate; the results of which are only now beginning to surface in a number of States. More than this, the Federal agency—working with the States—is rescinding or simplifying complex regulations where appropriate. Technical assistance to the States has been a number one priority as "how they do it" documents have been issued on how various States handle various problems; a number of management guides have been issued in relation to workload standards, task analysis, workload measurement, internal administrative review procedures, and so forth. Finally, we are funding, through research and demonstration project grants, the development of more efficient and effective methods for managing the program. The results of these projects will be shared with all States. I firmly believe that the concerted effort of both the States and the Federal agency, given the 2-year lead time that we have had, will prove effective. Under these circumstances, I believe the goal to be realistic and attainable.

INELIGIBLE MEDICAID RECIPIENTS

Mr. CONTE. Do you have any estimate of the number of ineligible recipients on the medicaid rolls?

Dr. WEIKEL. At the present time we do not have an exact estimate of the rate of ineligibility in the medicaid program. However, some studies conducted by DHEW and the General Accounting Office showed that the ineligibility rate in the medically needy segment of the medicaid program may be as high as 20 percent. The samples utilized in these studies were small and were limited to just a few States, making it difficult to predict with any certainty the amount of ineligibility on a nationwide basis.

SRS has recognized that ineligibility in medicaid is a major problem and has developed a medicaid eligibility quality control system which will be implemented on a nationwide basis on July 1, 1975. This is part of SRS's continuing efforts to improve medicaid administration.

This system requires the States to review a scientifically determined sample of paid claims and determine the ineligibility rate. States will

also determine the dollars erroneously expended, the reasons for such errors, and finally develop plans to reduce those errors.

This system is an extension of SRS's successful quality control effort that has begun to reduce errors in eligibility and payments in the aid to families with dependent children program.

NEW POSITIONS FOR PROVIDER FRAUD AND ABUSE PROGRAM

Mr. CONTE. I believe you are requesting 108 new positions for your provider fraud and abuse program. Do you think this will be adequate?

Dr. WEIKEL. We believe that the 108 new positions which will be devoted to fraud and abuse surveillance in the regional offices will be a substantial increase in the Federal oversight capacity.

I must call your attention to the fact that the regional offices currently have no staff assigned to fraud and abuse surveillance and have very little capacity to monitor or to investigate fraud and abuse in the State programs. We will distribute the positions on the basis of anticipated workload and expect that they will greatly increase our ability to perform effective program oversight in this area.

FRAUD PROBLEM

Mr. CONTE. Will increased manpower solve the medicaid fraud problem, or do we need some substantive changes in the system?

Dr. WEIKEL. Our increased Federal effort should result in the upgrading of State programs with a resulting decrease in fraud and abuse. Provided the requested staff, the regional office would be in a position to deliver the technical assistance and to monitor more intensively State operations resulting in program improvement. We are also examining various alternatives, some of which include legislative changes. These would give us the ability to apply more flexible penalties that do not require total withdrawal of all Federal matching. Such selective penalties, aimed at the specific problem areas, do not cut off matching and hence threaten availability of legitimate benefits for the majority of medicaid eligibles.

NEED FOR ADDITIONAL TRAVEL MONEY

Mr. CONTE. Can you explain why you need additional travel money to improve quality control? I thought your new positions were all in regional offices.

Mr. DWIGHT. The 108 positions requested for fiscal year 1976 are to be assigned to the regional offices. These positions have been requested to address one of the major management weaknesses of the medicaid program—provider fraud and abuse. Efforts directed toward implementation of medicaid eligibility quality control will be carried out by our staff who have been responsible for the AFDC quality control program, using the experience and knowledge gained on that initiative.

The additional $250,000 request for travel funds to which you refer is to supplement not only the travel requirements of the AFDC quality

control staff, but the extensive travel requirements of staff engaged in other PA management initiatives such as medicaid utilization control and medicaid eligibility quality control.

The 1975 appropriation authorized 90 additional positions for medicaid eligibility along with a restriction of SRS travel to the 1974 level. A portion of this request is to provide travel funds for those 90 positions. Other needs relate to requirements in carrying out our goals in the areas of early and periodic screening, diagnosis, and treatment program.

EPSDT PROGRAM

Mr. CONTE. Your justification states that the SRS will assist the States to expand the number of needy persons served by the EPSDT program. Can you tell me exactly how you will do this?

Dr. WEIKEL. The major activity to expand the number of children served by the EPSDT program is Outreach and Followup. Outreach is informing needy persons about EPSDT services, explaining the benefits of a checkup for seemingly well children, and making sure that the program is understood. Followup is assuring that children who require further diagnosis and treatment get those services. Here, too, there is a large health education component.

Our Federal role is to encourage and assist States to do a better job at Outreach and Followup. We require States to inform every family at least once annually in writing. To this point in the EPSDT program we have served primarily the relatively easy-to-reach recipients. The challenge ahead is to serve those who do not readily understand EPSDT. We know, for example, that personal contact is a far more effective way to reach people than the so-called check stuffer. We are encouraging States to expand the Outreach activity through the use of case aides or other persons.

INVESTIGATION OF STATES' ADMINISTRATION ABUSES

Mr. CONTE. On page 122 of your justification, it says that one of the State administration abuses you will be investigating is prolonged hospitalization due to lack of alternative care facilities. I know that this is a problem in Massachusetts. But when there is a lack of alternative care facilities, what do you suggest be done with these people?

Dr. WEIKEL. When we said we are going to investigate abuses of prolonged hospitalization, we were referring to individuals who are there despite other discharge plans. For individuals who require a level of care otherwise unavailable in the community and who must therefore remain in the hospital, we would not consider this an abuse. Identification of appropriate alternative institutional and noninstitutional settings of care within enlarged geographic areas, as will be required in discharge planning under utilization—UR—will be one means toward alleviating this problem.

Mr. CONTE. Thank you.

Mr. FLOOD. Thank you, very much, Dr. Weikel.

Dr. WEIKEL. Thank you, Mr. Chairman.

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Justification of the Budget Estimates

Appropriation Estimate

SALARIES AND EXPENSES

For expenses, not otherwise provided, necessary for the Social and Rehabilitation Service, [$63,819,000, together with not to exceed $600,000 to be transferred from the Federal Disability Insurance Trust Fund, and the Federal Old-Age and Survivors Disability Insurance Trust Fund, as provided in section 201(g)(1) of the Social Security Act][1] *$72,775,000.*

For "Salaries and expenses" for the period July 1, 1976, through September 30, 1976, $18,194,000.

Explanation of Language Changes

1. In accordance with Section 101(a) of the Rehabilitation Act Amendments of 1974, P.L. 93-516, Social and Rehabilitation Service activities associated with the Rehabilitation Services Administration have been transferred to the Office of Human Development. These activities include reimbursable services funded by transfer from the Federal Disability Insurance Trust Fund and the Federal Old-Age and Survivors Disability Insurance Trust Fund.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Salaries and Expenses

Amounts Available for Obligation 1/

	1975 Revised	1976
Appropriation	$63,819,000	$72,775,000
Proposed pay supplemental 2/	+2,003,000	
Subtotal adjusted appropriation	$65,822,000	---
Comparative transfer to:		
"Departmental Management" Long-term care activities	-1,803,000	---
"Departmental Management" Region X Director's Office Support	-53,000	---
"Departmental Management" Public affairs activities	-4,000	---
Subtotal, budget authority	$63,962,000	$72,775,000
Total, obligations	$63,962,000	$72,775,000

1/ Excludes the following amount for reimbursable activities carried out by this account: 1975-$833,000. Included in reimbursable activities is $600,000 transferred from Social Security trust funds. Due to the shift of rehabilitation services to the Office of the Secretary, this transfer appears in the Human Development appropriation in 1976.

2/ Pay increase effective October 1, 1974.

Summary of Changes

1975 Estimated obligations	63,962,000
1976 Estimated obligations	72,775,000
Net change	+8,813,000

	1975 Base Pos.	1975 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 FY 1975	--	--	--	+$3,707,000
2. Cost of Statutory within grade increases	--	--	--	+ 457,000
3. Annualization of pay and benefit increases funded on a part year basis in FY 1975	--	--	--	+ 667,000
4. Extra working day in FY 1976	--	--	--	+ 199,000
5. Working Capital Fund charges	--	--	--	+ 500,000
Subtotal	--	--	--	+ 5,530,000
B. Program:				
1. New positions	2,370	61,962,000	+108	+ 2,243,000
2. Project contracts	--	2,000,000	--	+ 1,150,000
Subtotal	2,370	63,962,000	+108	+ 3,393,000
Total, increases	2,370	63,962,000	+108	+ 8,923,000
Decreases:				
A. Built-in:				
1. Non-recurring costs for equipment purchased in FY 1975	--	--	--	- 110,000
Total, decreases	--	--	--	- 110,000
Total, net change				+ 8,813,000

Explanation of Changes

Increases:

A. Built-in:

1. The $3,707,000 included in this estimate is for the annualization of 135 positions funded on a part year basis in 1975. These positions are being used to assist in improving Medicaid management and implementing the Rehabilitation Act of 1973.

2. The estimated costs for statutory within grade increases is $457,000.

3. Fursuant to P.L. 91-656 Federal employees received a pay raise effective in October 1974. The estimate of $667,000 is to provide for annualization of this pay raise costs.

4. There is one more compensable day in 1976 than in 1975. The estimated cost is $199,000.

5. Charges through the Office of the Secrecary, Working Capital Fund, are projected to increase by $500,000 between 1975 and 1976.

B. Program:

1. This request provides $1,993,000 for the part year funding of 108 new positions in 1976. These positions have been requested to provide assistance to States to improve Medicaid program management. An additional travel increase of $250,000 is also included to support quality control and Medicaid cost control initiatives.

2. In addition to the staff increase to improve Medicaid program management, $1,150,000 is requested for technical assistance contracts for States. Technical analysis of the States' management control systems by contractors will augment Federal and state efforts to improve management of the Medicaid program through implementation of the Provider Fraud and Abuse initiative and the Medicaid Eligibility Quality Control program.

Decreases:

A. Built-in:

1. The budget request reflects a decrease of $110,000 for the non-recurring purchase of equipment for new positions made in 1975.

Obligations by Activity

Page Ref.		1975 Revised Pos.	1975 Revised Amount	1976 Estimate Pos.	1976 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
115	Central operations	1,143	$37,097,960	1,143	$40,475,000	---	$3,377,040
117	Regional operations	1,227	26,864,040	1,335	32,300,000	+108	+$5,435,960
	Total obligations	2,370	63,962,000	2,478	72,775,000	+108	+$8,813,000

Obligations by Object

	1975 Revised	1976 Estimate	Increase or Decrease
Total number of permanent positions	2,370	2,478	+ 108
Full-time equivalent of all other positions	74	74	---
Average number of all employees	2,258	2,463	+ 205
Personnel compensation:			
Permanent positions	$39,971,000	$44,886,000	$+ 4,915,000
Positions other than permanent	1,391,000	1,411,000	+ 20,000
Other personnel compensation	567,000	567,000	---
Subtotal personnel compensation	41,929,000	46,864,000	+ 4,935,000
Personnel benefits	3,646,000	4,143,000	+ 497,000
Travel and transportation of persons	3,154,000	3,824,000	+ 670,000
Transportation of things	281,000	301,000	+ 20,000
Rent, communications and utilities	6,921,000	7,231,000	+ 310,000
Printing and reproduction	454,000	495,000	+ 41,000
Other services	5,033,000	6,109,000	+ 1,076,000
Project contracts	2,000,000	3,150,000	+ 1,150,000
Supplies and materials	305,000	339,000	+ 34,000
Equipment	239,000	319,000	+ 80,000
Total obligations by object	63,962,000	72,775,000	+ 8,813,000

Significant Items in Senate
Appropriations Committee Report

Item	1975 Senate Report	
Medicaid positions		
	1. Committee directed that a portion of the new Medicaid positions be used to implement and strengthen the Early and Periodic Screening, Diagnosis, and Treatment program.	1. Of the 90 new positions identified for Medicaid activities, 35 positions have been targeted for Early and Periodic Screening, Diagnosis, and Treatment.
	2. Committee request for a report on personnel employment practices, with steps taken to remedy illegal and improper practices and prevent their recurrence.	2. The Committee was provided a copy of the Civil Service "Report of Special Inquiry of Social and Rehabilitation Service". Accompanying this report was a letter from the Secretary to the Chairman of the Civil Service Commision. This letter detailed Departmental actions to implement Civil Service recommendations.

Salaries and Expenses

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1966	16,974,000	15,748,000	16,198,000	16,138,000
1967	17,651,000	17,027,000	17,027,000	17,027,000
1968	19,326,000	18,266,000	18,398,000	18,266,000
1969	21,980,000	20,746,000	20,746,000	20,746,000
1970	25,996,000	21,125,000	23,636,000	22,380,000
1971	33,887,000	31,809,000	29,996,000	30,932,000
1972	38,688,000	34,555,000	35,388,000	34,555,000
1973	55,225,000	55,225,000	55,225,000	52,575,000*
1974	66,837,000	66,837,000	58,037,000	60,237,000
1975	71,643,000	70,160,000	61,959,000	61,959,000
Supplemental**	2,003,000			
1976	72,775,000			

*Continuing Resolution level on a comparable basis.

**Pay increase effective October 1, 1974.

Justification

Salaries and Expenses

	1975 Revised		1976 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	2,370	$45,575,000	2,478	$51,007,000	+108	+$5,432,000
Other expenses.....	--	18,387,000	--	21,768,000		+ 3,381,000
Total.....	2,370	63,962,000	2,478	72,775,000	+108	8,813,000

General Statement

The basic mission of the Social and Rehabilitation Service (SRS) is to help people --accomplished by providing assistance to States in support of medical, monetary and social services programs for Americans most in need. In fiscal year 1976, nearly 30 million Americans will require the SRS assistance programs to help them move from dependency toward self-support and greater independence. Federal, State and local funds expended will exceed $28 billion to provide necessary services.

With the almost uncontrolled growth in the cost of public assistance programs over the past 20 years, the Department has targeted staff resources on methods of program cost control to assure that quality services are delivered with the maximum efficiency and economy.

The Salaries and Expenses appropriation finances the administrative support costs for carrying out various grant and contract programs associated with the provision of these maintenance, medical, and social services. Support activities include policy and program development activities, technical and financial management assistance and consultative services to State and local governments and other grantees, and grants management activities. Also included are monitoring and review activities designed to assure the effective and prudent use of Federal funds by grantees, the conduct of research and the collecting, processing, and dissemination of statistical data and reviews of accomplishments of program activities.

Effective February 2, 1975 the Rehabilitation Services Administration was transferred from Social and Rehabilitation Service to the Office of Human Development. At this time, total Salaries and Expenses funding requirements and positions associated with the transfer have not been finalized. Hence, budget schedules include funding for the administrative support of the rehabilitation services and facilities, and grants for the developmentally disabled programs administered by the Rehabilitation Services Administration.

Current Organization

Social and Rehabilitation Service Organizational Structure

There are 2,370 positions funded from the Social and Rehabilitation Service (SRS) salaries and expenses appropriation at this time, 1,143 are assigned to the Central Office and 1,227 are assigned to regional offices. Below is a summary of the major SRS organizational elements:

Organizational Unit	Current FY 1975 Staffing
Central Office	
Immediate Office of the Administrator	12
Office of Policy Control and Coordination	109
Office of Planning, Research and Evaluation	87
Office of Management	241
Office of Information Systems	139
Office of Field Operations	21
Assistance Payments Administration	99
Community Services Administration	84
Medical Services Administration	190
Rehabilitation Services Administration	161
Subtotal	1,143
Regional Office	
Office of the Regional Commissioner	163
Financial Management	316
Special Initiatives	306
Assistance Payments	62
Community Services	115
Medical Services	138
Rehabilitation Services	127
Subtotal	1,227
Total Social and Rehabilitation Service Salaries and Expenses	2,370

Immediate Office of the Administrator - Provides leadership and common services for all programs and components of SRS.

Office of Policy Control and Coordination - Initiates formulation of policy and resolution of major policy issues SRS-wide. Obtains, synthesizes, and finalizes policy inputs from headquarters and field components. Insures adequacy, timeliness, coordination, and clearance on all written communications. Oversees public affairs activities, and legislative and Congressional relations for SRS.

Office of Planning, Research, and Evaluation - Provides leadership and serves as principal advisor to the Administrator for program analysis, long-range program planning and evaluation, research and demonstration, and operational planning. Administers the headquarters aspect of the Cuban Refugee Program.

Office of Management - Coordinates the planning and directs operations of all administrative, budgeting, financial management activities, and the quality control aspects of SRS programs. Services as the principal management consultant to the Administrator, and performs primary role in allocation of resources SRS-wide.

Office of Information Systems - Provides direction and control for all activities of SRS related to statistical analysis, systems analysis, systems design, data reporting and reporting requirements, data processing, teleprocessing, and the development, design, implementation, and continued use of automated Management Information Systems.

Office of Field Operations - Serves as the immediate, principal staff arm of the Administrator in the direction and management of the Regional Offices.

Assistance Payments Administration (APA) - Provides direction and leadership in the planning, development, coordination and monitorship of the administrative and financial assistance aspects of public assistance including assistance for United States nationals returned from foreign countries, as provided for under the Social Security Act and other applicable laws. Administers the Work Incentives program jointly with its counterpart in the Department of Labor. For the programs within its jurisdiction, the Assistance Payments Administration is responsible for establishing program goals and objectives; developing policies, regulations, standards, and guidelines; providing technical assistance to Regional Offices; and evaluating program activity.

Community Services Administration (CSA) - Provides leadership in the planning, development, management, and coordination of all SRS social services programs authorized under the Social Security Act. Promotes demonstration programs to evolve new and more effective approaches and methods for the organization and delivery of services, and in the design and execution of research and evaluation programs; develops and reviews regulations, policy, standards and guidelines; provides technical assistance to Regional Offices; conducts fiscal and administrative review and management activities; and evaluates program activities. CSA manages Federal training grant programs for social service training and provides leadership in planning, development, and management of SRS programs which fund training to increase the competence of State and local agency and other social service manpower.

Medical Services Administration (MSA) - Provides leadership in the planning, development, coordination, and administration of the medical assistance programs under Title XIX of the Social Security Act. Establishes program goals and objectives; develops policies, standards, and guidelines to accomplish stated goals; provides program management guidance to the regional office staffs and coordinates with the Regions on individual State problems; develops modifications and innovations in program and in administration; and evaluates progress in administration of the Title XIX programs and takes required action to direct or redirect efforts to achieve program objectives. Examines, via the Utilization Control Division, utilization of and necessity for medical services.

Rehabilitation Services Administration (RSA) - Provides leadership in the planning, development, and coordination of those SRS programs which provide services for the handicapped, including disabled social security applicants and beneficiaries, the developmentally disabled, the blind, and welfare applicants and recipients in accordance with the provisions of the Rehabilitation Act, as amended; Title II of the Social Security Act, as amended; the Randolph-Sheppard Vending Stand Act, as amended; Parts B, C, and D of the Developmental Disabilities Services and Facilities Construction Act; and sections 301 and 303 of the

Public Health Service Act. RSA develops standards, program policies, criteria, and guidelines; provides professional consultation to the regional offices' staffs and assists them in the guidance and leadership of State and local organizations. Conducts a program of research and demonstrations to evolve new approaches toward more meaningful lives for the handicapped.

Regional Operations

Office of the Regional Commissioner - Approves State plans for SRS programs; interprets program and financial regulations and policy issued by the Administrator, SRS. Reviews and approves formula grant awards and expenditures. Administers, under delegation of authority, project grants. Oversees and monitors State agency information systems activities. Performs evaluation of State agencies generally and specific State programs, using criteria developed in the Central Office. Directs internal management of SRS Regional Office and coordinates administrative activity.

Office of Management - Stimulates State action in achieving selected management objectives and works with States in assuring successful follow-through. Conducts financial reviews of State agency programs and recommends changes as appropriate.

A. Financial Management

Reviews public assistance formula grant award requests and expenditure reports and recommends approval/disapproval to the Regional Commissioner. Provides technical assistance to States in financial management areas. Resolves audits with States.

B. Special Initiatives

Responsible for the implementation and operation of major management initiatives such as AFDC quality control and Medicaid eligibility quality control.

Assistance Payments, Community Services, Medical Services, Rehabilitation Services - These offices are the primary sources of assistance to the Regional Commissioner in developing and interpreting regulations for their respective programs: public welfare, medicaid, social services and rehabilitation services. Interpretations of regulations are then disseminated by these offices, to their counterpart State agencies. In addition, these offices are responsible for reviewing and recommending approval/disapproval of State plans and State plan amendments; providing assistance to State agencies in developing State plans and plan amendments; stimulating State action toward achievement of selected program objectives; assisting States in the maintenance of ongoing program activities; coordinating closely with the Information Systems Staff (Office of the Regional Commissioner) in developing information; and providing support to other Regional Office components as necessary.

Accomplishments and Objectives

AFDC Quality Control - A quality control procedure was established whereby the States are required to reduce error rates to 3% for ineligibility, 5% for overpayments and 5% for underpayments by June 30, 1975. As originally proposed, States were to decrease their error rates to target levels in three 6 month increments or suffer the loss of Federal matching funds. Subsequent action has been instituted to permit the States more time to comply with required reductions. Targets have been adjusted to provide for decline in rates over two 6 month increments. The June 30, 1975, deadline for reducing the error rates to 3% for ineligibles and 5% each for overpayments and underpayments has not been altered. Estimates as of December, 1974 indicate that the error rates have been reduced to 8.4% for ineligibles, 18.5% for overpayments and 7.5% for underpayments. A related maintenance assistance objective for 1975 consists of a comprehensive review of regulations to clarify ambiguous sections and incorporate the effects of recent court decisions.

In 1976, quality control efforts must be sustained through continued samplings to determine error rates, review of States' correction action plans, and the provision of technical assistance. New efforts to improve program control will also be initiated. Working from the regulations studies conducted in 1975, SRS staff will make in-depth reviews of State plans and programs to determine the extent of inconsistencies of such plans with Federal law, regulations and administrative standards, and to initiate corrective actions.

Medicaid Utilization Control/Quality Control - During 1975, SRS is working to assure that all Medicaid State agency and institutional utilization control systems are fully established and operational by the end of 1975. This effort is in accordance with Sections 1903(g) and 1903(i)(4) of the Social Security Act. The implementation of these systems and utilization review procedures should reduce unnecessary care without depriving anyone of entitled benefits. A growing ineligibility problem identified by GAO and the States themselves led SRS to develop a Medicaid Quality Control system. By June 30, 1975, the organizational, administrative, and methodological capacity should be developed for implementation of such a system. In 1976 utilization control efforts must be sustained through the conducting of validation surveys and provision of technical assistance where necessary.

In 1976, SRS will continue in the development of Medicaid Quality Control capability. Having completed the necessary preliminary development in 1975, SRS will work toward clearly defining the nature and size of the problem and taking necessary corrective action. SRS, in concert with the States' staffs will conduct an on site national evaluation of State Medicaid program management and the relationship of such to State plans. Upon completion of this evaluation, plans will be developed and implemented to effect improved management in all areas of the program. Efforts will be focused on expanding the availability of home health care for long-term care recipients, encouraging Health Maintenance Organizations, and strengthening State monitoring systems. An additional 108 positions are being requested in 1976 to assist in addressing the problems of provider fraud and abuse.

Early and Periodic Screening, Diagnosis, and Treatment - Early detection and treatment of medical problems in children under 21 is the goal of the Early Periodic Screening Diagnosis, and Treatment program. This effort will improve the health care provided and will result in a reduction of medical care costs over the long term. There are approximately 13 million children eligible for EPSDT services. During 1975 the SRS goal is to bring an additional 3 million children into the system. This would raise the total number served to 33% of the children eligible.

In 1976 SRS will assist the States to expand the number of needy persons served. Major emphasis in this effort will be placed on increasing the availability of treatment, expanding screening and mental health care facilities, providing health education to families, and improving management of the entire EPSDT process.

Title XX Implementation - Under the new social services legislation (Title XX), effective October 1, 1975, Community Services Administration (CSA) has responsibility for providing leadership and technical assistance to States with respect to the content of their social services program including program planning, development, reporting, administration, and evaluation. New program, financial, and reporting requirements will be published and specific program and evaluation guides and other technical assistance materials will be developed.

Prior to the date on which Title XX becomes effective, CSA staff efforts are being directed toward phasing out social services activities conducted under Titles IV-A and VI. Also during this period a Title XX implementation program is being initiated which focuses on States' planning and reporting requirements, Federal evaluation requirements, financial accountability in light of prohibitions and eligibility requirements specified in Title XX, and the provision of technical assistance to States.

Day Care Standards - In 1975 SRS priorities focus on assisting States to sample their out of home day care facilities. Based on these samples, technical assistance is being provided to initiate corrective action where health, safety, and adult/child ratio standards are not being met.

Operations during 1976 will be oriented toward monitoring State activities and providing technical assistance. A close relationship will also be developed with the Office of Human Development in order to evaluate Federal Interagency Day Care Requirements in general. Special emphasis will be placed on requirements with respect to children under 3 years of age.

Forecasting Public Assistance Estimates - During 1975 SRS has been developing an independent forecasting capacity which can be used as a check against State estimates.

In 1976 the AFDC forecasting system will be further tested and refined and the development of an independent capability in Medicaid will be undertaken. Data made available through this forecasting procedure should result in improved program and financial estimates.

Work Incentives - The WIN program, conducted jointly with the Department of Labor, has been redesigned to place increased emphasis on placements. The 1975 objective is to place 200,000 people in unsubsidized employment and maintain placements for at least 90 days for 70% of individuals placed.

In 1976 the following basic goals of the WIN program will continue to be sought: maximizing placements; obtaining jobs for welfare recipients at wage levels sufficiently high either to eliminate, or reduce substantially, reliance on welfare payments; and improve program efficiency. The strategy for achieving these goals will involve the carrying out of the major redesign of the program initiated in FY 1975, including: registration of recipients by local WIN offices rather than by income maintenance units, establishment of a new Intensive Manpower Services Component to provide services to workers with limited job market experience, and continuation of efforts to improve the quality of job placements. In addition, efforts will be concentrated on overcoming problems in program operations such as registration, deregistration and appraisal functions; and improving management through a new information system.

Absent Parent Support - The Social and Rehabilitation Service is proceeding to assure that the requisite activities of Title IV D are operational by July 1, 1975 as mandated by P.L. 93-647.

Rehabilitation Services - In 1975 the Rehabilitation Services Administration was transferred to the Office of Human Development. Objectives for 1975 reflect implementation of the Rehabilitation Act of 1973, including an emphasis on the rehabilitation of the severely disabled and a study to determine the most effective means of serving those for whom a vocational goal is limited.

Rehabilitation services programs for 1976 will be directed toward the continued implementation of the Rehabilitation Act and the development of proposals for comprehensive new legislation.

New Positions

For the past several years the AFDC and Medicaid programs have experienced tremendous growth. Through efforts such as the Quality Control program for AFDC and Utilization Review for Medicaid, the State and Local jurisdictions are looking more closely at their recipient rolls and effecting improvements in the management of their payment and certification processes. As a result in 1973 we began to see a leveling off of the spectacular growth in AFDC in costs and numbers of recipients, though these numbers may increase again with the current economic situation. Also, Medicaid recipients began to be moved from high cost institutional care to less costly types of care. Much remains to be done, however, to move toward better control of costs in the Medicaid program. The first priority has been given to reducing costs growth in AFDC and this effort has been successful. With over a year of experience in new control systems in Medicaid, the Department is now ready to move into new efforts to control provider fraud and abuse.

The Medicaid program cost has more than doubled since 1971 and is projected to increase by almost one billion dollars between 1975 and 1976, to a level of $7,766,000,000. The 108 positions will be targeted toward working with the States to address the following:

Types of Medicaid Problems

I. Provider Fraud and Abuse

A. Physicians -

1. excessive charges
2. charges for services not performed
3. kickbacks and silent partnerships
4. duplicate billing
5. unnecessary tests, drugs and procedures
6. charging more to Medicaid patients than to general public
7. "gang" visits to nursing homes and hospitals
8. excessive rendering of "emergency" services (to avoid authorization requirements)

B. Nursing Homes -

1. charges for items and services unrelated to patient care
2. absenteeism and "phantom" staffs
3. owners selling homes to themselves
4. "dummy" corporation to disguise conflict-of-interest

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C. Pharmacies -

1. charging brand name prices for generic drugs
2. split prescriptions
3. charging for services not performed
4. kickbacks and silent partnerships with doctors
5. selling drugs not authorized by the program
6. reducing quantities for drugs per prescription.

II. State Administration -

1. excessive delay in reimbursing providers
2. understaffing, especially for auditing
3. no system for checking for duplicate payments
4. delay or failure to issue ID cards
5. no record of dispensing dangerous drugs
6. doctors on salary receive Medicaid reimbursements for the same service
7. reimbursement formulas do not consider provider's customary charges (which may be lower)
8. issuance of duplicate cards
9. no mechanism for retrieval of ID cards from ineligibles
10. failure to define "cost"
11. no list of approved vendors
12. records unavailable
13. failure to verify income or other resource data
14. no system for reviewing unusually high claims or other anomalous developments
15. prolonged hospitalization due to lack of alternative care facilities
16. failure to compare provider claims to State and Federal limits; and
17. failure to determine third party liability

Basis for Additional Positions

Provider fraud and abuse is one of the major excesses and management weaknesses in the Medicaid program. It will require a minimum of 108 man-years of effort to address the problem of provider fraud and abuse. The 108 positions all will be assigned to the Regional Offices. The area of concentration of effort will include but not limited to the following three areas:

A. High Volume Providers

B. Nursing Home Review

C. Claims for Services Not Performed

The Regional Staff is required to perform the following type activities:

1. Conduct reviews to identify critical areas of fraud and abuse in each State and to participate in follow-up actions.

2. Analyze State reports and perform special studies and surveys to determine what further action may be needed to assure States' compliance with Federal regulations.

3. Participate in the planning and development of tracking techniques with the States.

4. Review the status of randomly selected cases which have not been referred to law enforcement agencies.

5. Assist in determing whether a case should be prosecuted and assist in case preparation.

6. Provide technical assistance to the States in the management of their fraud and abuse programs.

Contractual Support

It has been determined, on the basis of experience in the development and operation of other quality control programs, that $1,150,000 will be required for contractual support. This support will be of a highly technical nature and is a necessary supplement to the programmatic expertise of federal and state personnel in establishing a fully operational system. Contractors will concentrate their efforts in the following areas:

- Analysis of State management control systems in order to determine their capabilities and limitations. This knowledge will guide state and federal staffs in selecting the most efficacious approach to the various problem areas.

- Analysis of the Provider Claims Process to determine the scope and method of sample selection.

- Development of review guides and training manuals for state and federal staffs.

- Field Testing, of alternative sampling and operational procedures in order to determine the most practicable methods of implementing the system.

- Complete and finalize a design of the type of management system to be adopted, based on the results of field tests.

Increased Travel

Extensive travel is implicit in the types of activities delineated above for the provider fraud and abuse initiative. This is especially true with regard to intensive on site reviews of the state agency payment process, provision of technical assistance to the states and development of fraud cases for prosecution.

In addition to the medicaid provider fraud and abuse initiative, the $250,000 increase in the travel budget reflects other travel-intensive management initiatives, including AFDC Quality Control and Medicaid Eligibility Quality Control.

SOCIAL AND REHABILITATION SERVICE

Salaries and Expenses

Program Purpose and Accomplishments

Activity: Salaries and expenses:

1975			1976	
Revised			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
2,370	$63,962,000	Indefinite	2,478	$72,775,000

Purpose: Funds and staff are used for the Federal administration of Social and Rehabilitation Service programs. These programs provide basic support, medical assistance, and services for the needy, disabled, aged, and other disadvantaged persons in our population.

Explanation: Funds included in this appropriation provide for the 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 1975: In 1975, the SRS staff is continuing to concentrate on the financial management and quality control features of the public assistance program at the Federal, State and local levels. Special efforts in this area are directed toward identifying and correcting errors and assuring proper utilization of the Medicaid program.

The maintenance assistance quality control program, a Presidential Objective, is to reduce errors to 3 percent for ineligibles and 5 percent each for over and under payments by June 30, 1975. SRS is also developing a similar Medicaid quality control program. Medicaid utilization control systems in States should be fully established and operational this year. Additional SRS objectives for 1975 include the provision of increased services for early and periodic screening, increased placements under the WIN program redesign, and a review of social service retroactive claims.

Activities related to the Rehabilitation Services Administration including both rehabilitation services and facilities, and services for the developmentally disabled have been transferred to the Office of Human Development.

Objectives for 1976: The Medicaid quality control and utilization control systems will continue to be emphasized in 1976 as part of the overall efforts to improve Medicaid management. Particular attention will be directed at problems related to fraud and abuse in the Medicaid program and an additional 108 new positions in 1976 are requested for this purpose.

Efforts will continue in the AFDC quality control area with attention aimed at implementing corrective action plans. Major activities will also be in providing assistance to States in implementing recent legislation for Title XX Social Services and for Title IV D absent parent support as well as activities relating to early screening of children through the Medicaid program, review of day care standards, and increasing emphasis on job placements in the Work Incentive Program.

New Positions Requested

	1975		
	Grade	Number	Annual Salary
Supervisory Health Care Specialist	GS-14	5	$127,905
Supervisory Health Care Specialist	GS-13	10	218,160
Health Care Specialist	GS-13	1	21,816
Health Care Specialist	GS-12	6	110,778
Health Care Specialist	GS-11	21	325,101
Health Care Technician	GS-9	18	231,138
Health Care Technician	GS-7	24	252,480
Clerk-Stenographer	GS-5	10	85,000
Clerk-Typist	GS-5	2	17,000
Clerk-Typist	GS-4	11	83,556
Total, new positions		108	1,472,934

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Salaries and Expenses

Amounts Available for Obligation

	1976 Estimate	Interim Period
Appropriation	$72,775,000	$18,194,000
Total, obligations	72,775,000	18,194,000

Obligations by Activity

	1976 Estimate		Interim Period	
	Pos.	Amount	Pos.	Amount
Salaries and Expenses	2,478	$72,775,000	2,478	$18,194,000

Obligations by Object

	1976 Estimate	Interim Period
Total number of permanent positions	2,478	2,478
Full-time equivalent of all other positions	74	74
Average number of all employees	2,463	2,479
Personnel compensation:		
Permanent positions	$44,715,000	$11,759,000
Positions other than permanent	1,411,000	362,000
Other personnel compensation	738,000	194,000
Subtotal, personnel compensation	46,864,000	12,315,000
Personnel benefits	4,143,000	1,058,000
Travel and transportation of persons	3,824,000	988,000
Transportation of things	301,000	78,000
Rent, communications and utilities	7,231,000	1,817,000
Printing and reproduction	495,000	125,000
Other services	6,109,000	1,523,000
Project contracts	3,150,000	150,000
Supplies and materials	339,000	85,000
Equipment	319,000	55,000
Total obligations by object	72,775,000	18,194,000

Justification

Salaries and expenses

	1976 Estimate		Interim Period	
	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits	2,478	$51,007,000	2,478	$13,373,000
Other expenses	--	21,768,000	--	4,821,000
Total	2,478	72,775,000	2,478	18,194,000

Priorities in the period July 1, 1976 through September 30, 1976 will be an extension of 1976 priorities.

The higher rate of expenditure during the interim period for personnel compensation is a reflection of the fact that all new positions authorized for FY-76 will have been filled. However, relatively fewer Project Contracts activities are projected for the interim period. Therefore, the aggregate funding level for the interim period is approximately one quarter of the FY-76 level.

THURSDAY, APRIL 24, 1975.

SOCIAL SECURITY ADMINISTRATION

WITNESSES

JAMES B. CARDWELL, COMMISSIONER
HUGH F. McKENNA, ACTING ASSOCIATE COMMISSIONER, OFFICE OF PROGRAM OPERATIONS
FRANCIS D. DeGEORGE, ACTING ASSOCIATE COMMISSIONER, OFFICE OF MANAGEMENT AND ADMINISTRATION
ROBERT L. TRACHTENBERG, DIRECTOR, BUREAU OF HEARINGS AND APPEALS
SHERWIN T. MONTELL, ACTING DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
PHILIP A. O'BRIEN, ACTING BUDGET OFFICER, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. FLOOD. We will now hear the Social Security Administration. The presentation will be made by James B. Cardwell, the Commissioner.

We have a biographical sketch of Mr. Cardwell, which will be placed in the record at this point.

[The biographical sketch follows:]

Name.—James B. Cardwell.

Position.—Commissioner of Social Security, Social Security Administration, Department of Health, Education, and Welfare since October 10, 1973.

Former positions.—Began his Federal service in 1942 as a clerk in the Public Housing Administration. Served with the United States Army in the European Theater of Operation during World War II, and returned to the Public Housing Administration in 1945 where he served in administrative and budget assignments until 1954.

Joined the Department of Health, Education, and Welfare in 1955 and served as a budget officer in the Office of Vocational Rehabilitation until 1957. From 1957 to 1958, was a budget examiner with responsibility over the Department's health budget in the Office of the Secretary. Was Assistant Commissioner for Administration in the Food and Drug Administration during the period 1958 to 1965.

Appointed in 1965 as Deputy HEW Comptroller and Departmental Budget Officer, and served from 1970 to 1973 as Assistant Secretary and HEW Comptroller.

Education.—Graduated in 1955 with a Bachelor of Commercial Science Degree from Columbus University.

Awards.—DHEW Superior Service Award in 1961; the FDA Award of Merit, 1965; the HEW Distinguished Service Award, 1967; HEW Secretary's Special Citation, 1968; and the HEW Certificate of Outstanding Performance, 1968. Received the National Civil Service League Career Service Award in 1971; the Rockefeller Public Service Award, 1974.

Personal.—Born in the District of Columbia. Married to the former Mary Louis Sheppard of Kansas City, Kan. Resides in Rockville, Md. Four children: James Jr., Mark Edward, David Bryan and John Richard.

Mr. FLOOD. I see you are accompanied by some of your staff, Mr. Cardwell. They know the rules here. They help you as they can. They can sound off if and when they are called on or if they volunteer. If and when they do speak, we would like to have biographical sketch of that person at that time in the record.

Mr. CARDWELL. As you have often said, he who volunteers does so at his own risk, but they are welcome to do so.

Mr. FLOOD. You were not in the Marine Corps, were you?

Mr. CARDWELL. No, sir, I was in the Army.

Mr. FLOOD. You have a prepared statement, Mr. Cardwell. How do you want to handle it?

Mr. CARDWELL. We have a series of statements on each of the appropriations now pending before the committee. With your indulgence, we will read a short summary and insert a longer statement in the record.

Mr. FLOOD. Fine.

Mr. CARDWELL. Before proceeding with the statements, I would like to introduce those here with me.

Mr. FLOOD. Yes; please do.

Mr. CARDWELL. To my immediate left, Mr. Francis D. DeGeorge, Acting Associate Commissioner for Management and Administration; on my right Mr. Hugh F. McKenna, Acting Associate Commissioner, Office of Program Operations; to his right, Robert L. Trachtenberg, Director, Bureau of Hearings and Appeals; Sherwin T. Montell, Acting Director, Office of Financial Management, Office of Management and Administration, and Wilford J. Forbush, sitting in for Charles Miller.

Mr. FLOOD. Director of Hearings and Appeals. We could spend the afternoon with you.

Mr. CARDWELL. Yes; we could. I would mention that Mr. Trachtenberg is the new Director. We are expecting a lot from him.

Mr. FLOOD. How long has he been on board?

Mr. CARDWELL. About 3 months.

STATEMENTS BY THE COMMISSIONER OF SOCIAL SECURITY

Mr. Chairman and members of the committee, I am pleased to have this opportunity to discuss the Social Security Administration's 1976 appropriation requests. I will read a brief general statement outlining our budget requests and reporting on the status of administration of the program for which we are responsible. I would like to submit a longer overall statement for the record. I then have short individual statements for each appropriation request before the committee.

The Social Security Administration requests before you total $13.1 billion: $2.4 in trust funds and $10.7 in general funds.

Mr. FLOOD. When I joined the Appropriations Committee in 1945, the total Federal budget in 1945 was $30 billion.

Mr. PATTEN. That was during World War II.

Mr. FLOOD. I mean at the end of it. I don't mean the war budget. I mean postwar. Well, go ahead.

Mr. MCCARDWELL. This includes Federal fund requests of $4.2 billion for payments to social security trust and other funds, $1 billion for special benefits for disabled coal miners, and $5.5 billion for the supplemental security income program. I also have trust fund requests of $2.4 billion for the limitation on salaries and expenses—our basic appropriation for administrative costs—and $6.3 million for the limitation on construction. This does not include about $87.5 billion in

benefits to be paid from the social security trust funds under present law, which are paid under continuing authorization, and therefore, do not require appropriation requests.

In the aggregate, total 1976 outlays for all programs administered by SSA amount to $91.5 billion, or 26 percent of the President's $349.4 billion budget. This is $8.4 billion higher than the estimated 1975 SSA outlays of $83.1 billion. A major increase factor is the automatic cost-of-living adjustment for OASDI and SSI recipients, scheduled for this summer. Assuming the President's proposal for a 5 percent one-time limit on cost-of-living increases is enacted, about $3.5 billion of the $8.4 billion increase is for the cost-of-living adjustment as budgeted. Normal growth in the number of social security and SSI beneficiaries, and normal growth in social security benefit levels account for about $4.4 billion of the increase. An additional $2.1 billion is for increases in health care costs, numbers of Medicare beneficiaries and use of health care services under law. These increases are offset partially by the President's legislative proposals, submitted to the Congress earlier this year, which provide for increased medicare cost-sharing and would modify some provisions of the cash benefit program. All of these items are directed to constraining 1976 costs.

PROGRAM HIGHLIGHTS

As you know, significant changes that impact upon program costs have taken place recently in our programs.

Cash Benefit Increases.—The major change was an 11-percent general benefit increase effective for June 1974. This culminated a series of 4 increases in the past 5 years which raised benefit levels for the aged and the disabled by 68.5 percent, while the cost-of-living rose by only 43.6 percent. By law, the benefit level will be adjusted automatically in the future to keep pace with the cost of living, and the first automatic adjustment in that regard will be for June 1975. The announcement by the Department of Labor last week concerning the cost of living for the month of March provides us with the data we need to determine the exact amount of that June CPI increase. For the record, that figure is now 8 percent. In other words, under existing law and based on the actual cost of living through March of 1975, the June 1975, cost of living automatic increase will be calculated at exactly 8 percent for both retirement survivors, disability insurance and the supplemental security income program.

Medicare Program.—In 1974, SSA implemented a major expansion of medicare coverage—medicare for the disabled—giving 1.8 million disabled people protection against the cost of health care. Benefits for the disabled totaled $0.8 billion in 1974, and are budgeted to reach $1.7 billion in 1976.

Another item of interest in the medicare area is the status of implementation of the recommendations of the Perkins committee—an advisory committee appointed by the Secretary. Its recommendations relate to more efficient and economical administration of the medicare program, through improving contractor performance. We have made considerable progress in evaluating the recommendations

and implementing them where appropriate. A formal report requested by the Senate Appropriations Committee on this implementation is being prepared and will be made available for the record.

Trust Fund Financing.—The committee is, of course, aware of the publicity given to social security financing of late. There is a long-range deficit in the cash benefit program. This was highlighted in last year's trustees' report, and the deficit was estimated to be 3 percent of taxable payroll. The trustees at that time recommended that corrective legislation be delayed until after the Social Security Advisory Council, which was then beginning its study of social security financing, made its report. This year's trustees' report is now in preparation and will be submitted to Congress early in May. I will speak more to this in a moment.

Advisory Council.—As you know, the advisory council's report has just been released. It contains a number of recommendations for increased financing and, to some limited extent, for increased benefits. Clearly, the very existence of the report will focus attention during the months ahead on social security programs and financing. My longer statement, to be submitted for the record, gives highlights of the report and of the administration's views on the financing recommendations. I would be glad to discuss this further with the committee if it so desires.

Mr. FLOOD. And you will insert the composition of the advisory council, who they are and where they are from.

[The information follows:]

MEMBERSHIP OF THE COUNCIL

W. Allen Wallis, Chairman, Rochester, N.Y., Chancellor of the University of Rochester, and a former special assistant to President Eisenhower.

Stanford D. Arnold, Brighton, Mich. Secretary-treasurer, Michigan State Building and Construction Trades Council, AFL–CIO.

John W. Byrnes, Arlington, Va. Attorney; former U.S. Representative from Wisconsin and former ranking minority member of the House Ways and Means Committee.

Rita Ricardo Campbell, Los Altos Hills, Calif. Senior Fellow, Hoover Institution, Stanford University; former member of President's Committee on Health Services Industry.

Edward J. Cleary, Flushing, N.Y. Secretary-treasurer, New York State Building and Construction Trades Council, AFL–CIO.

Rudolph T. Danstedt, Bethesda, Md. Assistant to the President of the National Council of Senior Citizens.

Edwin J. Faulkner, Lincoln, Nebr. President, Woodmen Accident and Life Co.

Vernon E. Jordan, Jr., White Plains, N.Y. Executive director, National Urban League. (Mr. Jordan was unable to participate in the Council's work and was represented by Thomas E. Mitchell, Washington, D.C., Deputy Director, Washington Bureau, National Urban League.)

Eligabeth C. Norwood, Washington, D.C. Assistant Research Director, Eastern Conference of Teamsters.

John J. Scanlon, Fairfield, Conn. Executive Vice President and Chief Financial Officer (Retired), American Telephone & Telegraph Co.

J. Henry Smith, Maplewood, N.J. Chairman of the board, Equitable Life Assurance Society of the United States.

J. W. Van Gorkom, Lake Forest, Ill. President, Trans Union Corp.

Arnold R. Weber, Vice Chairman, Pittsburgh, Pa. Dean, Graduate School of Industrial Administration, Carnegie-Mellon University; former Assistant Secretary, Department of Labor; former Associate Director, Office of Management and Budget.

Mr. CARDWELL. As indicated the 1975 reports of the trustees of the social security trust funds will soon be made public. In fact, I would

note that the board will meet this coming Wednesday. Our hope is that they will approve the 1975 report at that time. The new projections in the report will, in all likelihood, show the long-range deficit as being even larger than last year's estimate. The new trustees' estimates will, of course, provide the analytical base upon which future proposals for financing will be built.

Short Range Deficit.—There is no need to tell this committee how serious current unemployment and price trends are. Much public concern about the soundness of the social security system is caused by the short-range deficits projected in the OASDI trust funds beginning in 1976, a direct result of a very sharp rise in unemployment and fewer people paying taxes. Under present law—which will trigger a large cost-of-living benefit increase this spring—income will fall $4 billion short of outgo in 1976. This shortfall, and subsequent ones, which are now also predicted, will be covered by using trust fund reserves until added income is provided to the system as part of the solution to the long-range financing problem. Since the reserves amount to about $46 billion, they can meet program requirements for some time into the future, and over the next several years.

Mr. PATTEN. May I interrupt right there?

Mr. CARDWELL. Yes, sir.

Mr. PATTEN. Maybe I missed it in the report or in the articles I read, but it seems to me they left out something important about comparing alternatives to the problem. You are bemoaning here that you are going to be short $4 billion. There is no use making a speech about that, that is a long story. For instance, we in New Jersey added disability and we added no tax.

At one stage of the game we had full employment and disability was 50 percent of what we were paying out. It was beautiful. We gave them disability and it did not need a new tax.

SOLVING THE SHORT-TERM DEFICIT

Mr. CARDWELL. Just to interject a piece of information at this point, one way to solve the short-term problem would be a tax rate increase in the neighborhood of three- to four-tenths of 1 percent. But we also have other choices. We could leave the tax rate as already scheduled in law and concentrate on an increase in the wage base which now stands at $14,100 a year or a combination of those two. But the point I want to make is the range of adjustments is not to bad for the short-term, but in the long term it could be significant particularly if we leave today's benefit formula the way it is. That bentfit formula tends to drive the future costs of the system up higher and higher, given the demographic and economic assumption currently being used for our long-range cost estimates.

The present reserves for the cash benefits programs stand at about $46 billion.

The reserves can meet program requirements for some time into the future, at least until 1980 or 1981. The reserve was created to deal with the situation now occurring. In the event the economy went suddenly sour, the reserve was intended to act as a storage tank to hold the system over until the policymakers and/or a change in the economy might affect revenue and outgo in a different way.

ADMINISTRATIVE FACTORS AFFECTING PERFORMANCE

Aside from the financing issue, SSA quite frankly faced a number of significant administrative problems at the start of this fiscal year. Perhaps most significant was the impact of administering the new supplemental security income program. We originally assumed that processing SSI claims would be simpler, and therefore less costly, than the processing of regular social security claims.

However, the SSI program has been much more complex than either SSA or the Congress anticipated, and it has taken more manpower than originally planned to process new SSI claims. In addition, problems with the caseload of those converted from the former public assistance programs to the SSI program, which accounts for three-fourths of the SSI program's caseload, and systems problems have required SSA to divert substantial resources from regular activities to SSI. This has compromised our performance across the board in all programs. By the end of fiscal year 1974, there were significant backlogs of SSI claims and disability insurance claims. In addition, largely as a result of higher filing rates for appeals of black lung decisions, we had unprecedented backlogs in the appellate workloads. No relief in the level of work is anticipated for 1975 and 1976. A new, large appellate workload from the SSI program already is just now beginning to flow.

Another important workload involves the requirement to make annual redeterminations of eligibility and payment amounts for all SSI recipients. In other words, we are required to go back once a year and review all the cases. This is a time consuming and, therefore, costly administrative process. But it should pay off by saving benefit dollars which otherwise would be paid incorrectly to ineligible beneficiaries. A 1976 savings of $100 million is budgeted.

PROGRESS MADE IN DEALING WITH ADMINISTRATIVE PROBLEMS

As the committee knows, we have requested a supplemental appropriation for additional 1975 resources and manpower needed to cope with our workload and service delivery problems, and we anticipate favorable congressional action.

During 1975, we have strived to improve processing of SSI claims, and have reduced our caseload from a 507,000 case backlog at the start of the year to a near-normal 277,000 cases on hand in March 1975. Another way of looking at recent progress is to examine the caseload on hand to determine how many days worth of work it represents. Last September our SSI backlogs represented almost 50 days of work for over age 65 cases and almost 110 days for disability cases. By mid-March 1975 these pendings represented only 31 days of work for over age 65 and 76 days for disability cases. We have begun our SSI redetermination program in earnest, and have completed 620,000 redeterminations of State conversion cases. I am confident that by June 30 we will have completed 1 million, and that 1.6 million more budgeted for 1976 also will be accomplished on schedule.

SSA has made this progress through intensive and concerted effort. In addition to the supplemental appropriation request, many special steps and actions have been taken or are planned to improve SSI

operations. These include realinement of responsibility for program operations, in an organizational sense, establishment of a high-level strike force to solve systems and operations problems, a review of SSI program requirements to identify unnecessary administrative or legislative complexity and actions to streamline SSI claims processing. In addition, the Secretary will soon announce an outside review group to look at the initial implementation to identify problems and suggest solutions. We also have reduced the disability insurance backlog from 248,000 applications from disabled persons pending June 30, 1974 to 196,000 on March 31, 1975. This admittedly still is too high. All disability activities not absolutely essential to prompt processing of the heavy claims workloads are being curtailed or suspended in order to concentrate on reducing this disability backlog.

Hearings requests pending in SSA's Bureau of Hearings and Appeals actually have increased since the beginning of the year. This is one area where we are still falling behind or were when this statement was printed. The present level is over 110,000 cases compared with over 77,000 on June 30, 1974. SSA's most urgent business is to bring this hearings backlog down as quickly as possbile, which regrettably will not be very quick. We have a new Director of the Bureau of Hearings and Appeals, whom I introduced earlier, and the budget before you provides additional manpower to do the job. However, the availability of new personnel who are qualified and who meet the technical job requirements to conduct hearings is very limited. We are now working on a new aproach calling for the use of lawyers without the hearings and adjudicative experience required of hearing examiners and administrative law judges to do more of the work. In my view this is the only way to get on top of the job.

STAFFING RESOURCES

The 1976 staffing requests before you for the Social Security Administration are designed to meet current 1976 workloads and, at the same time, to bring backlogs, with the exception of hearings and appeals, under control by not later than the end of 1976. The request reflects a sharp rise in the agency's manpower budget during the last half of 1976—the 10,000 position supplemental request now pending before Congress and an exemption by the President for SSA from the 2 percent Government-wide 1975 cutback in permanent employees.

The total 1976 manpower budget of 86,648 positions should give us the resources needed to reestablish our capacity to provide quality service.

RANGE OF COVERAGE

As you know, the range of social security coverage, and the services provided by programs we administer, is very broad. In fact, it would be difficult to find an American who is not affected by the programs. Nearly all workers are covered under the social security system. In 1976 we are budgeted to pay out nearly $90 billion in benefits. We expect to pay an average of 27.9 million persons monthly retirement and survivors insurance benefits, and another 4.3 million persons monthly disability insurance benefits. About 13.3 million aged or disabled persons will receive reimbursed services under medicare. Special benefits for disabled coal miners will be paid to about one-half

million persons. Finally, there also will be an average of 5.1 million recipients of SSI benefits.

Given programs of this magnitude, a minimal error rate can affect thousands of beneficiaries, and be reflected in millions of dollars of payments. For example, if only one-tenth of 1 percent of our retirement, survivors and disability insurance beneficiaries did not receive their checks in a month for one reason or another, there would be over 30,000 unhappy beneficiaries. Multiply this by 12 months, and that means there would be 400,000 very unhappy people. That is only with a one-tenth of 1 percent error rate and, believe me, that is performance above and beyond.

Mr. Chairman, I wanted to point this out. I think it explains a great deal about a growing number of congressional inquiries we are receiving. Last year we received over 200,000 inquiries from Congress on behalf of the beneficiaries.

Mr. FLOOD. We have the other 200,000 over here.

Mr. CARDWELL. It is a tremendous workload. The scale of this is so large that it affects us all. There is always going to be a certain number of cases having special problems that have to be dealt with.

Mr. PATTEN. I thought you personally handled those congressional letters.

Mr. CARDWELL. Sometimes I handle more than I think I should, but that is all right. That is our job.

This concludes my statement, Mr. Chairman.

As I mentioned when I began, we have brief statements about each of our individual appropriation requests and will proceed as you wish.

[The statement follows:]

SSA BUDGET REQUESTS

The Social Security Administration appropriation requests for fiscal year 1976 which are before you today total $13.1 billion. This includes $4.2 billion for payments to social security trust and other funds, $1 billion for special benefits for disabled coal miners, and $5.5 billion for the supplemental security income program. These appropriations are all financed from Federal funds. Then I have requests for $2.4 billion for the limitation on salaries and expenses—our basic appropriation for administrative costs—and $6.3 million for the limitation on construction. These are from the social security trust funds. These requests, of course, do not include an estimated $87.5 billion in benefits which will be paid from the social security trust funds under present law. Although included in SSA's total budget, as presented in the President's budget, these benefits—retirement, survivors, disability, and medicare—are paid under continuing authorization, and therefore do not require appropriation requests.

In the aggregate, total outlays in the 1976 President's budget for programs administered by SSA, funded by both trust funds and general revenues, amount to $91.5 billion. That is 26 percent of the President's $349.4 billion proposed outlays for fiscal year 1976. The $91.5 billion in SSA outlays is $8.4 billion higher than the estimated 1975 level of $83.1 billion. The most significant increase factor is the automatic cost-of-living benefit increase for social security and SSI recipients, scheduled to become effective this summer. Assuming that the President's proposal for a 5 percent one-time limitation on cost-of-living benefit increases is enacted, about $3.5 billion, on nearly half of the $8.4 billion increase is for the cost-of-living benefit adjustment. Normal growth in the numbers of people becoming entitled to retirement, survivors, and disability insurance benefits and to SSI to retirement, survivors, and disability insurance benefits and to SSI payments, and normal growth in social security benefit levels account for about $4.4 billion. An additional $2.1 billion reflects the effect of expected increases in health care costs, numbers of beneficiaries and utilization of services in the medicare program under present law. These increases are offset partially

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by the President's legislative proposals, which were submitted to the Congress earlier this year, and which provide for increased medicare cost-sharing and modify some provisions of the cash benefit program.

PROGRAM HIGHLIGHTS

Now I would like to review briefly for you some of the more significant changes that have taken place recently in our program and that impact upon our program costs.

Cash Benefit Increases.—In the retirement, survivors, and disability insurance programs, the major change was a two-step, 11 percent general benefit increase. Seven percent of the increase was effective for March 1974, and the remaining 4 percent was effective for June 1974. This culminated a series of four benefit increases in the past 5 years which raised the social security benefit levels for the aged and the disabled by 68.5 percent, during a period in which the cost-of-living rose by only 43.6 percent. The average monthly social security benefit for a retired single person is $183 and for a couple is $312; the average monthly payment for a widowed mother and two children is $438. Under present law, the benefit level is scheduled to be adjusted automatically in the future to keep pace with the cost-of-living. The first automatic cost-of-living adjustment is scheduled to be effective for June 1975, and will be based on increases in the consumer price index from the second quarter of calendar year 1974—when the last social security increase went into effect—to the first quarter of the current calendar year. The economic assumptions on which the 1976 President's budget was based would trigger an automatic increase of 8.7 percent. However, the cost-of-living has been rising at a slower rate recently than projected by the budget. Therefore, the cost-of-living adjustment scheduled for June under present law will be 8 percent. The data for determining this are based on a March 1975 closing date, and have just recently been compiled.

Medicare Program.—In 1974, the Social Security Administration implemented the first major expansion of the medicare program enacted by Congress—medicare for the disabled. As anticipated, the new medicare coverage gave protection against the cost of health care services to 1.8 million disabled people in 1974, about 1.2 million of whom actually received reimbursed services. However, medicare benefits paid for the disabled totaled $0.8 billion in 1974—which is substantially less than the $1.6 billion estimated a year ago, when the program was just starting. Previous experience with medicare for the aged indicated to us that when a large group becomes covered by such a program, its per capita use of health care services is likely to increase. Our estimates reflected the expectation of such an increase in the level of services used by disabled persons newly covered by medicare. However, a much smaller increase in the use of services occurred among the disabled than we had anticipated based on similar experience with the aged population. This may have occurred because many disabled individuals were already covered by private health insurance or medicaid.

On another matter related to the medicare program, the Appropriations Committees, in the conference report on the 1975 Labor-HEW Appropriations Act, have asked that we implement the June 1974 recommendations of the Perkins committee—an advisory committee appointed by the Secretary. Its recommendations were related to more efficient and economical administration of the medicare program, through improving contractor performance. I can advise this subcommittee that we have made considerable progress in evaluating the recommendations and implementing them where appropriate. A formal report requested by the Senate Appropriations Committee is in preparation and will be made available for the record.

Trust Fund Financing.—The committee is, of course, aware of the extensive publicity given social security financing of late, and, at this point, I would like to offer some of my thoughts on the matter.

It is a fact that there is a long-range deficit in the cash benefit program. This alone is not news, since last year's trustees' report highlighted the fact, estimating the long-range deficit to be 3 percent of taxable payroll. You may recall that the Board of Trustees at that time recommended that legislative action to correct the imbalance be delayed until after the administration and the Congress had an opportunity to consider the findings of the Social Security Advisory Council, which was then beginning its study of social security financing. The 1975 Report of the Board of Trustees is in preparation and will be submitted to Congress early in May. I will speak more to this in a moment.

Advisory Council.—As you know, the Social Security Advisory Council was appointed and has now completed a review of the status of the social security

programs. The Council included representatives of industry and labor and the field of education, social work, and economics. Its report has just been released, and contains a number of recommendations for increased financing and, to some limited extent, for increased benefits. Clearly, the very existence of the report is certain to focus even more attention during the months ahead on social security programs and financing.

Let me summarize some highlights of the report:

Purpose and Principles.—The Council endorses the basic system as sound. The earnings-related social security program should be preserved as the Nation's primary means of providing economic security in the event of retirement, death, or disability. Future program changes should conform to the principles of universal compulsory coverage, earnings-related benefits with no needs test, and contributions toward the cost of the program from covered workers and employers.

Financing.—The Council proposes a financing plan that would hold contribution rates at the levels prescribed in current law but with a shift as needed of funds produced by those rates for medicare from the medicare to the cash benefit side of the program. Income shifted from medicare by this reallocation would, under the Council's proposal, be made up from a new general fund contribution to medicare.

As you may know, the Secretary and the President have both expressed doubts about the advisability of such a financing scheme or, for that matter, any financing arrangement calling for general revenues.

Benefit structure.—The Council proposed that the benefit formula be revised to insure that future cost-of-living adjustments apply only to people already receiving benefits rather than to both present and future beneficiaries as is now the case. This is a very important recommendation and one that would reduce long-term costs.

Retirement test.—The Council proposed a modification in the retirement test that would lower the amount of benefits withheld for earnings above the exempt amount, so that beneficiaries who work can retain more of their benefits. In addition, the Council recommended that the test be changed from a combined monthly-annual test to an annual test only.

Definition of disability.—In the Council's view, the definition of disability of workers aged 55 needs to be liberalized so that many who cannot qualify for disability benefits now would be able to get benefits.

The process of deciding the executive branch position on the Council's recommendations is now underway.

As indicated, the 1975 reports of the trustees of the social security trust funds will soon be made public. The new projections in the report will, in all likelihood, show the long-range deficit as being even larger than last year's estimate. The new trustees' estimates will, of course, provide the analytical base upon which future proposals for financing will be built.

Short Range Deficit.—There is no need to tell this committee how serious current unemployment and price trends are. Much of the public's concern about the soundness of its social security system has been brought about by the short-range deficits which the budget projects will occur in the OASDI trust funds beginning in 1976—largely as a result of these trends. Under present law—which will trigger a large cost-of-living benefit increase this spring—income will fall $4 billion short of outgo in 1976. This shortfall, and subsequent ones, will be covered by using trust fund reserves until added income is provided to the system as part of the solution to the long-range financing problem. Since the reserves amount to about $46 billion now, they are adequate to meet program requirements for some time into the future.

ADMINISTRATIVE PROBLEMS AFFECTING PERFORMANCE

Aside from the financing issue, SSA quite frankly faced a number of significant administrative problems at the start of this fiscal year. Perhaps most significant was the impact that administration of the new supplemental security income program had on the agency. In the original budgets for administration of the SSI program's first year of operations, we assumed that the processing of SSI claims would be simpler, and therefore less costly in terms of money and manpower, than the processing of regular social security claims. Our experience has been just the opposite. The SSI program has been much more complex than anticipated. So far, it has taken more operating manpower than originally planned to process new SSI claims. In addition, problems with the caseload of those converted from public assistance to the SSI program, which accounts for three-

fourths of the program's caseload, and systems problems have both required SSA to divert substantial amounts of manpower and other resources from regular activities to SSI. We know that the diversion of resources to cope with these problems compromised our performance across-the-board in all programs. By the end of fiscal year 1974, there were significant backlogs of SSI claims and disability insurance claims. In addition, largely as a result of higher filing rates for appeals of black lung decisions, we are experiencing unprecedented backlogs in appellate workloads.

The outlook for 1975 and 1976 is for no relief in the level of work anticipated. A new, large appellate workload is expected to flow soon from the new SSI program—and is already beginning to be realized.

Another important workload involves the requirement to make annual redeterminations of eligibility and payment amounts for all SSI recipients, including the conversion base. This is a time-consuming and, therefore, costly administrative process. But it should pay off in the long run by saving benefit dollars which otherwise would be paid incorrectly. A savings of $100 million in 1976 is budgeted to flow from this effort. The most important redeterminations will be those made for the recipients who were converted from State assistance rolls at the start of the program. With manpower now budgeted for 1975 and 1976, we should be able to complete at least 1 million of these redeterminations in 1975 and the remaining 1.6 million in 1976. In 1976, we will also start making eligibility redeterminations for recipients who first became eligible when the new Federal program went into effect.

PROGRESS MADE IN DEALING WITH ADMINISTRATIVE PROBLEMS

As the committee knows, we have requested a supplemental appropriation for 1975 to cover the additional resources needed to cope with our workload and service delivery problems, and we anticipate favorable congressional action.

During fiscal 1975, we have made efforts to improve processing of SSI claims, and to date have been successful in reducing the size of our caseload from a 507,000 case backlog at the start of the year to a near normal load of 277,000 cases on hand in March of 1975. Another way of looking at our progress during recent months is to examine the caseload on hand to determine how many days worth of work it represents. Last September, our SSI backlogs represented almost 50 days worth of work for the aged cases and almost 110 days for disability cases. By mid-March 1975 these pendings represented only 31 days worth of work for over age 65 cases and 76 days for disability cases. We have begun our SSI redetermination program in earnest, and so far this year we have completed 620,000 of the 1 million redeterminations of State conversion cases planned. I am confident that by June 30, we will have completed the rest of the million, and that those budgeted for 1976 will be accomplished on schedule. This progress has been made through intensive and concerted effort on the part of SSA. The following are some of the special steps and actions taken or planned to improve the SSI operation:

(1) As stated, we have identified the workload and have asked Congress to provide manpower commensurate with that workload.

(2) We have realined the organizational placement of the Bureau of Supplemental Security Income and have placed it under the same line manager who controls and directs the computer and support service units on which SSI depends, along with other SSA-administered cash benefit programs.

(3) We have created a special SSA "Strike Force" empowered to cross organizational lines for purposes of solving SSI systems and operations problems.

(4) We have underway a review of SSI program requirements for the purpose of identifying unnecessary administrative or legislative complexity or anomaly.

(5) The Secretary will soon announce the creation of an outside review group to look at the initial implementation with the objective of identifying problems and suggesting solutions.

(6) We have taken actions to streamline SSI claims processing, and are committed to seeking more innovations to expedite payments to applicants in need.

(7) We have set up special units in every region, staffed with experienced personnel, to expedite processing of cases with unique systems exceptions which without special handling would be rejected by the computer.

SSA also has made some headway in reducing the disability insurance backlog. There were 248,000 applications from disabled persons pending as of June 30, 1974. The backlog has been reduced to 196,000 as of March 31, 1975, which admittedly still is too high. All of our disability activities not absolutely essential to prompt processing of the heavy claims workloads are being curtailed or suspended in order to concentrate on reducing this backlog.

Hearings requests pending in SSA's Bureau of Hearings and Appeals actually have increased since the beginning of the year. The present level is over 110,000 cases compared with over 77,000 on June 30, 1974. The most urgent business of the Social Security Administration is to bring this hearings backlog down—as quickly as possible. Regrettably this is not going to take place very soon. We have appointed a new Director of the Bureau of Hearings and Appeals, and the budget before you today provides additional manpower resources to get the job done. However, the requirement calling for the use of scarce legal skills trained in hearings and adjudicative review will limit the number of hearings and appeals personnel which we can hire and the rate at which they will be hired. We are now working on a new approach calling for the use of lawyers (without the hearings and adjudicative skills required of hearing examiners and administrative law judges) to do more of the work. We are convinced that this is the only way we will ever get on top of the job.

SSA REORGANIZATION

I have already noted organizational changes made relative to the SSI program. This was but one point of a broad reorganization announced last October. We are now in the process of implementing a reorganization of our management and leadership structure. This reorganization does not affect the reporting and work assignments of the vast majority of our employees. It, rather, is one which realines SSA's organizational components with an eye toward achieving the following six objectives:

(1) To clarify and pinpoint both responsibility and accountability for SSA's basic program operations;

(2) To improve operations support for the SSI program;

(3) To consolidate previously fragmented deciisonmaking, policymaking, and planning;

(4) To improve the agency's capacity to communicate with and respond to the public, the Congress, and constituent groups;

(5) To improve and strengthen agencywide program evaluation and quality assurance; and,

(6) To modernize SSA's automated systems.

I realize that the reorganization alone will not achieve these objectives, but I do believe that it will create a solid groundwork for their fulfillment.

STAFFING RESOURCES BUDGETED TO DEAL WITH CURRENT ALMINISTRATIVE PROBLEMS

The 1976 staffing requests before you for the Social Security Administration are designed to meet current 1976 workloads and, at the same time, to bring backlogs, with the exception of hearings and appeals, under control by not later than the end of 1976. The request reflects a sharp rise in the agency's manpower budget during the last half of 1975—the 10,000-position supplemental request now pending before Congress and an exemption by the President for SSA from the 2-percent Government-wide 1975 cutback. The total 1976 manpower budget of 86,648 positions should give us the resources needed to reestablish our capacity to provide quality service.

PRODUCTIVITY

We are budgeting for a 6.4-percent improvement in productivity in 1976 over estimated 1975 levels. If we achieve this goal, we will have saved 5,733 manyears of effort and will be able to process higher 1976 workloads without increases in permanent staffing. We think this productivity goal is very ambitious. In fiscal year 1974, SSA actually suffered a loss in productivity for the first time since 1961—a loss of 2.4 percent. Our plan to recapture the lost productivity in 1975 and to gain an additional 6.4 percent in 1976 will flow from major efforts to improve and simplify systems and procedures—particularly in the SSI program where we will begin to benefit from operating experience and from the efforts to streamline the SSI claims process which I already have mentioned. You should know, however, that some uncertainty concerning our workload performance

capacities has come into the picture during the last year, and may affect our ability to fully achieve the budgeted goal.

EXPECTATIONS FOR FUTURE PERFORMANCE

I do not think that our record of consistent productivity gains year after year is one which can be sustained indefinitely. It is important that the budget process keep all agencies under pressure to improve efficiency—as it does. But I frankly think we have already capitalized on most of the gains that can be achieved through the application of new technology under the existing programs. I note that industry, too, is experiencing difficulty in achieving productivity improvements. Perhaps the capacity of individual workers in society as a whole has reached a plateau—as has the capacity for new systems changes. I suspect that major technological breakthroughs will be needed before our record of outstanding past improvements can be matched—under the current program setup.

This does not mean we shouldn't strive for improvements. Indeed, we will continue to do our best. However, I do not think it wise to depend solely on technological and automation breakthroughs. Much of the answer to future productivity may be in program simplification. The Social Security Act has become one of the most complex statutes on the books. The complexity of the programs we administer, in terms of entitlement requirements, multiplicity of benefit amounts and categories, and processing requirements, makes it very difficult to streamline our operations. This is particularly true of SSI.

The President has directed the Social Security Administration to develop a series of administrative and legislative proposals designed to simplify the law and permit greater administrative efficiency. I have recently established a task force in SSA to develop such recommendations, which we hope to present for early consideration of the Congress.

RANGE OF COVERAGE

To give you an idea of the magnitude of our work, let me describe the broad range of social security coverage, and the services provided by programs we administer:

Today, more than 9 out of 10 jobs in paid employment and self-employment are covered or eligible for coverage under the retirement, survivors, and disability insurance programs;

Of the people reaching age 65 in calendar year 1975, 93 percent are eligible for monthly cash benefits;

Of children under 18, 95 out of 100 and their mothers can count on monthly cash benefits if the family breadwinner dies;

Four out of five men and women aged 21–64 can count on monthly cash benefits in the event the breadwinner suffers a severe and prolonged disability;

Almost all persons aged 65 or over are insured against most hospital costs, and about 95 percent of the aged have enrolled in the voluntary medical insurance program and are insured for a substantial part of doctor and other medical bills; and

Medicare coverage is available to certain disabled beneficiaries and to most persons who have chronic kidney disease.

In addition, the supplemental security income program, beginning January 1, 1974, provided for the first time in this country, a uniform federally financed and administered program of aid to the needy aged, blind, and disabled.

A few highlights on the numbers of people receiving benefits under these programs in 1976 and the amount of benefits which will be paid, as estimated in the President's budget, will emphasize the point that we are in an era of large numbers:

Retirement and survivors insurance benefits totaling $60 billion will be paid to an average of 27.9 million beneficiaries;

Disability insurance benefits totaling $8.8 billion will be paid to an average of 4.3 million beneficiaries;

Hospital insurance benefits totaling $10 billion will be paid to approximately 5.7 million aged or disabled persons;

Supplementary medical insurance benefits totaling $4.1 billion will be paid to approximately 13.3 million aged or disabled beneficiaries;

Special benefits for disabled coal miners totaling $1 billion will be paid to about 502,000 beneficiaries; and

SSA will administer basic Federal supplemental security income payments totaling $4.6 billion and State supplementary payments totaling $1.5 billion for an average of 5.1 million recipients.

Benefits from all programs will be nearly $90 billion in 1976, including the State supplementary payments under SSI, for which the Federal Government is reimbursed by the States.

Given programs of this magnitude, a minimal error rate can affect thousands of beneficiaries, and be reflected in millions of dollars of benefifit payments. For example, if only one-tenth of 1 percent of our retirement, survivors, and disability insurance beneficiaries did not receive their checks in 1 month for one reason or another, there would be over 30,000 unhappy beneficiaries. Multiply this by 12 months, and you have nearly 400,000 unhappy people over a year's time—and with only one-tenth of 1 percent nonreceipt rate!

Mr. Chairman, this concludes my general statement. As I mentioned when I began, I also have brief statements about each of our appropriations.

GROWTH IN THE SOCIAL SECURITY PROGRAM

Mr. FLOOD. I want to ask you a few general questions about the social security program before proceeding with the individual appropriations.

Now, of course, you know as well as we do about this and you have talked about this fantastic growth in social security.

The benefit payments will total $90 billion in 1976. That's a 100-percent increase from 1971. That is just in 5 years.

Now these programs are growing faster than the gross national product.

Mr. CARDWELL. Yes, benefit levels have increased faster than the cost of living.

Mr. FLOOD. They are growing faster than the gross national product of the entire Nation.

Nobody would have believed that 10 or 12 years ago.

Instead of these technical responses, what do you tell the people when they ask you about the rapid growth of social security here?

Mr. CARDWELL. I think people have to understand that a number of things have happened. First of all, the program has been steadily enlarged in terms of benefit rights and kinds of classes of coverage. Very few people appreciate, for example, that out of the over 30 million people that we pay social security benefits to each month, about one-quarter of them are not aged-retired people. They are children, widowed mothers, and younger disabled workers and their dependents.

Mr. FLOOD. That is certainly not known.

Mr. CARDWELL. That accounts for almost one-fifth of the benefits we pay out. That is something that not many people are aware of.

Second, the society itself has been changing in terms of the relationship of various age groups. As a result of advanced medical techniques and capacity to prolong life, a growing proportion of our population is made up of people over age 65. That is predicted to increase in the future. That accounts, in large measure, for this long-term deficit in the system's financing that is being talked about so much these days.

Mr. FLOOD. In my district the average age is about 15 years above the national average, across the board.

Mr. CARDWELL. It must be higher than that in parts of Florida. The near-term financing problem at the moment, though, is almost en-

tirely traceable to what has happened to the economy in the last 12 to 18 months. I think, as I said earlier, that that is one that we can control. I think we have a number of choices to be made but I don't think they will be that difficult to make.

GROWTH OF INDIVIDUAL PROGRAMS

Mr. FLOOD. This commends so much attention. Will you put a chart in the record; you have had some good ones in the past on different subjects from your outfit, but will you put a chart in the record showing the growth year by year in these social security programs? Have it start in 1965. In that chart show the growth for the individual programs. OASI, medicare, disability, et cetera, et cetera.

Mr. CARDWELL. Yes, we can do that.

Mr. FLOOD. You will get an audience. If you do a good job, you will get quite an audience.

Mr. CARDWELL. I think to do it fully we should show it in terms of numbers of beneficiaries, numbers of taxpayers participating in the program through their contributions, numbers of younger people as well as older people.

Mr. FLOOD. Using this hearing today as your reason now, develop a fairly concise chart showing the growth in the social security programs. If it's good, we will use it as exhibit A.

Mr. CARDWELL. We will be glad to do it.

[The information follows:]

Historical Growth of Programs Administered by the Social Security Administration

Three tables follow. The first summarizes growth as measured by the amount of benefits paid each year through major programs administered by the Social Security Administration. The second provides a comparable summary by program of growth in numbers of beneficiaries receiving monthly payments or Medicare protection each year. The third table displays growth in broad categories of beneficiaries within the social security cash benefit program.

The tables follow:

Benefit Payments Administered by the Social Security Administration (in billions of dollars)

Fiscal Year	Total Benefit Outlays	Social Insurance			Special Benefits for Disabled Coal Miners	Supplemental Security Income 1/
		Retirement & Survivors Benefits	Disability Benefits	Medicare		
1965	16.6	15.2	1.4	--	--	--
1966	19.8	18.1	1.7	--	--	--
1967	23.9	18.9	1.9	3.2	--	--
1968	28.0	20.7	2.1	5.1	--	--
1969	32.5	23.7	2.4	6.3	--	--
1970	35.8	26.3	2.8	6.8	*	--
1971	42.3	31.1	3.4	7.5	0.3	--
1972	47.3	34.5	4.0	8.4	0.4	--
1973	57.3	42.2	5.2	9.0	0.9	--
1974	68.1	47.8	6.2	10.7	1.0	2.4
1975 est. 2/	82.2	54.7	7.6	13.5	0.9	5.5
1976 est. 3/	94.1	62.4	9.0	15.5	1.0	6.2

1/ Amounts shown represent total SSI benefit payments administered by the Social Security Administration, including State supplements paid by SSA and subsequently reimbursed by the States
2/ As estimated in 1976 President's budget
3/ 1976 President's budget estimate (present law), modified for 8.0 percent automatic benefit increase rather than 8.7 percent increase assumed in budget (for retirement, survivors, and disability insurance benefits and supplemental security income payments)
* Less than $50 million

Contributors to and Beneficiaries of Programs Administered by the Social Security Administration 1/ (in millions)

Fiscal Year	Number of Contributors	Social Insurance Programs			Special Benefits for Disabled Coal Miners Beneficiaries	Supplemental Security Income Beneficiaries
		Retirement and Survivors Beneficiaries	Disability Beneficiaries	Medicare Beneficiaries		
1965	63.6	18.2	1.6	--	--	--
1966	66.4	19.1	1.7	--	--	--
1967	69.0	20.8	2.0	19.0	--	--
1968	69.9	21.6	2.1	19.4	--	--
1969	71.3	22.2	2.3	19.7	--	--
1970	72.7	22.8	2.5	20.2	0.1	--
1971	72.7	23.6	2.7	20.6	0.1	--
1972	73.1	24.4	2.9	21.0	0.2	--
1973	75.5	25.2	3.3	21.4	0.3	--
1974	78.4	26.3	3.6	23.8	0.5	3.1
1975	78.0	27.0	3.9	24.4	0.5	4.0
1976 est.	77.6	27.9	4.3	25.0	0.5	4.8

1/ Contributors represent total covered employment at mid-point of fiscal year. All beneficiary data is also as of mid-point of fiscal year. Medicare beneficiaries represent number of persons protected by the program. Others represent persons actually receiving monthly cash benefits.

Retirement, Survivors, and Disability Insurance
Beneficiaries, by Major Category 1/
(in millions)

Fiscal Year	Total Beneficiaries	Workers		Dependents and Survivors	
		Retired 2/	Disabled	Children 3/	Other
1965	19.8	10.7	0.9	2.8	5.4
1966	20.9	11.1	1.0	3.1	5.7
1967	22.8	12.3	1.1	3.4	6.0
1968	23.7	12.7	1.2	3.6	6.2
1969	24.6	13.1	1.3	3.8	6.4
1970	25.3	13.4	1.4	4.0	6.5
1971	26.2	13.9	1.5	4.1	6.7
1972	27.3	14.4	1.6	4.3	6.9
1973	28.5	15.0	1.8	4.5	7.2
1974	29.9	15.7	2.0	4.7	7.4
1975	30.9	16.3	2.2	4.8	7.6
1976 est.	32.2	17.0	2.4	5.0	7.8

1/ Beneficiaries represent those in current payment status at mid-point of fiscal year
2/ Includes recipients of special payments for certain uninsured persons aged 72 and over
3/ Includes full-time students aged 18-22 entitled to benefits as dependents of retired workers or as survivors

NEGATIVE INCOME TAX

Mr. FLOOD. One way that has been suggested to check the growth of these programs is this business of a negative income tax. What do you think about that?

Mr. CARDWELL. A negative income tax is another form of income transfer, as the term is used by the economists.

Mr. FLOOD. That is a good phrase.

Mr. CARDWELL. It would actually give back to people at the lower end of the earnings scale a part of the taxes they paid under the regular income tax systems. Another way of putting it is it could guarantee a net minimum level of income for all citizens participating in the tax system. That is my definition of negative income tax. Our department has spent a lot of time and energy in looking at a number of alternatives to the current public assistance system. In fact, a new review of those matters, I think, will begin fairly soon.

All of the considerations that have been entertained so far have maintained the basic social security system as a separate system. Most of them would merge the supplementary security income system into whatever new income maintenance system one might design. I think that is fairly consistent thinking.

SSA AS A SEPARATE AGENCY

Mr. FLOOD. This Social Security Administration has grown so large, almost 85,000 employees, including the temporaries, that some people are advocating making this a separate agency, independent of HEW.

Do you think that's a good idea?

Mr. PATTEN. On the advice of counsel, don't answer.

Mr. FLOOD. Let him talk about it.

Mr. CARDWELL. I have talked about it before. There are a lot of pros and cons. When I add them all up, I tend to come out on the con side, for a lot of reasons. I think there is a direct and continual interrelationship between the programs we administer and the programs administered in other parts of HEW. The supplemental income program and public assistance, I think, should be administered by the same agency, at least within the same department. We in social security handle SSI. Another unit of the Department handles public assistance. I think they should be under the same general management, as they are now. There is indeed a continuing need to interrelate medicare, a form of health care financing, with other health policymaking in the Government, be it medical research, improving the delivery system, or whatever. Those two reasons alone tell me that we should stay under the same department.

WORKLOAD PROBLEMS IN SSA

Mr. FLOOD. You have had a lot of problems within your organization, from top to bottom, especially when we came along with the SSI program. They were busy with social security, black lung and the other disabilities. Then along comes the supplemental security income program. That is quite a workload on top of everything else that your people work on.

Mr. CARDWELL. We've tried to do it. I think we have shown that we are now making it work. I think we have had a terrible struggle but I think the worst is behind us. You are right.

At a time when the general growth in the number of people participating in social security was beginning to grow very rapidly, when the disability caseloads have doubled; we were asked to take a second look at the black lung claims, and then we were asked to take over the State public assistance program for the aged, blind, and disabled. We have had a terrible, terrible time of it.

I think the agency showed its mettle. It is a group of people who pitch in and work together. It is a large organization, still growing. Actually, the SSA staff has been growing at a slower rate than the workload during the last 5 years. It is quite clear to us now that we constrained the staff too tightly 2 or 3 years ago. That is why the request for additional positions and resources was made several months ago.

PROBLEMS IN HANDLING BENEFIT CLAIMS

Mr. FLOOD. I asked those questions for obvious reasons. You and I have talked about this before. For a lot of reasons I have been very close to this problem.

Now you touched on this in your affirmative statement. But this other problem seems to be getting worse and worse. That is the handling of the benefit claims—the slow processing, the delays in the benefit checks, the incorrect payments.

Now the problem of incorrect payments is comparatively new as far as the history of your outfit is concerned. This is just in recent years. We are hearing a lot about incorrect payments. That is a brand-new headache in the last couple of years. Those are just a few of the complaints that we all hear about. Of course, I know you agree there is a problem there. You stated it yourself. Do you want to comment about that any further?

Mr. CARDWELL. Let me put the problem in some perspective. We talked a moment ago about these additional jobs all coming due at one time. That accounts for a lot of this unrest about delayed claims, delayed checks, improper amounts, and whatever. I think the record, and we will be glad to put data in the record, would show very clearly that with the exception of the hearings and appeals process, that kind of problem really peaked about 6 months ago. There has been a steady improvement. As I pointed out earlier, we are doing business with such a large share of the population, that under the most efficient of circumstances there are going to be a certain number of dissatisfied customers. We are all going to get some complaints these days.

IMAGE OF THE SOCIAL SECURITY ADMINISTRATION

Mr. FLOOD. I am concerned about the image of social security. There was a time when it was a sacred cow. Nobody said a word against it. Everybody was for it. In Congress they made 1-minute speeches about "What a wonderful outfit that is." The next day they said, "Mr. Speaker, I have a letter from this man in my district", and he reads it and it is a high compliment of how you go out of your way to help people. Now you are getting a black eye. Not everybody is smiling now

and you are under the guns. It is for the reasons we are talking about, of course.

Mr. CARDWELL. I think it is also a mood of the times. This is not a period of heroes. Nobody can be a hero today. We have had some problems and they have been very serious problems. We have three major problems left, the hearings and appeals process is a significant problem that will be with us for some time. It is not one that is easily solved with the best of intentions and the cleverest of approaches.

Mr. FLOOD. Take advantage of this record. You can be sure, I never have had to say this to you but believe me, I feel that when we take this bill on the floor this year you are going to be sitting up in the balcony; you will have had a good lunch; there you are. We will be down in the well. We will need some ammunition.

Mr. CARDWELL. All right.

[The information follows:]

PROGRESS MADE IN WORKLOAD PICTURE

Type of action and indicator	Comparison points		
	March 1974	September 1974	March 1975
Retirement and survivors insurance claims:			
Pending in district offices	244,193	232,116	230,104
Median elapsed time from application to payment (days)	35	33	30
Disability insurance worker claims:			
Pending in district offices and State agencies	251,000	228,038	195,599
Median elapsed time from application to payment (allowance cases) (days)	102	138	90
SSI—Aged claims: Pending in district offices [1]	81,023	54,777	18,329
SSI—Blind and disabled claims: Pending in district offices and State agencies [1]	292,068	234,147	138,134
OASDHI hearings: Pending in Bureau of Hearings and Appeals	35,048	48,602	52,208
SSI—hearings: Pending in Bureau of Hearings and Appeals	121	8,986	28,983
Black lung hearings: Pending in Bureau of Hearings and Appeals	33,357	33,930	32,693

[1] Median elapsed time is not available for SSI claims.

FINANCIAL SOUNDNESS OF THE SYSTEM

Mr. FLOOD. Lately there has been alarm also about the fiscal soundness of the system. This is something new, comparatively. There is alarm about the possibility that some day there will not be sufficient funds to pay the benefits. That is certainly frightening. You say that to somebody and he looks at you with his mouth open for a minute. Should we worry about it now or just let it go for the next generation?

Mr. CARDWELL. I think we have to worry about it now. We have devised a system in which the Government made a long-term and permanent commitment to the total working population. It said that we are requiring that you join a risk pool and that you put in so much money out of your earnings every payday and we will guarantee you a benefit. That guarantee is as strong as the good faith of our Government and the economic capacity of our Nation. Now I think we have a very stable government, the most stable government in modern times in the Western World.

Mr. FLOOD. That word "risk" never entered anybody's mind. When this baby was born the philosophy was based on a guaranteed payment of benefits after the worker retired. But the word "risk" did not oc-

cur to anybody. They never associated the term with what we are talking about.

Mr. CARDWELL. The term "insurance" was used. Insurance is a protection against a risk.

Mr. FLOOD. As you define insurance technically you are right, but this does not enter the mind of the average person who is in the social security system. The word "risk" which, to me implies the possibility of loss or hazard, never occurs to them.

Mr. CARDWELL. The word "risk" is the loss of the opportunity to earn a living, because he became disabled while young or because he became old and could no longer work, and had to retire or because he died and left survivors.

Mr. FLOOD. You should have the PR people develop that concept of an insurance policy. You have an insurance policy on your home, on your wife, on the automobile. You know what you have here. Tell them what this is.

ALTERNATIVE METHODS FOR FINANCING THE PROGRAM

Shortly after the Advisory Council's annual report, the President came out very strongly against using general funds to finance social security.

All right, what alternative financing is available to keep this program from running into a deficit and from dipping into its reserves?

Mr. CARDWELL. There are three choices. One would be to increase the tax rate which is now 5.85 percent each for both employer and employee. Another one would be to increase the wage base against which that tax is applied. The present wage base under existing law is $14,100. In other words, if you make over $14,000 you pay the tax on $14,100. If you make less than $14,100 you pay the tax on whatever you make. You have a choice to raise the base to which that tax is applied and that increases income in accordance with the amount of the raise.

The third choice is to select a combination of those two. The reason the combination is worth examining very closely is that if you take a tax increase alone you tend to enlarge the natural regressivity of the tax. On the other hand, if you take a wage base increase alone, you move the burden toward the middle class worker and many people believe he is already carrying a heavy burden.

A combination of the two moves you in both directions. At the same time by so doing you would also enlarge the benefit rights for the middle class in the future. There are your choices for the short term. In the long term there is another factor which I think is very important and I don't think enough people understand. The automatic benefit adjustment system provided in the 1972 amendments is very sensitive to the changes in the economy over the long term.

ADVISORY COUNCIL RECOMMENDATIONS

The Advisory Council recommended that the benefit adjustment system be changed for the long term, and that benefit levels will be stabilized around a concept of predetermined replacement rates. Public policy would established in advance that at the time of retirement we want social security to replace certain percentages of the worker's recent income. Those percentages today are about 33 or 34 percent for

the high income worker and about 44 percent for the middle income worker and about 65 to 66 percent for the low-income worker.

You make those choices and then you gear the benefits to provide that return at the time of the retirement. Under the economic and demographic predictions for the long term that tends to reduce the long-term cost. At the same time such a system would be kept up to date for those who retired with automatic cost-of-living increases. Adoption of that policy could reduce the long-term deficit by more than one-half. I would commend to the Congress—and I think the President will soon make a statement to this effect on his own—serious consideration of adoption of that policy.

That takes legislaiton, of course, as do the other choices on the financing side that I mentioned—the combinations of tax rate increases and wage base increases.

Mr. FLOOD. I think it would be a good idea to have TV cameras in here today and have it shown once a week for the next 10 weeks on prime time.

Mr. CARDWELL. The Ways and Means Committee is going to have a series of public hearings beginning early in May on this subject.

Mr. FORD. Well, they are good, too.

Mr. Natcher?

PROJECTED TRUST FUND DEFICITS

Mr. NATCHER. Mr. Cardwell, I know you have read a number of articles that appeared in the paper recently and especially one that appeared in the local paper concerning the deficit of $4 billion and going on to state that it could rise as high as $7 billion in 1977. Is that figure approximately correct?

Mr. CARDWELL. Those figures are reasonably correct based on the estimates in the President's 1976 budget. However, the trustee's report that will be issued the first week in May will give the most recent figures.

Mr. NATCHER. The article goes on to state—

> But the longer run problem extending into the next century is tougher. Low birth rates of recent years mean that there will be more elderly persons in the population with fewer working aged persons to support the system.

Do you agree?

Mr. CARDWELL. That is correct.

Mr. NATCHER. In 1940 there were 11.7 aged persons for every 100 of working age but unless there is a great change in fertility rates in ratio now, 18.3 per hundred, it shoots up to 30 per hundred in the year 2030.

Mr. CARDWELL. That is about correct.

Mr. NATCHER. But you feel, Mr. Cardwell, that as far as the reserve is concerned, $46 billion now, that the $4 billion is adequately protected and also the $7 billion in 1977 would still be there?

Mr. CARDWELL. Correct; in fact, I would urge the public policymakers to use the reserve for just that purpose rather than increase taxes during that same period because I do not think the economy would be well served by a tax increase at this time, even in the name of social security. As I said earlier, I think that is exactly what the reserve was intended to do. We are using it the right way if we do that.

Mr. NATCHER. A number of people in analyzing the situation as far as social security is concerned, are saying that as far as the early re-

tirement, that it should be slowed down and those who are still able to work and to carry on without any difficulty should not be kicked out of the labor market and as many of them as possible should remain, as far as early retirement. That would help the social security system, do you agree?

Mr. CARDWELL. It would help significantly. A lot of the indicators we use to measure our society in the long term suggest we should do that for other reasons as well. If the work force will shrink, as the demographers predict it will, there is one thing we can do and that is to prepare workers to work longer in terms of their work life.

Mr. NATCHER. We have always considered you an able man, frankly. We always thought that your predecessor was an able man, too. We were always fond of Mr. Ball. You have a lot of able people around you.

It makes us feel better on this subcommittee. I know I especially feel that way myself when matters like this $4 billion deficit come up.

Thank you.

Mr. CARDWELL. Thank you very much.

Mr. FLOOD. Mr. Patten.

THE BENEFITS OF THE SOCIAL SECURITY SYSTEM

Mr. PATTEN. I remember when social security started with a $3,000 base. It had an eight-point benefit. You talk about what the public knows. My crippled kiddie nurse just died last month. Through social security at the Elks Lodge, our nurse is paid out of social security moneys. We are in charge of crippled kids.

On a Saturday morning in my hospital we have volunteer services of the best orthopedist in the East. I watched this in the late 1940's, and 1950's. It is just beautiful. I went up to my hospital a number of times and saw a doctor who serves the best of them. I remember the King of Siam needed him. It cost $25,000 to get him over to Siam for a little operation but he was working free in my hospital with 43 lined up this Saturday morning. He was breaking their legbones and putting them back straight.

For years we ran softball games for the crippled kids and run bingo. Saturday night we will have two floors loaded with bingo—all for crippled kids.

My question is this. One of the early promises was that we were going to take a crack at social diseases. How much money is generated as a result of the priming that social security money has done for the crippled kids, for the social diseases, for the eight other benefits besides old aged survivors money?

Have you any notion? Has anyone ever looked at that? I would say the dollars we generate in our town in the council of social agencies, sparked by a little help from social security, is enormous.

Do you know what I am driving at?

Mr. CARDWELL. I think you are really talking more about the social services financing that comes through the public assistance program. That money often acts as seed money; yes.

I think that is what you are talking about.

OTHER BENEFITS OF THE SOCIAL SECURITY PROGRAM

Mr. PATTEN. How many workers, who are conscious of the fact that they are paying into social security, know that at every age they have

received some of these social service benefits? They saw some of this work going on that was primed by social security.

Mr. CALDWELL. There is a good deal of misunderstanding on the part of the population at large, we believe, about the fact that social security is more than just a program for the aged. In fact, it is also a program for children, widowed mothers, and disabled workers and their dependents, than a program for older people.

Mr. PATTEN. I had an iron worker, 35 years old, fall and break his back. He had four children. I want to tell you, what he received from social security disability was wonderful. That was not a hard case. Everybody said the fellow would never work again, and he has not yet. I had a fellow get work in 1940 and fracture his skull on the job.

When I drop in on a fraternal club like the Eagles on Friday afternoon or my own association, I will run into 40 or 50 fellows who are not working. One is 86 and you would love him. He is full of pep. But all he has going for him is the social security check. He is happy. He gets by. He is all by himself. There are so many.

Now on this question of the cost, in my senior citizens groups I have wonderful people, 75 years old who are living in senior citizens housing at $35.37 a month. The only thing one gal has is here social security check. Of course, the rent is low. Now in the nursing homes they take your money. They don't throw it away. They take your money to run that nursing home. I am just wondering if somebody could measure the input.

Mr. CARDWELL. I think we could give you something on that.

DECREASE IN FEDERAL INCOME TAX

Mr. PATTEN. I mean when we spend the social security money, does the average taxpayer realize we are also keeping those nursing homes open and keeping the crippled kids benefits going?

Out of our 85 million workers, how many are denied from taking a dependency deduction, even in the same household with the relatives living at home, because of their social security benefits.

Mr. CARDWELL. I am sure it is.

Mr. PATTEN. So we collect in income tax, because of your payout, a lot of money. I wonder if this could be totaled to show a relationship?

Mr. CARDWELL. We could make a rough estimate.

Mr. PATTEN. I know in my own feeling off the top of my head I would say it is a big factor in collecting income taxes in that if you are handing out 47 million checks that there must be millions of cases where Uncle Sam collects in taxes because the taxpayer cannot deduct for dependencies. It must come to a pretty good figure.

Mr. CALDWELL. The social security benefit is not taxable.

Mr. PATTEN. I know that, that it is not directly, but I mean because of it.

Mr. CALDWELL. To use the term of an economist, it is disposable income. It turns into the economy very quickly. The people tend to spend it.

Mr. PATTEN. I do not mean to follow the dollars you pay out.

Mr. CALDWELL. Absolutely not. Many have resources.

Mr. PATTEN. Now how many people over 72 have enough to get along but are eligible to collect social security and they give their check away

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to somebody? I know people like that who are well fixed and every month their check goes to some poor soul who is not eligible.

Mr. CARDWELL. You are saying it is not going to just the rich people, but it is going to help people.

TRANSFER OF THE TAX BURDEN

Mr. PATTEN. Yes.

I am just giving the spinoff of how far it goes. There is one thing we talk about in cost, since we are the biggest spender. What has been the effect of the SSI in the transfer of the tax burden from the municipalities and the counties and the State? You are using big numbers here. How many of that load only shifted?

Mr. CARDWELL. We are spending about $2 billion more each year on assistance to that group of people. It is all federally financed. In fact, the States have actually reduced the net amount that they spend.

Mr. PATTEN. How can we crank this into a proper appraisal of the effectiveness of social security across the board?

A fellow who owns a house in my town ought to know that SSI and all these other benefits have really decreased what used to be the big sore spot in 1935 and 1940 in welfare. Welfare is no big item in a lot of our municipal budgets.

PROPOSAL TO LIMIT THE BENEFIT INCREASE TO 5 PERCENT

One last question: Do you want to comment on this bit about capitation grants being increased to 8 percent? I hear talk about holding it to 5 percent. Should we say anything about this now?

Mr. CARDWELL. Sure.

Mr. PATTEN. I think the Senate voted it down.

Mr. CARDWELL. I would like to try to put the President's proposal in some context. He knew when he made it that it would not be a popular proposal. In fact, I am sure he assumed it would be an unpopular proposal. You have to ask yourself why he made it in the face of that realization. He made it out of a very deep concern about what our economic system could afford to pay. I think he was trying to break the cycle that everything is beyond control. The other thing that was not very well articulated by those of us who were given the job of eyplaining his position is that he really did not single out social security for constraint. He said, "Let's constrain all Federal benefit programs that have escalators. In fact, at the same time, let's ask the private sector and labor movements to do the same thing." Nobody ever heard those words. Somehow they got lost.

It was an action I think born of conscience. It is worthy of more consideration than I think people have given it.

Mr. PATTEN. You would think the money was coming from another planet. I would say a high percentage of our people just think it is disgraceful not to hold these people even on account of the increased cost of living. I think you said there was a 10-percent increase under medicare or a 2-percent increase in volume and you were up to 14 percent more somewhere else.

Nobody has to tell you or me who runs a house about it. Last Saturday my wife needed $800 to pay the bills. I do not know if you other married men are up against that.

Mr. CARDWELL. Yes; we are up against that.
Mr. FLOOD. Mr. Michel.

WHITE PAPER ON SOCIAL SECURITY

Mr. MICHEL. On February 10, 1975, a white paper entitled, "Social Security: A Sound and Durable Institution of Great Value," by five former Secretaries of HEW and three former Social Security Commissioners was published. Would you submit, for the record, your analysis of this white paper?

Mr. CARDWELL. I'm very familiar with this white paper. It is an exposition of the current issues in social security and does a credible job of putting those issues in perspective. I agree with the paper's conclusions that the program is indeed a sound and durable institution and that many of the recent attacks on the system are unwarranted and do a disservice to the Nation and its people.

The paper stresses such positive aspects of the program as its assurance of future benefit payments, the congressional commitment to social security contributors, the appropriateness of the insurance nature of the program, and the integrity of the trust funds. The paper also emphasizes the importance of the contributory nature of the program and the protection afforded in return for social security contributions.

Mr. MICHEL. In this white paper, it is claimed that those who look at the social security system and say that its taxes are regressive are guilty of the fallacy of looking at the taxes and benefits of the program separately. The white paper contends that if you look at it as a complete system, it is not regressive at all. A superficial look at the benefit schedules seems to support this contention. For example, a worker earning $14,000 and contributing twice as much annually into the system as a worker earning $7,000 might receive only half again as much in direct monthly benefits assuming all other factors to be equal. Therefore, the conclusion is drawn that low-income workers benefit proportionately more from the system after retirement than do high-income workers and those with unearned income. But in the real world, isn't the system regressive in the sense that those with less, get less?

Mr. CARDWELL. It is true that workers who had low average earnings under social security get smaller social security benefits than those who had high earnings under the program. There is nothing regressive about this. In fact, the worker with the lower average earnings gets a higher benefit in relation to his earnings than does the higher paid worker. I'd like to supply an example of this for the record.

[The information follows:]

A worker with low earnings, say, $3,200 in 1974—whose earnings had risen in prior years as wages generally rose—would have average monthly wages under social security of $169 and, under the present benefit schedule, would get a benefit of $157.20 at age 65 in January 1975; about 93 percent of his average earnings or about 59 percent of his 1974 earnings. On the other hand, a worker who had always earned at the level of the maximum amount of annual earnings counted for social security tax and benefit purposes—$13,200 in 1974—would have average monthly earnings under social security of about $542 and get a benefit of $316.30 at age 65 in January 1975; about 58 percent of his average earnings and about 29 percent of his 1974 earnings of $13,200. Thus, the benefit schedule is systematically preferential to lower paid workers, and, in this sense, is progressive, as the white paper states.

Mr. MICHEL. Isn't it true that since unearned income is exempted from calculations of benefits to be paid, those who after retirement receive substantial amounts of money from earlier investment may also receve their full social security benefit payments, while those who find that even in retirement they must work in order to make ends meet will have their benefits reduced $1 for every $2 earned above $2,520 in any year?

Mr. CARDWELL. Your question is whether the retirement test is regressive in that it applies to earnings but does not apply to nonwork income. In response, I'd like to point out that the people who are most affected by the test are those who are able to work and who are most likely to have skills that enable them to get good-paying jobs. These people are, also, to a very large extent, the people who are likely to have nonwork income.

In considering the way income is treated under the retirement test, it is helpful to bear in mind that the social security program is not designed or financed as an annuity plan under which benefits begin at a specified age even if the beneficiary continues to be fully employed. Rather, it is a system of social insurance under which covered employees, their employers, and the self-employed pay social security contributions toward protection against the risk of loss of income from work because of retirement in old age, disability, or death. When a loss of income from work occurs because of retirement in old age, for example, social security retirement benefits are payable as a partial replacement of the worker's earnings and the retirement test is used to determine whether such a loss has actually occurred.

If the retirement test took account of nonwork income, it would, of course, no longer be a retirement test but an income test. If it became an income test, the fundamental idea that social security benefits are intended as partial replacement of earnings from work would be diluted or lost. Further, changing the retirement test to an income test would tend to discourage individual thrift. Social security benefits would no longer be a base on which the individual could build through savings, investments, private insurance, and employer and individual pension plans. Moreover, such a change in the test would be of no help to beneficiaries who had no nonwork income and found it necessary to augment their benefits by working.

Elimination of the test would be particularly advantageous to people who have high earnings. Of the 1.4 million beneficiaries who are affected by the retirement test—those currently receiving no benefits or only partial benefits because they are working—about 40 percent have earnings that are high enough to result in all of their benefits being withheld. Many of these are people who have not retired and who are earning as much as they ever did. These people would, of course, receive full benefits in addition to their earnings if the test were eliminated. Moreover, the people who have relatively high earnings after reaching retirement age generally had high earnings in the past, and, as a result, are entitled to high benefits.

Mr. MICHEL. Do you have any studies on this regressive phenomenon? Do you have any data you could supply for the record which demonstrates this effect?

Mr. CARDWELL. As I indicated earlier, I do not believe that the system as a whole is regressive. However, the overall equity of the system—that is its progressivity or regressivity—is being carefully analyzed. Our agency is studying the relationship between the benefits and past earnings of actual workers at various levels of earnings. Using a 1-percent sample of workers and self-employed covered under social security—with proper safeguards for maintaining confidentiality—we are attempting to determine the actual pattern of benefits as a percentage of recent past earnings for workers at various earnings levels. We also are examining variations in earnings replacement rates caused by differences among workers in lifetime patterns of earnings. In addition, we are attempting to analyze earnings replacement rates for beneficiaries with the same earnings but different demographic characteristics. For example, at the direction of Secretary Weinberger, we are studying the impact of differential mortality rates on earnings replacement rates of beneficiaries who have the same earnings. These are long-range studies involving very complex comparisons. When meaningful results are produced they will of course be made available.

Mr. MICHEL. Do you have any economic analysis that shows the social security system has the effect of reducing total private savings?

Mr. CARDWELL. The effect of the social security system on total private savings is difficult to determine. It has been reviewed and considered many times by both Government and the academy, generally with no conclusive results. I recently asked SSA staff to prepare a basic paper outlining the economic issues with respect to this question. I'd be pleased to have a copy of the paper, "Social Security, Saving and Capital Formation", sent to your office. You may know that, currently, a number of economists, most notably Professor Martin Feldstein of Harvard University, have argued that social security does reduce private savings. The validity of his empirical results is being studied by our staff as the first stage in a long-run review of the impact of the social security system on capital formation.

SOCIAL SECURITY FINANCING

Mr. MICHEL. What is the present value of the social security system's actuarial deficit as of June 30, 1974, and what do you estimate it will be in 1975? I understand that for June 30, 1973, it was $2.1 trillion. This was calculated by the Office of the Actuary, Social Security Administration, in the Wall Street Journal referenced to July 15, 1974, page 10. This figure also appeared in the September 1974 report to the Secretary of the Treasury, entitled "An Actuarial Audit of the Social Security System."

Mr. CARDWELL. I believe you are referring to the so-called unfunded accrued liability of the old age, survivors, and disability insurance program. That represents the present value of the net cost if the

program ceased to cover new workers but continued to collect taxes and pay benefits to people already covered. The figure for June 30, 1974, was estimated to be about $2½ trillion. It has not been estimated as yet for 1975. If I may, I would like to point out that it is misleading to use this statistic to measure the actuarial status of the program, for it is based on the unrealistic assumption that there would be no new entrants. It is precisely because we can count on new people contributing to the program as they enter the labor force that the program can be financed as it is; namely, on a current-cost or pay-as-you-go basis rather than on the full-reserve basis that would be required of commercial insurance companies.

Mr. MICHEL. Would you submit for the record, a table which would show comparative growth of social security taxes versus the cost of living for each year since 1940 through 1976 estimated?

Mr. CARDWELL. I would be glad to.

[The information follows:]

	Median Covered Earnings 1/	Employee Tax Rate %	Average Contribution Amount	Average Contribution Index 2/	Consumer Price Index 2/
1940.....	$1,157	1	$ 11.57	5.2	42.0
1941.....	1,336	1	13.36	6.0	44.1
1942.....	1,609	1	16.09	7.2	48.8
1943.....	1,922	1	19.22	8.6	51.8
1944.....	2,049	1	20.49	9.2	52.7
1945.....	2,020	1	20.20	9.0	53.9
1946.....	2,071	1	20.71	9.3	58.5
1947.....	2,336	1	23.36	10.5	66.9
1948.....	2,551	1	25.51	11.4	72.1
1949.....	2,569	1	25.69	11.5	71.4
1950.....	2,759	1.5	41.39	18.5	72.1
1951.....	2,919	1.5	43.79	19.6	77.8
1952.....	3,113	1.5	46.70	20.9	79.5
1953.....	3,325	1.5	49.88	22.3	80.1
1954.....	3,341	2	66.82	29.9	80.5
1955.....	3,464	2	69.28	31.0	80.2
1956.....	3,605	2	72.10	32.3	81.4
1957.....	3,619	2.25	81.43	36.4	84.3
1958.....	3,692	2.25	83.07	37.2	86.6
1959.....	3,880	2.50	97.00	43.4	87.3
1960.....	3,995	3	119.85	53.6	88.7
1961.....	4,052	3	121.56	54.4	89.6
1962.....	4,190	3.125	130.94	58.6	90.6
1963.....	4,325	3.625	156.78	70.1	91.7
1964.....	4,511	3.625	163.52	73.2	92.9
1965.....	4,675	3.625	169.47	75.8	94.5
1966.....	4,883	4.2	205.09	91.8	97.2
1967.....	5,080	4.4	223.52	100.0	100.0
1968.....	5,382	4.4	236.81	105.9	104.2
1969.....	5,782	4.8	277.54	124.2	109.5
1970.....	6,059	4.8	290.83	130.1	116.3
1971.....	6,435	5.2	334.62	149.7	121.3
1972.....	6,857	5.2	356.56	159.5	125.3
1973.....	7,303	5.85	427.23	191.1	133.1
1974.....	7,737 3/	5.85	452.61 3/	202.5 3/	147.7
1975.....	8,201 3/	5.85	479.76 3/	214.6 3/	160.5 3/
1976.....	NA	5.85	NA	NA	169.5 3/

1/ Median earnings covered by social security for workers who had earnings in all four-quarters of the calendar year.
2/ 1967 = 100.0
3/ Estimated

Mr. MICHEL. Would you also provide a table from 1947 through the present time that shows the median family and individual annual income compared to the taxable income ceiling of the social security program?

Mr. CARDWELL. Yes, sir.

[The information follows:]

	Median Total Income 1/		Median Wages and Salaries 2/		Maximum Taxable Earnings 3/
	Families	Persons Not Part of a Family Unit	White Males	White Females	
1947.....	$3,031	$ 980	$2,357	$1,269	$3,000
1948.....	3,187	996	2,711	1,615	3,000
1949.....	3,107	1,050	2,735	1,615	3,000
1950.....	3,319	1,045	2,982	1,698	3,000
1951.....	3,709	1,195	3,345	1,855	3,600
1952.....	3,890	1,409	3,507	1,976	3,600
1953.....	4,233	1,394	3,760	2,049	3,600
1954.....	4,173	1,224	3,754	2,046	3,600
1955.....	4,421	1,316	3,986	2,065	4,200
1956.....	4,783	1,426	4,260	2,179	4,200
1957.....	4,971	1,496	4,396	2,240	4,200
1958.....	5,087	1,486	4,569	2,364	4,200
1959.....	5,417	1,556	4,902	2,422	4,800
1960.....	5,620	1,720	5,137	2,537	4,800
1961.....	5,737	1,755	5,287	2,538	4,800
1962.....	5,956	1,753	5,462	2,630	4,800
1963.....	6,249	1,800	5,663	2,723	4,800
1964.....	6,569	1,983	5,853	2,841	4,800
1965.....	6,957	2,153	6,188	2,994	4,800
1966.....	7,500	2,270	6,510	3,079	6,600
1967.....	7,933	2,379	6,833	3,254	6,600
1968.....	8,632	2,786	7,291	3,465	7,800
1969.....	9,433	2,930	7,859	3,640	7,800
1970.....	9,867	3,137	8,254	3,870	7,800
1971.....	10,285	3,316	8,550	4,046	7,800
1972.....	11,116	3,521	9,190	4,218	9,000
1973.....	12,051	4,134	9,969	4,441	10,800
1974.....	NA	NA	NA	NA	13,200
1975.....	NA	NA	NA	NA	14,100

1/ Bureau of the Census, Current Population Reports, Consumer Income, Series P-60, No. 97, "Money Income in 1973 of Families and Persons in the United States," January 1975

2/ Bureau of the Census, Current Population Reports, Consumer Income, Series P-60, Nos. 69, 75, 80, 85, 90 and 97

3/ Social Security Administration, Office of Research and Statistics, Social Security Bulletin, Annual Statistical Supplement, 1972

Mr. MICHEL. Has your administration studied and analyzed James M. Buchanan's "Social Insurance in a Growing Economy: A Proposal for Radical Reform"? Would you submit such an analysis for the record?

Mr. CARDWELL. Mr. Buchanan, among others, has proposed a radical restructuring of our social insurance system. Buchanan suggests replacing payroll taxes by compulsory purchase of social insurance bonds. We have not prepared a written analysis per se. If Congress became interested in studying proposals of this nature we, of course, would undertake a detailed analysis of their impact. In the meantime, we continue to keep informed about these and other proposals that appear in professional and lay journals. I would note that Buchanan and other "critics" were given the opportunity to present his views to the recent Advisory Council.

TRUST FUND RESERVES

Mr. MICHEL. When are the reserves of the social security trust funds likely to be used up?

Mr. CARDWELL. There is every reason to expect that appropriate legislative action to insure the solvency of the social security system will be taken in ample time to prevent the system from running out of money. I cannot foresee the Congress letting the social security trust funds be used up.

In the unlikely event that there were no such legislative intervention, though, the actuaries estimate that under the financing and benefit provisions of present law the reserves in the cash benefits trust funds would be exhausted in the early 1980's and those in the hospital insurance trust fund in the late 1990's.

Mr. MICHEL. Is the administration working on remedial proposals to be submitted to the Congress?

Mr. CARDWELL. Yes, the administration is developing a legislative proposal to submit to the Congress shortly. A final decision has not been reached on the details of this proposal. I think it is safe to expect, though, that the administration's proposal will likely include some combination of both an increase in the cash benefits tax rate and in the amount of annual earnings to which it applies. This is unlike the recent advisory council recommendation to use additional general revenue financing. The administration believes that such use of additional general revenues would eventually erode the basic wage-related, earned-right principles of social security.

Mr. MICHEL. Why has the administration opposed the Social Security advisory council's recommendation to solve the deficit situation in part by financing medicare out of general revenues?

Mr. CARDWELL. Secretary Weinberger thinks that substantial general revenue financing of social security would weaken the contributory, earned-right nature of the program and jeopardize the widespread public acceptance and support the program has because of this earned-right principle. I would like to insert for the record the statements made so far by the President and Secretary Weinberger on this subject.

[The information follows:]

In his statement about the Advisory Council reports, the President said, "I strongly support the 'earned-right' principle that has been a basic feature of Social Security since its inception 40 years ago. Therefore, I am opposed to the advisory council's specific recommendation calling for the transfer of medicare financing from the social security trust funds to general funds of the Treasury."

Secretary Weinberger said, "I think such a step would be inappropriate for a program whose strength has depended so heavily on support by working people and their employers. We should find other ways to solve the financing problems in social security."

DECOUPLING

Mr. MICHEL. Would you tell us what is meant by the term "decoupling" and what long-term effect it would have on the deficit situation?

Mr. CARDWELL. Under present law, when benefits are increased to reflect increasing prices, the benefits of both present and future retirees are increased by the same percentage. Thus benefit increases for future beneficiaries are said to be "coupled" with those for people already getting benefits. However, since benefits are based on average earnings under social security, the benefits of people who retire in the future will be affected not only by increases in prices but also by increases in their own wages. Thus, under the present system potential benefits for present workers will rise faster than prices. In fact, under current long-range economic assumptions, with wages rising at an average rate of 6 percent per year and prices at 4 percent, projected benefit levels will ultimately rise faster than wages.

The term "decoupling" is used to describe proposals that would separate the automatic cost-of-living increases provided for people already getting benefits from the calculation of benefits for people who will become beneficiaries in the future. Under decoupling of new method of calculating benefits at initial entitlement would be provided so that benefits at that time would bear a rational and predictable relationship to the worker's preretirement earnings. Thereafter, the benefits would be increased to reflect increases in the cost of living.

A revision in the benefit structure to stabilize replacement rates—the relationship between benefits and workers' preretirement earnings—could substantially reduce the rapid escalation of cost in the old-age, survivors, and disability insurance system projected to occur after the turn of the century. This would help to reduce the projected long-range actuarial deficit.

The exact effect that stabilizing replacement rates would have on the projected cost would depend on the precise method of stabilization. However, under a model developed for illustrative purposes only for the 1975 reports of the boards of trustees of the social security trust funds, the cost of the OASDI program over the next 75 years would be reduced by about 2.5 percent of taxable payroll, or about one-half of the projected deficit according to our most recent estimate.

I must stress, however, that this is merely a theoretical model, not a proposal. We are currently examining the various alternative methods of stabilizing replacement rates through some form of "decoupling."

HEARINGS AND APPEALS BACKLOGS

Mr. MICHEL. There are large backlogs in the Bureau of Hearings and Appeals. What are you doing to reduce them?

Mr. CARDWELL. We have undertaken a number of steps to reverse the trend in the hearings backlog. We are recruiting more administrative law judges and placing more support staff in our hearing offices to speed case development. Also, the requirement calling for the use of scarce legal skills in hearings and adjudicative review limits the number of hearings and appeals personnel which we can hire and the rate at which they will be hired. As a result, we are now working on a new approach calling for the use of lawyers, without the hearings and adjudicative skills required of hearing examiners and administrative law judges, to do more of the work. In addition, we are beginning to screen hearing requests before they are assigned to the administrative law judges to avoid any obviously unnecessary delays in hearing the cases. We will continue to try various solutions to this problem and we will adopt those that prove successful.

STANDARDS FOR MEDICARE CONTRACTORS

Mr. MICHEL. What kind of efforts are you making—in line with the outside advisory committee report on medicare administrative agents, to develop standards, quality assurance activities, and so forth, for medicare contractors?

Mr. CARDWELL. First of all, we have a performance evaluation system in place that measures the carriers' administrative costs, timeliness of processing claims and, now the quality of performance. This system has evolved over the years with the cooperation of the contractors. We concur with the Perkins committee's recommendation that more refined performance measurements are needed and are working toward this goal.

We expect to enter into a contract in a few months with a qualified private firm to assist our efforts in developing improved performance criteria. We are also working on developing experiments on incentive and fixed price arrangements with contractors. Further, now that the quality assurance program for measuring the quality performance of the medical insurance (mainly doctors' services, outpatient hospital care and home health care) contracting has been implemented, we are now directing our efforts to the development of a hospital insurance (mainly inpatient hospital care and skilled nursing care) contractor quality assurance program.

MEDICAL COST CONTROLS

Mr. MICHEL. The 1972 Amendments to the Social Security Act gave SSA further capability to extend medical cost controls. Can you tell us something about how you're implementing these cost control provisions and what savings you expect as a result?

Mr. CARDWELL. I would be glad to submit this information for the record.

[The information follows:]

I. Status of Cost Effectiveness Provisions of Public Law 92-603 as of April 30, 1975

A. Section 221 - Limitation of Federal Participation for Capital Expenditures

Description	Present Status
Authorizes the withholding of title XVIII reimbursement amounts from providers of services for capital expenditures which the providers have not submitted for review to a designated health planning agency or have been determined inconsistent with area health faciltiy planning.	The Health Resources Administration has the lead responsibility for implementing this provision of Public Law 92-603 and final regulations were published on November 13, 1973. The Social Security Administration has prepared draft regulations to implement its delegated authority of withholding reimbursement to title XVIII facilities disapproved under this provision.

B. Section 223 - Limitation on Coverage of Costs Under Medicare

Description	Present Status
Authorizes the limiting of provider costs to be recognized under Medicare based on comparisons of the cost of covered services by various classes of providers in the same geographical area.	Final regulations implementing section 223 and an initial schedule of limits on hospital inpatient routine service costs were published on June 6, 1974, and were effective for cost reporting periods beginning on or after July 1, 1974. Proposed refinements to the initial schedule of limits were published on April 17, 1975, and when published in final, will be applicable for cost reporting periods on or after July 1, 1975. Proposed Skilled Nursing Facility limits should be published shortly.

C. Section 224 - Limits on Prevailing Charge Levels

Description	Present Status
1. After December 31, 1970, medical charge levels recognized as prevailing in a locality may not be increased beyond the 75th percentile of customary charges made for similar services in the same locality during the last preceding calendar year elapsing prior to the start of the fiscal year in which the bill is submitted or the request for payment is made.	Regulations which had previously been administratively implemented were enacted into law by this provision.
2. For fiscal year 1974 and thereafter, the prevailing charge levels recognized for a locality may be increased, in the aggregate only to the extent justified by appropriate economic indexes.	Final regulations should be published by mid-July and they should be implemented by September 1, 1975.

Description	Present Status
3. In the case of medical supplies, equipment and services that in the judgment of the Secretary generally do not vary significantly in quality from one supplier to another, the charges allowed as reasonable after December 31, 1972, may not exceed the lowest levels at which such supplies, equipment, and services are widely and consistently available.	A proposed regulation has been drafted and is being reviewed within the Department of Health, Education and Welfare.

D. Section 226 - Payments to Health Maintenance Organizations

Description	Present Status
Under the 1972 Amendments, individuals eligible for Medicare may choose to have their health care provided through a Health Maintenance Organization (HMO).	Regulations are presently being prepared for the conditions that HMOs must meet to qualify for participation in the Medicare program and for the rules that will be followed in reimbursing HMOs. An application form developed by the Bureau of Health Insurance has been sent to 425 potential HMOs. To date, BHI has received 30 completed applications.

E. Section 227 - Payment under Medicare for Services of Physicians Rendered at a Teaching Hospital

Description	Present Status
Provides that charge reimbursement for physician services in teaching hospitals may be made only where the patient is a "private patient"; where the patients are "non-private", reimbursement would be made on the basis of reasonable costs.	Final regulations are now being prepared. Public Law 93-368 deferred implementation of this provision until cost reporting periods beginning after June 30, 1976 to allow completion of a study of reimbursement by the National Academy of Science.

F. Section 233 - Amount of Payments Where Customary Charges for Services Furnished Are Less Than Reasonable Cost

Description	Present Status
Limits payment to providers for services rendered to medicare beneficiaries to the lesser of the cost of such services or the customary charges to the general public for each service.	Final regulations implementing this provision were published on May 10, 1974.

G. Section 251 - Physical Therapy and Other Therapy Services Under Medicare

Description	Present Status
Section 251(c) required that the Medicare program establish criteria for determining the reasonable cost of physical and other therapy services furnished under arrangements with hospitals, skilled nursing facilities, home health agencies, and other providers of services.	Final regulations were published on February 7, 1975, along with guideline amounts to be used in evaluating payments to contract physical therapists, which is the most commonly used therapy service furnished under arrangements with providers of services. SSA is currently preparing guidelines for other therapy services performed.

H. Section 279 - Direct Laboratory Billing of Patients

Description	Present Status
The Secretary is authorized to establish a payment rate for diagnostic tests performed in a laboratory which will be limited to an amount that would be payable in the absence of such a rate.	The proposed regulations are to be published by August 1975.

I. Section 249F - Professional Standards Review Organization

Description	Present Status
Section 249F provides for the establishment of Professional Standards Review Organizations each of which would consist of substantial numbers of practicing physicians in local areas to assume responsibility for comprehensive and on-going review of services covered under the Medicare and Medicaid programs. The PSRO would be responsible for checks on whether institutional services were (1) medically necessary and (2) provided in accordance with professional standards. The provision is designed to help secure proper utilization of care and services provided under Medicare and Medicaid by utilizing a formal mechanism in which the broadest possible cross section of practicing physicians in an area would participate.	Overall administration of PSROs has been assigned to the Health Services Administration. SSA is responsible for liaison between the individual PSRO and the intermediary.

II. Estimate of Savings as a Result of These Cost Effectiveness Provisions

The budget for FY 1976 reflects the following estimated savings in benefits:

1. A saving of $60,000,000 reflecting the implementation of section 223, which limits the coverage of costs under Medicare.

2. A saving of $35,000,000 reflecting the implementation of section 224, which places limits on prevailing charge levels.

Mr. MICHEL. We have just approved your request for a supplemental for the SSI program based on your need to pay out more in benefit payments than you originally estimated. How good do you think your estimates are for fiscal year 1976?

Mr. CARDWELL. We are now reevaluating our benefit payments estimates for fiscal year 1976 and are looking at trends in claims applications, terminations, numbers of recipients and average benefit payments. At this time, except for adjusting for the 8-percent automatic increase rather than the 8.7 now in the budget, you have our best estimates. The adjustment due to the difference in the automatic is $20 million. In other words, all other things being equal, our present law estimates for 1976 are $20 million too high. For fiscal year 1975 our average Federal payments are running higher than estimated, even in our supplemental. However, our hold harmless estimates may be on the high side. We would counsel at the present time your approval of the total estimate for 1976, as submitted, on the assumption that the pluses will cancel out the minuses.

Mr. MICHEL. We know how complex SSI is to administer and how hard SSA has worked to get this program off the ground. We hear that there have been some problems where SSA administers the State supplemental payments. Can you tell us some of the problems and how you are working to solve them?

Mr. CARDWELL. There are several difficulties inherent in Federal administration of State supplementation payments.

First, Federal administration of mandatory supplementation is the most difficult problem we have with the States. Mandatory supplementation is required of the States to maintain the December 1973 income of each converted recipient where the Federal SSI payment is insufficient. The complexities of Federal policies and State welfare plans as well as computer programing requirements have all complicated implementation of mandatory supplementation. We have established an interim system to pay mandatory supplements, but to resolve the problem in the long run, we are considering a change in the mandatory supplementation regulations, which would simplify calculations of the mandatory payment.

A second problem is the multiplicity of optional supplementation categories. Currently a State may have as many as nine optional supplementation categories—combinations of living arrangements and geographical variations. Regulations published in the Federal Register on February 21, 1975, limit optional supplementation categories to a maximum of five living arrangements and three geographical. States which currently have more than five living arrangement variations must eliminate the excess by July 1, 1976.

A third problem is the reimbursement shortfall. We gave some details on the extent of this problem in our budget justification for the 1975 supplemental appropriation request. States are not fully reimbursing SSA for supplementation payments we make on their behalf. One reason is disputes between three States and SSA over these States' adjusted payment levels, one of the items used to determine the amount of Federal hold harmless payments. We are exerting every effort to have States pay supplementation funds withheld because of these dis-

putes. This debt has been accumulating since the beginning of the program in January 1974. For fiscal year 1974 these States owe $38,842,000 because of the APL disputes. For fiscal year 1975 through the end of March they owe us $62,700,000.

States are also withholding partial reimbursement claiming the Federal Government is making overpayments and paying State supplementation benefits to ineligibles. Redeterminations made on converted recipients, quality assurance reviews, and a special DHEW audit being conducted on behalf of the States are all being done to determine the incidence of incorrect payments and who is responsible—the States or the Federal Government. On the basis of the various audits and administrative processes, Federal liability will be determined and appropriate settlements with States accomplished. The money involved here is $32,062,000 in 1974 and $49,161,000 as of March 31, 1975.

A fourth problem is State complaints of erroneous State data exchange information. This problem affects our relationships with States whether the supplementary payments are federally or State administered. We provided data on SSI recipients to all States which make supplementary payments—Texas being the only State not having supplementation—to help them calculate mandatory supplementary payments and to help their administration of the medicaid program. We are working with the States to correct erroneous information contained on SSI recipients' records.

Mr. MICHEL. You've told us of your plans to complete over a million redeterminations of SSI cases converted from the State rolls. This is a sizable undertaking from which you expect substantial savings. However, recent court decisions have complicated your problems in completing these activities—could you discuss this?

Mr. CARDWELL. Since the beginning of the SSI program in January 1974, we have had 87 SSI law suits filed against us, most of which have been class actions. In 38 instances, the courts have issued injunctions or restraining orders requiring us to take some sort of corrective action. Usually, this has involved considerable computer time and manpower to reinstate payments, send new notices, and conduct hearings resulting from a court order which is generally statewide in nature. As you can well imagine, this kind of priority activity commits resources at all levels of SSA to the detriment of other activities. Therefore, to some extent, completion of redeterminations can be affected in a given State or group of district offices if we must expeditiously implement a court order. For example, in one phase of implementation of a court order in New York, we had to send new notices to more than 30,000 individuals, and then deal with the inquiries and appeals resulting from these notices. In addition, taking action under a court order for a class of converted recipients could result in deferring redeterminations on these cases until the action is completed; this is presently the situation in Vermont for approximately 2,300 recipients.

The due process requirements stemming from the *Goldberg* v. *Kelly* decision have directly impacted on the redetermination process. If, as a result of performing a redetermination, SSA determines that an individual's benefits should be terminated, suspended, or reduced, the individual must be notified before the action can be taken. Because of the individual nature of these actions, and insufficient leadtime to develop

computer programs that will produce notices automatically, notices must be manually prepared. The individual is given 30 days to present reason to SSA why the action should not be taken. The individual cases must be diaried so that we know when the 30-day appeal period has elapsed. Added to this is the time necessary to hear the appeals, to evaluate them and arrive at a decision and to notify the applicants.

We are currently processing SSI redeterminations at a rate which will achieve the fiscal year 1975 budget estimate of 1 million SSI redeterminations processed. The court decisions as detailed above increase administrative costs in the field because of additional workloads created such as manually prepared notices and holding due process hearings. In addition, the due process requirements may partially cause deferral of our budgeted benefit payment savings due to redeterminations. The redetermination savings built into the budget were based on being able to terminate ineligibles and correct overpayments as soon as the redetermination was processed. Because of due process, the corrective actions will be delayed, and the savings deferred until the process is complete. At this time we cannot measure the extent to which due process requirements and similar court orders will reduce our savings.

PENDING WORKLOADS

Mr. MICHEL. You began this fiscal year with a sizable pending workloads and a fairly long processing time for new claims. How does the situation in these areas look with regard to fiscal year 1976? Are you taking any steps to simplify payment variations for people in different kinds of situations like institutions?

Mr. CARDWELL. We are bringing the pending workload of SSI claims under control and we expect to improve even further in fiscal year 1976. The processing time is also decreasing rapidly. Last September, we had pending almost 50 days worth of work for the aged claims and 110 days work for disability cases. We have now reduced these pendings to 31 days for the aged category and 76 days for disability. These pendings should continue to decline as the automated systems improve and procedural simplifications are implemented.

There are three living arrangements recognized by the SSI program for purposes of computing the amount of an individual's or couple's basic Federal payment. These three are: First, an individual or couple who maintain their own home and are completely responsible for their own care. These individuals receive the full Federal benefit reduced only by income which exceeds the Federal exclusions. Second, individuals or couples who live with another person and receive food and shelter from him. In these cases the Federal payment is reduced by one-third; and Third, individuals in medical facilities, who have more than 50 percent of the cost of their care met by medicaid receive a payment of $25.

We have had some difficulty defining situations where the one-third reduction should apply. However, our greatest problem comes when recipients report changes of address. We must often do extensive development to determine if individuals have switched from their own independent home situations to those in which someone is contributing room and board at no cost to the recipient. In the case of an individual going into a medical facility, we must determine whether medicaid

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is assuming more than 50 percent of the cost of his care. In order to ease the administrative burden of developing the fair market value of room and board where an SSI recipient lives with another individual, we are now making reasonable assumptions about the relationship between the value of the room and board and the basic Federal benefit. We reduce the benefit payable accordingly. The only means of further simplifying the Federal living arrangement variations is through legislation, and we are considering legislative proposals.

As I mentioned before we do have some problems administering the many optional supplementation payment variations. However, the regulations published on February 21 will reduce the number of payment variations a State may have.

Mr. MICHEL. Thank you.

Mr. FLOOD. Mr. Conte.

LEGISLATIVE PROPOSALS

Mr. CONTE. Mr. Cardwell, the President has submitted several legislative proposals involving cash benefits, medicare cost-sharing, and cost-of-living adjustments. Would you outline all of the legislative proposals for me, along with the amount of money you expect to save if they are enacted?

Mr. CARDWELL. The President's budget includes several legislative proposals related to the programs administered by the Social Security Administration, most of which would reduce outlays. In addition, one proposal would correct a technical deficiency in the law which has frozen the monthly supplementary medical insurance premium paid by enrollees to the 1974 level.

Three proposals which would reduce outlays affect the cash benefit programs. One is the President's proposal to place a temporary 5-percent ceiling on cost-of-living increases in Federal benefit payments to individuals. Without this ceiling, benefit payments in the OASDI and SSI programs will increase by 8 percent this summer, while Black Lung payments are estimated to increase by 9 percent in September.

A second proposal would preclude payment of social security benefits for months prior to the date the application is filed where a permanent reduction in the amount of the monthly benefit would result. The third would eliminate the monthly limit on employment earnings of an OASDI beneficiary. The retirement test after the first year in which a beneficiary received a cash benefit would then be based solely on an annual limit on post-retirement earnings.

Under the hospital insurance program, the President's proposals would establish a 10 percent coinsurance on all covered charges in excess of the deductible, would set a limit on beneficiary liability of $750, and would give the Secretary of Health, Education, and Welfare another tool to control hospital costs by placing limits on the rate of year-to-year cost increases that the program will recognize as reasonable. Under the supplementary medical insurance program, the President's proposals would allow the annual deductible, which enrollees must pay before benefits are due, to increase in proportion to increases in monthly cash benefits. At present this deductible is $60, and under present law will remain static. The legislative package for the SMI program also would establish a 10-percent coinsurance on charges for home health services and hospital based physicians, and would estab-

lish a limit on beneficiary liability comparable to the one proposed for the hospital insurance program.

In total, the President's proposals were budgeted to reduce SSA outlays by $4.7 billion in 1976, compared to outlays under present law.

Mr. CONTE. Do you have any serious expectation that these measures will be approved by the Congress?

Mr. CARDWELL. I believe that the Congress should consider these proposals carefully. I'm no expert on what the Congress can be expected to do, particularly after it examines the total budgetary situation, as it will this year.

Mr. CONTE. Can you tell me, in detail, what the consequences will be if they are not approved?

Mr. CARDWELL. The most significant impact would be on the total Federal budget itself. As you know, the budget estimated a $51.9 billion deficit for fiscal year 1976. In his budget message, the President stressed the need for congressional approval of his proposed initiatives to hold down Federal outlays. If none of the proposed legislation affecting the Social Security Administration were enacted, the budget deficit would grow by another $4 billion in 1976.

ECONOMIC ASSUMPTIONS

Mr. CONTE. Would you tell me what the economic assumptions on which the 1976 budget was based are?

Mr. CARDWELL. Certainly. With your permission, I would like to have a summary table prepared for the record.

[The insert follows:]

ECONOMIC ASSUMPTIONS REFLECTED IN 1976 PRESIDENT'S BUDGET

[Calendar year, dollar amounts in billions]

Item	Actual		Assumed for purposes of budget estimates	
	1973	1974	1975	1976
Gross national product:				
Current dollars	$1,295	$1,397	$1,498	$1,686
Constant (1958) dollars:				
Amount	$839	$821	$794	$832
Percent change over prior year	5.9	−2.2	−3.3	4.8
Prices (percent change over prior year):				
GNP deflator [1]	5.6	10.2	10.8	7.5
Consumer Price Index	6.2	11.0	11.3	7.8
Unemployment rate (percent)	4.9	5.6	8.1	7.9

[1] This reflects the change in the average price of all goods and services included in the gross national product. (The Consumer Price Index reflects changes in the prices of selected consumer goods.)

Mr. CONTE. What do you project the rate of inflation as for fiscal year 1976?

Mr. CARDWELL. The economic assumptions reflected in the President's budget actually are given on a calendar year basis. The consumer price index is assumed in the budget to rise by 11.3 percent in calendar year 1975 and by 7.8 percent in calendar year 1976. That would average to about 9½ percent for fiscal year 1976.

Mr. CONTE. Given that rate, would you care to comment on the equity of a 5-percent ceiling on cost-of-living increases?

Mr. CARDWELL. The proposed ceiling, which is proposed for only 1 year—fiscal year 1976—really should be viewed as only one part of the President's comprehensive program to strengthen the economy. As you know, there was an 11-percent social security benefit increase last June. Although the proposed benefit increase of 5 percent would not fully make up for the rise in the cost-of-living since then, social security benefit increases since 1970 have substantially exceeded increases in the cost-of-living. The President noted this when he made the proposal to the Congress. From January 1970 to the present, benefits have been increased by 68.5 percent while the cost-of-living as measured by the consumer price index has increased by 39 percent.

PERKINS COMMITTEE REPORT

Mr. CONTE. Would you summarize the recommendations of the Perkins committee? Will you be providing us with a detailed accounting of your actions in implementing those recommendations?

Mr. CARDWELL. The evaluation and implementation of the Perkins committee recommendations is continually being tracked so that the Social Security Administration can periodically report the status to HEW, the OMB, and the House and Senate Appropriations Committee.

I would like to provide a listing of the conclusions and recommendations of the Perkins Committee for the record:

[The information follows:]

PERKINS COMMITTEE RECOMMENDATIONS

1. The pluralistic system created by Congress in 1965 for the administration of medicare has continuing advantages.
2. There must be a viable method for measuring carrier performance.
3. There must be a workable system for terminating contracts of carriers showing a consistently poor performance.
4. Incentive mechanisms must be developed for high carrier performance in addition to the power of contract termination.
5. The consultative role of the carriers should be enlarged.
6. SSA should reduce its role in carrier decisionmaking and rely on its capacity to test carrier performance by results.
7. There are two types of inadequacy in competition in the field of data processing for part B of medicare:
   a. The present trend of two EDP systems assuming an increasingly dominant role, and
   b. A less than optimal selection of EDP subcontractors for contractors who do not wish or who are unable to employ an in-house EDP system.
8. The Government must take additional steps to insure more competition in data processing for the Part B program.
9. Government must have access to records of subcontractors and affiliates.
10. SSA should consider requiring additional conflict of interest regulations of carriers vis-a-vis relationship with subcontractors.
11. The Government should contract for an independent feasibility study to determine the cost/benefit of developing "Regional" EDP centers.

SOCIAL SECURITY FINANCING

Mr. CONTE. If the President's recommendations are not enacted, and we continue our present course of benefits, how long will the reserves of $46 billion sustain the program requirements? In other words, if you extend present trends into the future, when will the system be bankrupt?

Mr. CARDWELL. There is every reason to expect that appropriate legislative action to insure the solvency of the social security system will be taken in ample time to prevent the system from running out of money. I cannot foresee the Congress letting the social security trust funds be used up.

In the unlikely event that there were no such legislative intervention, though, the actuaries estimate that under the financing and benefit provisions of present law the reserves in the cash benefits trust funds would be exhausted in the early 1980's and those in the hospital insurance trust fund in the late 1990's.

Mr. CONTE. If present trends in benefits increases continue, and I expect that they will, it seems apparent the deficit will have to be covered by increased payments into the trust fund. Would you agree with that conclusion?

Mr. CARDWELL. I am not certain what you mean by "present trends in benefit increases," but under virtually any reasonable assumptions as to near-term economic developments, additional revenue will be needed both for the short range and for the long term to cover the automatic cost-of-living benefit increases provided for under present law. Even greater amounts of additional revenue would be needed if the Congress enacts larger benefit increases than the automatic cost-of-living increases provided for under present law.

Mr. CONTE. How do you intend to increase those payments? By increasing the maximum taxable income level, or by increasing the tax rate itself?

Mr. CARDWELL. The administration is developing a legislative proposal to submit to the Congress shortly. A final decision has not been reached on the details of this proposal. The recent Advisory Council recommendation called for the use of additional general revenue financing. The administration has already indicated opposition to the idea on the grounds that such use of additional general revenues would eventually erode the basic wage-related earned-right principles of social security.

SSI ACTIVITY

Mr. CONTE. Why has the processing of SSI claims been more costly than anticipated?

Mr. CARDWELL. We had no experience with the SSI program, and based our original cost estimates on our regular social security program work. It turns out that the individuals applying for SSI need more help than the average social security applicant because they are generally older, more in need, and frequently all mixed up about Government programs. Also we need to thoroughly develop evidence on income and resources and to verify living arrangements. These are things we don't have to do in our regular insurance programs. Also, the SSI systems were not fully responsive and we got more involved in manual processing than we had anticipated. All in all, it is proving to be a more difficult program to administer than we throught it would be.

Mr. CONTE. Can you tell me what portion of your resources have been diverted from regular activities to SSI?

Mr. CARDWELL. Of course, in 1974 when the SSI program got underway it impacted pretty badly on all of our other programs and backlogs developed. We also lost productivity because our programers and

systems people were concentrating on SSI. We are now beginning to work our way out of this situation.

We are certainly trying to avoid diversion by budgeting to meet our total needs for all programs. When we found that total resources were inadequate, primarily because SSI work is taking more time than budgeted, we asked for additional resources.

WORKLOAD BACKLOGS

Mr. CONTE. What do you propose to do about this tremendous backlog of workload?

Mr. CARDWELL. The principal short-range answer is to apply more manpower to the problem, and we are doing that. That is why we asked for supplemental funds for 1975. I might add that we already have begun to get on top of the situation. For example, we have already reduced our SSI claims backlogs. It is at a near normal level now and we expect to do even better in fiscal year 1976. While we have made progress with the backlog in disability insurance claims it is still too high, and we are making an all out effort to bring this workload under control. Our greatest problem is in the hearings area. Although we expect to have black lung hearings under control next year and will make good progress in the disability insurance and SSI hearing backlogs we won't be out of the woods on hearings at least until 1977. We are going to have to take some new approaches because the availability of new hearings personnel who meet the technical job requirements is very limited.

Mr. CONTE. As you know, one of the jobs of a Congressman is assisting his constituents with bureaucratic problems. One of the most common problems seems to de delays in social security benefits. It seems that over the past year service has seriously deteriorated in the processing of social security claims. It now seems to take 8 to 10 months from the filing of a claim appeal until the claim is resolved, while it used to take 3 to 4 months. To people on social security, a 6-month delay makes a big difference. Are you aware of this situation, and what are you doing about it?

Mr. CARDWELL. Yes, I am aware of this situation. SSA has taken steps in the past few years to improve service to the public, primarily through the establishment of teleservice centers and opening of additional district and branch offices. We are moving to reverse the trend in the processing of hearings. We have new top management in the Bureau of Hearings and Appeals and we are using personnel from other offices to assist in speeding up the processing of hearing requests. We are recruiting additional judges to hear cases and we will be assigning more support staff to hearing offices to accelerate prehearing and posthearing development of cases. Some of this staff will have legal training but not the experience required for regular administrative law Judges. In addition we are screening cases prior to assigning them to the ALJ's so that we can avoid any obviously unnecessary delays. We will be testing other proposals for expediting hearings in the near future and we will be sure to adopt those which prove to be successful.

Mr. CONTE. In your statement, you said that the Secretary will announce an outside review group to identify operational problems.

What kind of group is this, exactly what will it do, and what specific problems will it be looking at?

Mr. CARDWELL. This will be a study group chaired by Phillip Rutledge, Howard University School of Business and Public Administration. The members are Wesley Hjornevik, Texas State Department of Public Welfare; Dr. Herbert Maisel, Georgetown University Academic Computation Center; John Young, DHEW Comptroller and Charlene Birkins, Colorado State Department of Social Services. The group will be studying and reviewing the implementation and current administration of SSI. All major problem areas will be studied and a report on SSI will be issued by the group to the Secretary.

Mr. CONTE. To what do you attribute the tremendous increase in your caseload? How did you get so far behind?

Mr. CARDWELL. Basically, the increase was created when we took on the Supplemental Security Income program. On December 31, 1973, about 3 million people were in a State program but on January 1, 1974, the Federal program took over and it contained complex features including State mandatory and optional supplementation. Millions of additional persons not getting public assistance became potentially eligible. The new SSI workloads had an affect on our ability to do our other work.

We are doing much better now and have our workloads under control except in the hearings area. Hearings backlogs have been growing for a number of years especially since the enactment of the black lung program. In addition, we are living in the age of "due process," with a tendency for beneficiaries to pursue their appeal rights to the very end. The combination of new programs and this tendency have created a need for more hearings staff and there is a shortage of qualified persons in this area. Because of the scarcity of qualified people, the complexity of the job and the volume of work to be accomplished, I don't want to paint too rosy a picture about our ability to get the hearings problem behind us in the short term. We hope to be out of the woods in the black lung program by the end of fiscal year 1976 and in the other programs about a year later, but there is no guarantee.

Mr. CONTE. Why do you think the number of appeal requests have increased since the beginning of the year?

Mr. CARDWELL. Naturally, as the size of the population increases more people will believe they are entitled to benefits. This is particularly true when the economy behaves as it has recently. We are also finding that the percentage of applicants who appeal unfavorable decisions is increasing. More people seem to feel that they have little to lose by appealing their cases. This is particularly true in the black lung program. This year one other factor has been timing. We received very few SSI requests for hearing last year because the cases for the most part hadn't reached the hearing stage. However, at the start of fiscal year 1975 many of these cases had been processed through the first appeal stage and hearing requests generated from these cases really began to hit us this year. It may be even worse next year. Many of these hearing requests concern cases converted from State welfare rolls and we hope that once this work is completed we will see a more normal flow of cases originating from initial SSI claims.

Mr. CONTE. If we give you all of the positions you are requesting, how long will it take to reduce the backlog to an acceptable level? What do you consider an acceptable level?

Mr. CARDWELL. I assume you are talking about hearings backlogs. I wish I could say that the problem could be solved only by congressional approval of new positions for the Bureau of Hearings and Appeals. This is certainly going to be one thing that will help. At the same time, we are having difficulty in finding enough qualified administrative law judges at the salaries we can pay. As I indicated in my statement, I think we are also going to have to work on new approaches such as the use of lawyers without the hearings experience now required of applicants.

In terms of goals, we would like to reduce our workload to the point where we would have only 90 days worth of hearings pending. Of course, the specific number of cases would depend on the number of judges on duty. For instance, if we had 500 fully trained judges on duty, aproximately 28,000 cases would represent 90 days of work.

It takes several months before newly hired administrative law judges are sufficiently trained and experienced to be fully productive. Taking this into account, as well as the anticipated receipt of additional requests, it will be at least until fiscal year 1977 before we have reduced the backlogs to the 90 days work pending level.

DETERMINING SOCIAL SECURITY BENEFITS

Mr. CONTE. Some critics of the social security program have urged that some sort of test of need be introduced as a factor in determining benefits. Do you have any comment on such criticism?

Mr. CARDWELL. This type of criticism is usually based on the fact that in some cases social security benefits are paid to people who are not in need—including, in some cases, people of very substantial wealth. In my view, this is entirely consistent with one of the basic purposes and principles of the social security program. Social security has been designed to be consistent with the national tradition of self-reliance by paying benefits in the spirit of an "earned-right," with entitlement based on prior work. Workers and their employers pay social security contributions on the worker's earnings during his working lifetime. When specified conditions for entitlement to social security benefits are met—the loss of income from earnings because of the retirement in old age, death, or disability of the worker—benefits are paid as an earned right without a determination of individual need. This is what distinguishes social security benefits from assistance payments. The worker knows that he can count on receiving his benefits as an earned right without undue restrictions and in a manner which safeguards his freedom of action, his privacy, and his dignity.

This also encourages people to build additional protection for themselves and their families through private pensions, insurance, savings, and the like. Providing benefits only for those in need would tend to discourage such individual efforts since the benefits presumably would not be payable in addition to personal savings or income from other sources. Social security benefits would no longer be a base on which the individual could build through savings, investments, private insurance, and employer pension payments. In effect, workers would be penalized,

through withholding of social security benefits, for having tried to improve their situation.

Mr. CONTE. Another criticism which I hear is that each covered person does not receive benefits exactly actuarially equivalent to what he and his employer have contributed. To what extent is this true, and how do you justify this?

Mr. CARDWELL. It is true that the social security program does not guarantee each individual covered worker benefits that are the exact actuarial equivalent of the social security contributions paid on his covered earnings. Private group insurance arrangements do not generally do this, and social security is in many respects similar to such plans. Specifically, social security is a social insurance program of earnings insurance, providing protection against the risk of loss of earnings from work due to retirement in old age, disability, or death, and of health insurance, providing protection against the risk of high health care costs in old age or extended severe disability.

Under social security, as under any insurance program, the loss occasioned by the occurrence of the risks covered is averaged among the insured group. The cost of meeting the risks is actuarially evaluated and contributions to cover these costs are provided for. Benefits are paid on a predetermined basis when and if the risks covered are experienced.

Under social security, as under any insurance program, the amount of benefits actually received by a contributor in relation to the contributions for his insurance protection depends, among other things, on whether he suffers the risk he is insured against under the program and, if so, when in relation to when he started paying contributions—in other words, on how long contributions are paid before the insured person experiences the loss against which he is insured. Thus, under social security, as under any insurance plan, some people get more benefits than the value of their contributions, and some people get less. This is the very essence of insurance. This is the way it is supposed to work, this is the way it does work, and there is nothing wrong or improper about it working this way.

The kind of programs which guarantee each participant a specific return on his contributions are savings programs and certain types of individual annuities. These kinds of plans are readily available in the private sector, and there is no need to duplicate them in the social security program. Moreover, a savings program cannot accomplish the purposes and objectives of the social security program. Two or three or five years of savings, for example, would obviously not provide anywhere near as much in the way of survivors' or disability benefits as may be payable under social security in the event of a worker's death or disability after a few years of coverage under the program. Even savings over a full working lifetime of amounts equivalent to social security contributions for retirement benefits would generally provide only a fixed amount of retirement income, not the guaranteed inflationproof kind of retirement protection provided under social security.

DISABILITY APPEALS

Mr. CONTE. With disability appeals, it now takes about 16 months to receive benefits if the claim is approved at the hearing level. What are you doing about that?

Mr. CARDWELL. As you know, the 1972 amendments to the Black Lung Act required that all denied cases be reexamined. Then large numbers of black lung claimants appealed unfavorable decisions on their cases. The disability hearings receipts are expected to increase 15 percent in fiscal year 1975 over the fiscal year 1974 level. Then with the advent of the SSI program, the SSI hearings begin to hit us in 1975. As you point out, some backlogging occurred in disability appeals as we struggled under these peak workloads to effectively utilize our available resources.

But the situation is changing now. All black lung claims have been processed to the hearing level and we are better prepared to handle the SSI workloads. We expect the length of time to process a disability claim to improve as time goes by. I would also like to add that there is an irreducible minimum amount of time required to process a case to the hearing level. We must gather evidence on which to base our decisions and claimants may wait up to 6 months to file an appeal. I believe this waiting period is included in the 16-month processing time you refer to.

As I mentioned before, we have new top management in the Bureau of Hearings and Appeals, we are using personnel from other offices, we are recruiting additional judges and support staff and are screening cases prior to assigning them to judges to avoid any obviously unnecessary delays.

SOCIAL SECURITY FINANCING

Mr. CONTE. Given present demographic trends, do you have any estimate of the relative number of benefit recipients and system contributors over the next 20 or 30 years?

Mr. CARDWELL. The ratio of beneficiaries to workers is currently about 32 percent. During the next 20 or 30 years the ratio will grow—but not significantly. For example, by the year 2000, the ratio will be about 34 percent. The significant change which is projected to occur in this ratio, and which contributes heavily to the long-range actuarial deficit, doesn't take place until after the turn of the century.

EQUAL TREATMENT OF MEN AND WOMEN

Mr. CONTE. Would you estimate the cost to the social security system of the recent Supreme Court decision requiring equal treatment of men and women under social security survivors' benefits?

Mr. CARDWELL. The Supreme Court decision in *Weinberger* v. *Wiesenfeld* requires the payment of benefits to a widower with an entitled child in his care on the same basis as to a widow with an entitled child in her care. It is estimated that about $20 million in benefits will be paid to widowers in the first full calendar year, 1976, because of this Court decision.

The eventual cost could be much higher should the Supreme Court's finding in this case lead to further changes being made in other social security provisions of the law which treat men and women differently, either through Court decisions or through legislation. An example would be the current requirement that a husband of widower must establish that he received at least one-half support from his spouse, while a wife or widow is deemed to be dependent. What the eventual cost would be depends, of course, on the specific

changes that result. It could conceivably be 20 times higher or even more.

Mr. CONTE. Thank you.

Mr. FLOOD. Thank you, Mr. Cardwell.

Mr. CARDWELL. Thank you, Mr. Chairman.

THURSDAY, APRIL 24, 1975.

PAYMENTS TO SOCIAL SECURITY TRUST AND OTHER FUNDS

WITNESSES

JAMES B. CARDWELL, COMMISSIONER
HUGH F. McKENNA, ACTING ASSOCIATE COMMISSIONER, OFFICE OF PROGRAM OPERATIONS
FRANCIS D. DeGEORGE, ACTING ASSOCIATE COMMISSIONER, OFFICE OF MANAGEMENT AND ADMINISTRATION
ROBERT L. TRACHTENBERG, DIRECTOR, BUREAU OF HEARINGS AND APPEALS
SHERWIN T. MONTELL, ACTING DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
PHILIP A. O'BRIEN, ACTING BUDGET OFFICER, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. FLOOD. Now we will take up the payments to the social security trust and other funds.

We will again have the presentation made for us by you, Mr. Cardwell.

We will include the biographical sketch for the record.

[The biographical sketch follows:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Name: James B. Cardwell.

Position: Commissioner of Social Security, Social Security Administration, Department of Health, Education, and Welfare since October 10, 1973.

Former positions: Began his Federal service in 1942 as a clerk in the Public Housing Administration. Served with the United States Army in the European Theater of Operation during World War II, and returned to the Public Housing Administration in 1945 where he served in administrative and budget assignments until 1954.

Joined the Department of Health, Education, and Welfare in 1955 and served as a budget officer in the Office of Vocational Rehabilitation until 1957. From 1957 to 1958, was a budget examiner with responsibility over the Department's health budget in the Office of the Secretary. Was Assistant Commissioner for Administration in the Food and Drug Administration during the period 1958 to 1965.

Appointed in 1965 as Deputy HEW Comptroller and Departmental Budget Officer, and served from 1970 to 1973 as Assistant Secretary and HEW Comptroller.

Education: Graduated in 1955 with a Bachelor of Commercial Science Degree from Columbus University.

Awards: DHEW Superior Service Award in 1961; the FDA Award of Merit, 1965; the HEW Distinguished Service Award, 1967; HEW Secretary's Special Citation, 1968; and the HEW Certificate of Outstanding Performance, 1968.

Received the National Civil Service League Career Service Award in 1971; the Rockefeller Public Service Award, 1974.

Personal: Born in the District of Columbia. Married to the former Mary Louis Sheppard of Kansas City, Kans. Resides in Rockville, Maryland. Four children: James, Jr., Mark Edward, David Bryan, and John Richard.

Mr. FLOOD. We will place your statement in the record.

[The statement follows:]

The first appropriation request totals $4,163,302,000 and covers four Federal fund payments to the social security trust funds and a Federal fund payment to the Federal buildings fund administered by the General Services Administration. Three of the four payments to the trust funds are needed to place 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 payment to the trust funds is a Federal fund matching of premiums paid by or for individuals covered by the voluntary supplementary medical insurance program—that part of medicare which covers physician's and other medical and health services. The amount of each payment to the trust funds derives from individuals exercising their rights under the law, and is not subject to administrative control. The Federal fund payment to the Federal buildings funds is to pay that part of the GSA's standard level user charge which is in excess of the actual cost of space and services furnished the Social Security Administration.

Before explaining the various factors in this request, I ask that the committee note that this request is $11,953,000 lower than the amount identified in the appendix to the 1976 budget of the U.S. Government. There was an error in the appendix, and we want to correct that.

COMPONENTS OF REQUEST

The total request of $4,163,302,000 for fiscal year 1976 is composed of the following:

A Federal payment for supplementary medical insurance of $2,939 million. This payment, together with the premiums paid by aged and disabled enrollees in the supplementary medical insurance program, must be sufficient to finance all medical insurance benefits and administrative costs incurred by the program.

A payment for hospital insurance benefits for the uninsured of $610,430,000. When medicare began, the Congress decided that people already age 65, but uninsured under social security or railroad retirement, should still receive hospital insurance coverage. It was felt that most of these persons did not have sufficient opportunity to gain insured status. This Federal fund payment finances the cost of covering these uninsured individuals (a steadily declining group) and will provide protection for approximately 1,050,000 persons in fiscal year 1976, compared to 1,172,000 persons in 1975.

A payment for noncontributory military service wage credits of $295 million. This payment finances the additional costs of paying benefits which are based on military wages for which no social security contributions were made. This includes $233 million for the annual installment to reimburse the trust funds for noncontributory credit given for military service during World War II and part of the post war period before servicemen received regular coverage under social security. The remaining $62 million is for estimated benefit payments based on noncontributory credit for wages-in-kind (such as food, shelter, and medical services) which have been granted members of the armed forces for service performed after 1956, as authorized by the Social Security Amendments of 1967 and 1972.

A payment of $268,317,000 to reimburse the old-age and survivors insurance trust fund for benefits paid during fiscal year 1974 to certain persons age 72 and over not eligible for monthly social security benefits or most other governmental pensions. At the end of fiscal year 1974, there were 323,000 persons receiving benefits under this program, which, by law, is funded from general revenues.

A payment of $50,555,000 to the Federal buildings fund for that portion of the Social Security Administration's standard level user charge which has been determined to be in excess of the actual cost of space and services furnished to SSA by the General Services Administration.

EXPLANATION OF INCREASE OVER 1975 REQUEST

The total request for 1976 is $797,737,000 more than the amount estimated for 1975. Over 67 percent of the increase—$535 million—is for Federal payments for supplementary medical insurance. Two factors account for this. First, the number of enrollees in the program is growing. As more enrollees pay premiums, the general fund is obligated to match them. This accounts for $92 million. The rest of the increase in Federal payments for supplementary medical insurance—$443 million—is attributable to higher per-capita program costs. The major causes are a projected 8.5 percent increase in physicians' fees recognized by the program, increases in the number of services rendered, a trend toward more expensive services, and an increase in the cost and use of hospital outpatient services. Normally, part of this increase would be covered by higher monthly premiums paid by enrollees in the program, and part by a higher Federal contribution. However, due to a technicality in the Social Security Amendments enacted in December 1973, the monthly premium rate may not be increased until corrective legislation is enacted. This technicality springs from the relationship between the timing of the automatic cost-of-living adjustment provision for social security cash benefits and the required date of promulgation of the SMI premium rate. The President's proposal for corrective legislation has been introduced in the House of Representatives. Unless the law is changed, the burden of paying for higher program costs will fall entirely to the Federal Government in fiscal year 1976.

An increase of $15 million for hospital insurance for the uninsured is for higher hospital costs per patient-day, partially offset by the decrease in the number of beneficiaries. An additional $55 million is needed to reimburse the trust funds for benefits based on noncontributory wage credits for military service. Benefits based on such credits will grow over the years as numbers of beneficiaries and monthly benefit levels increase. An increase of $30,313,000 over the 1975 request for payment to the Federal Building Fund results mainly from the need for more space and higher space costs. However, $10,616,000 of this increase results from budgeting in fiscal year 1976 in this account rather than in the salaries and expenses account for those standard level user charges above actual cost which are attributable to the SSI program. For 1975, the additional charge attributable to the SSI program was carried in salaries and expenses, while comparable additional charges for the trust fund programs were carried in this account. We believe that it is more informative to identify all standard level user charges above actual cost which are paid by SSA in one place for budget purposes, and have done so in this request.

In addition, each year's appropriation request provides for an adjustment between amounts previously appropriated and actual experience with the program or revised estimates of program costs. The 1975 appropriation was not sufficient to finance presently estimated 1975 program costs—primarily Federal matching payments for supplementary medical insurance and Federal fund reimbursement for hospital insurance for the uninsured. The 1976 appropriation request therefore includes an adjustment for the additional funds which are necessary to cover the underfinanced 1975 costs. This adjustment accounts for an increase of $192,621,000.

The above increases are partially offset by a decrease of $30,197,000 for special payments for certain uninsured persons. The decrease results mainly from the fact that the number of persons receiving these benefits is declining.

INTERIM PERIOD BUDGET ESTIMATE

Our request of $892 million for the transition quarter between fiscal year 1976, which ends June 30, 1976, and the new Federal fiscal year 1977, which begins October 1, 1976, covers the two activities in this account which are necessary for current operations—Federal payments for supplementary medical insurance and payment to the Federal building fund.

The payments for supplementary medical insurance, amounting to $878 million are necessary to adequately finance the supplementary medical insurance program during the transition period. The payment to the Federal buildings fund of $14 million is necessary because GSA's ongoing operations are totally financed through the standard level user charges which are paid to the Federal buildings fund.

On the other hand, the remaining three activities in this appropriation are not necessary to finance program operations on a current basis. They represent estimated reimbursements (with interest) to the trust funds for program costs ultimately chargeable to the general funds. We will request reimbursement for the transition quarter for these activities in subsequent appropriations. This will not adversely affect the trust funds, since the payments will include interest to make the trust funds whole. The interest rate which will apply will be the same rate applicable to new trust fund investments during the period of delay. For your information, the current interest rate is 7¼ percent.

INCREASE OVER 1975 REQUEST

Mr. FLOOD. You are requesting an increase of $797.7 million for payments to the trust funds. Now, is this budget based on existing law and administrative regulations?

Mr. CARDWELL. It is based on present law and the arrangements in the appropriation and budget process.

PROPOSED LEGISLATION TO REDUCE BUDGET COSTS

Mr. FLOOD. Of course, we know the President is trying very hard to reduce these rising costs through proposed legislation. How much of a reduction would be possible if this proposed legislation became law in 1976?

Mr. CARDWELL. Starting with the item we just talked about a few minutes ago, the constraint on the automatic cost of living escalator would be worth about $2.2 billion. In other words, you would reduce the budget by that amount. That is on the basis of the 8 percent automatic benefit increase that I mentioned earlier. There are a number of items on medicare. The first is to establish an additional coinsurance concept for the hospital insurance program. That would be worth $1.3 billion.

Next is a proposal to limit the hospital insurance beneficiary liability. That would actually have an offsetting effect of plus $65 million. Other medicare proposals are, to make the SMI deductible dynamic, which saves $22 million, and to establish a 10-percent SMI coinsurance on charges of hospital-based physicians and home health services, which saves $7 million. There is an offsetting item of plus $10 million for a proposal to limit SMI beneficiary liability. A final proposal would limit the allowable rate of provider cost increases. Each year the Government would tell a hospital that if its rate of increase in costs over a base period is higher than the rate experienced by 80 percent of comparable hospitals for the same period, medicare can limit the amount reimbursed. That would be worth $100 million as a savings.

The entire group of legislative proposals attempting to constrain medicare costs would have a net decrease effect of $1.4 billion in 1976 if the budget were to be adopted.

Mr. FLOOD. If it became law in 1976?

Mr. CARDWELL. If it were effective for all of fiscal year 1976.

Mr. FLOOD. All right.

Now what has been the reaction thus far to these legislative proposals?

Mr. CARDWELL. The bills have been introduced and that is all. There have been no hearings, no congressional debate, or anything of that sort.

FEDERAL PAYMENTS FOR SUPPLEMENTARY MEDICAL INSURANCE

Mr. FLOOD. Now, about $500 million of the increase under this appropriation is for payments for supplementary medical insurance.

Mr. CARDWELL. Yes, sir.

Mr. FLOOD. Is this increase due to more enrollees, more services, or what?

Mr. CARDWELL. It is largely to finance the increased costs of benefits to those people who are eligible. Also, there is an anomaly in the existing statute which limits the amount of enrollee premiums that are paid into the trust fund. Based on program costs the premium should be about $7.50. The law has accidently frozen it without having intended to do so at $6.70 a month. The difference has to be made up in the Federal payment for SMI. The balance of the increase for SMI under existing law is identified entirely with growth in the number of persons eligible.

INCREASE IN PHYSICIANS' FEES

Mr. FLOOD. You said that it includes an 8.5-percent increase in physicians fees?

Mr. CARDWELL. Yes, sir; the budget assumes that in 1976 the program will recognize increases of 8.5 percent in physicians fees.

Mr. FLOOD. What do you estimate for this year on the matter of the increase in physicians fees?

Mr. CARDWELL. The last figure that I saw, which was just yesterday, shows that the physician fees are now increasing at an annual rate of about 14 percent.

We did not assume that rate. The rates that we assumed were about 8½ percent for 1976 and 7.2 percent for 1975.

Mr. FLOOD. Where does that 8.5 percent come from? Is that the standard rate of increase for all Federal programs?

Mr. CARDWELL. It is the assumption that the medical care price increases which the program recognizes for reimbursement will be at about that level. Increases recognized in 1976 will be limited by an economic index of wages and costs as required by the 1972 Social Security Amendments.

Mr. FLOOD. We know that this program involves elderly persons with fixed incomes. That being so, do you think there is much support to increase the monthly premium rate for medical insurance, in view of that?

Mr. CARDWELL. It is controversial. As you know, Senator Ribicoff has introduced a bill to have it all financed out of general funds appropriations. I think the direct answer to your question is that there is not a lot of popular support for the idea. On the other hand, it has been a fundamental feature of the program since 1965, the idea that there would be a payment.

ADJUSTMENTS RELATED TO PRIOR YEAR COSTS

Mr. FLOOD. In your budget you have $192.6 million in adjustments related to the costs for prior years. We apparently did not appropriate sufficient funds to cover the program costs for 1975. That is a pretty large, fat adjustment. What happened?

Mr. CARDWELL. Well, as an example, the SMI Federal matching requirements were understated, because we underestimated the 1975 enrollee population. There is a requirement that the trust funds be paid the interest lost on account of underfinancing. That is in this estimate. All in all the adjustments for underfinancing of SMI payments for 1975 add up to about $40 million; $37 million is the underfinanced amount and $3 million is the interest on that amount.

Mr. FLOOD. Your budget justifications refer to "Adjustments relating to prior year costs."

Mr. CARDWELL. That includes the combination of Federal payments for SMI, the hospital insurance payments for the uninsured, and special payments for certain uninsured persons, as well as adjustments to the base since we are discussing year-to-year changes. They are made up of three items like the one I just mentioned, $77 million on SMI, $124,430,000 for hospital insurance for the uninsured and a reduction of $8,809,000 from previously reported costs of special payments for certain uninsured persons, for the net increase figure you cited of $192.6 million.

Now, each year's appropriation request is adjusted by the amount needed each year to make up for these changes in circumstances.

MILITARY SERVICE CREDITS

Mr. FLOOD. You have an increase of $55 million for military service credits. That is a much larger increase than in recent years. What is the reason for that?

Mr. CARDWELL. It is a combination of two factors, the number of persons receiving benefits based on noncontributory credits is growing. Also we are learning more about these beneficiaries and their characteristics, and thus have more data upon which to make an estimate. These two factors have combined to identify an increase of $55 million.

STANDARD LEVEL USER CHARGE

Mr. FLOOD. Now here is a request, $50.5 million for the standard level user charge. This is one of the things you have going with the GSA boys.

Mr. CARDWELL. Yes, sir.

Mr. FLOOD. Every time that we think we understand these charges, somebody comes up with a new gimmick and we are right back where we started.

You know what the House did in that second supplemental appropriation bill for 1975. We said, "Don't rob the trust fund directly or indirectly." We said it very loud and clear. Now can you give us one good reason for changing our minds?

Mr. CARDWELL. I do not think we are robbing the trust funds. I thought we responded to that when we split the standard level user charge into two parts. The part included in our salaries and expenses budget, for example, would pay for the actual costs of space and services provided by GSA. The other part is the one we understood that

the committee was most concerned about. It is a payment into the Federal Buildings Fund of GSA, for purposes of financing replacement of these or other Federal buildings, and of forming a pool for construction of future buildings.

We have that latter part in this appropriation request as a direct payment to the Federal Building Fund request from general revenues.

Mr. MONTELL. I think part of the confusion with respect to standard level user charges is the fact that the amount is shown in an account called "Payments to the Social Security Trust and Other Funds." That was done because the Office of Management and Budget does not like to have a lot of separate appropriations. What we have in mind does not involve the trust funds at all. Not 1 penny of trust fund money would be spent in the 1975 supplemental or the 1976 request for standard level user charges in excess of the actual cost of space actually occupied. What we are proposing is a Federal fund appropriation to the Federal Building Fund for this excess amount.

Mr. FLOOD. Why is this so complicated and involved? Can't you go over to talk to these GSA people about exempting the trust fund from the user charges? Why, is it a murder case?

Mr. CARDWELL. It is difficult because of the law that they administer. There are two payments involving Social Security made to GSA. One we will discuss later under the limitation on construction. The one in this appropriation involves the financing by general fund appropriations made available to Social Security for nontrust fund activities in effect. The GSA law requires that we make a payment to them. This is the rquest. This $50.5 million would not involve the trust funds. It would be paid directly to GSA.

Mr. FLOOD. You talk to them and you do not get anyplace. What will GSA do to you if we do not appropriate this $50,555,000 that you ask for in the budget?

Mr. CARDWELL. They will evict us.

Mr. DEGEORGE. I do not know that they will evict us, but they have said they will curtail services to the extent that they do not receive payments. I would not attempt to define that.

Mr. CARDWELL. They are saying they do not have any choice. That is the only way they have to obtain money to finance their activities, from the payments from the various agencies around Washington and around the country. We are both caught in the middle. They believe they are administering a provision in law which was in the Public Buildings Amendments of 1972. We are trying to comply with that requirement. I think the Committee has raised a series of questions that are reasonable questions on this subject, particularly the one involving the payment of trust fund moneys to replace buildings or to construct new buildings not used for trust funds programs. This $50.5 million avoids that.

Mr. FLOOD. I think that will be all for this shift.

Mr. CARDWELL. All right, we will be back tomorrow morning.

Mr. FLOOD. Fine.

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Justification of the Budget Estimates

Appropriation Estimate

PAYMENTS TO SOCIAL SECURITY TRUST AND OTHER FUNDS

For payment to the Federal Old-Age and Survivors Insurance, the Federal Disability Insurance, the Federal Hospital Insurance, and the Federal Supplementary Medical Insurance Trust Funds, as provided under sections 217(g), 228(g), 229(b), and 1844 of the Social Security Act, and sections 103(c) and 111(d) of the Social Security Amendments of 1965, [$3,345,323,000] *$4,112,747,000 1/ and to the Federal Buildings Fund an additional amount not to exceed $50,555,000 for partial payment of the Standard Level User Charge pursuant to section 210(j) of the Federal Property and Administrative Services Act of 1949. 2/*

For "Payments to Social Security Trust and Other Funds" for the period July 1, 1976, through September 30, 1976, $892,000,000, including $14,000,000 for the Federal Buildings Fund for partial payment of the Standard Level User Charge. (Department of Health, Education, and Welfare Appropriation Act, 1975.)

Explanation of Language Changes

1/ This amount is $11,953,000 less than the amount shown in the Appendix to the 1976 President's budget. The budget incorrectly requested $11,953,000 in new obligational authority to cover estimated underfinancing of the 1974 costs for hospital insurance for the uninsured. This new obligational authority is not needed because the underfinancing is a valid 1974 obligation and there is sufficient unobligated authority still available from the 1974 appropriation to meet the costs of this underfinancing.

2/ As in the case of the FY 1975 supplemental appropriation recently presented to the Congress, this language for FY 1976 adds an additional activity to what was formerly the Payments to Social Security Trust Funds account. In addition, it provides for an appropriation for payment to the GSA Federal Buildings Fund from Federal funds for that portion of the Standard Level User Charge which is in excess of the actual cost of space and services provided for the Social Security Administration's trust fund and SSI operations. This approach is designed to meet three objectives: (1) associating the cost of space and services provided to Federal agencies with the agency occupying that space; (2) identifying space and services costs in agency budgets; and, (3) assuring, as directed by the Congress, that the social security trust funds continue to bear only those space and services costs which are directly related to the operations of the social security program.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Payments to Social Security Trust and Other Funds

Amounts Available for Obligation	1975 Revised	1976
Appropriation	$3,345,323,000	$4,163,302,000
Proposed supplemental appropriation	20,242,000	---
Total obligations	$3,365,565,000	$4,163,302,000

Summary of Changes

1975 estimated obligations	$3,345,323,000
Plus: 1975 proposed supplementals	+20,242,000
1975 revised obligations	3,365,565,000
1976 estimated obligations	4,163,302,000
Net change	+797,737,000

Increases	Change from Base
A. Built-in	
1. Increase in the population covered by SMI (at prior year premium rate)	+92,000,000
2. Increase in the matching rate for the aged in the SMI program effective July 1, 1975	+419,000,000
3. Increase in the matching rate for the disabled in the SMI program effective July 1, 1975	+24,000,000
4. Cost of providing hospital insurance for the uninsured	+15,000,000
5. Payment for noncontributory military service credits	+55,000,000
6. Payment to the Federal Buildings Fund	+30,313,000
7. Adjustments related to prior years' costs	+192,621,000
Total increases	+827,934,000
Decreases	
A. Built-in	
1. Cost of special payments for certain uninsured persons	-30,197,000
Total decreases	-30,197,000
Total net change	+$797,737,000

Explanation of Changes

Increases

A. Built-in

1. Increase in the population covered by SMI (at prior year premium rate)..... +$92,000,000

This represents the increase in Federal fund contributions to the trust fund due to an estimated increase in the average number of aged enrollees from 21,408,000 during 1975 to 21,793,000 during 1976, and an increase in the average number of disabled enrollees from 1,828,000 during 1975 to 2,001,000 during 1976. The cost increase attributable to the aged is $3 million and to the disabled is $6 million.

2. Increase in the matching rate for the aged in the SMI program effective July 1, 1975..... +419,000,000

The estimated cost per aged enrollee for 1976 in the SMI program ($15.00 per month) is projected to be 12 percent higher than the 1975 cost ($13.40 per month) due to increases in physicians' fees and in the use of physicians' services, the trend toward more expensive services and an increase in the cost and use of hospital outpatient services. In the past, general revenues have matched premium payments for the aged dollar-for-dollar; however, due to a technicality in the Social Security Amendments enacted in December 1973, present law will not permit an increase in the 1975 premium rate. (Corrective legislation has been submitted to the Congress.) Since by law premium payments by enrollees, together with government contributions, must be sufficient to finance the SMI program, the burden of the 1976 increase in cost per enrollee must be borne by Federal funds. In 1976, for the first time, the Federal matching rate for the aged ($8.30 per month) will be higher than the premium rate ($6.70 per month).

3. Increase in the matching rate for the disabled in the SMI program effective July 1, 1975..... +24,000,000

The estimated cost per disabled enrollee also will increase slightly in 1976 (from $36.00 per month to $37.00 per month). This increase is attributable to the same factors affecting costs for aged enrollees. The Federal matching rate for the disabled enrollees in 1976 will be $30.30 vs. $29.30 in 1975.

4. Cost of providing hospital insurance for the uninsured.... +15,000,000

The increase in the cost of providing hospital insurance for the uninsured is primarily due to an overall increase of 14½ percent in the average cost per patient day. This increase is partially offset by the decline in the number of uninsured beneficiaries from an average of 1,172,000 in 1975 to an average of 1,050,000 in 1976.

5. Payment for noncontributory military service credits..... +55,000,000

The estimated increase of $55 million is composed of $37 million for post-1967 credits and $18 million for 1957-1967 credits. Post-1967 credits were established with the 1967 Social Security Amendments and 1957-1967 credits with the 1972 Social Security Amendments. Our policy has been to lag general fund reimbursement until we have sufficient actual experience to make an accurate cost estimate. This, in addition to normal growth in

the beneficiary population, accounts for the large increase this year in reimbursement for military service credits. We now have sufficient experience with post-1967 credits to accurately firm up prior estimates of these costs thru 1973 as well as provide estimates for 1974 and 1975. On the other hand, this is the first time we have requested reimbursement for 1957-1967 credits because our experience with them is very limited (1972 amendments). We have requested reimbursement for only the first 6 months of operation (January-June 1973) of these credits.

6. Payment to the Federal Buildings Fund..... +30,313,000

This direct payment to the Federal Buildings Fund represents that portion of the Standard Level User Charge (SLUC) levied by the General Services Administration (GSA) on space and services provided to SSA which is in excess of the actual cost of the space and services. The increase is due to two factors: (1) an increase in GSA's total SLUC charge for 1976 as compared with 1975 (+$19,697,000), and (2) inclusion of similar charges above costs in this account for the SSI program rather than in the Salaries and Expenses and SSI appropriations, where they were shown in 1975 ($10,616,000). We are doing this in order to budget in one place for all SLUC charged to SSA in excess of actual cost or rental equivalent.

7. Adjustments related to prior years' costs..... +192,621,000

Each year's appropriation request provides for an adjustment between amounts previously appropriated and actual experience with the program, or revised estimates of program costs.

Type of Adjustment		Increase or Decrease
Federal payments for SMI:		
Adjustments in 1976 to cover the under-financing of $37 million in the 1975 appropriation		+$77,000,000
adjustment to 1975 base	+37,000,000	
adjustment in 1976 to cover the under-financing (includes $3 million in interest)	+40,000,000	
Hospital Insurance for the Uninsured:		
Adjustments in 1976 to cover the under-financing of $60 million in the 1975 appropriation		+124,430,000
adjustments to 1975 base	+60,000,000	
adjustment in 1976 to cover the under-financing (includes $4,430,000 in interest)	+64,430,000	
Special Payments for Certain Uninsured Persons:		
Downward adjustments of previously reported costs through 1973		-8,809,000
Total		+$192,621,000

Decreases

A. Built-in

1. Cost of special payments for certain uninsured persons... -$30,197,000

The 1976 appropriation provides for reimbursement to the OASDI trust funds for monthly benefits paid during fiscal year 1974 to uninsured persons with fewer than three quarters of coverage, related administrative costs and interest lost to the trust fund. The decrease from the 1975 appropriation is the result of the declining number of persons receiving these benefits, partially offset by a 7 percent monthly benefit increase effective for March 1974 and annulization of a 20 percent increase in monthly benefits which became effective September 1972.

Obligations by Activity

Page Ref.		1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
13	Federal payments for supplementary medical insurance....	$2,327,000,000	$2,327,000,000	$2,939,000,000	+$612,000,000
16	Hospital insurance for the uninsured.	471,000,000	471,000,000	610,430,000	+139,430,000
18	Military service credits.....	240,000,000	240,000,000	295,000,000	+55,000,000
20	Special payments for certain uninsured persons.....	307,323,000	307,323,000	268,317,000	-39,006,000
22	Payment to the Federal Buildings Fund.....	-0-	20,242,000	50,555,000	+30,313,000
	Total obligations.	$3,345,323,000	$3,365,565,000	$4,163,302,000	+$797,737,000

Obligations by Object

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Grants, subsidies, and contributions	$2,327,000,000	$2,327,000,000	$2,939,000,000	+$612,000,000
Insurance claims and indemnities..	1,018,323,000	1,018,323,000	1,173,747,000	+155,424,000
Rents, Communications, and utilities.....	-0-	20,242,000	50,555,000	+30,313,000
Total obligations by object.....	$3,345,323,000	$3,365,565,000	$4,163,302,000	+$797,737,000

Authorizing Legislation

Legislation	1976 Authorized	1976 Appropriation Requested
1. Federal payments for supplementary medical insurance (Section 1844 of the Social Security Act).....	Indefinite	$2,939,000,000
2. Hospital insurance for the uninsured (Section 103(c) and 111(d) of the Social Security Amendments of 1965)..	Indefinite	610,430,000
3. Military service credits (Section 217(g) and 229(b) of the Social Security Act).....	Indefinite	295,000,000
4. Special payments for certain uninsured persons (Section 228(g) of the Social Security Act).....	Indefinite	268,317,000
5. Payment to the Federal Buildings Fund (Section 210(j) of the Federal Property and Administrative Services Act of 1949).....	Indefinite	50,555,000
Total.....		$4,163,302,000

Payments to Social Security Trust Funds

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	2,465,297,000	2,465,297,000	2,465,297,000
1973	2,389,075,000	2,389,075,000	2,389,075,000	2,389,075,000
1974	3,110,181,000	3,110,181,000	3,110,181,000	3,110,181,000
1975	3,345,323,000	3,345,323,000	3,345,323,000	3,345,323,000
Supplemental	20,242,000			
1976	4,163,302,000			

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Justification

Payments to Social Security Trust and Other Funds

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Grants, subsidies, and contributions	$2,327,000,000	$2,327,000,000	$2,939,000,000	+$612,000,000
Insurance claims and indemnities..	1,018,323,000	1,018,323,000	1,173,747,000	+155,424,000
Rent, communication, and utilities....	-0-	20,242,000	50,555,000	+30,313,000
Total.....	$3,345,323,000	$3,365,565,000	$4,163,302,000	+$797,737,000

General Statement

This appropriation request covers four Federal fund payments to the social security trust funds and one to the GSA Federal Buildings Fund. Three of the four payments to the trust funds, totaling $1,173,747,000, 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, which totals $2,939,000,000, effectuates Federal fund matching of premiums paid by or for aged and disabled individuals covered under the voluntary supplementary medical insurance program. The Payment to the Federal Buildings Fund is to pay GSA that portion of the Standard Level User Charge which is in excess of the actual cost of space and services furnished to SSA. The primary purpose of this Federal fund payment is to assure that the Social Security Trust Funds finance only social security programs.

It should be noted that the 1976 request in total is $11,953,000 less than the amount shown in the Appendix to the 1976 President's budget. The higher amount shown in the Appendix was in error.

Activity 1 - Federal Payments for Supplementary Medical Insurance

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Grants, subsidies, and contributions	$2,327,000,000	$2,327,000,000	$2,939,000,000	+$612,000,000

Background

The Social Security Act provides a voluntary medical insurance plan for which almost all persons aged 65 and over are eligible. The plan covers the cost of physicians' services, home health services not covered under the hospital insurance program, outpatient services, and certain other medical costs, subject to deductible and coinsurance amounts. As a result of the Social Security Amendments of 1972, Medicare coverage was extended, effective July 1973, to people under age 65 who have been entitled for at least 24 months to social security or railroad retirement benefits because they are disabled, or who have been receiving treatment for chronic renal disease for three months.

Medical insurance benefits are financed from payments of monthly premiums by enrollees in the voluntary supplementary medical insurance program and by 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 monthly premium is based on an actuarial determination of the amount required to finance the incurred costs of the program for that fiscal year. The amount of the Federal matching payments is determined so that total premium collections plus total Federal matching payments equals total program costs. Although the premium rate is the same for the aged and disabled, the Federal payments per capita for the disabled will be higher than those for the aged in order to cover the higher medical costs per capita which the disabled will incur.

The Social Security Amendments of 1972 also provide that beginning in July 1973, the premium rate will be increased only in the event of a general monthly cash benefit increase under social security, and that the premium will rise by no more than the percentage by which cash benefits have been increased since the premium was last increased. This provision was intended to limit increases in the premium rate, but not to prohibit them altogether. However, due to an apparent technicality in subsequent Amendments, premium increases are not permitted. Hence, the current monthly premium rate of $6.70 for 1975 is also reflected in the estimates for 1976. This technicality occurred in the Social Security Amendments enacted on December 31, 1973 (P.L. 93-233). These amendments modified the timing of the automatic cost-of-living adjustment provision for social security cash benefits. The old automatic mechanism required a determination of the amount of the cash benefit increase before December, so that the Secretary could consider it in making his SMI premium promulgation each December. However, the new cost-of-living adjustment mechanism requires a determination of the amount of the benefit increase in April--4 months after the SMI premium rate must be promulgated. Thus, under present law, the benefit increase will not be known when the SMI premium rate is set. As a result, the 1973 amendments inadvertently prohibit SMI premium increases for 1976 and later years. Legislation has been submitted which would correct this situation.

Explanation of Fiscal Year 1976 Estimate

The estimate of $2,939,000,000 is composed of:

1. 1976 requirements	$2,899,000,000
2. Adjustment for underfinancing of 1975 costs (including interest)	40,000,000
Total, 1976 request	$2,939,000,000

1976 Requirements

The estimate of $2,899,000,000 for 1976 requirements is composed of:

1. Federal matching of premiums of aged enrollees	$2,171,000,000
2. Federal matching of premiums of disabled enrollees	728,000,000
Total, 1976 requirements	$2,899,000,000

The average number of aged enrollees in the supplementary medical insurance program in 1974 was 20,988,000. This is expected to grow to 21,408,000 in 1975 and to 21,793,000 in 1976. At the standard premium rate of $6.70 per month, 1976 premium collections are estimated at $1,752,000,000. These must be matched with Federal funds. Since the estimated adequate rate for the aged is greater than the standard premium rate, the Federal matching will be greater than premium collections.

The average number of disabled enrollees in the supplementary medical insurance program was 1,651,000 in 1974 and is estimated at 1,828,000 in 1975. In fiscal year 1976, the estimate is 2,001,000, including 16,000 persons receiving chronic renal disease treatment. At the standard premium rate of $6.70 per month, 1976 premium collections from the disabled are estimated at $161,000,000. The Federal payment requested for the disabled is $728,000,000. The Federal matching plus the premiums collected from the disabled is sufficient to cover medical costs estimated to be incurred by disabled beneficiaries during 1976.

The increased cost of SMI enrollees assumes an 8.5 percent increase in physicians' fees recognized by the program. Other assumptions include an estimated increase of about 1.7 percent in the utilization of physicians' services per capita, a shift toward more expensive services; and an increase in cost, quality, and utilization of institutional services covered by the program (such as hospital outpatient services).

Adjustment for Underfinancing of 1975 Costs

The adjustment for underfinancing of 1975 costs is $40,000,000. The components of the adjustment and an explanation follow:

1975 Estimated SMI Federal matching requirements	$2,364,000,000
1975 Appropriation	2,327,000,000
Difference (amount underfinanced)	37,000,000
Interest on amount underfinanced	3,000,000
Total adjustment for underfinancing of 1975 costs	$40,000,000

The current estimate of SMI Federal matching requirements for 1975 is $37,000,000 higher than the amount provided for in the 1975 appropriation. The primary reason for this is higher than previously estimated 1975 enrollee population (23,236,000 vs. 22,949,000).

Activity 2 - Hospital Insurance for the Uninsured

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Insurance claims and indemnities	$471,000,000	$471,000,000	$610,430,000	+$139,430,000

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 age 65 and over entitled to social security or railroad retirement benefits, and to practically all other aged persons even though not entitled to benefits under those systems. At the beginning of Medicare, Congress provided hospital insurance coverage to people who were already age 65 or over and who were not insured under the social security or railroad retirement programs, on the theory that most of these people had an insufficient opportunity to obtain program coverage.

The hospital insurance benefits and administrative costs for persons 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 aged individuals not entitled to cash benefits under the social security or railroad retirement programs are financed with Federal funds. For uninsured persons attaining age 65 before 1968, no wage credit under social security is required. For men attaining age 65 after 1967 and before 1975 (before 1974 for women), wage credits on a sliding scale are required for entitlement. After 1974 (after 1973 for women) the requirements for entitlement to hospital insurance benefits are identical to the requirements for social security or railroad retirement benefits. Thus, a gradually decreasing number of uninsured persons are eligible for hospital insurance benefits financed from general revenues. Uninsured aged individuals who cannot meet these wage credit requirements still can obtain hospital insurance protection, but must pay monthly premiums covering the approximate cost of their coverage ($40 in 1976).

Explanation of Fiscal Year 1976 Estimate

The estimate of $622,383,000 is composed of:

1. 1976 requirements	$546,000,000
2. Adjustment for underfinancing of 1975 costs (including interest)	64,430,000
Total, 1976 request	$610,430,000

1976 Requirements

The estimate of $546,000,000 is composed of:

1. Benefit payments	$536,000,000
2. Administrative costs	10,000,000
Total	$546,000,000

Benefit Payments

Program costs will increase because of an expected increase in the cost and utilization of covered services. The cost of covered services is estimated to increase at an annualized rate of 14½ percent in 1976. The utilization of covered services for the uninsured group increases at a faster rate than the total population since the average age of this group is increasing and its members can be expected to require more services per capita.

Partially offsetting this increase is the expected decrease in the number of uninsured individuals on the hospital benefit rolls to an average of 1,050,000 from an average of 1,172,000 in fiscal year 1975. The net effect of these factors is a benefit level estimated at $536,000,000, an increase of $16,000,000 over the currently estimated 1975 benefit level.

Administrative Costs

Detail supporting the estimate of administrative costs for the hospital insurance program for both the insured and uninsured groups is contained in SSA's Salaries and Expenses appropriation request. Allocation of administrative costs to the uninsured group is based mainly on the ratio of benefit payments for the uninsured group to total hospital insurance benefit payments for the aged. Estimated administrative costs in 1976 are $10,000,000, a decrease of $1,000,000 from the current 1975 estimate.

Adjustments for Underfinancing of 1975 Costs

Costs for 1975 have been adjusted upward to reflect overall increases in hospital insurance benefit payments. These increases were caused mainly by sharp rises in cost per patient day after economic stabilization controls were lifted in April 1974.

The principal elements making up the adjustment of +$64,430,000 follow:

Derivation of Adjustments for 1975 Costs

1975 Program	Benefit Payments	Administrative Costs	Total
Total estimated requirements	$520,000,000	$11,000,000	$531,000,000
Total previously appropriated	459,000,000	12,000,000	471,000,000
Difference	+61,000,000	-1,000,000	+60,000,000
Interest on adjustment	+4,500,000	-70,000	+4,430,000
Total 1975 adjustment	+$ 65,500,000	-$1,070,000	+$64,430,000

Activity 3 - Military Service Credits

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Insurance claims and indemnities	$240,000,000	$240,000,000	$295,000,000	+$55,000,000

Background

The 1946 Social Security Amendments provided for payment of benefits to survivors of certain World War II veterans based upon noncontributory wage credits of $160 for each month of the veteran's active military service. Subsequent amendments extended the period for which noncontributory wage credits were granted through December 1956. For that period, the Social Security Act did not require contributions to the trust funds based on the wages of individuals in the military service. The Servicemen's and Veterans' Survivors Benefits Act of 1956 further amended the Social Security Act to provide for contributions based on military service wages beginning January 1957.

To finance the additional costs incurred in paying 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 from the general fund of the Treasury. Under section 217(g) of the Social Security Amendments of 1965, a 50-year period for reimbursement was established. 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, that 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 added section 229(b) of the Social Security Act, which provides that for military service performed after December 1967, the pay of a person in the uniformed services would be deemed to be up to $300 more than his basic pay in each calendar quarter, in order to cover the value of wages-in-kind, such as food, shelter, and medical services. The additional cost of paying social security benefits resulting from these noncontributory credits will also be reimbursed from the general fund of the Treasury. Under the law, the Secretary of Health, Education, and Welfare is instructed to determine annually the amount of these additional costs.

The Social Security Amendments of 1972 further amended the law to provide noncontributory wage credits of $300 per quarter for military service performed after 1956.

Estimated Annual Payment

The amount requested for this appropriation includes the following:

1. $233,000,000 for reimbursement to the trust funds for noncontributory military service credits under section 217(g) of the Social Security Act. This is the annual amount previously determined by the Secretary of Health, Education, and Welfare for the five-year period beginning with fiscal year 1972.

2. $44,000,000 for reimbursement to the trust funds for payments based on noncontributory credits for military service performed after December 1967 under section 229(b) of the Social Security Act, as amended by the Social Security Amendments of 1967. As experience with this provision of the law continues, more data has become available upon which to base more accurate calculations of required reimbursements. As a result, this year's request contains an adjustment of the reimbursement amounts requested in prior years for benefits paid thru fiscal year 1973 as well as the reimbursement due the social security trust funds for fiscal years 1974 and 1975. The $44 million request is summarized as follows:

Reimbursement for 1974 and 1975 costs....	$32,000,000
Adjustment for years prior to 1974.....	6,000,000
Interest lost to the trust funds.....	6,000,000
Total.....	$44,000,000

3. $18,000,000 for reimbursement to the trust funds for estimated costs related to benefit payments based on noncontributory credits for military service performed during the period January 1957 through December 1967 under section 229(b) of the Social Security Act, as amended by the Social Security Amendments of 1972. This is the first time a request for reimbursement is being made under this provision. This request is limited to costs incurred during the period January thru June 1973, the first six months the provision was effective.

The total payment of $295,000,000 will be distributed by trust fund as follows:

OASI Trust Fund.....	$157,000,000
DI Trust Fund.....	90,000,000
HI Trust Fund.....	48,000,000
Total.....	$295,000,000

Activity 4 - Special Payments for Certain Uninsured Persons

	Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Insurance claims and indemnities	$307,323,000	$307,323,000	$268,317,000	-$39,006,000

Background

Benefits were authorized in an amendment to the Social Security Act enacted in 1966 (The Prouty Amendment) to afford some protection for certain persons who retired before the enactment of social security legislation or before their occupations were covered by social security. To be eligible under the Prouty amendment, an individual must have attained age 72 before 1968, or meet certain minimal insured status requirements if he attained age 72 in 1968 or later. The benefit was first paid in fiscal year 1967, and amounted to $35 a month for an individual plus $17.50 for an eligible wife. Since then, there have been several increases in the benefit amounts. The most recent increase, which was enacted in December 1973, increased benefits to $62.10 for an individual and $31.10 for an eligible wife, effective March 1974, and to $64.40 and $32.20 respectively, effective June 1974. For individuals receiving a governmental pension and, until January 1, 1974, for individuals receiving payments under a federally-aided public assistance program Prouty benefits have been reduced or withheld, as required by law. Effective January 1, 1974, federally-aided public assistance for the aged was replaced by the Supplemental Security Income Program. The 1973 Amendments to the social security act provide that the special "Prouty" payments also must be withheld for persons receiving supplemental security income payments. The number of persons receiving benefits under the Prouty amendment reached a peak of 723,000 in December 1967, and since then has been decreasing gradually as the size of the aged population meeting the eligibility requirements decreases. As of June 30, 1974, there were 323,000 persons receiving benefits under this program as compared to 375,000 on June 30, 1973.

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 monthly benefits paid from the trust fund during the second preceding fiscal year and all prior years to persons with fewer than three quarters of coverage had not been made. However, the special payments made to persons with three or more quarters of coverage are to be funded from the trust fund and not from general revenues. The first authorized general fund appropriation was for the year ending June 30, 1969, for payments made in the year ending June 30, 1967. Similar appropriations have been authorized for each year thereafter.

The 1976 request is for payment of $268,317,000 to the Federal Old-Age and Survivors Insurance Trust Fund for program costs incurred in fiscal year 1974, less some adjustments to prior years' costs. Program costs include 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. The decrease from 1975 is the result of the declining number of persons

receiving these benefits, partially offset by a 7 percent increase in benefits paid in April, May, and June 1974.

Explanation of Fiscal Year 1976 Request

The estimate of $268,317,000 is composed of:

1.	Reimbursement for 1974 program costs:	
	a. Benefit payments	$245,010,000
	b. Administrative costs	2,471,000
	c. Interest lost to the trust fund	30,464,000
	Sub-total 1974 program	$277,945,000
2.	Adjustments in reimbursement for 1967-1973 program costs:	
	a. Benefit payments	-7,154,000
	b. Administrative costs	-80,000
	c. Interest lost to the trust fund	-2,394,000
	Sub-total adjustments for 1967-1973 programs	-9,628,000
	Total	$268,317,000

The adjustments for the 1967-1973 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 persons who met the age requirement and who had fewer than three quarters of coverage, but who later acquired at least three quarters of coverage or became eligible for a regular social security benefit. Adjustments are necessary for the benefit payments, related administrative costs and interest charged to Federal funds before these changes could be reflected in the benefit accounting records.

Activity 5 - Payment to the Federal Buildings Fund

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Payment to the Federal Buildings Fund	-0-	$20,242,000	$50,555,000	+$30,313,000

Background

The Public Buildings Amendments of 1972 gave the General Services Administration authority to levy a Standard Level User Charge (SLUC) on all Federal agencies for space and services furnished by GSA. The legislative history indicates an intent to require all Federal agencies to include the SLUC payments in their budgets, and thereby make them accountable for their space use. This is expected to encourage more efficient use of Federal office space and to provide a more accurate measure of the true cost of each agency or program. The SLUC receipts are paid into the Federal Buildings Fund, managed by the General Services Administration. From this fund, GSA will finance new construction, commercial rentals, maintenance and other facilities costs, government-wide.

Explanation of Payment

The General Services Administration needs to operate the Federal Buildings Fund in the manner intended by the Public Buildings Amendments of 1972. In order to do this, it is necessary that Fund income be obtained from full Standard Level User Charges by all agencies on all the space they occupy. Most of the SLUC which is charged to SSA covers actual cost of leased space, actual rental equivalent of Federal buildings SSA occupies or actual cost of building services supplied by GSA. This part of the SLUC is provided for in SSA's appropriation request "Limitation on Salaries and Expenses." That portion of SLUC in excess of actual costs in 1976 is requested in this appropriation. For 1975, we have already requested a supplemental appropriation for this purpose.

The separation of the funds for SLUC into two accounts serves two basic purposes:

1. It assures that the Social Security trust funds will not bear any charges in excess of actual costs incurred for the trust fund programs;

2. It also will simplify SSA's accounting and cost allocation procedures by providing in one account for all SLUC in excess of actual costs or commercial rental equivalent--including such charges which are applicable to the Supplemental Security Income program, which is financed with Federal funds. (For 1975, these charges were included in the Salaries and Expenses and Supplemental Security Income program appropriations.)

The following table shows SLUC above cost for both the trust fund and SSI programs for 1975 and 1976.

	1975	1976
Trust fund programs.....	$20,242,000 1/	$39,939,000
SSI program.....	6,802,000 2/	10,616,000
Total SLUC above cost....	$27,044,000	$50,555,000

1/ 1975 supplemental appropriation request

2/ included in "Limitation on Salaries and Expenses" for 1975 and reimbursed from the SSI appropriation

SOCIAL SECURITY ADMINISTRATION

Payments to Social Security Trust and Other Funds

Program Purpose and Accomplishments

	1975 Revised	1976 Authorization	1976 Budget Estimate
Activities involving payments to trust funds:			
1. Federal payments for supplementary medical insurance (Section 1844 of the Social Security Act).....	$2,327,000,000	Indef.	$2,939,000,000
2. Hospital insurance for the uninsured (Section 103(c) and 111(d) of the Social Security Amendments of 1965).....	471,000,000	Indef.	610,430,000
3. Military service credits (Section 217(g) and 229(b) of the Social Security Act)..	240,000,000	Indef.	295,000,000
4. Retirement benefits for certain uninsured persons (Section 228(g) of the Social Security Act).....	307,323,000	Indef.	268,317,000
Total.....	$3,345,323,000		$4,112,747,000

Purpose: Three of the four activities represent payments to reimburse the trust funds for the cost (including administrative costs and interest) of benefits chargeable to general revenues. The fourth effectuates matching from Federal funds of premiums paid by or for aged and disabled individuals covered under the voluntary supplementary medical insurance (SMI) program. In all four situations, the amount of 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 aged or disabled persons in the voluntary supplementary medical insurance program is dependent on the number of persons enrolled in the program, the premium rate which has been promulgated by the Secretary of Health, Education, and Welfare for the fiscal year for which funds are appropriated, and the estimated cost of the program. The Federal payments, combined with premiums paid by or for the enrollees, and interest earned by the Supplementary Medical Insurance Trust Fund, must be sufficient to finance the estimated incurred cost of benefits and administration for the period covered. The Federal payment for the disabled is greater, per capita, than that for the aged because the per capita cost of medical care for the disabled is expected to be over 1½ times as much as that for the aged, and the law provides that the disabled shall pay the same standard monthly premium as the aged.

Appropriation estimates for payments to the trust funds for the cost of hospital insurance for the uninsured, noncontributory military service credits and special payments 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 1975: During fiscal year 1975, the average number of enrollees in the Supplementary Medical Insurance program is estimated at 23,236,000 (21,408,000 aged and 1,828,000 disabled). Of these, 12,724,000 are expected to receive reimbursed medical services (11,346,000 aged and 1,328,000 disabled). It is estimated that $3,551,000,000 in supplementary medical insurance benefits will be paid in 1975 ($2,960,000,000 for the aged and $591,000,000 for the disabled). An average of 1,172,000 uninsured persons will be eligible for hospital insurance benefits during 1975 and benefits for this group are estimated at $520,000,000.

The payments for hospital insurance for the uninsured, military service credits, and for special payments for certain uninsured persons are for the purpose of placing the trust funds in the same position they would have been had they not borne the cost of benefits chargeable to general revenues.

Objectives for 1976: The average number of enrollees in the supplementary medical insurance program is expected to grow to 23,794,000 (21,793,000 aged and 2,001,000 disabled). Of these, 13,278,000 are expected to receive reimbursed services (11,768,000 aged and 1,510,000 disabled). It is estimated that $4,145,000,000 in supplementary medical insurance benefits will be paid in 1976 ($3,380,000,000 for the aged and $765,000,000 for the disabled). An average of 1,050,000 uninsured persons will be eligible for hospital insurance benefits during 1976 and benefits for this group are estimated at $536,000,000.

The payments for hospital insurance for the uninsured, military service credits, and for retirement benefits for certain uninsured persons are for the purpose of placing the trust funds in the same position they would have been had they not borne the cost of benefits chargeable to general revenues.

SOCIAL SECURITY ADMINISTRATION

Payments to Social Security Trust and Other Funds

	1975 Revised	1976 Authorization	1976 Budget Estimate
Activities involving payments to other funds:			
5. Payment to the Federal Buildings Fund (Section 210(j) of the Federal Property and Administration Services Act of 1949)...	$20,242,000	Indefinite	$50,555,000

Purpose: The purpose of this activity is to pay the Federal Buildings Fund that portion of SSA's Standard Level Users Charge (SLUC) which is in excess of the actual cost of space and services furnished to SSA by the General Services Administration (GSA).

Accomplishments in 1975 and Objectives in 1976: By providing for this portion of the SLUC in a Federal fund appropriation, we can assure that the social security trust funds pay only for the actual space and services provided by GSA for the trust fund programs. At the same time, this payment provides for full financing of SSA's share of the Federal Buildings Fund.

An additional objective in 1976 is the simplification of SSA's accounting and cost allocation procedures by providing in one account for all SLUC in excess of actual costs or commercial rental equivalent--including such charges applicable to the SSI program, which is financed with Federal funds.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Payments to Social Security Trust and Other Funds

Amounts Available for Obligation

	7/1/76-9/30/76
Appropriation (Obligations)	$892,000,000

Obligations by Activity

Federal payments for supplementary medical insurance	$878,000,000
Payment to the Federal Buildings Fund	14,000,000
Total obligations	$892,000,000

Obligations by Object

Grants, subsidies, and contributions	$878,000,000
Rents, communications, and utilities	14,000,000
Total obligations by object	$892,000,000

Narrative Statement

This appropriation covers four Federal fund payments to the social security trust funds and one to the Federal Buildings Fund. Three of the four payments to the social security trust funds are to put these funds in the same position they would have been had they not borne the costs of benefits chargeable to Federal funds. In order to simplify the transition period request, reimbursement for these three payments, including interest lost to the trust funds, will be delayed until fiscal year 1977. This attempt to administratively simplify the appropriation for the transition period will not adversely affect program financing. The three payments which will be delayed are not large, and the trust funds will be made whole by including an interest adjustment when the payments are made. On the other hand, the fourth payment to the social security trust funds effectuates daily Federal fund matching of premiums paid by or for aged and disabled individuals covered under the voluntary supplementary medical insurance program. We are requesting $878,000,000 to cover these matching payments during the transition period. These payments, together with premiums paid by or for aged or disabled individuals are necessary and must be made currently to finance the supplementary medical insurance program. The following table describes, for the aged and disabled, the average number of enrollees, premium rates and Federal matching rates for the transition period.

Aged:	Enrollees	22,142,000
	Premium rate	$6.70
	Federal matching rate	$9.70
Disabled:	Enrollees	2,192,000
	Premium rate	$6.70
	Federal matching rate	$35.50

The payment to the Federal Buildings Fund is that portion of SSA's Standard Level User Charge which is in excess of the actual cost of space and services furnished to SSA. The purpose of this payment is to assure that (1) the social security trust funds bear only those space and service costs which are directly related to the operations of the social security program, and (2) the Federal Buildings Fund is financed on a current basis. The transition period estimate is based on maintaining the 1976 level of space and services.

FRIDAY, APRIL 25, 1975.

SPECIAL BENEFITS FOR DISABLED COAL MINERS

WITNESSES

JAMES B. CARDWELL, COMMISSIONER
HUGH F. McKENNA, ACTING ASSOCIATE COMMISSIONER, OFFICE OF PROGRAM OPERATIONS
FRANCIS D. DeGEORGE, ACTING ASSOCIATE COMMISSIONER, OFFICE OF MANAGEMENT AND ADMINISTRATION
SHERWIN T. MONTELL, ACTING DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
PHILIP A. O'BRIEN, ACTING BUDGET OFFICER, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. FLOOD. We continue with the Social Security Administration, and the request for special benefits for disabled coal miners. The presentation will be made by Mr. James B. Cardwell, the Commissioner.

We see you have a biographical sketch here, Mr. Cardwell. We will place it in the record at this point.

[The biolgraphical sketch follows:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Name: James B. Cardwell.

Position: Commissioner of Social Security, Social Security Administration, Department of Health, Education, and Welfare since October 10, 1973.

Former positions: Began his Federal service in 1942 as a clerk in the Public Housing Administration. Served with the U.S. Army in the European theater of operation during World War II, and returned to the Public Housing Administration in 1945 where he served in administrative and budget assignments until 1954.

Joined the Department of Health, Education, and Welfare in 1955 and served as a budget officer in the Office of Vocational Rehabilitation until 1957. From 1957 to 1958, was a budget examiner with responsibility over the Department's health budget in the Office of the Secretary. Was Assistant Commissioner for Administration in the Food and Drug Administration during the period 1958 to 1965.

Appointed in 1965 as Deputy HEW Comptroller and departmental budget officer, and served from 1970 to 1973 as Assistant Secretary and HEW Comptroller.

Education: Graduated in 1955 with a bachelor of commercial science degree from Columbus University.

Awards: DHEW Supreme Service Award in 1961; the FDA Award of Merit, 1965; the HEW Distinguished Services Award, 1967; HEW Secretary's Special Citation, 1968; and the HEW Certificate of Outstanding Performance, 1968. Received the National Civil Service League Career Service Award in 1917; the Rockefeller Public Service Award, 1974.

Personal: Born in the District of Columbia. Married to the former Mary Louis Sheppard of Kanasa City, Kans. Resides in Rockville, Md. Four children: James Jr., Mark Edward, David Bryan and John Richard.

Mr. FLOOD. I believe that we know the staff people with you.

How do you want to proceed with this, Mr. Cardwell?

Mr. CARDWELL. With your permission, sir, we would read the statement, which is about four and a half pages long, and then entertain questions.

Mr. FLOOD. All right.

Mr. CARDWELL. Our second appropriation request totals $999,778,000 and is for "Special Benefits for Disabled Coal Miners." This request is financed from the general revenues and covers both black lung benefit payments ($987 million) and administrative costs ($12,778,000). The request excludes funds for work done for the Department of Labor by the Social Security Administration on a reimbursable basis. These are in the budget request of that Department.

PROGRAM AUTHORIZATION

The black lung program was authorized by title IV of the Federal Coal Mine Health and Safety Act, enacted December 30, 1969, and amended by the Black Lung Benefits Act of 1972. Title IV provides for the payment of monthly cash benefits to coal miners who are totally disabled because of pneumoconiosis, commonly referred to as black lung disease, and to widows of miners who were either entitled to these benefits or whose deaths were due to this disease. Benefit payments to miners and surviving widows are increased because of dependents—a spouse or child. Benefits are also payable to surviving children of miners and in certain circumstances to totally dependent surviving parents, brothers, and sisters.

RESPONSIBILITY FOR ADMINISTRATION

The Social Security Administration was responsible for the taking, processing, and payment of claims from December 30, 1969, through June 30, 1973. Since June 30, 1973, SSA has continued to take claims, but forwards most of them to the Department of Labor for adjudication and payment. The Social Security Administration still has jurisdiction for some new claims from survivors of miners or widows who were on the SSA roll at the time of death; and SSA will continue to pay benefits and to maintain the beneficiary roll for the lifetime of all persons who filed with SSA during its jurisdiction; that is, through June 30, 1973.

At the end of fiscal year 1976, there are expected to be 502,000 miners, widows, and dependents who will be receiving monthly benefits which are paid by the Social Security Administration from this appropriation. These are the individuals whose claims were filed with us and adjudicated by us, and we will continue to pay them as long as they live and are eligible for benefits.

WORK TO BE DONE

Since the beginning of the program, SSA has received over 600,000 initial claims for which it has jurisdictional responsibility. In addition, SSA reprocessed 192,000 claims under the provisions of the Black Lung Benefits Act of 1972. All of these claims have been processed

through the point of the initial eligibility determination and about 508,000 miners and their dependents are currently receiving payments. However, many applicants who were found ineligible for benefits have exercised their right to appeal. Once an application for black lung benefits has been denied, the applicant may request that the denial be reconsidered. If this reconsideration results in an affirmation of the original denial, the applicant may request a hearing before an administrative law judge and, if the denial is sustained, he may request a review before the Appeals Council. If the original denial is sustained throughout this appellate process, the applicant may request review in the civil courts. Handling these appeals is the bulk of the work that remains before SSA in 1975–76.

In fiscal year 1975, SSA has budgeted to process all remaining reconsiderations—approximately 11,000 cases—and over 45,000 hearings and appeals. This will leave about 18,000 hearings and appeals to be carried into fiscal year 1976. The budget request before you assumes that these remaining hearings and appeals will be completed in fiscal year 1976. After 1976, SSA's primary role in the black lung program will be maintaining the records and making the monthly benefit payments to those individuals who filed claims while the program was under SSA's jurisdiction.

HEARINGS BACKLOGS

As of the end of March 1975, there were about 30,000 black lung requests for hearing pending in the Bureau of Hearings and Appeals. We are faced with this large backlog because we have received more requests for hearing than anticipated, and we have had difficulty recruiting the number of administrative law judges we needed and, therefore, have processed fewer cases to date than we planned. We realize that this situation cannot continue and we are making maximum efforts to process these hearings as quickly as we can. In our supplemental appropriation request for fiscal year 1975, we have asked that the termination date for temporary appointments of ALJ's be extended from December 31, 1975, to December 31, 1976. The Bureau of Hearings and Appeals has been able to increase its staff of black lung ALJ's from 84 as of June 30, 1974, to 103 at the present time. We are beginning to see the effect of this recruitment on the number of black lung hearings being processed. We have devoted more resources to the Black Lung Center in Baltimore in order to speed prehearing development of these cases. Wherever possible in the SSA appellate process we plan to make innovations that will assist us in lowering the total number of appeals pending. Black lung cases are a significant part of that total, but we also have to contend with large numbers of appeals in other programs such as disability insurance, supplemental security income and retirement and survivors' insurance. We also have some preliminary indications that a prehearing screening—and this is one of the innovative measures I mentioned a moment ago—may reduce the backlog up to 10 percent by using an administrative procedure to process cases in which additional medical evidence has been submitted. Finally, we are planning to hire law clerks and additional support staff to speed pre- and posthearing processing of requests for hearing rather than depending on the limited number of ALJ's.

1976 BUDGET ESTIMATE

Benefit payments are expected to increase from $933 million in 1975 to $987 million in 1976 for an increase of $54 million. Of the increase, $11 million is for the annualization in 1976 of the October 1974 Federal employee pay raise increase of 5.52 percent. The basic black lung benefit is 50 percent of the amount of disabled Federal employee in step 1 of grade GS–2 receives. The 1976 budget request has a further benefit increase amounting to $58 million to reflect a projected 9-percent increase in salaries to be paid to Federal employees effective October 1975. The actual cost will depend on what increase is granted for Federal salaries. These increases, amounting to $69 million are partially offset by a $15 million decrease due to a decline in the number of claims with retroactive payments.

Administrative expenses are expected to decline from $24,740,000 in 1975 to $12,778,000 in 1976. Of this decrease, almost $11 million results from a 56-percent decrease in the total black lung workload handled by SSA. The budget assumes that the hearings workload alone will drop from 32,850 processed cases in 1975 to 15,700 in 1976, and appeals of ALJ actions to be heard by the Appeals Council will drop from 12,770 down to less than 10,000. The completion of all State agency involvement in the program in 1975 results in a decrease of about $450,000. Other reduced requirements for travel, communications, rent and other costs account for a decline of about $627,000 related to lower workloads and manpower requirements.

BLACK LUNG INTERIM PERIOD BUDGET ESTIMATE

Our budget request for the transition period between the Federal fiscal year 1976, on the old basis, and the fiscal year 1977 on the new basis—July 1, 1976, through September 30, 1976—is estimated at $234,600,000. This amount consists of $233 million for benefit payments and $1,600,000 for administrative costs. Benefit payments for the 3-month period are projected at about the June 1976 level. Administrative expenses are projected at a lower rate than experienced in 1976 because workloads are expected to decline during this transition period. Much of the work in the 3-month transition period and in years after fiscal year 1976 will be primarily in functions related to keeping the beneficiary roll up to date and transmitting the monthly payment schedules to the Treasury for the issuance of the benefit checks.

I would be glad to try to answer any questions, Mr. Chairman.

BENEFIT PAYMENT ESTIMATES

Mr. FLOOD. For the black lung program, the budget request is a total of $999.8 million. That is a rather precise figure. Why didn't you raise it just a few more dollars and make it an even billion, a nice round fat number?

Mr. CARDWELL. It is a program that lends itself to fairly precise estimating of benefit costs because the benefits are prescribed on the Federal employment salary schedule, which is very specific, very detailed, as already mentioned, at a grade 2, and knowing what that is, it makes it fairly easy to estimate the benefit costs.

However, as we pointed out in our statement, there is one degree of uncertainty even in that item, and that has to do with whether or not Federal salaries will be increased this year and by what amount.

PROPOSED LEGISLATION

Mr. FLOOD. We want to be pretty clear about the budget as such. Is it based on existing laws and regulations? You haven't assumed any proposed changes in the law, have you?

Mr. CARDWELL. Yes; it is based on existing law and regulations. We have assumed one change in the language. The dollars requested are not dependent on that change, but the program is dependent on the change; namely, our request made before this committee in the supplemental for 1975 to extend the legislative deadline for the employment of temporary black lung ALJ's to December 31, 1976.

Mr. FLOOD. Concerning the legislative changes that have been proposed by the President, how will this affect the black lung prorgam?

How much of a reduction would result if this proposal were enacted?

Mr. CARDWELL. About $26 million. That would be the result of the Congress going along with his proposal to limit the Federal employee pay raise to 5 percent. That would indirectly limit the benefit raise under this program to 5 percent.

Mr. FLOOD. What about that? Don't you think it is mighty unfair to hold this cost-of-living increase to 5 percent in the black lung program, but there is no such limit on welfare recipients? How do you put that together?

Mr. CARDWELL. There is an inconsistency in the way the index would be applied, you are right, and that is partly because, and perhaps almost entirely because, the Federal Government does not have control over the extent to which the States might or might not increase their own benefit levels due to the cost of living, and of course, we match whatever their levels are.

However, for SSI, which is a federally controlled income maintenance program, the President's proposal would treat that exactly the way the black lung program is treated; namely, to try to constrain the rise in the benefits.

Mr. FLOOD. What is the rate of increase that has been assumed for these benefit payments for next year?

Mr. CARDWELL. We assumed a 9-percent increase.

DECLINE IN ADMINISTRATIVE EXPENSES

Mr. FLOOD. The budget shows that administrative expenses will decline by almost $12 million. Of course, we certainly are not going to cry about any proposals to cut administrative costs, but you know very well what happened last year. You cut back in staffing, and then you found yourself buried in a backlog of cases.

Are you certain that you are not going to create the same problem next year?

Mr. CARDWELL. Let me emphasize an important point, that the staffing reductions affect that part of the black lung job which is being completed at a faster and faster pace; namely, the taking of new claims and the adjudication of new claims, both at the Federal level and through the use of State agencies.

In the hearings process the workload will also decline but we will not allow that staff to fall below the levels needed to get that job

done. We cannot afford to do that. We will work very hard to protect that staff from reduction.

Mr. FLOOD. If anybody knows this committee, you do. We want to be certain, of course, that you have enough people to do the job.

Mr. CARDWELL. I believe we have enough people to do the job.

Mr. FLOOD. The beneficiaries of this program certainly should not have to tolerate the delays we have been talking about now for a couple of days on these benefit checks. If you need more staff we want to know about it. Do you have enough people to do this job?

STAFFING TO PROCESS HEARINGS

Mr. CARDWELL. We have enough people to do the claims taking part of the job. I think we have enough total manpower in this budget to do the hearings part of the job. I can't tell you that we can hire enough hearing examiners and administrative law judges to guarantee that we will get rid of all of our backlogs in the next year. I don't think we will. It is the way the work is organized.

Under the law we follow the Administrative Procedures Act and that Act imposes certain very specific requirements of due process and complying with those requirements takes time. They also require a very scarce skill, namely, people with adjudicative experience, and that really is the limiting factor.

We are planning to compensate for the scarcity of such people in the employment market by utilizing law school graduates right out of law school to prepare the cases and narrow the amount of work that a black lung judge would have to do.

NUMBER OF BLACK LUNG BENEFICIARIES

Mr. FLOOD. With regard to the number of these black lung beneficiaries on your roll, have they reached a peak and it is going to start to decline?

Mr. CARDWELL. Yes; the number of beneficiaries on the rolls is now starting to decline.

Mr. FLOOD. I know, of course, the Labor Department handles all new claims. I am asking about your rolls.

Mr. CARDWELL. Yes; as I said, our rolls are now starting to decline. I do not worry about the claims taking part of the process under existing law. However, we still have a lot to worry about on the appeals side of it.

I think the record shows we have done a pretty good job in the original adjudication of black lung cases. The hearing reversal rate is about 20 percent. For other parts of our program, the regular social security disability part, for example, the hearing reversal rates are much higher.

Mr. FLOOD. The reason I asked that question is last year you estimated 489,000 beneficiaries. Now you are showing 507,000 for 1975. Are you being a little optimistic about this?

Mr. CARDWELL. I think we have the right number. I think this is a good number.

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Mr. FLOOD. In the revised estimate your workload for hearings and appeals shows about 18,000 cases pending on June 30, 1975. Do you know how many cases you have pending today?

HEARINGS PENDING

Mr. CARDWELL. Right now we have about 30,000 hearings pending.

Mr. FLOOD. I notice your estimates of new hearings and appeals show a decline for this year. Do you feel that these cases are going to decline that much?

Mr. CARDWELL. New requests for hearings have begun to decline because the number of people eligible to make appeals is declining. The real question that remains, and this committee has every right to question the estimates, is whether we can carry out the President's budget objective of cleaning up the hearings backlog at the levels the budget predicts.

The budget says that we would end 1976 with those backlogs cleaned up. I hope that we are right. We are going to do our very best to meet that objective.

Mr. FLOOD. Mr. Conte.

BLACK LUNG PROGRAM

Mr. CONTE. Mr. Cardwell, you are requesting almost $1 billion for benefits for disabled coal miners. How many miners and dependent recipients do you expect to pay benefits to this year? What is the average benefit per recipient? How does that average compare to the average benefit for other types of disability payments?

Mr. CARDWELL. We expect that there will be about 507,000 miners and their dependents receiving black lung benefits at the end of this fiscal year. In March of this year the actual average black lung payment per person was about $141 compared with $143 for the average disability beneficiary including dependents under title II. The actual average Federal payment to blind and disabled SSI recipients was $117 for March.

Mr. CONTE. Would you tell me under what circumstances benefits are payable to surviving parents and siblings of coal miners?

Mr. CARDWELL. Black Lung benefits are payable to a surviving parent only if the miner was not survived at the time of his death by a widow or child. Also, the parent must have been dependent on the miner. To be considered dependent, a parent must have been living in the miner's household and receiving total support from the miner for at least the one-year period immediately preceding the miner's death.

Benefits are payable to a coal miner's siblings—brothers or sisters—only if the miner was not survived at the time of his death by a widow, child or dependent parent. A sister must meet the same dependency requirement as a parent. In addition, she must be unmarried, or if married, not receiving support from her spouse.

Benefits are payable to a miner's dependent brother only if he meets all of the requirements I just mentioned and is either under age 18 or a student, or suffers from a disability which began before age 18, or 23 if a student, or was disabled at the time of the miner's death.

DEPARTMENT OF LABOR CLAIMS

Mr. CONTE. You stated that since the beginning of fiscal year 1974, the SSA has continued to take claims under this program while forwarding most of them to the Department of Labor for adjudication and payment. Wouldn't it make more sense for the Department of Labor to take all these claims?

Mr. CARDWELL. The reason SSA takes the claims is because we have local offices throughout the country accessible to the public, and the Department of Labor does not. Also social security employees have experience in claims taking.

REQUIREMENT FOR ELIGIBILITY

Mr. CONTE. Would you briefly tell me what the requirements are for eligibility for this program?

Mr. CARDWELL. For the part of the program SSA is responsible for the law provides for monthly cash benefits for coal miners who are disabled due to pneumoconiosis. The law defines pneumoconiosis as a chronic dust disease of the lung arising out of employment in a coal mine. For black lung benefits to be payable, the basic disability requirements are: (1) the miner must be totally disabled due to pneumoconiosis, or his death must have been due to pneumoconiosis, or he must have been totally disabled due to this disease at the time of his death; and (2) the pneumoconiosis must have arisen out of employment in U.S. coal mines.

BLACK LUNG APPEALS

Mr. CONTE. Mr. Cardwell, in your statement you outlined the four-stage appeal procedure for black lung eligibility determination. Would you supply me with a chart showing the number of applicants at each stage during the past year, from initial application for benefits through the appeal to the civil courts, and indicating the percentage of decisions made in favor of the applicant at each level? Can you compare these figures with comparable ones for the appeal procedures for general benefits eligibility and other disability eligibility determinations?

Mr. CARDWELL. I will be glad to submit this information for the record.

[The information follows:]

FISCAL YEAR 1974 ACTUAL CLAIMS AND APPELLATE PROCESSED WORKLOADS

	Initial determination	Request for reconsideration	Request for hearing	Review before appeals council	Court remands
Black lung	132,400	42,000	14,780	2,504	39
Percent favorable to claimant	33	12	16.7	3.3	35.9
Disability insurance	1,162,628	196,288	58,178	16,637	667
Percent favorable to claimant	42	33	47.6	12.7	68.5
Retirement and survivors insurance	3,876,128	28,000	3,073	1,233	34
Percent favorable to claimant	95.2	54.9	33.8	14.9	41.2

Mr. CONTE. Can you tell me how long it takes to go through the entire appeal procedure and how that time compares with the appeals process for other disability claims?

Mr. CARDWELL. The processing time for hearings is not available by program. Based on the latest data we have for all hearings, it takes about 213 days from the date a hearing request is filed until a decision is completed. That is the average length of time it takes to process a hearing request. However, we do have this information by program for the next stage of the appeal process. The latest report we have is for December, 1974. At that time the median processing time for review of a black lung claim by the appeals council was 79 days and the median processing time for disability insurance appeals council reviews was 83 days. The median processing time for all reviews was 81 days.

Mr. CONTE. Your budget assumes that you will be completing your remaining hearings and appeals during fiscal 1976. Won't there be new applications for hearings and appeals from those who filed claims while the program was under the Social Security Administration's jurisdiction?

Mr. CARDWELL. Our budget request was developed on the assumption that all black lung hearing requests, relating to the program when it was under SSA jurisdiction, would be filed by June 30, 1975. We made this assumption because we assumed that the step before the filing of a hearing request, the request for a reconsideration, would be completed for all cases by December 30, 1974. Therefore, by allowing 6 months for filing a request for a hearing, we could reasonably assume that all valid hearing requests would be filed by June 30, 1975. In reality, we still have about 2,000 to 3,000 reconsiderations that have not been processed, so we may have some new hearing requests filed early in fiscal year 1976. This, however, should not prevent us from finishing black lung hearings work in 1976.

Mr. CONTE. Why have you received more requests for hearings than anticipated?

Mr. CARDWELL. Basically, the claimant has nothing to lose by appealing; and he might in fact win his case. As with regular social security programs, the claimant is reminded of his right to appeal and the mechanism to be employed in doing so. Groups at all levels have also been very vocal about appeal rights and may even offer to represent the claimant without charge. In addition, the claimant is often surrounded by black lung recipients. As a result, there seems to be a commonly held belief among miners that they are entitled to beenfits because they worked in the mines, and will eventually be found eligible by SSA or the courts. Everyone, of course, does have his right to due process under the law.

Mr. CONTE. Can you tell me exactly what might occur at one of these hearings? I would think that it would be fairly clear cut from a doctor's examination whether a person had black lung disease or not?

Mr. CARDWELL. Black lung disease can only be diagnosed by chest X-ray, biopsy, or autopsy. The program does not pay benefits for respiratory ailments not diagnosed as pneumoconiosis. Thus, a medical examination could show the presence of a disabling pulmonary or respiratory impairment if supported by laboratory or clinical findings but there would be questions about this being pneumoconiosis. These findings are usually based on pulmonary function studies.

Therefore, in those cases where conclsive evidence is not available, for example, a widow's hearing where the miner is deceased and not available for X-ray, and so forth, or when the results of these examinations are not conclusive, it is not always clear cut that a person has pneumoconiosis or black lung as it is commonly called.

At a hearing the claimant is given the opportunity to testify about his work history, including the number of years he worked in the mines and the types of jobs he performed. He is also given the opportunity of giving testimony concerning and pulmonary impairment he may have, including its history and duration, the symptoms, type of treatment he received, and its overall effect on his functional capacity. He may also bring witnesses with him to the hearings including his physician, members of his family, coworkers, and friends. He has the right to be represented by an attorney although the hearing is nonadversarial. He also has the right to submit additional evidence.

RECRUITMENT OF ADMINISTRATIVE LAW JUDGES

Mr. CONTE. You mentioned the difficulties you are having in recruiting the number of administrative law judges you need. Yesterday on the floor I made reference to the problem of recruiting good people to head up the National Institutes of Health. Would you tell me why you are having this problem of recruitment? Is it a matter of salary, or is there just a shortage of qualified administrative law judges?

Mr. CARDWELL. It's some of both. Recruiting is the big problem. For example, we recently established the need for 150 GS–15 permanent administrative law judges and requested that the Civil Service Commission provide us with a list of eligible candidates. After receiving the list and contacting the candidates, we now have a list of 50 candidates who show some interest in coming to work at the Social Security Administration. Recruiting temporary GS–14 black lung ALJ's is even more of a problem. Few want to work for a program which will phase out in a year or two, so we have had to put some of our permanent GS–15 judges to work on black lung cases.

HEARINGS WORKLOADS

Mr. CONTE. Of the total number of cases pending in the SSA appellate process, would you tell me what percentage of your total arise out of each of your programs (black lung, disability insurance, SSI, retirement and survivors' insurance). Are these appellate percentages comparable to the overall workload percentage?

Mr. CARDWELL. Mr. Conte, I would like to submit that information for the record. I feel sure that the data will show that while we get the largest number of claims in the RSI program, we have the bulk of our hearings problem in the disability and black lung areas.

[The information follows:]

FISCAL YEAR 1974 ACTUAL INITIAL CLAIMS AND HEARINGS WORKLOADS [1]

	Black lung	Disability insurance	SSI	Retirement and survivors insurance	Total
Initial claims:					
Receipts	132,400	1,736,000	1,827,000	3,876,000	7,571,400
Percent of total	1.7	22.9	24.1	51.3	100
Requests for hearing:					
Receipts	43,233	70,529	1,716	3,041	118,519
Percent of total	36.5	59.5	1.4	2.6	100
Requests for Hearing:					
Pending (June 30, 1974)	33,291	39,240	1,595	1,652	75,778
Percent of total	43.9	51.8	2.1	2.2	100

[1] Caution should be exercised when making comparisons between programs, particularly when these comparisons involve the black lung and SSI programs. The black lung program is declining and requests for hearing were generated from initial claims and redeterminations processed in previous years. Likewise the SSI program has just started and relatively few claims had been processed to the point at which a claimant would file a request for a hearing.

Mr. CONTE. What I would like to get out of these percentages, of course, is whether you seem to get more appeals out of different programs, and I wonder if you can explain why some programs are more appeal-prone than others?

Mr. CARDWELL. With respect to the frequency with which claimants request hearings, each program is really unique. In the retirement and survivors insurance program, for instance, we receive few requests for hearings because over 95 percent of the claimants are found eligible initially and decisions concerning eligibility are less subjective than for the disability insurance, SSI, and black-lung programs. Generally speaking, the more subjective the eligibility issues are, the higher the frequency of appeals simply because there is more room for disagreement between a claimant and the Social Security Administration.

There are other factors also. Activities of welfare organizations, miners' organizations and other special-interest groups create an atmosphere which encourages claimants to appeal adverse decisions. The

creation of a new program such as SSI raises expectations and causes confusion concerning eligibility and coverage. When there is uncertainty concerning a claimant's status, he will often appeal. This also occurred when the 1972 black-lung amendments were passed.

We cannot isolate these factors in determining their impact on our workloads. It is likely that most, if not all, play a role in every decision to appeal an adverse decision.

CHANGE IN PROCEDURE

Mr. CONTE. Your justification indicates that beginning in early fiscal year 1975 survivors whose dependency had previously been established were automatically entitled to benefits without having to file an application. Since this seems to be a change in procedure, would you explain the rationale for it?

Mr. CARDWELL. The change in procedure you mention was made to prevent the interruption of black-lung benefits between the time of the miner's death and the filing of the survivor claims and to save the survivor the inconvenience of having to file at a time of family tragedy.

AGENT FOR DEPARTMENT OF LABOR

Mr. CONTE. Will the SSA continue to act as agent for the Department of Labor indefinitely?

Mr. CARDWELL. Indefinitely is a long time, but I would say that right now we foresee continuing to act as agent for Labor until the cutoff date for taking claims under part C of the Federal Coal Mine Health and Safety Act, which is December 30, 1981.

Mr. CONTE. Thank you.

Mr. FLOOD. Thank you, Mr. Cardwell.

Justification of the Budget Estimates

Appropriation Estimate

SPECIAL BENEFITS FOR DISABLED COAL MINERS

For carrying out title IV of the Federal Coal Mine Health and Safety Act of 1969, including the payment of travel expenses either on an actual cost or commuted basis, to an individual for travel incident to medical examination, and to parties, their representatives and all reasonably necessary witnesses for travel within the United States, Puerto Rico, and the Virgin Islands, to reconsideration interviews and to proceedings before administrative law judges, [$876,089,000] *$999,778,000: Provided,* That such amounts as may be agreed upon by the Department of Health, Education, and Welfare and the Postal Service shall be used for payment, in such manner as said parties may jointly determine, of postage for the transmission of official mail matter by States in connection with the administration of said Act.

Benefit payments after April 30: For making, after April 30 of the current fiscal year, payments to entitled beneficiaries under title IV of the Federal Coal Mine Health and Safety Act of 1969, for the last two months of the current fiscal year, such sums as may be necessary, the obligations and expenditures therefor to be charged to the appropriation for the succeeding fiscal year.

Whenever the Commissioner of Social Security finds it will promote the achievement of the provisions of title IV of the Federal Coal Mine Health and Safety Act of 1969, qualified persons may be appointed to conduct hearings thereunder without meeting the requirements for administrative law judges appointed under 5 U.S.C. 3105, but such appointments shall terminate not later than December 31, [1975] *1976:*[1] *Provided,* That no person shall hold a hearing in any case with which he has been concerned previously in the administration of such title.

Appropriation Estimate

SPECIAL BENEFITS FOR DISABLED COAL MINERS

For "Special benefits for disabled coal miners" for the period July 1, 1976, through September 30, 1976, $234,600,000, including the payment of travel expenses either on an actual cost or commuted basis, to an individual for travel incident to medical examinations, and to parties, their representatives and all reasonably necessary witnesses for travel within the United States, Puerto Rico, and the Virgin Islands, to reconsideration interviews and to proceedings before administrative law judges.

Explanation of Language Change

1. The one year change in the termination date for the temporary appointments is the same requested in the proposed FY 1975 supplemental request for this account. We are making the request because all hearings resulting from the enactment of the Black Lung Benefits Act of 1972 (P.L. 92-303, signed on May 19, 1972) will not be processed by December 31, 1975. This law among other things, required that the Social Security Administration reexamine all unadjudicated and previously denied claims, and extended SSA's jurisdiction over new life claims to June 30, 1973. Even after this reexamination a significant number of individuals whose claims were denied decided to appeal the decisions. Hearings relating to previous denials that were upheld upon reexamination and to denials of some new claims filed as a result of this legislation, are exceeding the previous estimates of hearings to be processed by the administrative law judges during fiscal years 1973 through 1976 by more than 33,000 cases--the equivalent of one year's work. In addition, SSA carried over into 1975 approximately 27,000 more hearings than we anticipated a year ago. The cumulative effect of these factors will require the extension of the appellate process beyond December 31, 1975--the current termination date for temporary appointments. Therefore, the authorization to appoint temporary administrative law judges is requested for another year.

Language Analysis

Language Provision	Explanation
Provided, That such amounts as are required shall be avilable to pay travel expenses either on an actual cost or commuted basis, to an individual for travel incident to medical examinations, and to parties, their representatives and all reasonably necessary witnesses for travel within the United States, Puerto Rico, and the Virgin Islands to reconsideration interviews and to proceedings before administrative law judges under title II, XVI, and XVIII of the Social Security Act:	Authorizing legislation did not specify whether or not travel for claimants, their representatives, and witnesses to reconsideration interviews and to hearings was a necessary administrative expense. This provision permits the payment of these travel expenses.
Provided, That such amounts as may be agreed upon by the Department of Health, Education, and Welfare and the Postal Service shall be used for payment, in such manner as said parties may jointly determine, of postage for the transmission of official mail matter by States in connection with the administration of said Act.	Authorizing legislation does not permit the States to use franked mail in the administration of the black lung program. This provision allows such use as jointly determined by DHEW and the United States Postal Service.
Benefit payments after April 30: For making after April 30 of the current fiscal year, payments to entitled beneficiaries under title IV of the Federal Coal Mine Health and Safety Act of 1969, for the last two months of the current fiscal year, such sums as may be necessary, the obligations and expenditures therefor to be charged to the appropriation for the succeeding fiscal year.	This provision provides that benefit payments under title IV of the Act for the last two months of a fiscal year can, if necessary, be made from funds of the next fiscal year. This language provides the authority needed to finance unanticipated and uncontrollable benefit costs from subsequent appropriations and insures that no black lung beneficiary will fail to receive a benefit payment because of a shortage of funds.

Language Provision	Explanation
"...qualified persons may be appointed to conduct hearings... but such appointments shall terminate not later than December 31, [1975] *1976: Provided,* That no persons shall hold a hearing in any case with which he has been concerned previously in the administration of such title."	This provision continues the Social Security Administration's authority to waive certain requirements related to the Administrative Procedures Act (APA) and to make temporary appointments, not to exceed December 31, 1976, of persons who are determined to be qualified by education and experience to perform the functions of administrative law judges. The present authority expires on December 31, 1975. With this authority appointments can be given to GS-14 administrative law judges (ALJs). GS-15 ALJs, who meet APA requirements must be licensed and authorized to practice as an attorney for seven years; they must also establish seven years of experience in at least one of several specific categories. To qualify at the GS-14 level the applicant need establish only six years of practice as an attorney and six years experience in a specific category. There is a need for continuation of the language because it is clear now that all hearings pending action will not be completed by December 31, 1975, and the temporary GS-14 ALJs now on board can make a substantial contribution to dealing with the appellate workloads in FY 1976.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Special Benefits for Disabled Coal Miners

Amounts Available for Obligation[1/]

	1975 Revised	1976
Appropriation	$876,089,000	$999,778,000
Proposed supplemental appropriation	81,651,000[2/]	---
Total obligations	$957,740,000	$999,778,000

1/ Excludes work the Social Security Administration does under a reimbursable agreement with the Department of Labor which will require 67 positions, 67 man-years and $964,000 in 1975 and 54 positions, 54 man-years and $777,000 in 1976. Funding for this work is included in the Department of Labor's budget.

2/ Includes $807,000 for a proposed supplemental for the October 1974 civilian pay raise.

Summary of Changes

1975 Estimated obligations	$876,089,000
Plus: Proposed 1975 program supplemental	80,844,000
Plus: Proposed 1975 supplemental for civilian pay raise	807,000
Subtotal, 1975 Revised obligations	$957,740,000
1976 Estimated obligations	$999,778,000
Net change	+$ 42,038,000

	1975 Base		Change from Base	
	Man-Years	Amount	Man-Years	Amount
Increases:				
A. Built-in:				
1. Increase in level of benefits	---	$933,000,000	---	+$54,000,000
a. Annualization of October 1974 benefit increase				+11,000,000
b. Projected 9 percent benefit increase effective October 1975.				+58,000,000
c. Fewer claims with retroactive payments				-15,000,000
Total, increases				+$54,000,000
Decreases:				
A. Program:				
1. Reduction in administrative costs	1,330	$ 24,740,000	-652	-$11,962,000
a. A decline of 56 percent in the workload to be handled by SSA at fiscal year 1975 production rates				-10,884,222
b. The completion of all State agency involvement in the black lung program in fiscal year 1975				-450,897
c. Reduced payroll requirements in fiscal year 1976 in such items as the added cost of overtime, and pay above the base of the grade				-213,710
d. Decreased other objects costs--primarily travel, rents, and communications--related to reduced workloads and lower manpower requirements				-413,171
Total, decreases				-$11,962,000
Total, net change				+$42,038,000

Explanation of Changes

The increase in this appropriation request is due to an increase in the total amount of benefit payments which will be made in fiscal year 1976. Partially offsetting this increase in benefit payments is a decline in administrative costs. This decline does not represent reduced administrative services to beneficiaries but relates to a decrease appellate workloads under the jurisdiction of the Social Security Administration.

Increases:

1. The level of benefit payments is estimated to increase from $933,000,000 in 1975 to $987,000,000 in 1976. Several factors account for this net increase of $54,000,000:

   a. The October 1974 Federal pay raise, which is carried on a full year basis in fiscal year 1976, results in $11,000,000 more in benefit payments in fiscal year 1976 than in fiscal year 1975. Black lung benefits are geared to the Federal pay scale for a disabled Federal employee in grade GS-2, step 1.

   b. Under existing legislation, a projected 9 percent Federal pay raise effective October 1975 will increase benefit payments in 1976 by an additional $58,000,000.

   c. A decrease of $15,000,000 in benefit payments can be attributed primarily to a reduction in estimated benefit payments which are retroactive to the preceding fiscal years when the claims were filed.

Decreases:

1. Administrative expenses are expected to decline from $24,740,000 in 1975 to $12,778,000 in 1976. The factors which account for this net reduction of $11,962,000 are:

   a. A decline of 56 percent in the workload to be handled by SSA at fiscal year 1975 production rates computes to a reduction of $10,884,222. All reconsiderations of initial claims will be completed in fiscal year 1975, resulting in a decrease of 10,700 cases. Also, there will be a decline in the number of hearings from 32,850 in fiscal year 1975 to 15,700 in fiscal year 1976, and a decrease in the workload of the Appeals Council from about 12,800 to 9,700.

   b. State agencies will complete their involvement in the black lung program in 1975, resulting in a decrease of $450,897.

   c. The requirements for such payroll items as the added cost of overtime and pay above the base of the grade decline by $213,710.

   d. Other objects costs, primarily for travel, rents and communications, decrease by $413,171 due to reduced workloads and lower manpower requirements.

Obligations by Activity 1/

Page Ref.		1975 Estimate Pos.	1975 Estimate Amount	1975 Revised Pos.	1975 Revised Amount	1976 Estimate Pos.	1976 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
44	Benefit payments.....	---	$866,000,000	---	$933,000,000	---	$987,000,000	---	+$54,000,000
46	Administration.....	281	10,089,000	516	24,740,000	516	12,778,000	---	-11,962,000
	Total obligations.....	281	$876,089,000	516	$957,740,000	516	$999,778,000	---	+$42,038,000

1/ Excludes reimbursable activities carried out by this account.

Obligations by Object 1/

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Total number of permanent positions	281	516	516	---
Full-time equivalent of all other positions	120	447	179	-268
Average paid employment 2/	466	1,192	621	-571
Personnel compensation:				
Permanent positions	$ 4,786,800	$ 11,379,200	$ 6,672,000	-$ 4,707,200
Positions other than permanent	1,486,100	6,253,200	2,684,000	-3,569,200
Other personnel compensation	77,000	2,054,600	997,000	-1,057,600
Subtotal, personnel compensation	$ 6,349,900	$ 19,687,000	$ 10,353,000	-$ 9,334,000
Personnel benefits	565,200	1,630,000	866,000	-764,000
Travel and transportation of persons	123,400	613,000	236,000	-377,000
Transportation of things	17,800	88,000	22,000	-66,000
Rent, communications, and utilities	926,300	954,000	591,000	-363,000
Printing and reproduction	75,100	97,000	57,000	-40,000
Other services	1,316,400	780,103	385,000	-395,103
Payments to States	539,500	450,897	---	-450,897
Supplies and materials	130,000	343,000	228,000	-115,000
Equipment	45,400	97,000	40,000	-57,000
Insurance claims and indemnities	866,000,000	933,000,000	987,000,000	+54,000,000
Total obligations by object	$876,089,000	$957,740,000	$999,778,000	+$42,038,000

1/ Excludes reimbursable activities carried out by this account.

2/ Excludes overtime equivalent as follows:	5	138	57	-81

Authorizing Legislation

Legislation	1976 Authorized	1976 Appropriation Requested
Federal Coal Mine Health and Safety Act of 1969: Title IV	Indefinite	$999,778,000

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	$933,945,000	$933,945,000	933,945,000	933,945,000 3/
1973	1,526,500,000	1,526,500,000	1,526,500,000	1,526,500,000
1974	1,013,925,000	1,013,925,000	1,013,925,000	1,013,925,000
1975	876,089,000	876,089,000	876,089,000	876,089,000
1975 Proposed Supplemental	81,651,000			
1976	999,778,000			

1/ In 1970, $10,000,000 was appropriated in the Federal Coal Mine Health and Safety Act of 1969 to begin implementation of the program. Of this amount, $7,250,000 was allocated to the Social Security Administration for title IV purposes and $2,750,000 was allocated to the Environmental Control Administration. In addition, the 1970 DHEW Appropriation Act contained language which authorized additional obligations and expenditures 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.

3/ Includes funds to cover obligations incurred in 1970 and 1971.

Justification

Special Benefits for Disabled Coal Miners

	1975 Estimate		1975 Revised		1976		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.	281	$6,915,100	516	$21,317,000	516	$11,219,000	---	-$10,098,000
Other expenses.	---	3,173,900	---	3,423,000	---	1,559,000	---	-1,864,000
Subtotal....	281	10,089,000	516	24,740,000	516	12,778,000	---	-11,962,000
Benefit payments.....	---	866,000,000	---	933,000,000	---	987,000,000	---	+54,000,000
Total.....	281	$876,089,000	516	$957,740,000	516	$999,778,000	---	+$42,038,000

General Statement

The Federal Coal Mine Health and Safety Act of 1969, enacted on December 30, 1969, 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 worker's pneumoconiosis and to their widows and certain other dependents. 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 coal mines. The Black Lung Benefits Act of 1972 (P.L. 92-303) broadened and liberalized the original legislation.

Jurisdiction

Under the amended Act, the Social Security Administration is responsible for the processing and payment of claims for miners' benefits filed from December 30, 1969 through June 30, 1973. During the period July 1, 1973 through December 31, 1973, termed the transition period, SSA continued to take miners' claims but forwarded them to the Department of Labor for adjudication and payment. This arrangement will continue into the future, but as of January 1, 1974 SSA became an agent for Labor on a reimbursable basis. The jurisdictional transition is different for survivors' claims. SSA is responsible for the processing and payment of all survivors' claims filed through December 31, 1973. After that, nearly all survivors' claims are the responsibility of Labor, with one exception--the death of a miner or widow already on the beneficiary roll maintained by SSA. In this case, SSA maintains jurisdiction of a survivor's claim filed within 6 months. However, beginning early in fiscal year 1975, survivors whose dependency has previously been established are automatically entitled without having to file an application. The Social Security Administration is also acting as an agent for the survivors' claims that fall within Labor's jurisdiction after December 31, 1973. SSA's district offices take the claims and then mail them directly to Labor for all further processing including adjudication, the appellate process, and benefit payment. Costs incurred by the Social Security Administration in taking claims for the Department of Labor are reimbursed by Labor, and are included in Labor's appropriation.

The Social Security Administration will continue to pay benefits and maintain the beneficiary roll for the lifetime of all persons who filed during its jurisdiction.

Activity 1 - Benefit Payments

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Benefit payments....	$866,000,000	$933,000,000	$987,000,000	+$54,000,000

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 in step 1, grade GS-2. The disabled miner or the eligible widow receives the basic benefit--currently $187.40. If the disabled miner or the widow has dependents, the benefit increases with the number of dependents--an additional 50 percent for one dependent, 75 percent for two dependents, and 100 percent for 3 or more dependents. Benefits are also payable to orphans and in certain circumstances to dependent parents, brothers or sisters.

The current estimates of $933,000,000 for 1975 and $987,000,000 for 1976 yield an increase of $54,000,000 which is a result of the following factors:

1. Annualization of the October 1974 benefit increase.....	+$11,000,000
2. Assumed 9 percent benefit increase effective October 1975.....	+58,000,000
3. Fewer claims with retroactive payments.....	-15,000,000
Net increase.....	+$54,000,000

The beneficiaries on the roll are expected to decline in years to come. The size of the roll and the manpower required to maintain it will depend primarily on the death rate for miners and their widows, and the remarriage of widows. The number of persons receiving benefits at the end of fiscal years 1975 and 1976 are as follows:

Beneficiaries:	FY 1975	FY 1976
Miners.....	167,000	162,000
Widows.....	137,000	142,000
Other Dependents.....	203,000	198,000
Total.....	507,000	502,000

Benefit payment obligations for fiscal years 1970 through 1974, and estimates for 1975 and 1976, are as follows:

Fiscal Year	Obligations for Benefit Payments (in millions)
1970.....	$10
1971.....	$320
1972.....	$408
1973.....	$938
1974.....	$975
1975 estimate..	$933
1976 estimate..	$987

It should be noted, however, that the President has proposed to hold all benefit increases scheduled to occur during the next year to five percent. This is part of the President's economic package that involves a one-time constraint on all Federally administered cost-of-living escalators. The President's proposal will involve a change in existing law. The budget request in this justification is based on existing law. If that law were modified, as recommended by the President, the cost of the Black Lung program would go down as indicated in the table below.

	1976 Existing Law	1976 President's 5% CAP Proposal	Difference
Benefit payments (Obligations)	$987,000,000	$961,000,000	-$26,000,000

Activity 2 - Administration

	1975 Estimate		1975 Revised		1976		Increase or Decrease	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Personnel compensation and benefits 1/....	281	$6,915,100	516	$21,317,000	516	$11,219,000	---	-$10,098,000
Other expenses...	---	3,173,900	---	3,423,000	---	1,559,000	---	-1,864,000
Total Obligations....	281	$10,089,000	516	$24,740,000	516	$12,778,000	---	-$11,962,000

1/ Total man-year estimates are as follows:

Regular.....	466	1,192	621	-571
Overtime.....	5	138	57	-81
Total...	471	1,330	678	-652

Administrative Tasks

The Social Security Administration's responsibilities for black lung claims under its jurisdiction in fiscal year 1976 are: (1) completing appellate actions--hearings and appeals--on miners' claims filed under SSA's jurisdiction, and (2) making changes to the beneficiary roll to assure proper and correct payment of benefits.

Workloads

The basic workloads for this program are estimated as follows:

	Fiscal Year 1974	Fiscal Year 1975 Revised	Fiscal Year 1976
Reconsiderations			
Pending at beginning of year....	4,100	7,300	---
Received.....	45,200	3,400	---
Processed.....	42,000	10,700	---
Pending at end of year.....	7,300	---	---
Hearings			
Pending at beginning of year....	4,839	33,291	15,701
Received.....	43,233	15,260	---
Processed.....	14,781	32,850	15,701
Pending at end of year.....	33,291	15,701	---
Appeals			
Pending at beginning of year....	25	2,368	2,598
Received.....	4,847	13,000	7,084
Processed.....	2,504	12,770	9,682
Pending at end of year.....	2,368	2,598	---

Maintenance of the Roll	Fiscal Year 1974	Fiscal Year 1975 Revised	Fiscal Year 1976
Average Number of Beneficiaries Serviced 1/.....	468,000	508,000	506,000

1/ The average number of beneficiaries serviced for a year is computed as the number of beneficiaries receiving payment as of December 31 of that year.

Manpower Requirements

Total manpower estimated for administration of the program is 1,330 man-years in 1975 and 678 man-years in 1976, a reduction of 652 man-years. This decrease will be achieved by:

1. Reducing permanent manpower by 303 man-years. A decline in workloads in 1976 results in lower permanent manpower requirements.

2. Reducing temporary manpower by 268 man-years and overtime manpower by 81 man-years. SSA is relying heavily on temporary and overtime manpower to cope with higher than expected workloads in 1975. The lower workloads expected in 1976 will permit a cutback in temporary and overtime manpower to more normal levels.

The man-years derived from these sources are budgeted as follows:

	Man-Years		
	Fiscal Year 1975 Revised	Fiscal Year 1976	Change
Permanent full-time.....	745	442	-303
Temporary.....	447	179	-268
Overtime.....	138	57	-81
Total.....	1,330	678	-652

The following table shows positions requested for the black lung program:

	Positions		
	Fiscal Year 1975 Revised	Fiscal Year 1976	Change
Permanent full-time.....	516	516	---
All other.....	325	15	-310
Total.....	841	531	-310

SOCIAL SECURITY ADMINISTRATION

Special Benefits for Disabled Coal Miners

Program Purpose and Accomplishments

Activity: Special Benefits for Disabled Coal Miners (Federal Coal Mine Health and Safety Act of 1969, Title IV as amended)

1975 Estimate		1975 Revised		1976		
					Budget Estimate	
Pos.	Amount	Pos.	Amount	Authorization	Pos.	Amount
281	$876,089,000	516	$957,740,000	Indefinite	516	$999,778,000

Purpose: Funds are used: (1) to provide monthly benefits to coal miners who are totally disabled due to pneumoconiosis, to the widows of miners whose deaths were due to this disease, to dependents, to orphaned children of miners, and to certain dependent parents, brothers and sisters of miners; and (2) to administer title IV of the Federal Coal Mine Health and Safety Act of 1969, as amended.

Explanation: Under the amended Act, the Social Security Administration is responsible for the processing and payment of claims for miners' benefits filed from December 30, 1969 through June 30, 1973. During the period July 1, 1973 through December 31, 1973, termed the transition period, SSA continued to take miners' claims but forwarded them to the Department of Labor for adjudication and payment. This arrangement will continue into the future, but as of January 1, 1974, SSA became an agent for Labor on a reimbursable basis. The jurisdictional transition is different for survivors' claims. SSA is responsible for the processing and payment of all survivors' claims filed through December 31, 1973. After that, nearly all survivors' claims are the responsibility of Labor, with one exception--the death of a miner or widow already on the beneficiary roll maintained by SSA. In this case, SSA maintains jurisdiction of a survivor's claim filed within 6 months. However, beginning early in fiscal year 1975, survivors whose dependency has previously been established are automatically entitled without having to file an application. The Social Security Administration is also acting as an agent for the survivors' claims that fall within Labor's jurisdiction after December 31, 1973. SSA's district offices take the claims and then mail them directly to Labor for all further processing including adjudication, the appellate process, and benefit payment. Costs incurred by the Social Security Administration in taking claims for the Department of Labor are reimbursed by Labor and are included in Labor's appropriation.

The Social Security Administration will continue to pay benefits and maintain the beneficiary roll for the lifetime of all persons who have filed during its jurisdiction.

Accomplishments in 1975: The Social Security Administration's projected accomplishments for the black lung program in 1975 are to:

1. Pay accurately and timely $933,000,000 in benefits. Doing this requires that the beneficiary roll be kept up-to-date by reflecting new additions to the rolls, deletions which result from death or the remarriage of widows, the posting of new addresses, and responding to beneficiary inquiries.

2. Process 10,700 black lung reconsiderations, reducing the backlog to zero; process about 33,000 hearings, reducing the pending to 15,700

cases; and process almost 13,000 appeals, reducing this backlog to about 2,600 cases.

3. Act as an agent and take 30,000 claims for the Department of Labor. The Social Security district offices will complete the non-disability work on these claims and transfer them to Labor for all further action including adjudication, the appellate process and benefit payment. Reimbursement from Labor for this work is estimated at 67 positions, 67 man-years and $964,000 in 1975.

Objectives in 1976: The Social Security Administration's primary objectives for the black lung program are threefold:

1. To pay accurately and timely $987,000,000 in benefits and to make changes in the beneficiary roll to assure proper and correct payment of benefits. To do this will require that the beneficiary roll be kept up-to-date by reflecting new additions to the roll, deletions which result from the death or remarriage of widows, the posting of new addresses, and responding to beneficiary inquiries.

2. To bring to a conclusion all cases in the appellate process. It is estimated that there will be about 15,700 hearings and about 9,700 appeals to be processed in 1976.

3. To act as the agent for the Department of Labor, to take and forward to that organization about 24,000 applications from miners and survivors. Reimbursement from Labor for this work is estimated at 54 positions, 54 man-years, and $777,000 in 1976.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Special Benefits for Disabled Coal Miners

Amounts Available for Obligation 1/

	1976	July 1, 1976 through September 30, 1976
Appropriation (obligations).....	$999,778,000	$234,600,000

Obligations by Activity 1/

Activity	1976 Estimate Pos.	1976 Estimate Amount	July 1, 1976 through September 30, 1976 Pos.	July 1, 1976 through September 30, 1976 Amount
Benefit payments.....	---	$987,000,000	---	$233,000,000
Administration.....	516	12,778,000	360	1,600,000
Total obligations.....	516	$999,778,000	360	$234,600,000

1/ Excludes reimbursable activities for the Department of Labor.

Obligations by Object 1/

	1976 Estimate	July 1, 1976 through September 30, 1976
Total number of permanent positions....	516	360
Full-time equivalent of all other positions.....	179	---
Average paid employment 2/.....	621	360 3/
Personnel compensation:		
Permanent positions.....	$6,672,000	$1,289,000
Positions other than permanent.....	2,684,000	---
Other personnel compensation.....	997,000	---
Subtotal, personnel compensation.	$10,353,000	$1,289,000
Personnel benefits.....	866,000	116,000
Travel and transportation of persons..	236,000	30,000
Transportation of things.....	22,000	3,000
Rent, communications, and utilities...	591,000	74,000
Printing and reproduction.....	57,000	7,000
Other services.....	385,000	48,000
Supplies and materials.....	228,000	28,000
Equipment.....	40,000	5,000
Insurance claims and indemnities.....	987,000,000	233,000,000
Total obligations by object.....	$999,778,000	$234,600,000

1/ Excludes reimbursable activities for the Department of Labor.

2/ Excludes overtime equivalent as follows: 57 0

3/ Represents man-quarters.

Justification

Special Benefits for Disabled Coal Miners

The 3-month transition period in 1976 (July 1, 1976 through September 30, 1976) is caused by the change in the Federal fiscal year under the provisions of the Congressional Budget and Impoundment Control Act of 1974--P.L. 92-344.

The Special Benefits for Disabled Coal Miners program administered by the Social Security Administration and funded by this appropriation is expected to continue at approximately the same level as attained at the end of fiscal year 1976. Under present law, no program expansions or new program initiatives are anticipated during the transition period. Benefit payments are projected at slightly below the fiscal year 1976 level. Since the backlog of black lung appellate claims will be processed by the end of fiscal year 1976, there will be no payment of retroactive benefits during the transition period. The only remaining SSA administrative workload will be the maintenance of the beneficiary roll for those claimants who filed under SSA's jurisdiction. Estimates of obligations are based on rates in effect at the end of fiscal year 1976, projected for 3 months.

SUPPLEMENTAL SECURITY INCOME PROGRAM

WITNESSES

JAMES B. CARDWELL, COMMISSIONER
HUGH F. McKENNA, ACTING ASSOCIATE COMMISSIONER, OFFICE OF PROGRAM OPERATIONS
FRANCIS D. DeGEORGE, ACTING ASSOCIATE COMMISSIONER,, OFFICE OF MANAGEMENT AND ADMINISTRATION
SHERWIN T. MONTELL, ACTING DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
PHILIP A. O'BRIEN, ACTING BUDGET OFFICER, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

SUPPLEMENTAL SECURITY INCOME PROGRAM

Mr. FLOOD. Let us go to the supplemental security income program.

Mr. CARDWELL. Our next appropriation request of $5,538,523,000 is from the general revenues of the Treasury and finances the supplemental security income program. The Social Security Amendments of 1972 established this federally administered program of basic cash payments for aged, blind, and disabled people with very low income. It replaced the State and local programs of aid to these groups, and the first payments under Federal administration were made in January 1974. So, as a Federal program it has been in place for less than a year and a half.

This request of $5,538,523,000 for fiscal year 1976 includes: $4.8 billion for Federal benefit payments to the aged, blind, and disabled beneficiaries; $190 million for Federal contributions toward State supplementary payments under the "hold harmless" provision of the law: $54.9 million for vocational rehabilitation services provided by State agencies to blind and disabled recipients; and $498.6 million for repayment to the Social Security trust funds for the cost of administering the program. We finance the SSI administrative costs from the Social Security trust funds in our salaries and expenses account and then pay back the trust funds from the general revenues.

FEDERAL BENEFIT PAYMENTS

By the end of fiscal year 1976 we estimate the number of SSI beneficiaries on the rolls to increase from 4 million at the end of 1975 to 4.5 million. Currently, under present law, the program assures a minimum monthly income of $146 for an individual and $219 for a couple. Effective in July of this year these benefits will be increased in accordance with the automatic cost-of-living increase provision in the law. The budget projects an increase of 8.7 percent, and I would point out that since this budget was prepared the actual cost of living indexes show that that prediction was too high. The cost of living has moderated in the last 3 months and the right figure would be a flat 8 percent.

However, as we just discussed a moment ago regarding black lung, the President has proposed to put a 5-percent limit on this cost-of-liv-

ing increase for this year. The amount of the SSI monthly benefit depends on what other income the recipients have. The first $20 of earned or unearned income doesn't count, and there are some other limited exclusions to encourage SSI recipients to work if they are able to do so. There are also limits on the resources people may have and still be eligible for SSI benefits. Basically, these are not more than $1,500 in cash for an individual and $2,250 for a couple. Generally, one's home and automobile are excluded from the resource limitation, as are small life insurance policies.

AVERAGE FEDERAL BENEFITS PAID

In 1975 the average SSI payment to an individual is budgeted at $92.53. Because there will be some cost-of-living allowance in 1976, the average benefit for an individual is estimated to increase to $93.05. Within these averages, monthly payments vary depending on whether the recipient is aged, blind, or disabled. Also affecting the average is the ratio of cases converted from State rolls to new entrants to the Federal roll since the converted cases carry with them a higher average payment.

The budget request of $4.8 billion for Federal benefit payments is an increase of $715 million over the 1975 estimate. This net increase is composed of a number of pluses and minuses.

On the plus side, a $365 million increase in benefit payments in fiscal year 1976 is expected to result from the projected 8.7 percent cost-of-living allowance budgeted to be effective this coming July. The actual cost-of-living increase will be based on how much the average CPI for the January-March 1975 quarter increased over the average CPI for the April-June 1974 quarter. A second significant increase of $225 million in Federal payments comes about because the recipient roll is budgeted to increase by almost $500,000 from the end of fiscal year 1975. And, finally, additional program costs of $205 million are projected as a result of paying 480,000 recipients added to the roll during 1975 for a full 12 months in fiscal 1976. Of course, assuming that the President's proposal for a 5-percent one-time limitation on cost-of-living benefit increases is enacted these pluses will be smaller.

Those are the big pluses. Now there are several entries on the minus side. This year we have started to do our redeterminations of the eligibility of people on the rolls. The law requires that we do this periodically. We will do at least a million of these this year and about 4 million in 1976. Projecting from the results of redeterminations completed thus far, we expect to save $35 million in 1975 and another $65 million in 1976. By 1977 we hope to be on a regular annual cycle of checking on eligibility and correct payment amounts. We also are projecting a decrease of $15 million in the payment of back benefits that we owe people. We carried into fiscal 1975 a large number of unprocessed cases and paid out about $20 million in retroactive payments. Now we are getting current in SSI claims processing and in fiscal 1976 and thereafter our retroactive payments will probably only be about $5 million—a reduction of $15 million.

"HOLD HARMLESS" PAYMENTS FOR STATE SUPPLEMENTARY

There are some State supplementary programs that ride along with the Federal programs and are designed to give added protection and help the needy aged, blind, and disabled. One of these—referred to as mandatory State supplementation—guarantees that no individual who was on a State or local assistance roll on December 1973 will receive less income under the new federalized program. This was enacted into law July 7, 1973. Also, there are presently 38 States that have decided to make some additional payments. We call these "optional" State supplements.

The law provides that the States may decide to have the Federal government manage either one or both of these supplemental programs for them, and if all parties so agree, the Federal government pays the cost of administering these programs. Right now we administer supplementary payments for 32 States. For these States the Federal government pays the difference if the State supplements cause them to pay out more than they did in 1972 because of the higher number of beneficiaries that resulted from the use of Federal eligibility standards. The amount in our budget to cover this Federal "hold harmless" contribution in 1976 is $190 million. This is $65 million less than the amount we have for 1975.

"Hold harmless" protection applies generally to the average cash amount paid by a State to its recipients—who had no other income—in January of 1972. We call this the adjusted payment level—or APL. With this fixed level, "hold harmless" payments decline as the basic Federal benefit increases.

The projected 8-percent cost-of-living increase in July of 1975, carried as 8.7 percent in the budget, would increase Federal government "hold harmless" contributions in 1976 by $15 million. The budget showed $190 million assuming an 8.7-percent cost-of-living index. Again, the President's proposed 5-percent limitation on benefit increases would have the effect of increasing the "hold harmless" amount.

However, there is a partially offsetting increase of $120 million because of the increasing number of recipients on the rolls in "hold harmless" States. In 1975, six States will receive the benefit of hold harmless protection—California, Hawaii, Massachusetts, Nevada, New York, and Wisconsin. The number of recipients in hold harmless States in 1976 increases by 260,000. A major reason for the increase is the addition of New Jersey as the seventh "hold harmless" State.

The estimate assumes hold harmless payments based on the results of DHEW audits of State reported adjusted payment levels (APL's). The audits of State reported APL's concluded that APL's in California, New York, and Wisconsin were lower than those reported by the States. Lower APL's increase the amount of State liability for supplementation payments by lowering the amount of payments subject to "hold harmless" protection. The three States did not agree with the HEW audit findings. To resolve the disagreement, all "hold harmless" States which had not done so previously were asked to recalculate their APL's based on a 100 percent review of the payment amount for all cases with no income on the State's rolls in January 1972. Previously, a sampling approach had been taken by these three States. The results of the review for Wisconsin are reflected in the

revised estimate, but the reviews for California and New York have not yet been completed. The review results could change the fiscal year 1976 amounts needed for "hold harmless" payments. We will keep the committees informed should changes occur.

VOCATIONAL REHABILITATION SERVICES

The law provides that no blind or disabled person may be eligible for benefits if he refuses, without good cause, to accept rehabilitation services furnished by the State vocational rehabilitation agencies under contract with the Federal Government. The objective is to return as many blind and disabled recipients as possible to productive, self-supporting work. Funds appropriated for this purpose are transferred to the Rehabilitation Services Administration for allocation to vocational rehabilitation State agencies.

The fiscal year 1976 appropriation request for this activity is $54,888,000, an increase of $6,035,000 as compared to 1975. The $6,035,000 increase in the appropriation request is the result of a projected rise in unit cost from $1,067 per case served in 1975 to $1,213 in 1976. The 1976 unit cost was derived by looking at vocational rehabilitation costs for the on-going social sceurity program over the last 5 years and projecting the trend of increases in unit costs over that period into 1976 for the SSI vocational rehabilitation program.

PAYMENTS TO THE TRUST FUNDS FOR ADMINISTRATIVE COSTS

The Social Security Act authorizes money to be advanced from the social security trust funds to pay the administrative costs of the supplemental security income program through the salaries and expenses account in order to simplify payment for multiprogram administration from one account. This advance is repaid on a current basis from the SSI appropriation. The appropriation request for this activity for fiscal year 1976 is $498,635,000, an increase of $25,386,000 over fiscal year 1975.

I will discuss the reasons for the increase in SSI administrative costs in more detail when we come to the salaries and expenses appropriation request.

SSI INTERIM PERIOD BUDGET ESTIMATE

Our budget request for the transition period of July 1, through September 30, 1976 is $1.5 billion. Of this amount $1.345 billion is for Federal benefit payments. Federal hold harmless payments are projected at less than the 1976 level because of the projected automatic increase in the basic Federal payment. The estimates of $15 million for vocational rehabilitation services and $130 million for SSI administrative costs continue at approximately the same levels as were projected for these activities in 1976.

I would be glad to try to answer any questions, Mr. Chairman.

PROPOSED LEGISLATION

Mr. FLOOD. This budget for the supplemental security income shows an increase of $681 million.

Mr. CARDWELL. Yes, sir.

Mr. FLOOD. And here again we understand there is proposed legislation to hold down the growth of this program. Is the budget before us based upon existing law and regulations?

Mr. CARDWELL. Yes, it is. The budget before you is based on present law and assumes an automatic 8.7-percent increase in benefits on July 1. As I said before, the actual increase will be 8 percent.

We have portrayed in the data that we presented to the Congress the comparable costs in the event the Congress follows the President's recommendations. We need now, Mr. Chairman, to update that comparative cost data to take into account the most recent official indices of the Department of Labor concerning the cost of living during the last 3 months and we would request your permission to put these data in this record as we refine them. We could do that very quickly.

[The information follows:]

	1976 existing law (8 percent CPI)	1976 President's 5 percent CAP proposal	Difference
Federal SSI payments	$4,760,000,000	$4,625,000,0000	−$135,000,000
Hold harmless protection	205,000,000	275,000,000	+70,000,000
Total	4,965,000,000	4,900,000,000	−65,000,000

Mr. FLOOD. What legislative changes are being proposed for this program and how much would the reduction be?

Mr. CARDWELL. On the basis of the budget projected at the 8.7-percent increase, adoption of the President's 5-percent limit would reduce the cost by $85 million. Now, if we take into account the fact that the 8.7-percent estimate was too high and that it is now in fact 8 percent, there would be a net reduction in our original estimate of $20 million, and that means the President's proposal would have a net effect of only $65 million.

NUMBER OF PEOPLE ELIGIBLE

Mr. FLOOD. When this program began—that was several years ago—it was estimated that 7 million people would be eligible. Last year you told us that you were going to take another look at that estimate.

What have you found out? Is it still 7 million?

Mr. CARDWELL. We have testified on this several times now. The demographers concede that this is a difficult estimate to make. They have no new data they could use to refine the estimate any further. They believe, given the variables inherent in the subject, that the criteria they use are the best available to them.

In other words, if you ask them they will stick to their original estimates. But the facts in the passage of time in my judgment are showing rather conclusively that those estimates are overstated.

Mr. FLOOD. For the past 2 years the estimated number of participants have been overestimated by about a million. Why aren't the eligible people participating? Don't they know about this program?

Mr. CARDWELL. That is a very good question. That is one that we certainly have to try to answer. My judgment is that the universe is not as large as everybody originally estimated so there are fewer people who could lay claim to the benefit.

We do not know with any precision how many people in the total population are literally eligible. We do know that we have made significant efforts to make the benefit entitlements widely known. We have tried every means that we can think of, but we are still looking at some new ways to inform people about the program.

Mr. FLOOD. Do you think this program carries a "welfare stigma"?

Mr. CARDWELL. I think there is a stigma. We assumed originally that that stigma would cause a significant number of people to hold back and that over time they would start to come into the program.

In a way the curve of experience follows the curve of the estimate. The only thing is the curve is much lower but its general shape is about the same as the estimate. We are now receiving about 32,000 claims a week, and the number has been dropping. That represents a drop of about 3,000 or 4,000 since January.

Mr. FLOOD. Suppose you put in the record the actual number of persons receiving payment each month since the program began back in January 1974, and right up to the present time. Then show your monthly estimates through June 1975.

[The information follows:]

52-800 O - 75 - 22

SSI Recipients
(Includes recipients of Federal benefits and Federally administered State supplementation)

	Aged	Blind & Disabled	Total
Jan 1974	1,822,724	1,310,719	3,133,443
Feb. 1974	1,840,820	1,311,261	3,152,081
Mar. 1974	1,910,069	1,351,104	3,261,173
Apr. 1974	1,920,285	1,349,256	3,269,541
May 1974	1,981,114	1,376,483	3,357,597
June 1974	2,076,273	1,441,642	3,517,915
July 1974	2,072,817	1,494,287	3,567,104
Aug. 1974	2,118,388	1,543,741	3,662,129
Sept. 1974	2,141,317	1,577,350	3,718,667
Oct. 1974	2,204,222	1,633,348	3,837,570
Nov. 1974	2,252,835	1,677,738	3,930,573
Dec. 1974	2,269,636	1,696,467	3,966,103
Jan. 1975	2,286,643	1,721,573	4,008,216
Feb. 1975	2,298,120	1,753,176	4,051,296
Mar. 1975	2,326,928	1,797,775	4,124,703
Apr. 1975 estimate	2,449,000	1,860,000	4,309,000
May 1975 estimate	2,487,000	1,899,000	4,386,000
June 1975 estimate	2,528,000	1,937,000	4,465,000

Mr. CARDWELL. I could just summarize for you in a moment.

The base figure would have been about 3 million. The current figure is about 4 million. That 4 million, though, is made up of a net of increases resulting from new claims and losses due to death and suspensions and what not.

ERROR RATES IN BENEFIT PAYMENTS

Mr. FLOOD. What can you tell us about the error rate in the benefit payments for this program? What is it now? Is it getting better or getting worse?

Mr. CARDWELL. We think the error rates are getting better. Our problem is that they are difficult to measure accurately as of the current point in time. We have just finished a detailed analysis of our experience between the period July 1974 through December 1974 which shows error rates that parallel the experience to the States when they turned the program over to us. I will review them for you.

The overpayment rate was about 12.9 percent for that period. Our underpayment rate was about 6.3 percent and our payments to ineligibles were about 5 percent.

The States experience for the same program during the period July to December 1972—they gave it up in 1973—shows 13.1 percent for overpayments, 5.6 percent for underpayments, and 5.4 percent for payments to ineligibles.

We will be taking such samples and keeping them up to date as we go along.

REDETERMINATIONS

Mr. FLOOD. You have a pretty big workload in redetermining the eligibility of persons converted from the old State assistance program. How many conversion cases have you processed now?

Mr. CARDWELL. We have finished now about 740,000.

Mr. FLOOD. As of January only 315,000 cases had been completed; is that right?

Mr. CARDWELL. Yes, and that number is now up to 740,000.

Mr. FLOOD. These redeterminations have to be done at least once a year.

Mr. CARDWELL. Yes, sir.

Mr. FLOOD. We don't see how you can handle redetermination cases and at the same time process new applications. How can this be done on a timely basis?

Mr. CARDWELL. Experience has shown that it couldn't be done. We presented to this committee, and so far you have supported, a staff increment for that purpose. The 1975 supplemental would add staff sufficient to catch up. We think it can be done with that staff.

BENEFIT PAYMENTS

Mr. FLOOD. We understand that the average benefit for cases now converted, meaning the ones converted from State assistance, are running 45 percent higher than originally estimated for 1975.

Is this due to the incomplete data from the States, or did that computer break down out there?

Mr. CARDWELL. No; the computer actually proved to be helpful in this regard. We anticipated that there would be a different mix be-

tween classes of eligibles. We also anticipated a higher level of earned and unearned income for converted recipients. What really happened is that the average person under this law has a higher entitlement on a month-to-month basis than we assumed because he has less income than we anticipated.

Mr. FLOOD. How much is in the budget to make up for the underestimate in these benefit payments?

Mr. MONTELL. In the 1975 budget, or 1976?

Mr. FLOOD. 1976 budget.

You can supply it for the record.

Mr. CARDWELL. All right.

[The information follows:]

Our 1975 SSI supplemental appropriation request identified an increase of $491 million over the previous 1975 estimate because actual average benefit payments were running higher than budgeted. Since SSA based the 1976 estimates for SSI benefit payments on the revised 1975 budget as contained in the supplemental request, this increase therefore carried over into the 1976 estimates.

SSI ADMINISTRATIVE COSTS

Mr. FLOOD. We continue, of course, to be concerned about the administrative costs for this program. You know the House recently approved a supplemental appropriation bill which included an additional $76 million for 1975.

In this budget, there is an increase of $25 million for 1976. That brings this total up to almost half a billion dollars. Do you still feel that the Federal program will cost less to administer than that old State program?

Mr. CARDWELL. It is going to be close, and it is going to be closer than we originally estimated. When this program was being designed, we told ourselves that it could be done with maybe half as much manpower as the States had used. We now know from the first 15 months' experience that this just isn't so. Now we are estimating that maybe we will do it with two-thirds or three-fourths of the State level of manpower.

HOLD HARMLESS

Mr. FLOOD. On page 70 of your justifications, you refer to "hold harmless" protection. You mention that three States disagreed with HEW's computed payment level. This may cause an increase in your budget.

What about this? How much more money is involved?

Mr. CARDWELL. It can go in both directions. When we started the program, we didn't have enough time to go through all the State rolls and calculate person by person what his January 1972 payment was. We told the States that they could use a sample to estimate their adjusted payment levels. Each State so affected did that.

Then we came back and said, "Now for the permanent operation of the 'hold harmless' provision we want to count everybody literally and calculate your adjusted payment levels on that basis." As the States have done this, we are finding that the adjusted payment level goes in both directions.

For some States, the actual count produces a higher adjusted payment level, and for other States, lower. I can give you, I think, some

figures on that. Massachusetts will be slightly lower, New Jersey a little higher, and Wisconsin higher. California and New York are still in the process of recalculating their adjusted payment levels based on 100-percent review of the January 1972 caseload.

Mr. FLOOD. Mr. Natcher?

PAYMENTS FROM GENERAL REVENUES

Mr. NATCHER. Mr. Cardwell, in your statement to the committee, you set forth the amounts to be paid out of the general revenues of the Treasury, $5,538,523,000.

Now, can you place in the record at this time, without too much difficulty, the amounts that have been paid in during that last 20 years? In the justifications on social security, we have here a table, as you well know, Mr. Cardwell, that shows the amounts that have been paid in, in the last number of years.

It takes care of the Prouty amendment, and it takes care of the matter concerning veterans, and so forth. On page 258 of your justifications, you start with 1967 and go through your supplemental of 1975 and on down showing the amounts. How much trouble would it be, Mr. Cardwell, if we could insert a table at this point showing the amounts that the Government has appropriated similar to the amounts set forth on the table here on 258? Does that entail too much work?

Mr. CARDWELL. No, sir. Let me be sure I understand the request. You are asking for a review year by year, with a precise figure, of the amounts paid out of the general funds of the Treasury into the trust fund?

Mr. NATCHER. That is correct.

Mr. CARDWELL. All right.

[The information follows:]

PAYMENTS TO SOCIAL SECURITY TRUST AND OTHER FUNDS

	Budget estimates to Congtess	Appropriations
1957 to 1965	0	
1966	$472, 800, 000	$230, 800, 000
1967	1, 029, 050, 000	1, 029, 050, 000
1968	1, 384, 659, 000	1, 384, 659, 000
1969	[1] 1, 690, 772, 000	1, 690, 772, 000
1970	2, 014, 564, 000	2, 014, 564, 000
1971	2, 599, 886, 000	2, 599, 886, 000
1972	2, 465, 297, 000	2, 465, 297, 000
1973	2, 389, 075, 000	2, 389, 075, 000
1974	3, 110, 181, 000	3, 110, 181, 000
1975	3, 345, 323, 000	3, 345, 323, 000
Supplemental	[2] 20, 242, 000	
1976	4, 163, 302, 000	
Transition	892, 000, 000	

[1] 1st year a request was made for reimbursemnt for special payments for certain uninsured persons aged 72 and over.
[2] 1st request for payments to the Federal buildings fund.

Mr. NATCHER. Thank you, Mr. Cardwell.

Mr. FLOOD. Mr. Conte.

SSI BENEFITS

Mr. CONTE. The budget request for SSI includes a benefit increase of 8.7 percent. Upon what rate of inflation is this based?

Mr. CARDWELL. Automatic benefit increases are based on increases in the cost of living, as measured by the Consumer Price Index. The

first automatic will be based on a comparison of the average of the CPI's for the second quarter of calendar year 1974 with the average for the first quarter of 1975—a 9-month period. The budget assumption was that the cost of living would increase by 8.7 percent in that measuring period, thus triggering a benefit increase of 8.7 percent. In fact, now that the CPI figures are out, we know that the actual benefit increase will be 8 percent.

Mr. CONTE. How much money would be saved if the President's 5-percent limitation on benefit increases were enacted?

Mr. CARDWELL. The 5-percent limit on SSI benefit increases would save $65 million compared to the cost of paying the 8-percent scheduled increase.

Mr. CONTE. Do you have any expectation that the limitation will be adopted?

Mr. CARDWELL. The President's responsibility is to propose a budget which he believes is the right one for the country. I don't have the knowledge to predict how the Congress will act on this budget as a whole or on any particular budget proposal of the President. I do know that the 5-percent limitation proposal has not been received favorably in many quarters of Congress. On the other hand many Congressmen certainly share the President's concern to hold down the size of the Federal budget and to strengthen the economy.

INCOME AND RESOURCE DISREGARDS

Mr. CONTE. In your opening remarks, you mentioned that in addition to the first $20 of income, there are some other exclusions to encourage SSI recipients to work if they are able to do so, would you tell me what those exclusions are?

Mr. CARDWELL. Well, there are a number of exclusions. I will be glad to list them for you in the record.

[The information follows:]

All SSI recipients are permitted to have $20 each month of earned or unearned income disregarded when this benefit is computed. They may also have certain resources such as houses which do not exceed a market value of $25,000 ($35,000 in Alaska and Hawaii), household goods, personal effects and an automobile of reasonable value. The recipient may also have life insurance as long as the face value of the policies does not exceed $1,500.

The following income and resources disregards are designed specifically to encourage recipients to work:

1. The first $65 per month of earned income ($780 per year) plus one-half of the remainder for aged, blind, and disabled individuals. However, if a disabled individual earns more than $200 per month, in other than a sheltered work setting, he may be found to be able to engage in substantial gainful employment and thus no longer disabled.

2. For blind individuals an amount equal to any work expense reasonably attributable to earning of income is excluded.

3. The first $1,200 of quarterly earnings (but not to exceed a total of $1,620 in a calendar year) is excluded if earned by a blind or disabled child, who is a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment.

4. Any portion of any grant, scholarship for use in paying the cost of tuition and fees at any educational, including technical or vocational, institution is excluded from countable income.

5. Amounts received by an SSI eligible individual for the foster care of a child who is not an SSI eligible individual are excluded from income.

6. Also excluded are additional amounts of income and resources of a blind or disabled individual to implement an approved plan for achieving self-support.

7. Business property essential for self-support is excluded from countable resources if the individual's equity in such property does not exceed $6,000 and if it is returning at least 6 percent of its equity value.
8. Property which is essential to the support of the individual is excluded from countable resources.

PAYMENT AMOUNT

Mr. CONTE. Where is the phaseout point; in other words, how much can a family of four have as income before SSI payments are eliminated?

Mr. CARDWELL. Unlike AFDC—aid to families with dependent children—or even social security benefits which provide a maximum on how much is paid to a family group, the SSI program is geared to meet the financial needs of eligible individuals or married couples rather than the collective needs of a family. In other words we only pay benefits to individuals, or married couples who are aged, blind, or disabled and also meet the income and resources requirements of the law. Currently the maximum monthly Federal payment is $146 to a single individual and $219 to a couple, of which both members must be individually eligible. Under present law, in July these benefits will increase to $157.70 and $236.60, respectively. The minimum monthly benefit payable is $1. Once an individual's or couple's eligibility is established, the amount of the monthly benefit is determined by the amount of other income the individual or couple has after income disregards are applied.

In the SSI program we frequently encounter a family group made up of an aged couple living with its married child. Under the SSI program, the income of the child and his or her spouse has no bearing on the amount of the SSI payment to the eligible couple. However, the amount of the SSI payment is affected if the couple is living with the child and spouse, and they are providing room and board at no cost to the eligible couple. The law provides for a one-third reduction of the payment amount in these situations.

If the eligible couple was living alone and had no other income, they could receive a maximum monthly payment of $219.

An eligible couple could work and receive as much as $65 each month and still be entitled to the full $219 payment. Income from working above $65 per month will reduce the payment by $1 for every $2 of income. If the couple has what we call unearned income such as social security benefits we do not count the first $20 of the benefit as income. Any unearned income above the $20 reduces dollar for dollar the amount of the SSI payment.

Thus we can see if for example a couple had outside monthly income of $304 from working and various pensions, it would not receive any Federal SSI payment. I got the $304 by adding $65 working income we would disregard, plus $20 unearned income we would disregard, plus $219 of income remaining after all the disregards were applied.

Mr. CONTE. Can you tell me why cases converted from State rolls to the Federal roll carry a higher average payment?

Mr. CARDWELL. The major reason is that converted recipients generally have less income than do those newly eligible under the SSI program. The State programs culled the neediest portion of the U.S. population and gave them assistance payments. Generally these converted recipients, because they have very little income, receive almost

the entire amount of the Federal payment. On the other hand, the SSI program now draws to it persons who have some regular monthly income such as a small social security check or a small monthly pension. These newly eligible recipients, because of their income, receive a Federal payment reduced by the amount of income after the appropriate exclusions are applied.

OTHER BENEFITS

Mr. CONTE. Would you outline, and then expand in the record if you like, what other benefits SSI recipients are eligible for? Are they eligible for AFDC, unemployment compensation, food stamps, et cetera? For what benefit programs are SSI recipients not eligible?

Mr. CARDWELL. There are several programs in addition to SSI under which recipients can receive benefits. I would like to list them for you in the record. I will also list any programs for which SSI recipients are not eligible.

[The information follows:]

SSI recipients are required to apply for workmen's compensation payments, veterans benefits, pensions, social security benefits, railroad retirement benefits, unemployment insurance benefits, et cetera, and all such benefits are counted as unearned income and reduce the SSI benefit on a dollar-for-dollar basis after exclusion of the first $20.

SSI recipients are not eligible for title XIX, medicaid, benefits if the State elected to use their more restrictive January 1972 title XIX eligibility requirements. As of January 1975, the following 15 States elected to use the January 1972 criteria: Colorado, Connecticut, Hawaii, Illinois, Indiana, Kansas, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, North Carolina, Ohio, Oklahoma, and Utah.

SSI recipients are eligible for food programs such as food stamps, nutrition programs for the elderly, women, infants and children, school food programs, etc., if they meet the applicable programs eligibility requirements. However, in the following five States, which elected to cash out food stamps for SSI recipients—California, Massachusetts, Nevada, New York, and Wisconsin—the SSI recipient is ineligible for food stamps. The value of the bonus coupons and food provided by the above food program are statutorily excluded as income for purposes of determining eligibility and amount of the SSI program.

In accordance with SRS regulations, an individual eligible for SSI and AFDC has the choice of which program he wishes to apply for and receive benefits; if the individual selects SSI, such individual is not to be regarded as a member of an AFDC family and his income and resources are not counted as income and resources to the AFDC family. Title XVI, SSI, provides that income based on need, like AFDC, paid to an SSI-eligible individual results in a dollar-for-dollar reduction in the SSI benefit.

Housing allowances, housing subsidies, housing payments for rehabilitation of housing paid to the SSI recipient are unearned income; similarly such housing payments paid on behalf of an SSI recipient result in in-kind income to the individual.

Bureau of Indian Affairs assistance payment is income based on need and results in a dollar-for-dollar reduction in the SSI benefit unless such payments are for social services or medical care.

CONSUMER PRICE INDEX

Mr. CONTE. Are the figures in yet for the average CPI during the January–March 1975 quarter?

Mr. CARDWELL. Yes, we can compute the average now. The CPI for March was announced just this week by the Bureau of Labor Statistics.

Mr. CONTE. Can you tell us yet what the actual cost-of-living increase will be?

Mr. CARDWELL. Certainly. The average CPI during the January–March 1975 quarter was 157, which is 8 percent higher than the average CPI for the April–June 1974 quarter. Accordingly, the cost-of-living increase will be 8 percent.

Mr. CONTE. How does this affect your budget estimate?

Mr. CARDWELL. The budget assumption was that under present law there would be an increase of 8.7 percent. Because the increase will be smaller than budgeted, outlays under present law for all programs—that is, retirement, survivors and disability benefits as well as supplemental security income payments—will be about $500 million lower than budgeted. However, most of this decrease will be in the social security cash benefits for which we do not receive an appropriation. The portion attributable to the SSI program is a net reduction of $20 million. However, our current experience with the SSI program is that the average payments are running slightly higher than those budgeted in the 1975 revised estimate. This could offset the $20 million minus factor.

ANNUAL REDETERMINATIONS

Mr. CONTE. I believe you said by 1977 you hope to be on a regular annual cycle of checking on eligibility and correct payment amounts. Does that mean that you will be reestablishing eligibility for each recipient each year?

Mr. CARDWELL. The law requires that a recipient's eligibility for the amount of this SSI payment be redetermined periodically. The Secretary approved regulations requiring annual redeterminations for each recipient. This doesn't mean, of course, that a redetermination in depth is required for every recipient every year.

As you know, we have not been able to meet the annual requirement for 1975. We are doing only about 1 million redeterminations in 1975, and it will be fiscal year 1976 before we can complete the first round on redeterminations. For the long run, we are studying the possibility of developing criteria to identify cases with certain characteristics affecting eligibility and payment amount that perhaps could be subjected to less frequent or abbreviated redeterminations. Also we may need to propose a change in the regulations after we have some more experience.

Mr. CONTE. How much would that cost? How many man-years would it take?

Mr. CARDWELL. The first redeterminations made on converted cases—those we took over from the States—are the most difficult and require the most manpower. We expect subsequent redeterminations made on these cases to require much less time per case. We estimate the redetermination process during fiscal year 1976 will cost in the neighborhood of 5,800 man-years and $96 million including the completion of 1.6 million of the converted cases. We are in the process of estimating the costs of making annual redeterminations for fiscal year 1977, but do not have a budget for this as yet. Although we expect the on-going costs for making redeterminations will be substantially less than the 1976 estimate, the redetermination workload will continue to assure that SSI payments are going only to those entitled to them, and in the correct amounts. This will insure that the program is cost effective—that we don't spend a lot of manpower to no good end.

SSI CLAIMS PROCESSING TIME

Mr. CONTE. How long does it presently take you to process an SSI claim? Do you see any way to reduce that amount of time?

Mr. CARDWELL. As yet, we have not reached our goals for rapid processing of SSI claims. However, during fiscal year 1975 we have made significant progress in this direction as evidenced by reduced pending levels. Last September, our SSI backlogs represented almost 50 days worth of work for the aged cases and almost 110 days for disability cases. By mid-March 1975, these pendings represented only 31 days worth of work for aged cases and 76 days for disability cases. We expect to further reduce pendings and speed up the processing of SSI claims through two principal means: continued improvements to the automated system for processing SSI claims, and procedural simplifications which will not materially affect the accuracy of SSI eligibility determinations, but which will decrease processing time. Some procedural simplifications have been instituted—such as elimination of the necessity to verify automobile registration in 95 percent of the cases—and others are under consideration. Undoubtedly as we gain more and more experience we will find additional ways to shorten the process.

HOLD HARMLESS PAYMENTS

Mr. CONTE. With regard to the hold harmless payments, has Massachusetts recalculated its adjusted payment level (APL) based upon a 100-percent review of 1972 payments amounts? What was the result?

Mr. CARDWELL. I'll supply that answer for the record, if I may.

[The information follows:]

The original APL calculations done by Massachusetts were supposed to have been based on a 100-percent review of cases on the rolls, in November, rather than January 1972, as reflected in the State's computerized records. However, a review by DHEW auditors revealed that a programing error had limited the calculation to cases in Boston. A revised statewide calculation resulted in higher APL's; for example, the APL for an aged individual went from $223.52 to $231.62. An audit of these latter figures indicated the need for some downward adjustments to account for differences in payment levels between January and November 1972; for example, the APL for an aged individual should be $229.06, rather than $231.62. The State has indicated disagreement with these proposed reductions.

Mr. CONTE. When the reviews for California and New York have been completed, what might be the effect on 1976 hold harmless payments? Can you give me a best case and worst case estimate?

Mr. CARDWELL. Our budget request of $190 million in 1976 for hold harmless payments to all States was SSA's "best case" estimate. It was based upon the DHEW Audit Agency's recommendations following its audit of State-reported adjusted payment levels and hold harmless amounts. Also the estimate was based on a projected automatic benefit increase of 8.7 percent. As I discussed earlier we now know the benefit increase under present law will be 8 percent. Because of the revised automatic benefit increase, our best case estimate for hold harmless is $205 million. All things being equal, lower amounts of Federal benefits mean higher State supplementary payments and thus greater Federal hold harmless contributions toward State supplementation.

We have no indications about the outcome of the California and New York recalculations. Using our experience with the Wisconsin recalculation—which raised the State-reported APL's by more than

$50 each—we have attempted a worst case estimate. Assuming similar results from both the California and New York APL recalculations would increase hold harmless contributions from $205 million to $335 million for fiscal year 1976.

VOCATIONAL REHABILITATION

Mr. CONTE. Mr. Cardwell, you made reference in your statement to the vocational rehabilitation requirement. Do the States have adequate facilities and manpower to provide these rehabilitation services? Can you estimate the number of people who might not receive these services because they are not available? What do you suggest be done about this?

Mr. CARDWELL. The funds appropriated for this budget activity are for those SSI recipients who are referred to and accepted by the vocational rehabilitation agencies to receive vocational rehabilitation services. These individuals must meet special selection criteria in order for SSI funds to be used for the costs of services. Basically, these criteria as established by Federal regulations are that individuals must have the potential for returning to the job market following completion of their rehabilitation program. Our appropriation request for the vocational rehabilitation activity is based on our estimates of the number of SSI recipients who meet these requirements and receive these services.

SSI vocational rehabilitation is still a relatively new program. The State vocational rehabilitation agencies had to recruit and train staff to handle the SSI referrals. These agencies are just now becoming fully staffed and trained. As of December 31, 1974, 23,700 individuals were determined to meet the selection criteria and were being served. As of December 31, 1974, almost 2,000 SSI recipients were reported as rehabilitated. This number of recipients receiving services is less than budgeted but we anticipate that the number will steadily increase.

Mr. CONTE. What is your relationship with the Rehabilitation Services Administration with regard to these vocational rehabilitation services? Do you simply transfer funds, or do you also maintain some sort of administrative jurisdiction over this part of the SSI program?

Mr. CARDWELL. SSI vocational rehabilitation is part of the SSI program. SSA has been charged with the overall responsibility for the SSI program. The vocational rehabilitation requirements of the SSI program require the close cooperation of both the Rehabilitation Services Administration and SSA. The Rehabilitation Services Administration is the agency directly responsible for the day-to-day operation of the SSI–VR program through their contact with the State VR agencies. SSA makes quarterly transfers of funds to the Rehabilitation Services Administration which in turn distributes these funds to the States based on their anticipated SSI–VR workload. During the implementation stage, both agencies formulated SSI–VR policy and regulations.

SSA obtained the VR portion of the SSI appropriation, as you know. We formulate the SSI–VR workload estimates, analyze, and review the unit cost estimates submitted by the Rehabilitation Services Administration. There is a joint signoff by both agencies on the budget submission. Throughout the year we are to receive from the Rehabili-

tation Services Administration periodic actual SSI–VR workload and expenditure reports. Through the analysis of this data we are expected to measure actual program performance against the budget.

Mr. CONTE. Can you break out the items which go into the unit cost increase in vocational rehabilitation?

Mr. CARDWELL. The primary components making up the unit cost increases are: Scheduled pay raises for State employees, and increased costs of training to provide rehabilitants with appropriate skills and knowledge needed to place them in productive employment. In addition the increase is also related to the implementation of provisions of the Rehabilitation Act of 1973 as amended. These would include increased depth of the individualized rehabilitation program, post-employment followup services, a requirement for periodic review of all cases closed as not rehabilitated and a mandate that the State agencies have a self-evaluation unit.

SUMMER EMPLOYMENT PROGRAMS

Mr. CONTE. Mr. Cardwell, on the bottom of page 79 of your justification there is reference to your special summer employment programs for the underprivileged. Would you tell me that program, including who is eligible for it and how it differs from other summer employment programs for the underprivileged?

Mr. CARDWELL. Certainly, Mr. Conte. SSA participates in two special employment programs for the underprivileged. They are sponsored by the Civil Service Commission and are known as the summer aid and stay-in-school programs. Agencies are encouraged to participate in these programs because they promote employment and money to needy youths who might not otherwise have the opportunity to obtain jobs and earn some money so as to be able to stay in school.

Eligibility for the programs are limited to students between the ages of 16 and 21 who have an economic need. These youngsters apply at local offices of the State Employment Service and these offices certify as to their eligibility and refer them to the Federal agencies for hiring.

The primary difference between these two programs and other employment programs for the underprivileged is source of funding. Most of the other disadvantaged youth programs, such as the Neighborhood Youth Corps, are sponsored by and paid for by the Department of Labor. We fund the summer aid and stay-in-school programs entirely from funds contained in our appropriations. I might add that these programs help SSA too. During periods of high leave usage by our regular staff we can fill in with these special employees.

DRUG ADDICTS AND ALCOHOLICS

Mr. CONTE. Your justification indicates a request for $518,000 for the monitoring of treatment of SSI recipients who are drug addicts and alcoholics, the same amount as last year. How many SSI recipients fit into these two categories?

Mr. CARDWELL. We have identified approximately 12,000 SSI recipients including 8,000 in New York City who are budgeted to be handled by a separate contract.

Mr. CONTE. Exactly what do you mean by monitoring treatment?

Mr. CARDWELL. Once an individual is found eligible for SSI benefits the district office sends information about the recipient to the State agency which will be responsible for monitoring the treatment of these individuals. The State agencies which have agreed to perform this service are responsible for locating treatment facilities and supplying the facilities with information necessary to have the individuals admitted to receive treatment. State agency personnel are supposed to visit the treatment facility and make sure the recipients continue to receive prescribed treatment. If an individual drops out of the treatment program, the State agency must contact the recipient to determine the reason for his discontinuing treatment. As you may know, an individual who is a drug addict or alcoholic is not eligible to receive SSI payments for any months he refuses to take recommended treatment unless there is good reason for his refusal. The State agency determines the validity of his reason for refusing treatment. If there is no valid reason for his refusing treatment, the State agency must notify SSA and the recipient's benefits will be suspended for that month and future months unless treatment is resumed.

Mr. CONTE. Who is treating these people?

Mr. CARDWELL. These treatment facilities are usually located in hospitals, clinics or halfway houses. They are approved by the State organizations which administer the State's drug addict and alcoholic control programs.

Mr. CONTE. How is this coordinated with other Federal agencies concerned with alcoholics like the NIAAA and NIDA?

Mr. CARDWELL. Federal agencies concerned with alcoholism and drug addiction such as the National Institute on Alcohol Abuse and Alcoholism and the National Institute for Drug Abuse have been involved in the program since its early stages. There have been extensive discussions with these agencies. They have been involved in planning the program and have had input into the formulation of program policy. They have also been involved in contract negotiations with some States. In some States the National Institute on Alcohol Abuse and Alcoholism will be directly involved in coordination of the treatment of these recipients.

VOCATIONAL REHABILITATION

Mr. CONTE. The justification indicates that 26.4 percent of referrals to the vocational rehabilitation agencies will be accepted for vocational rehabilitation services. Doesn't this seem like a rather small percentage? Why is it so low?

Mr. CARDWELL. The 26.4 percent referred to in the justification represents those individuals who meet both the criteria for vocational rehabilitation services and also meet the special selection criteria permitting use of SSI funds. Forty percent of the SSI recipients that are referred meet the general criteria for vocational rehabilitation; but of these only 66 percent meet the special SSI criteria which require that SSI funds will not be spent for rehabilitation unless the rehabilitant is expected to return to the job market in a reasonable length of time.

Mr. CONTE. That is all I have.

Mr. FLOOD. Thank you.

Justification of the Budget Estimates

SUPPLEMENTAL SECURITY INCOME PROGRAM

For carrying out the Supplemental Security Income program under title XVI of the Social Security Act, section 401 of Public Law 92-603, and section 212 of Public Law 93-66, including payment to the social security trust funds for administrative expenses incurred pursuant to section 201(g)(1) of the Social Security Act, [$4,774,000,000] *$5,538,523,000: Provided,* That for carrying out these activities for the last two months of the current fiscal year, such sums as may be necessary shall be available, the obligations and expenditures therefor to be charged to the appropriation for the succeeding fiscal [year] *period or fiscal year 1977.* 1/

For "Supplemental security income program" for the period July 1, 1976, through September 30, 1976, $1,508,541,000: Provided, That for the last two months of the current fiscal period, such sums as may be necessary shall be available, the obligations and expenditures therefor to be charged to the appropriation for the succeeding fiscal year.

Explanation of Language Change

1/ This change is a technical one. The fiscal year 1975 appropriation language authorized the Social Security Administration to use the succeeding fiscal year's appropriation (fiscal year 1976) during the last two months of fiscal year 1975, if there is a shortfall in funds. The Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344) created a three month transition period from July 1, 1976 to September 30, 1976. The change is proposed to authorize the Social Security Administration to use the appropriation for the transition period as well as the appropriation for the succeeding fiscal year (fiscal year 1977) if there is a shortfall in funds in fiscal year 1976.

Language Analysis

Language Provision	Explanation
Provided, That for carrying out these activities for the last two months of the current fiscal year, such sums as may be necessary shall be available, the obligations and expenditures therefor to be charged to the appropriation for the succeeding fiscal [year] *period or fiscal year 1977.*	This provision provides that costs of the supplemental security income program for the last two months of a fiscal year can, if necessary, be financed from funds of the next fiscal year. This language is a safeguard for the aged, blind and disabled recipients under the SSI program. In the event that the appropriation estimates prove to be too low, the language permits payment of SSI benefits, "hold harmless" contributions, and other costs related to the program without interruption out of the subsequent year's appropriation.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Supplemental Security Income Program

Amounts Available for Obligation 1/

	1975 Revised	1976
Appropriation	$4,774,000,000	$5,538,523,000
Proposed supplemental	83,102,000	---
Total, budget authority (obligations)	$4,857,102,000	$5,538,523,000

1/ Excludes the following amounts for reimbursable activities: 1975 Estimate - $1,169,600,000; 1975 Revised - $1,225,000,000 and 1976 Estimate - $1,210,000,000. These reimbursable obligations are for State-financed State supplementation payments administered by SSA on behalf of States who have chosen to have the Federal government administer their supplementation benefits.

Summary of Changes

1975 Estimated obligations	$4,774,000,000
Plus: 1975 Proposed supplemental	83,102,000
Subtotal, 1975 Revised obligations	$4,857,102,000
1976 Estimated obligations	5,538,523,000
Net change	+$681,421,000

	1975 Base	Change from Base
Increases:		
A. Built-in:		
1. Federal benefit payments:		
a. Effect of annualization--recipients added in 1975	$4,095,000,000	+$205,000,000
b. Effect of 8.7% increase in the basic Federal SSI benefit	---	+565,000,000
c. Effect of increased recipients in 1976	---	+225,000,000
d. Effect of paying retroactive benefits to non-converted recipients who applied and were entitled in the prior year but were not paid until the current year	+20,000,000	-15,000,000
e. Savings from redetermining eligibility and payment amount for 2.6 million converted recipients	-35,000,000	-65,000,000
f. Effect of 8.7 percent social security benefit increase	---	-200,000,000
2. Vocational rehabilitation services:		
a. Effect of increase in the cost of providing vocational rehabilitation services	48,853.000	+6,035,000
3. Payments to the trust funds for administrative costs	473,249,000	+25,386,000
Total increases		+$746,421,000

	1975 Base	Change from base
Decreases:		
A. Federal contributions toward State supplementation payments ("hold harmless"):		
1. Effect of 8.7 percent increase in the basic Federal SSI benefit	$255,000,000	-$185,000,000
2. Effect of annualization--recipients added in 1975	---	+60,000,000
3. Effect of increased recipients in 1976	---	+60,000,000
Total decreases		-$65,000,000
Total Net Change		+$681,421,000

Explanation of Changes

Increases:

A. Built-in:

1. Federal Benefit Payments (+$715,000,000)

a. The annualization increase of $205,000,000 represents the added program costs in fiscal year 1976 of paying recipients added to the rolls during fiscal year 1975 for a full fiscal year in 1976.

b. When social security benefits (Title II) increase because of a change in the Consumer Price Index (CPI) (Section 215(i) of the Social Security Act) SSI benefits increase by the same percentage the month following the month the Title II increase is effective (Section 1617 of the Act). The CPI projection in the President's budget would increase SSI benefits by 8.7 percent beginning with the July 1975 payments. This will increase SSI Federal benefit payments in 1976 by $565,000,000.

c. The number of individuals on the rolls receiving a Federal payment increases from 4,020,000 as of June 30, 1975 to 4,510,000 by June 30, 1976, an increase of 490,000. The increase in Federal benefit payments resulting from the added recipients will be $225,000,000.

d. Unforseen payment problems and very high backlogs at the end of fiscal year 1974 caused an estimated $20,000,000 retroactive payments to individuals who applied for SSI payments in 1974 but didn't get paid until fiscal year 1975. In fiscal year 1976, we expect to be current in our processing of claims and retroactive payments are estimated to decrease by $15,000,000 to $5,000,000 in fiscal year 1976. The $5,000,000 is a normal level of carryover from one fiscal year to the next.

e. In fiscal year 1975 we estimate savings of $35,000,000 from discovering some overpayments of benefits and some payments to ineligibles while conducting redeterminations of eligibility and payment amounts for 1,000,000 of the total 2,600,000 converted SSI recipients. The effect of these corrective actions carried for a full year in 1976 increases savings by $45,000,000. We also estimate savings of $20,000,000 from uncovering ineligibles and stopping overpayments as a result of conducting redeterminations on the remaining 1,600,000 converted recipients in 1976. The total redetermination savings in 1976 are thus $100,000,000, as compared to $35,000,000 in 1975.

f. Income from social security benefits may affect the SSI recipient's monthly SSI benefit. The automatic cost of living increase in social security benefits, scheduled for payment on July 3, 1975, reduces supplemental security income payments during 1976 for individuals who receive both social security and SSI benefits. The effect of receiving higher social security benefits for individuals also receiving SSI payments reduces the estimate of total SSI payments by $200,000,000.

2. Vocational Rehabilitation Services (+$6,035,000):

Based on past trends in the cost of providing vocational rehabilitation

services for social security beneficiaries, the unit cost of providing vocational rehabilitation services to a blind or disabled SSI recipient is estimated to increase by $146 in fiscal year 1976 (from $1,067 per case to $1,213). The revised unit cost increases the total cost of vocational rehabilitation services by $6,544,000. This increase is partially offset by a $509,000 reduction due to a small decrease in the estimated vocational rehabilitation workload. The net effect of the change in unit cost and workload is an increase of $6,035,000.

3. Payments to the Trust Funds for Administrative Costs (+$25,386,000):

The administrative costs for the Supplemental Security Income program are included as part of Salaries and Expenses, Social Security Administration account. These costs are reimbursed to the trust funds from this appropriation. The details of the increase of $25,386,000 for fiscal year 1976 are included in the justification for "Limitation on Salaries and Expenses, Social Security Administration."

Decreases:

A. Built-in:

1. Federal Contributions Toward State Supplementation Payments (hold harmless) (-$65,000,000):

a. The estimate of Federal hold harmless contributions decreases by $185,000,000 because of the 8.7 percent cost-of-living increase projected in the basic Federal benefit. As Federal benefit payments increase, the amount of State supplementation benefits subject to Federal hold harmless protection decreases.

b. The increase of $60,000,000 represents the added costs for a full year in 1976 of paying recipients added to the rolls during fiscal year 1975 who reside in States protected by the Federal hold harmless provision.

c. The number of SSI recipients eligible for State supplementary payments in States protected by hold harmless increased from 1,695,000 as of June 30, 1975 to 1,955,000 by June 30, 1976, an increase of 260,000. The additional 260,000 recipients will cause an increase in "hold harmless" payments of $60,000,000.

Obligations by Activity 1/

Page Ref.		1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
67	Federal benefit payments.....	$3,871,407,000	$4,080,000,000	$4,795,000,000	+$715,000,000
70	Federal contributions toward State supplementation.....	452,000,000	255,000,000	190,000,000	-65,000,000
72	Vocational rehabilitation services.....	53,839,000	48,853,000	54,888,000	+6,035,000
74	Payments to trust funds for administrative costs.....	396,754,000	473,249,000	498,635,000	+25,386,000
	Total obligations.....	$4,774,000,000	$4,857,102,000	$5,538,523,000	+$681,421,000

Obligations by Object

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Other services	$396,754,000	$473,249,000	$498,635,000	+$25,386,000
Grants, subsidies, and contributions	4,377,246,000	4,383,853,000	5,039,888,000	+656,035,000
Total obligations by object 1/	$4,774,000,000	$4,857,102,000	$5,538,523,000	+$681,421,000

1/ Excludes the following amounts for reimbursable activities: 1975 Estimate - $1,169,600,000; 1975 Revised - $1,225,000,000 and 1976 Estimate - $1,210,000,000. These reimbursable obligations are for State-financed State supplementation payments administered by SSA on behalf of States who have chosen to have the Federal government administer their supplementation benefits.

Authorizing Legislation

Legislation	1976 Authorized	1976 Appropriation Requested
Title XVI of the Social Security Act; Section 401 of P.L. 92-603 and Section 212 of P.L. 93-66	Indefinite	$5,538,523,000

Supplemental Security Income Program

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1973	$77,207,000	$77,207,000	$77,207,000	$77,207,000
1974	2,211,636,000	2,211,636,000	2,211,636,000	2,211,636,000
1975	4,774,000,000	4,774,000,000	4,774,000,000	4,774,000,000
Supplemental	83,102,000			
1976	5,538,523,000			

Justification
Supplemental Security Income Program

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Other services	$396,754,000	$473,249,000	$498,635,000	+$25,386,000
Grants, subsidies, and contributions	4,377,246,000	4,383,853,000	5,039,888,000	+656,035,000
Total	$4,774,000,000	$4,857,102,000	$5,538,523,000	+$681,421,000

General Statement

Title XVI of the Social Security Act established the Federally administered and financed "Supplemental Security Income" program (SSI). The program, effective January 1974, provides a basic cash payment for millions of aged, blind and disabled people without adequate income from private pensions, social security benefits, or other sources.

SSI replaced State and local administered programs of old age assistance, aid to the blind, and aid to the disabled. Under different matching formulas, the Federal government paid part of the cost of these programs through grants administered by the Social and Rehabilitation Service.

The law currently guarantees income of at least $146 per month for an individual and $219 per month for a couple. When social security benefits (Title II) increase because of a change in the Consumer Price Index (Section 215(i) of the Security Act) then SSI benefits increase by the same percentage the month following the month the Title II increase is effective (Section 1617 of the Social Security Act). Thus benefit increases for both titles II and XVI are paid in the same month. Current Consumer Price Index projections will increase SSI benefits by 8.7 percent beginning with the July 1975 payments. This would raise the Federal guarantee to $159 per month for an individual and $238.50 per month for a couple.

It should be noted, however, that the President has proposed to hold all benefit increases scheduled to occur during the next year to five percent. This is part of the President's economic package that involves a one-time constraint on all Federally administered cost of living escalators. The President's proposal would involve a change in existing law. The budget request in this justification is based on existing law. If that law were modified, as recommended by the President, the cost of the SSI program would go down as indicated in the table below.

	1976 Existing Law	1976 President's 5% CAP Proposal	Difference
Federal SSI payments	$4,795,000,000	$4,625,000,000	-$170,000,000
Hold harmless protection	190,000,000	275,000,000	+85,000,000
Total	$4,985,000,000	$4,900,000,000	-$85,000,000

Section 212(a)(1) of Public Law 93-66 was designed to protect SSI recipients who were on the State rolls as of December 31, 1973, against reduction in income resulting from the changeover to a Federal program. To be eligible for Federal matching funds for Medicaid, States must agree to maintain the December 1973 income of each aged, blind or disabled recipient who was converted to the Federal program and received an assistance payment for December 1973. A State must provide a mandatory minimum supplemental payment and may also optionally supplement the Federal SSI benefit regardless of whether a recipient was converted or newly eligible.

States may sign agreements with the Federal government to administer their supplementary payments (mandatory or mandatory and optional). The Federal government pays the costs of administering State supplementation payments for States which have chosen Federal administration. A State choosing Federal administration is protected from paying more in cash assistance than it paid in calendar year 1972 for assistance payments to the aged, blind, and disabled. This "hold harmless" protection applies to both mandatory minimum and optional supplementation payments. States can choose to exceed their 1972 costs by the level of optional supplementation payments they establish.

Appropriation Activities

This appropriation request covers: (1) estimated Federal payments to the aged, blind, and disabled; (2) estimated Federal contributions toward State supplementation payments ("hold harmless"); (3) the cost of vocational rehabilitation services provided by State agencies to blind and disabled SSI recipients who have the potential for returning to work; and (4) reimbursement to the social security trust funds for administrative expenses of the program. In addition to the four appropriation activities, the SSI program includes a reimbursable activity for State-financed State supplementation payments administered by SSA. This latter activity is not included in the schedules in this justification because it is financed from State funds and not from this appropriation.

Activity 1: Federal Benefit Payments

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Grants, subsidies and contributions.....	$3,871,407,000	$4,080,000,000	$4,795,000,000	+$715,000,000

The table below shows the estimated number of aged, blind and disabled recipients entitled to receive a Federal benefit payment at the end of each year:

	FY 1975 Revised	FY 1976
Aged	2,213,000	2,415,000
Blind and Disabled	1,807,000	2,095,000
Total	4,020,000	4,510,000

These SSI recipients will receive an estimated average monthly benefit payment of $93.05 in 1976 compared to an average of $92.53 in 1975. However, the estimated average monthly benefit payments vary within the recipient population depending on whether the individual is converted or newly eligible and whether he is aged or blind and disabled, as shown in the table below:

SSI Average Monthly Benefits by Category of Recipient

Categories	Average Monthly Entitlement 1975	Average Monthly Entitlement 1976	Average Monthly Payment[1] 1975	Average Monthly Payment[1] 1976
Aged Converted	86.40	93.81	86.40	93.81
Aged Non-Converted	44.60	49.14	51.20	52.95
Blind and Disabled Converted	116.70	127.12	116.70	127.12
Blind and Disabled Non-converted	77.00	86.05	108.05	100.97

The fiscal year 1976 estimate is the net result of the following changes from the revised 1975 estimate:

A. Recipient Population (Federal only) (+$430,000,000):

1. Annualization of recipients added in 1975 (+$205,000,000):

The effect of paying those recipients added to the SSI rolls in fiscal year 1975 for a full twelve months in fiscal year 1976 increases Federal benefit payments by $205,000,000.

2. Increase in recipients in 1976 (+$225,000,000):

The table above shows the estimated number of aged, blind and

[1] Includes effect of retroactive benefits.

disabled recipients entitled to a Federal benefit payment at the end of 1975 and 1976. The number of recipients at the end of fiscal year 1976 increases by 490,000 (202,000 aged, 288,000 blind and disabled) over FY 1975. The increase in benefit payments because of the increased recipients is $225,000,000.

In addition to recipients shown in the table above there are 445,000 recipients in fiscal year 1975 who will recieve a federally administered State supplementary payment but because of income are not entitled to a Federal payment. In fiscal year 1976 this number is estimated to increase to 560,000.

B. Benefit Payment Amounts (+$350,000,000):

The benefit payment amounts increase primarily for the following two reasons:

1. Cost-of-living increase (+$365,000,000):

The current monthly SSI income guarantee is $146 for an individual and $219 for a couple. In July 1975 the basic Federal benefit is projected to increase to $159 and $238.50 respectively because of a projected 8.7 percent increase in the cost-of-living. The cost-of-living increase, which is automatic under present law, is applicable to both social security benefits and SSI benefits. However, the resultant increase in social security benefits affects SSI assistance payments in two ways: (1) the monthly SSI benefit entitlement goes up because it too is tied by law to the cost-of-living index; (2) those receiving both social security and SSI (55% of the SSI roll) have their SSI payments reduced because social security benefits, which count as unearned income for SSI recipients, go up. In 1976 the first factor raises SSI benefits by $565,000,000. The second factor lowers them by $200,000,000. The net effect is an increase of $365,000,000.

2. Reduction in retroactive payments (-$15,000,000):

Unforseen payment problems and heavy initial claims applications caused high backlogs at the end of fiscal year 1974. These high backlogs resulted in payment of an estimated $20,000,000 in 1975 benefits to recipients who applied and were eligible in 1974 but were not paid until the early months of fiscal year 1975. These retroactive payments were mainly made to the blind and disabled recipients.

Based on program experience to date we project the majority of new applications will be processed currently. Therefore, retroactive payments in fiscal year 1976 will be reduced to $5,000,000, a reduction of $15,000,000 from fiscal year 1975. Therefore, in spite of the 8.7 percent projected increase in Federal benefit payments, the average monthly payment to newly eligible blind and disabled recipients decreases because most are receiving benefit payments for the current month only. The table above, "SSI Average Monthly Benefits by Category of Recipient" illustrates the effect of decreased retroactive payments.

C. Additional Savings due to Redeterminations (-$65,000,000):

The Social Security Act provides for redeterminations to verify eligibility and correct assistance payment amounts for persons on the SSI rolls. The SSI redetermination effort for 2,600,000 converted recipients, which began in fiscal year 1975, is estimated to result

in cumulative fiscal year 1976 savings of $100,000,000 an increase of $65,000,000 in savings over 1975 experience. The increase of $65,000,000 in savings is the result of the following two factors:

1. Increase in savings from redeterminations conducted in fiscal year 1975

We estimate that by the end of fiscal year 1975 we will have redetermined the eligibility and correct payment amount for 1,000,000 of the 2,600,000 converted SSI recipients still receiving benefits. Savings of $35,000,000 in Federal benefit payments are estimated from correcting overpayments to eligibles and removing ineligibles from the rolls. Because these corrective actions were spread throughout fiscal year 1975, the annual effect of these actions in fiscal year 1976 will increase the savings by another $45,000,000.

2. Savings from redeterminations conducted in fiscal year 1976

The fiscal year 1976 estimate of Federal benefit payments includes savings resulting from redeterminations of the remaining 1,600,000 recipients converted from State assistance rolls. Savings in benefit payments as a result of the 1,600,000 redeterminations are estimated to amount to $20,000,000 for fiscal year 1976.

Activity 2: Federal Contributions Toward State Supplementation

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Grants, subsidies, and contributions....	$452,000,000	$255,000,000	$190,000,000	-$65,000,000

State Supplementation

The SSI program establishes a basic Federal floor of income for the aged, blind, and disabled regardless of where they live in the country. However, under the former public assistance programs some States, because of their greater resources or the higher cost of living in these States, were making larger payments to recipients than are provided by the Federal SSI program. To protect recipients on the State rolls as of December 31, 1973 against reduction of income, Sec. 212 of P.L. 93-66 requires States to supplement the Federal benefit to assure that recipients of benefits under the former State administered program suffer no loss of income under SSI. Since States unwilling to do this will lose Federal matching funds for Medicaid, this supplementation is called "mandatory supplementation."

Currently, all States but Texas and Arizona provide a mandatory supplement. The Congress exempted Texas from making mandatory payments, since its State constitution forbade it from entering into the kind of agreement with the Federal Government required by this legislation. Arizona does not have a Medicaid program. However, it does make a supplementation payment to converted recipients who receive lower payments than they received from the State. Of the 48 States and the District of Columbia providing a mandatory supplement, 32 have elected Federal administration.

In addition to the mandatory supplementation program, a State may optionally supplement all recipients, both newly eligible and converted recipients. However, the State is not faced with loss of Federal funds from its Medicaid program if it chooses not to provide an optional supplement. A State which does supplement, may administer the payment itself, or elect Federal administration. If it elects to administer its own optional supplement, it may set whatever eligibility criteria it wishes and pay whatever amounts it deems necessary. If it elects Federal administration, a State must use the same eligiblity criteria as the Federal Government has established for the basic Federal payment for those categories it elects to supplement. However, the States have the option of setting up a residency requirement and additional (more liberal) income disregards. Also a State may have as many as eight payment variations per aged, blind, and disabled category. These payment variations may be in recognition of different living arrangements or in different cost of living circumstances by geographic location within the State.

Currently there are 38 States providing optional supplements. Of the 38, 17 are Federally administered and 21 are State administered.

Hold Harmless Protection

There are two advantages to States which elect Federal administration of their mandatory and optional supplementation programs. First, the Federal Government bears the cost of administration. Secondly, the State is protected, generally,

from paying out of State funds any more than its calendar year 1972 assistance expenditures for the aged, blind and disabled. This financial protection is commonly referred to as "hold harmless."

This "hold harmless" protection applies only to supplementation payments which do not on an average exceed a State's "adjusted payment level" (APL). The adjusted payment level is made up of three elements: (1) the money payment made to assistance recipients with no other income under the approved State plan in effect in January 1972: (2) the "payment level modification" available to States that paid less than their full need standard in January 1972; and (3) the "bonus value of food stamps" that would have applied to the money payment in January 1972.

The 1976 estimate of hold harmless payments was computed using APL's determined by the DHEW Audit Agency during its audit of State-reported APL's. Three States (California, New York and Wisconsin) disagreed with the audit findings. If the determinations of the DHEW Audit Agency are not upheld hold harmless payments could substantially exceed the estimate contained in this justification.

Hold Harmless Estimate

The decrease in Federal contributions to State supplementation payments is the net result of the following elements of change from the revised 1975 estimate.

A. Recipients	
1. Effect of annualization--recipients added in 1975...	+$60,000,000
2. Increase in recipients.....	+$60,000,000
B. Decrease due to increase in basic Federal benefit.....	-$185,000,000
Total change.....	-$65,000,000

A. Recipients (+$120,000,000)

In FY 1976 the added cost of paying recipients for a full fiscal year who were added to the rolls in 1975 who reside in States protected by the hold harmless provision is estimated to be $60,000,000. The FY 1976 budget assumes that seven States will make supplementary payments administered by the Federal Government and will set optional payments at a level insuring hold harmless protection at a cost of $190,000,000. The budget estimates project that the seven hold harmless States will be California, Hawaii, Massachusetts, Nevada, New Jersey, New York, and Wisconsin. This is an increase of one State over the 1975 estimate (New Jersey is the new State). As of June 30, 1975, 1,695,000 recipients were on the rolls and receiving State supplementation payments in the six hold harmless States. By the end of FY 1976 recipients in hold harmless States increase by 260,000 to a total of 1,955,000.

B. Increase in the Basic Federal Benefit (-$185,000,000)

Current law fixes for all time the amounts of State "adjusted payment levels". Increases in Federal benefit payments mean that eventually the basic SSI benefit will equal and then exceed State APLs. As the basic Federal benefit approaches the States' APLs the amount of State supplementation payments subject to hold harmless protection decreases. The 1976 budget assumes under existing law an 8.7 percent cost of living increase on July 1, 1975. Federal hold harmless contributions in FY 1976 are estimated to decrease by $185,000,000 from the effect of the 8.7 percent cost of living increase to Federal benefit payments.

Activity 3: Vocational Rehabilitation Services

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Grants, subsidies, and contributions.....	$53,839,000	$48,853,000	$54,888,000	+$6,035,000

Scope of Program

Funds requested for this activity are to provide vocational rehabilitation services authorized by section 1615 of the Social Security Act. The law requires that blind or disabled persons who receive SSI payments be referred to State agencies for potential vocational rehabilitation services. The law further provides that no blind or disabled person who has not attained age 65 may be eligible for benefits under the SSI program if he refuses without good cause to accept vocational rehabilitation services for which he is referred.

Section 1611(e)(3)(A) of the Social Security Act requires the monitoring of the treatment of disabled SSI recipients who are also drug addicts and alcoholics. The Social Security Administration and the Rehabilitation Services Administration entered into an agreement which provides that State vocational rehabilitation agencies will monitor the treatment of such individuals. The costs of providing these services are borne by this appropriation.

The full costs incurred by the States in providing such services to SSI recipients are to be paid out of Federal funds and are included in this appropriation. These funds will be transferred to the Rehabilitation Services Administration for allocation to the States to meet their costs incurred in providing services to SSI recipients.

What Vocational Rehabilitation Can Be Financed by this Appropriation

The fundamental objective of vocational rehabilitation for SSI recipients is to return as many as possible of the disabled individuals eligible for services to productive, self-supporting work activity. This objective is evident in the criteria established for selecting blind and disabled SSI recipients for rehabilitation. The criteria for selection determined by the Secretary of Health, Education, and Welfare under the law are as follows:

1. The disabling physical or mental impairment must not be so rapidly progressive as to preclude the individual's restoration to productive activity.

2. The impairment, without the planned rehabilitation services, is expected to remain severe enough to require continued payment of benefits.

3. It can reasonably be expected that these services will restore the individual to productive activity.

4. The predictable period of productive work activity following the provision of rehabilitative services will be long enough for the cost of the services to be offset by future savings in SSI payments.

The criteria are intended to exclude those whose impairments are responding to treatment and who can be anticipated to go off the SSI roll without the need of vocational rehabilitation services. The emphasis on "productive activity" rules out the financing from SSI funds of services which might be aimed at restoring an individual to non-remunerative activity or to a marginal earnings capacity that would fall short of substantially reducing dependence on supplemental security income payments. These policies are modeled after the program for disabled social security beneficiaries as authorized by title II of the Social Security Act.

1976 Estimate

The 1976 budget estimate of $54,888,000 is made up of the following two elements: $54,370,000 for providing vocational rehabilitation services to an estimated 44,800 SSI recipients at a unit cost of $1,213. $518,000 for monitoring the treatment of drug addicts and alcoholics.

The 1976 budget estimate of $54,370,000 for vocational rehabilitation services to blind and disabled SSI recipients is an increase of $6,035,000 over the 1975 estimate. This increase is made up of the following two elements of change:

(1) An increase in unit cost from $1,067 per case served in 1975 to $1,213 in 1976; the increase in unit cost is based on trends in the social security vocational rehabilitation program. The 1976 unit cost was derived by looking at the last five years of experience and projecting the trend of unit cost increases into 1976. The effect of the increase in unit cost increases vocational rehabilitation costs by $6,544,000.

(2) A slight decrease in workload due primarily to a decrease from 1975 to 1976 in the number of new SSI blind and disabled claims. The workload estimate of 44,823 cases served in 1976 consists of 19,723 cases from the referral of new SSI recipients in 1976 and 25,100 cases carried over from prior years. The projections assume that 21 percent of the SSI recipients will be referred for vocational rehabilitation services, and that 26.4 percent of the referrals to the vocational rehabilitation agencies will be accepted for vocational rehabilitation services and meet the special selection criteria permitting use of SSI funds. The 1976 workload estimate shows a net decrease of 477 cases served from the 1975 estimate. The decrease is the result of fewer new blind and disabled SSI claims in FY 1976 partially offset by a larger carryover load in FY 1975. The table below compares the 1975 workload to the 1976 workload.

	SSI Blind and Disabled Claims (Allowances)	New SSI Recipients Referred for VR Services (21% of allowances)	New SSI Recipients to receive VR services (26.4% of referrals)	Carryover from prior year of SSI recipients receiving VR service	Total SSI Cases Served
1975 Revised	418,888	87,966	23,200	22,100	45,300
1976 Estimate	355,751	74,708	19,723	25,100	44,823
Change	-63,137	-13,258	-3,477	+3,000	-477

The effect of the decrease in workload is to decrease 1976 vocational rehabilitation costs by $509,000.

The net effect of the two changes described above is to increase SSI vocational rehabilitation costs by $6,035,000 in fiscal year 1976.

Activity 4: Payments to Trust Funds for Administrative Costs

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Other services...	$396,754,000	$473,249,000	$498,635,000	+$25,386,000

The Social Security Administration is responsible for administering the Supplemental Security Income program. The justification for the program's administrative expenses is included in the appropriation request for "Limitation on Salaries and Expenses, Social Security Administration".

The Social Security Amendments of 1972 and Section 212 of Public Law 93-66 provide that administrative expenses for the Supplemental Security Income program, including Federal administration of State supplementation payments, may be financed from the social security trust funds with reimbursement, including any interest lost, to the trust funds from the general revenues. (In FY 1974 the SSI appropriation reimbursed the Social Security trust funds $656,000 for interest lost to the trust funds because reimbursement for 1973 was not made until the end of the fiscal year.) The use of trust funds for SSI administrative expenses was primarily for administrative convenience and efficiency. The legislative history of the 1972 amendments indicates a desire to obtain economy of administration by giving the Social Security Administration the responsibility for the SSI program because of its existing administrative facilities and ADP capability. The integration of the administration of these two programs made it desirable to permit funding from one source and reimbursement to the trust funds based on a cost analysis of the respective expenses of the SSI and social security insurance programs. This appropriation includes an estimated $498,635,000 for payments to the trust funds for fiscal year 1976 for administration of the SSI program.

SOCIAL SECURITY ADMINISTRATION

Supplemental Security Income Program

Program Purpose and Accomplishment

Activity: Supplemental Security Income Program (Title XVI, Social Security Act, Section 401 of P.L. 92-603, Section 212 of P.L. 93-66)

1975 Estimate	1975 Revised	1976 Authorization	1976 Budget Estimate
$4,774,000,000	$4,857,102,000	Indefinite	$5,538,523,000

Purpose: This appropriation provides for carrying out the provisions of title XVI of the Social Security Act, section 401 of P.L. 92-603 and section 212 of P.L. 93-66 which established or amended the Federal Supplemental Security Income program for the aged, blind, and disabled. This appropriation request covers (1) the Federal benefit payments to aged, blind, and disabled recipients; (2) the amount of Federal contributions toward State supplementation payments; (3) the cost of vocational rehabilitation services provided by State agencies to blind and disabled SSI beneficiaries; and (4) payments to the social security trust funds for the administration of the program.

The SSI program was effective on January 1, 1974 and replaced State and locally administered programs of aid to the aged, blind, and disabled, formerly financed in part by Federal grants from the Social and Rehabilitation Service. The SSI program currently provides a uniform income support level of $146 per month for an individual and $219 per month for a couple. Public Law 93-368, enacted August 7, 1974, requires that when social security benefits are automatically increased based on a cost-of-living computation, supplemental security income benefits will be increased by the same percentage. This appropriation request assumes an 8.7 percent cost-of-living increase for SSI benefit payments effective July 1975. Such an increase would raise the SSI benefit floor to $159 per month to an individual and $238.50 to a couple.

However, it should be noted that the President, as part of his economic package, has proposed that legislation be enacted to limit cost-of-living increases in fiscal year 1976 to 5 percent. If the President's proposal is enacted the amounts needed for SSI payments would be decreased by $85,000,000 in fiscal year 1976.

In addition to the basic Federal benefit, States are required to maintain the December 1973 income level of all recipients who received assistance payments for December 1973 under State programs, through mandatory State supplementation payments. Also, those States wishing to pay an aged, blind, or disabled person additional amounts, may make optional State supplementary payments. If a State chooses Federal administration of its supplementation payments programs, the Federal government pays all associated administrative costs. In addition, under the hold harmless provision for those States choosing Federal administration of their supplements, the Federal Government makes contributions toward State supplementation. This insures that States do not incur costs in excess of those incurred in 1972 for assistance payments to the aged, blind, and disabled, unless the State chooses to do so. The law requires that blind or disabled persons who receive SSI payments be referred to State agencies for vocational rehabilitation

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services. Payments to the States are made from Federal funds through the Rehabilitation Services Administration for providing these services. The law also allows the use of the trust funds for financing administrative costs in the SSI program with reimbursement from this appropriation including any interest lost to the trust funds.

Accomplishments in 1975: Fiscal year 1975 is the first full fiscal year for the operation of the SSI program. The following is a summary of expected 1975 accomplishments:

1. To pay benefits and maintain the rolls for SSI recipients including those receiving Federally administered State supplementation:

Category	Recipients
Aged	2,528,000
Blind and disabled	1,937,000
Total	4,465,000

2. To make Federal benefit payments of $4,080,000,000 to 4,020,000 recipients. In addition SSA will pay $1,480,000,000 in Federally administered but State financed supplementation payments (mandatory and optional) to 1,854,000 recipients. The amount of Federally administered State supplementation includes $255,000,000 in Federal contributions toward State supplementation (hold harmless protection).

3. To provide vocational rehabilitation services to 45,300 blind and disabled recipients at a cost of $48,335,000 and to monitor the treatment of SSI recipients who are drug addicts and alcoholics at a cost of $518,000.

4. To reimburse the trust funds for SSI program administrative expenses of $473,249,000.

Objectives for 1976: Fiscal year 1976 objectives are:

1. To pay benefits and maintain the rolls for SSI recipients including those receiving Federally administered State supplementation:

Category	Recipients
Aged	2,790,000
Blind and disabled	2,280,000
Total	5,070,000

2. To make Federal benefit payments of $4,795,000,000 to 4,510,000 recipients. In addition SSA will pay $1,400,000 in Federally administered State supplementation payments (mandatory and optional) to 2,144,000 recipients. The amount of Federally administered State supplementation includes $190,000,000 in Federal contributions toward State supplementation (hold harmless protection).

3. To provide vocational rehabilitation services to 44,800 blind and disabled recipients at a cost of $54,370,000 and to monitor treatment of SSI recipients who are drug addicts and alcoholics at a cost of $518,000.

4. To reimburse the trust funds for SSI administrative expenses of $498,635,000 which are justified as part of the appropriation request for "Limitation on Salaries and Expenses, Social Security Administration."

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Supplemental Security Income Program

Amounts Available for Obligation

	1976	July 1, 1976 through September 30, 1976
Appropriation.....	$5,538,523,000	$1,508,541,000

Obligations by Activity 1/

	1976 Estimate	July 1, 1976 through September 30, 1976
Federal benefit payments.....	$4,795,000,000	$1,345,000,000
Federal contributions toward State supplementation payments.....	190,000,000	20,000,000
Vocational rehabilitation services...	54,888,000	15,000,000
Payments to the trust funds for administrative costs.....	498,635,000	128,541,000
Total direct obligations.....	$5,538,523,000	$1,508,541,000

Obligations by Object

	1976 Estimate	July 1, 1976 through September 30, 1976
Other Services.....	$498,635,000	$128,541,000
Grants, Subsidies and Contributions.....	5,039,888,000	1,380,000,000
Total obligations 1/	$5,538,523,000	$1,508,541,000

1/ Excludes the following amounts for the reimbursable activity:

1976 Estimate	$1,210,000,000
July 1, 1976 through September 30, 1976	$250,000,000

These reimbursable obligations are for State-financed State supplementation payments administered by SSA on behalf of States who have chosen to have the Federal government administer their supplementation benefit payments.

Justification

The Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344) established a new fiscal year period, beginning with FY 1977. The new period begins on October 1 and ends on September 30, unlike the present fiscal year which begins on July 1 and ends on June 30. This Act also requires budget estimates for the three-month transition period between fiscal year 1976 (which ends June 30, 1976) and fiscal year 1977 (which begins October 1, 1976).

Applications for supplemental security income benefit payments during the transition period are estimated to continue at the same rate as in fiscal year 1976. The estimate of new SSI claims is 510,000 which will consist of 230,000 aged claims and 280,000 blind and disabled claims. SSA estimates an increase in SSI recipients of both Federal and State supplementary benefits at the end of the interim period as a result of these applications (offset by termination from the rolls due to death and other causes), as indicated in the table below:

	FY 1976 Estimate	Interim Period Estimate	Increase or Decrease
Aged	2,790,000	2,885,000	+95,000
Blind and Disabled	2,280,000	2,315,000	+35,000
Total	5,070,000	5,200,000	+130,000

Average benefit payments also remain the same except for the effect of projected cost-of-living increases. The interim period budget estimate for benefit payments assumes a 9.2 percent cost-of-living benefit increase on July 1, 1976 which raises the SSI Federal guarantees from $159.00 to $173 for an individual and from $238.50 to $259.50 for a couple. Federal benefit payments for the interim period are slightly higher than one-fourth of the total costs for this activity in FY 1976. The reason for this increase are as follows: (1) A projected 9.2 percent cost-of-living increase discussed above; (2) An increase in the number of recipients as indicated above; (3) An increase in costs because of paying benefits to recipients added to the rolls in fiscal year 1976 for a full three months (an annualization effect carried over a three-month period).

The estimate of Federal contributions to State supplementation payments (hold harmless) is less than one-fourth of the 1976 amount because as Federal payments increase the amount of State supplementation benefits subject to hold harmless protection decreases. The estimate for vocational rehabilitation services will enable the States to continue serving SSI recipients at the same level as that projected for the fourth quarter of fiscal year 1976. The estimate of obligations for administrative costs during the three month period is based on the same relationship between administrative costs for the Supplemental Security Income program and total salaries and expenses costs for the Social Security Administration for fiscal year 1976. The basic assumption for salaries and expenses is that the staffing authorized for the end of fiscal year will be continued without increase except for special summer employment programs for the underprivileged. Other expenses will continue at about the same rate as projected in the 1976 budget.

Limitation on Salaries and Expenses

[trust fund]

WITNESSES

JAMES B. CARDWELL, COMMISSIONER
HUGH F. McKENNA, ACTING ASSOCIATE COMMISSIONER, OFFICE OF PROGRAM OPERATIONS
FRANCIS D. DeGEORGE, ACTING ASSOCIATE COMMISSIONER, OFFICE OF MANAGEMENT AND ADMINISTRATION
SHERWIN T. MONTELL, ACTING DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
PHILIP A. O'BRIEN, ACTING BUDGET OFFICER, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. Flood. Now we will consider "Limitation on Salaries and Expenses [Trust Fund]."

STATEMENT BY THE COMMISSIONER OF SOCIAL SECURITY

Mr. Cardwell. Mr. Chairman.

The "Salaries and Expenses" request is for authority to spend up to $2,373,132,000 from the trust funds for the administrative costs of the social security cash benefit, Medicare, and Supplemental Security Income programs. As earlier noted, the supplemental security income program is financed entirely from Federal funds, but initial advances from the social security trust funds are authorized for administrative expenses, with full reimbursement from the SSI appropriation. Of the amount requested for "Salaries and Expenses," $498.6 million is for administering the SSI program. It also includes $1,142 million for administering the cash benefit porgrams of old-age, survivors and disability insurance, and $707.5 million for the medicare programs of hospital and supplementary medical insurance. As in the past, the request also includes a $25 million contingency reserve to use, if necessary, to handle workloads in excess of budget estimates and to meet mandatory increases in the costs of the medicare contractors and State agencies.

This year our request, in terms of obligations, includes $1,611.3 million for bureaus and offices of the SSA, $490.8 million for contractors who process medicare claims; and $246.1 million for payments to State agencies, which assist in the administration of the social security and SSI disability programs and the medicare program. These figures demonstrate that over 31 percent of the estimated administrative expenses are for the cost of third parties who are under contract or agreement to assist in carrying out the provisions of the Social Security Act.

WORKLOADS

As you know, the cost of administering the social security programs is related to workloads generated by the statutory provisions of the law and demographic factors not subject to budgetary control.

As a result of these factors, and most recently because of new legislation, the volume of work processed by the SSA continues to increase each year. Here are some of our principal workloads for 1976 which will give you an idea of the magnitude of the job that has to be done:

We expect to process almost 4.1 million new claims for benefits from retired workers and their dependents and from survivors of deceased workers, and over 1.8 million new claims from disabled workers and their dependents. Also, we will need to keep current the beneficiary rolls for over 33 million persons under the social security cash benefits programs. We will issue over 15 million social security account numbers, including some in the next couple of days to some South Vietnamese, of these 6 million will be issued to enumerate recipients of State-administered aid to families with dependent children; and post over 400 million earnings items to workers' lifetime records of earnings under social security.

In the medicare area, contractors will receive 114 million claims for payment from beneficiaries and from physicians, hospitals, and other providers of service.

In the SSI program, the beneficiary rolls are estimated to grow from 4.5 million people at the end of fiscal year 1975 to 5.1 million by the end of fiscal year 1976. We will process more than 1.9 million new SSI claims in fiscal year 1976 and will continue to carry out a program started in this fiscal year of making annual redeterminations of eligibility for benefits of all SSI beneficiaries. The plan is to complete redeterminations of all cases—this was the question you asked us about earlier—converted from the State and local welfare rolls at the beginning of the Federal program, by the end of fiscal year 1976. There are about 2.6 million of these cases; we will do at least 1 million this year and the remaining 1.6 million in 1976. Against that 1 million estimate this year, we are already over 700,000. Then in 1976, we will redetermine the remainder of the roll; that is, the 1.2 million new Federal recipients added to the roll since the inception of the Federal program. In addition, we will perform a second redetermination of the 1 million cases first done in 1975. Altogether we plan to perform over 4 million redeterminations in 1976. By weeding out ineligibles and making sure we are paying benefits in the correct amount, we anticipate saving $100 million in SSI benefit payments in 1976, and there will probably be other savings carried into future years.

CHANGES IN OBLIGATIONS

The combined increase in fiscal year 1976 workloads over fiscal year 1975 for the Social Security Administration and for the third parties who assist in the workload processing, is 10.7 percent. To handle this increase in work at the fiscal year 1975 production rates would cost $207.7 million, but productivity improvements budgeted for SSA bureaus and for third parties result in our ability to absorb $95.6 million of this workload increase, leaving a net increase of $112.1 million for handling increased work.

However, I would like to point out that many uncertainties concerning workload performance capacities have come into the picture during the past year. This is particularly true in the case of SSI workloads. These uncertainties—we just don't know enough yet about all

the work one must do to keep an SSI claims in process and then up to date once it is in process—may continue to affect the budget period 1975/1976. Thus, SSA's predictions of productivity for 1975 and 1976 are less certain than in past years. The record showed last year our productivity fell markedly as a result of SSI.

In addition to this net additional cost of handling increased workloads, our budget request contains $104 million in mandatory items which fall into two major categories: (1) Increased salary costs for SSA employees resulting from the annualization of the 5.5-percent October 1974 pay raise, and annual within-grade and other promotions; and (2) increases in salaries and prices paid by third parties. The latter are estimated to increase by about 10 percent.

There are other increase and decrease items that we have identified in the budget which are not classified as "mandatory" and these account for a net increase of $7.9 million. In large measure they are plus and minus costs of a one-time or intermittent nature associated with the purchase of ADP equipment, a contract with Internal Revenue Service to assist in the keying of data necessary to convert our paper account number file to an electronic data base, changes in rates and prices for nonpersonnel costs in State agencies, cost of recruitment, contracts with State welfare agencies, and other cost factors. In addition, we are requesting restoration of the $25 million contingency reserve which was used to partly finance our increased 1975 needs.

MANPOWER REQUIREMENTS

Finally, I would like to discuss the manpower requirements contained in our 1976 budget request. In total, we are asking for money to finance an additional 4,848 man-years. This is the difference between the 10,581 man-years we would need if we handled the increased workloads in fiscal year 1976 at fiscal year 1975 production rates, and the 5,733 man-years that we expect to save as a result of improvements to the 1975 base. These savings come about through improved operating procedures, greater automation of our processes, increased familiarity of the staff with the new SSI program, and reduced training requirements.

It takes energy and manpower when we are trying to train people to do a new job, and that affects our productivity. When we cease that training, our productivity obviously goes up.

The total increase in manpower is 4,848 man-years, but SSA staff in total will remain fairly constant from year to year. The additional manpower in 1976 will be achieved principally by staff hired during this fiscal year and carried into fiscal year 1976. The added positions are 6,000 term appointments for a period of 2 years or less, and 3,800 temporary employees—granted SSA by the President to enable SSA to have the manpower to bring down some abnormal backlogs in the areas of disability claims, SSI claims, and hearings and appeals, and to cope with some peaking workloads.

INTERIM PERIOD BUDGET ESTIMATE

Our budget request for the interim period from July 1, 1976, through September 30, 1976, is $629,900,000, including a $25 million contingency reserve. This estimate assumes no new program expansions or new program initiatives, and basically continues the Federal employment levels authorized for the end of fiscal year 1976. Of course, SSA plans again to support the Federal special summer employment program for the disadvantaged at the same level as in past years. We anticipate that the workloads generated under the several social security insurance programs and the SSI program will be comparable to those in the 1976 budget plus normal growth. The estimates for the medicare contractors and for the State agencies were based on similar assumptions, plus a projected increase in salaries and prices consistent with the rate of change budgeted for 1976.

I would be glad to try to answer any questions, Mr. Chairman.

REORGANIZATION OF THE SOCIAL SECURITY ADMINISTRATION

Mr. FLOOD. A few months ago, it was announced that the social security had been reorganized, the first time in over 10 years. It appears that reorganizations are simply inevitable whenever there is a change in command.

Can you give us a general idea of the major organizational changes involved?

Mr. CARDWELL. There were two fundamental objectives. One grew out of our first year's experience with SSI, and one of the activities most affected by the reorganization will be in the way SSI would be operated.

But the first major objective was to put all of our cash benefit programs under one management. The way we had it before was SSI had its management, and title II retirement and survivors insurance had its management, and the disability program had its management, and yet they all depended on the same network of district offices, and all were very dependent on the centralized data processing facility of the agency which had its own management. The objective was to create one point of supervision and accountability for those programs and pull them together.

Mr. FLOOD. Can you give us other examples of the organizational changes involved?

Mr. CARDWELL. That was the first change. We created an Associate Commissioner for Operations and Mr. Hugh McKenna, who is now acting in that job, is here today and he could talk about it. That was the first change we made.

The second change was to pull together the three major activities of the agency that contribute information and knowledge about financing the system and program choices about the system—the actuary, the Office of Research and Statistics, and the Office of Program Evaluation and Planning. We put them under one central management.

Then the next major change was to make our regional commissioners line officers in charge of the district and branch offices in their regions. Previously management of our district and branch offices had come out of Baltimore and the regional commissioners had only an advisory function. They were the three major changes.

Mr. FLOOD. Do you know yet if there is any improvement in the day-to-day operations?

Mr. CARDWELL. I think it is too soon to say. In fact, we are still paying some very high prices for the changes. Organizational changes take energy and they tie up a lot of your time. We are caught in that process right now.

Mr. FLOOD. Do this for the record.

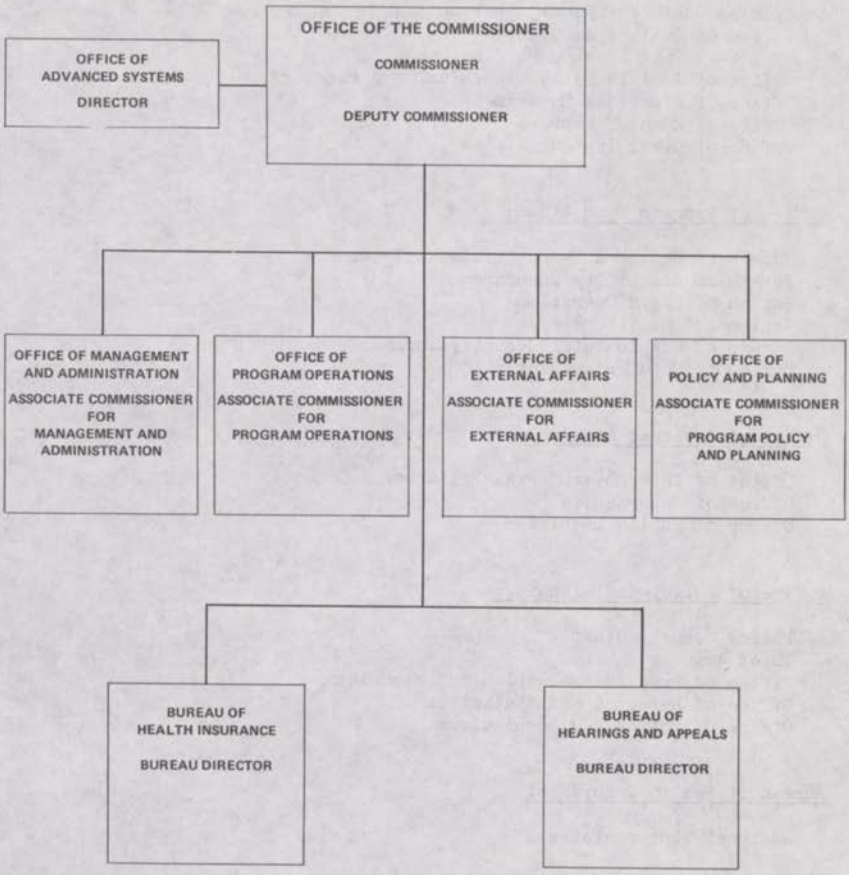
We want to see this new organizational chart.

Mr. CARDWELL. I would be pleased to do it.

[The information follows:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION



The organizational sub-units for each of the above organizational components follow:

Office of Management and Administration:

Management Coordination and Special Projects Staff
Special Staff for Equal Opportunities
Office of Quality Assurance
Office of Data Development
Office of Administrative Appraisal and Planning
Office of Financial Management
Office of Human Resources
Office of Operating Facilities

Office of Program Operations:

Bureau of Retirement and Survivors Insurance
Bureau of Disability Insurance
Bureau of Field Operations
Regional Commissioners
Bureau of Supplemental Security Income
Bureau of Data Processing

Office of External Affairs:

Office of Intergovernmental Relations
Office of Information
Office of Public Inquiries

Office of Policy and Planning:

Policy Council Staff
Chief Actuary
Office of Program Evaluation and Planning
Office of Research and Statistics
Office of Policy and Regulations

Bureau of Health Insurance:

Regional Representatives

Bureau of Hearings and Appeals:

Assistant Chief Administrative Law Judge

LONG-TERM CARE FACILITIES PROGRAM

Mr. FLOOD. Take a look at page 86 of your justifications. You show a transfer of $1,125,000 for the long-term care facilities program. What program do you refer to there?

Mr. CARDWELL. We referred to a decision made by the Secretary that in each regional office there should be established a central responsibility for certification of the adequacy of State and local nursing homes and other long-term care facilities. We had been doing our own certification activities separately for medicare. The Social and Rehabilitation Service had been working with the States to do it for medicaid, and so forth. The Secretary set up a separate organization and we transferred to that organization the equivalent resources we were spending when we did the work ourselves.

Mr. FLOOD. Any new positions involved in this transfer?

Mr. CARDWELL. No, sir.

Mr. FORBUSH. I would say, however, that we are requesting some increased jobs in departmental management in 1976. There was no increase in 1975 over what Social Security had on board. Monday's hearing will be on departmental management and the biggest part of our increase there is for long-term care.

Mr. CARDWELL. But this amount is not representing any increased financing for additional staff.

Mr. FORBUSH. No.

Mr. CARDWELL. That would be in the Department's request.

MANDATORY INCREASES FOR THIRD PARTY CONTRACTS

Mr. FLOOD. You show a net increase of $223,976,000 for S. & E., and it appears that $103 million of this is for what you consider built-in increases. Normally this means we can't do very much about them. But will you explain the $65.7 million increase for wages and prices for third party contracting?

Is that a mandatory expense?

Mr. CARDWELL. It works like this. We have, as a requirement of the medicare provisions, entered into contracts with insurance carriers and intermediaries. They act as our agents to receive the claims and determine their accuracy and propriety and to pay them.

Then we reimburse the intermediary as our contractor for the amount he paid for the claims and for his administrative expenses. We test his administrative expenses as to reasonableness. The law requires that we do that. We also have in our contractual arrangements with them an arrangement wherein as their costs rise due to the higher costs in the marketplace of procuring manpower, equipment, material, and whatever, that we will keep that up to date. Now we examine it to be sure that they are not asking us to pay for something about which they had a choice.

It is the impact of the inflation that takes place in the private sector. The Federal Government tends in its direct manpower and activities not to budget for inflation in advance except for the built-in escalators for salaries. You cannot do this with the private sector. This is a 10-percent increase and assumes a 10 percent inflation. I hope it does not exceed 10 percent.

PURCHASE OF COMPUTER EQUIPMENT

Mr. FLOOD. You want an increase of $5 million for computer equipment. Is that to replace existing equipment or are you going to expand your computer capacity?

Mr. CARDWELL. We tend to keep upgrading our workload capacity. For example, at the time we started on SSI, we added computer capacity but we did not add enough to have backups to the system. Part of the new capacity would be for that purpose.

Mr. FLOOD. Do you rent most of your computers?

Mr. CARDWELL. No. We buy most of them. We have 50 computers, most of which are owned by SSA. It depends on the circumstances. When it is something you know you will replace, we are required to do an analysis by the GSA.

Mr. FLOOD. Do you have any recent studies to show it is more economical to purchase rather than rent computer hardware?

Mr. CARDWELL. That is decided on a case-by-case basis. Usually experience shows that it is more economical to purchase even if we know that we will replace it eventually.

IRS CONTRACT FOR ACCOUNT NUMBER FILE PROJECT

Mr. FLOOD. Do you need the $6 million contract with the IRS for your account files?

Mr. CARDWELL. Yes.

Mr. FLOOD. Is this a way to keep the tax collectors busy during the off-season or what?

Mr. CARDWELL. This is a job that we ourselves have been trying to do for several years. It is a job we have described to this committee once or twice. The idea is to take the basic files containing individual social security number applications which are essentially maintained as traditional paper files, and to put that information on computer tape so that it can be manipulated by a computer. There are some 300 million items to be converted in these files. That gives an idea of what this project is like. It will go over several years. IRS has peaks and valleys in their workloads. We are going to try to use one of their valleys. They will provide us with 700 man-years at about $6.6 million.

STANDARD LEVEL USER CHARGE

Mr. FLOOD. How much is in the budget for the standard-level user charge.

Mr. CARDWELL. Nothing in this appropriation request.

Mr. FLOOD. None of this involves excess charges for space that your outfit occupies.

Mr. CARDWELL. That's right. We had to request $50 million from Federal funds in the payments to Social Security Trust and Other Funds account. The next account will talk about making payment for new construction but in this account, nothing.

Mr. MONTELL. In this account the cost of the actual space to be occupied is included. GSA calls the whole thing standard-level user charge. We have made a distinction from that which would be commercial rents as distinguished from something over and above that.

ADMINISTRATIVE COSTS

Mr. FLOOD. In your justifications you mentioned that your total administrative costs are 2.3 percent of your income. Have you ever considered relating your administration to the number of beneficiaries? Could that be a more accurate way of measuring this?

Mr. CARDWELL. We can do that on the basis of benefit payments and put it in the record.

The reason we use contributions is because it is what the private insurance industry does in calculating its overhead.

[The information follows:]

ADMINISTRATIVE COSTS FOR SOCIAL SECURITY TRUST FUND PROGRAMS AS A PERCENT OF CONTRIBUTIONS AND BENEFIT PAYMENTS (UNDER PRESENT LAW)

	1974 actual	1975 estimate	1976 estimate
Percent of benefits	2.4	2.4	2.4
Percent of contributions	2.2	2.2	2.3

THE PERKINS COMMITTEE REPORT

Mr. FLOOD. The conference report on the 1975 HEW bill made reference to the issue of part B medicare administrative costs. This relates to limiting the use of funds to pay medicare contractors or subcontractors.

In that report the conferees directed the Social Security Administration to embark on carrying out the recommendations of the advisory committee on medicare administration. That is the so-called Perkins Committee. What have you done to implement the recommendations of this Perkins committee report? What do you plan to do in 1975 to implement the recommendations of the report?

Mr. CARDWELL. We have examined all the major recommendations and are arriving at positions on each of them. Several recommendations have already been implemented. We are now working on their major recommendation. I would like to emphasize that one. It has to do with a controversy that has evolved between part of Congress and ourselves and the carrier community about whether, under the medicare program, a carrier who has a contract with us to provide us data or claims processing service, whether he can be required to enter into competition with a third-party data processor, rather than carry on his own claims processing within his own organization without competition. This is one of the issues the Perkins committee was asked to examine. They came to a conclusion that it was fundamental under the Social Security Act and the medicare portion thereof, that the carriers themselves would work for the Government under conditions other than the traditional procurement conditions imposed by most Federal contractors, and that it was fundamental that the carrier should have the right to choose to do his own work or not. The issue of the extent of application of Federal procurement regulations to the carrier has now gone to the Department of Justice for an interpretation of the law.

We think it will be settled fairly soon. It has been going on for about 6 months. It is centered on one case and one carrier, Pennsylvania

Blue Shield. If the Department of Justice concurs with the Perkins committee report and with our conclusions, which is the carrier has the right to decide to perform services in-house without competition, we would then proceed with the major thrust of the Perkins report which is to reduce our involvement in the decisionmaking process of carriers and to proceed to develop some performance standards that would permit the Government to disengage from a carrier at the Government's choice based on a carrier's failure to meet those standards.

That was the most important recommendation of the report. That is the one we have been stalled on. Another important recommendation was that the Government disengage from the development and maintenance of its own Part B automated data-processing system.

The Government made a large investment over the years to design its own procedure and to give it over gratis to its contractors. In other words, here is a better way to do your contractor work.

The Perkins Committee said, "Don't do that any longer. It serves a useful purpose but it is interfering with competition in the marketplace." They suggest the Government disengage gradually. We are currently making our recommendations to the Secretary on this.

SUPPLEMENTAL SECURITY INCOME APPEALS

Mr. FLOOD. The supplemental income security program is your biggest problem right now. New cases are coming in every day, on top of the 4 million redeterminations that you have to do. What do you expect in the way of appeals in this area?

Mr. CARDWELL. We think we will have a heavy appeal load. There are two characteristics of the caseload which suggest heavy appeals. One is the experience in title II which has been that the disabled tend to exercise their appeal rights more, and disability is a significant part of the SSI program. Also, the very poor have a tendency to go as far as they can in the pursuit of a benefit right. The appeals process is really conducive to carrying the appeal right up to its highest level. The cost of counsel for the appellant is assured from the benefits accrued if the outcome of the appeal is in the appellant's favor.

Just to review how the hearings caseload is building up in SSI, in June of 1974 we had about 1,600 such hearing appeals pending. In March of 1975 that number had risen to about 29,000.

ADMINISTRATIVE LAW JUDGES

Mr. FLOOD. Let me ask you this: Have you experienced any problems with your administrative law judges? We understand that some of them are not, as an understatement, models of efficiency by any means.

Mr. CARDWELL. I have observed that to some extent. One thing that we should understand is that we created a special environment some years ago when we designed the Administrative Procedures Act, and I am using the generic "we" talking about Government at large. This environment encouraged people in the appeals process to assume the role of a judge. In fact, we gave them the title of administrative law judges.

One of the traditions of the bench is, of course, that judges have their own prerogatives. I think it is probably true that a number of

the ALJ's saw themselves in that light. I do not think the work that has to be done requires that particular behavior on the part of an administrative law judge. In fact, I think it is detrimental for the ALJ to adopt that posture. I think he should see himself as a person trying to help another person obtain some equal treatment in a reasonable method of due process. He should not see himself as the ultimate judge who can decide to put on his robes or not put on his robes, depending on his own pleasure.

I think the same environment led the Bureau of Hearings and Appeals to tread very lightly in its relationship to these people, rather than treat them as regular employees, for fear that they would be accused of influencing them in their independent actions. They set up a very loose organizational and work processing arrangement. As a result, it is one that is not working very well.

SENIOR JUDGES

I think we need to create a situation where the judges have supervisors. We have moved to that. We are setting up a chief judge in each of our regions and they are to be given workload assignments. I do not advocate quotas, but individual administrative law judges are given blocks of work to perform and, therefore, a realization of what is expected of them. Their performance is to be compared with their peers' and each will see the other's rate of performance. I think this approach will be very helpful. Also, we will maximize the utilization of other legal professionals in preparing the cases, even writing and drafting the opinions, because there are not enough administrative law judges available to us in the marketplace. We have to learn to use other skills.

The judges feel uneasy when we talk that way. They think, and they have some justification in feeling this way, that this threatens their grade level. They think, if someone else can do part of the work for them, they are therefore less important in the Federal approach to salary levels and classification and they will therefore not get supergrades. Incidentally, most administrative law judges outside of the Social Security Administration are supergrades. In the Social Security Administration they are grade 15's which is the top of the regular classification system.

To sum up, I think some of our judges have adopted the "I am a judge" posture—definitely not all of them have. Most have not. I have met them around the country. By and large the ones I have talked to are intelligent and impressive and dedicated men. But there are some who have taken this other attitude. There is a fraternity of administrative law judges in the Government and I think they tend to protect their own interests by banding together.

I would also suggest they are trying to limit their numbers. They see the growing social security workload as a threat to that idea. We now have more administrative law judges than all other Federal agencies put together. I must emphasize that these are generalizations and are not meant to assail or threaten anybody.

Mr. Flood. I am sure you know this committee has become very seriously concerned with the whole process of the administrative judge. There is no doubt that you are, too.

Mr. CARDWELL. The Secretary of HEW, I can tell you, if he could have his choice, would go back and start all over again and not apply the procedures in the Administrative Procedures Act. I think it is too late for that. I have told him that several times.

Mr. CONTE. Will you yield, Mr. Chairman?

Mr. FLOOD. Yes.

SSI HEARING EXAMINERS

Mr. CONTE. Do you have the authority to assign anyone to hear an appeal, whether he is an administrative law judge or not?

Mr. CARDWELL. No, sir; it is limited to the administrative law judge. One of the problems in managing our caseload is that administrative law judges can hear any kind of case but hearing examiners can only hear supplemental security income cases. We have no capacity to transfer and move them back and forth. It is an administrative and management anomaly. It is not an efficient arrangement at all.

The Chairman of the Civil Service Commission is concerned about it. We have talked to him. He thinks that we have overextended ourselves in the application of the Administrative Procedures Act. The Secretary feels that way as well. They may be right. But I think it is too late to go back and start all over again.

I think we have to make what we have work.

HEARING PROCESSING TIME

Mr. FLOOD. I think you have about reached the point with Congress too. There is no question about that.

Mr. CONTE. I just held office hours in my district and quite a few people came in and complained. Is this the reason why you moved your appeal from 6 months to 9 months?

Mr. CARDWELL. The truth of the matter is that in the appeals process we now have on hand more cases than we could finish in a year with our present resources if we did not receive another case. We have built up a backlog. Can you imagine a court with 111,000 cases sitting on its docket? That is what we have.

Incidentally, this will inundate the court system eventually. They are less prepared than we are.

UNITED KINGDOM AGREEMENT

Mr. FLOOD. I notice you are still requesting appropriation language to permit a cooperative arrangement with the United Kingdom.

Mr. CARDWELL. Yes.

Mr. FLOOD. We thought this was a 12-month pilot test. But 1976 will be the third year that this will be in the bill. How long is this project going to continue?

Mr. CARDWELL. I am frankly not familiar enough with it to tell you how long it will continue.

Mr. FLOOD. For the record you give us a status report on this project. Show how much it has cost and any results that have been achieved. We want to know about that.

Mr. CARDWELL. We will do that.

[The information follows:]

TRIAL COOPERATIVE AGREEMENT WITH THE UNITED KINGDOM

Effective November 1, 1974, the Social Security Administration joined in a cooperative experiment with the Department of Health and Social Security of the United Kingdom. The purpose of the experiment is to measure the extent to which social insurance administrators in different countries can assist each other in the administration of their respective programs. The United Kingdom refers certain cases involving British pensioners living in the United States to the Social Security Administration for needed services, and the Social Security Administration requests the United Kingdom to develop certain cases which involve social security beneficiaries living in the United Kingdom. At the end of a year, October 31, 1975, the results will be evaluated to determine if the exchange of services has been worthwhile and if it should be continued on a permanent basis.

Special language for this purpose was added to the fiscal year 1974 appropriation request. Actual implementation was somewhat delayed so that the experiment is taking place in parts of fiscal years 1975 and 1976 and the special language has been continued to support the trial period. The Social Security Administration will request substantive legislation to support continuation of this agreement if the evaluation of the experience proves that it was successful.

To date, the United Kingdom has requested our assistance is only two cases for their pensioners residing here and SSA has requested assistance in 293 cases for our beneficiaries residing in the United Kingdom. While we would expect long-term experience under this type of agreement to be more evenly distributed between the participating countries, there should be minimal costs because of the relatively few pensioners and beneficiaries involved: about 12,000 living in each country.

Mr. FLOOD. Do you have any questions, Mr. Conte?

THE APPEALS PROCESS

Mr. CONTE. Yes, Mr. Chairman. I am really worried about this whole situation.

As I said, I was home recently and held office hours. It is really sad to see some of these old people who appeal their case and are very dependent on whether they are going to get total disability or not.

You know with all due deference to the chairman, we passed the legislation on black lung disease—

Mr. CARDWELL. That hurt this process.

Mr. CONTE. Sure it did.

Mr. CARDWELL. One of the problems we have, as I mentioned, is assignment of roles. There is no consensus on what to do about the assignment of roles. My position is that we should continue under the Administrative Procedures Act, we are too far into it to turn back. Due process is something everybody wants and this law provides one means of due process. I think we should organize the work better. As I suggested, we should make clear to the judges they cannot have their way on the issue of support personnel, that we will insist on the use of support personnel.

Mr. FLOOD. You said this morning what the situation is. There is no doubt that we have come to a point where Congress is going to reexamine, very carefully, this whole thing. It has to be. It has just become that kind of a situation.

Mr. CARDWELL. One of the most important things I think we have done in the last several months is that we have taken some very positive steps in the management of the process. It is a process that we, the Government, we at HEW and at SSA, allowed to drift too far in one direction or because we were so afraid the Social Security Ad-

ministration would create the slightest appearance of interfering with or influencing the behavior of the administrative law judges.

Mr. FLOOD. You were acting out of an abundance of caution.

Mr. CARDWELL. Yes. Everybody says it is someone else's problem, not ours. It turns out to be ours.

Mr. FLOOD. It sounds like a nightmare to me.

Mr. Conte.

CONTINGENCY FUND

Mr. CONTE. Have you had a contingency reserve fund in the past? To what extent has it been needed and used?

Mr. CARDWELL. Yes, the agency has had the contingency reserve since 1960. Originally it was for $10 million but since medicare it has been $25 million. SSA's administrative budget is based on an estimate of workloads which result from the public bringing claims or post-adjudicative matters to our employees in district offices, to Blue Cross or Blue Shield contractors who process medicare bills and claims, to State agencies who make disability determinations and so forth. We can't control these workloads. The contingency reserve, which can only be used when the workloads and third party costs are greater than anticipated, enables SSA to deal with small unanticipated workload increases. For the big stuff we, of course, have to go the supplemental route. To illustrate our need and use of this reserve, since 1969 we have needed and used all or part of it each year with the exception of 1974

Mr. CONTE. Why do you need a contingency fund? Why can't you come in for a supplemental like everyone else?

Mr. CARDWELL. As I just mentioned, the contingency fund is needed because our workloads come in from the people and therefore are uncontrollable to a very high degree. The contingency fund can be used only for higher than estimated workloads or higher than estimated costs for State agencies or medicare contractors who perform services for us in administering the programs. We don't have a blank check to use whenever we want to. The contingency reserve was originated as a means of handling relatively small unforeseen and uncontrollable increases, without having to so frequently go through the supplemental budget process. The Office of Management and Budget must approve our use of the contingency through the formal apportionment process. We can't use it without formal approval from that office.

Mr. CONTE. Would you outline the factors that would cause a workload in excess of budget estimates?

Mr. CARDWELL. There are many factors that can cause actual workloads to exceed our estimates. The most common are: Changing economic conditions, in periods of high unemployment we generally receive increased numbers of claims; overrealization of the budget estimate, due to the difficulty in accurately estimating workloads for a new program, as we have experienced with SSI; and legislative changes made by Congress which often create new workloads or increase existing workloads. For major program changes, of course, the contingency reserve alone is not adequate and a supplemental request is necessary.

MANDATORY THIRD PARTY INCREASES

Mr. CONTE. In what sense are the cost increases of medicare contractors and State agencies "mandatory"?

Mr. CARDWELL. You are, I believe, referring to the summary of changes in the budget justification, which classifies increases and decreases according to whether they are built-in or more discretionary. This is just a classification system. Nothing is mandatory in the sense that Congress is required to appropriate funds. In this connection, however, let me say that we are required by law to reimburse the Medicare contractors and the State agencies for their reasonable costs (but no profit) incurred in performing social security work once we ask them to do this work. We do review the third parties' budget requests and their cost reports to determine that the charges to the trust funds are reasonable. Also, the third parties are audited periodically by the Department of Health, Education, and Welfare's audit agency.

Now to answer your questions about "mandatory" cost increases. Using the Medicare contractors as an example, there are many cost increases which are nondiscretionary. Many of the contractors have unions which have negotiated with management, wage contracts that require periodic cost of living adjustments as well as increases in fringe benefits. The State employees receive merit increases just as do Federal employees.

The same is true for other costs such as utilities, telephone, postage or rental rate increases and increased travel costs—lodging, meals, and gasoline. We must reimburse the States and contractors for these rate increases if they are reasonable.

Mr. CONTE. How aggressive are you in challenging these so-called "mandatory" increases? With what success?

Mr. CARDWELL. We subject the third parties to the same kind of budget review we apply to SSA itself. There is no knee-jerk approval of whatever is requested. We cut third-party budgets when this seems appropriate, or when the fiscal condition is tight. All salary costs including fringe benefits are monitored and questioned if they appear out of line and are not fully explained. It must be kept in mind, however, that contractor and State agency personnel policies and salaries affect all employees, not just those working on social security work.

Regarding "other" costs, we do require that all leases for space whether new or renewals requested by the Medicare contractors be approved by SSA. This is also true for all their major purchases or leases of equipment. Also, competitive bids are required in the acquisition of equipment or subcontracting for services. Further, instructions have been issued to the contractors to reduce travel wherever possible without interfering with the efficient operation of the Medicare program.

Have we been successful? Again, using the Medicare contractors as an example, since their costs constitute the largest part of the third-party administrative costs, we believe we have had some success. Our efforts to control costs are reflected in the unit costs of processing Medicare bills and claims. These unit costs have remained relatively level despite inflationary pressures, particularly those experienced over the past 18 months.

SSI REDETERMINATIONS

Mr. CONTE. You said that you expect to save about $100 million in SSI benefit payments in 1976 by weeding out ineligibles. How much will it cost to perform all of these redeterminations?

Mr. CARDWELL. It is budgeted to cost SSA about $80 million to $85 million over the 2 fiscal years 1975 and 1976 to redetermine all of those

SSI beneficiaries converted from the State welfare rolls. If the anticipated $100 million in savings is realized for 1976, comparable but gradually decreasing savings would continue annually for as long as these beneficiaries would otherwise have been receiving SSI benefits. We think redeterminations are certainly cost effective.

PROGRAM INTERRELATIONSHIPS

Mr. CONTE. When an individual is receiving benefits from more than one program, for example disability and SSI, is determination of eligibility required separately for each program, or is there some way of having a one-time determination for all benefit programs?

Mr. CARDWELL. Where the programs involved have the same requirement, such as proof of age or existence of a disability, one determination serves both programs. On the other hand, a determination of need is required for the SSI program. Therefore, since some eligibility requirements differ among the programs, it is not possible to have one overall determination of eligibility that covers all programs. Separate determinations are necessary for each program, but we don't duplicate by determining the same factor twice.

PRODUCTIVITY IMPROVEMENT

Mr. CONTE. Would you outline the steps which will enable you to absorb $95.6 million of your workload increase through productivity improvements?

Mr. CARDWELL. This projected budget saving results from a combination of productivity improvements in the bureaus and offices of the Social Security Administraiton and in the third parties performing work on a contract basis for SSA. Over 32 percent of this saving will be accomplished by these third parties—disability insurance State agencies, health insurance State agencies and medicare contractors—principally through growth in the amount of workloads processed on new or upgraded automated processing systems. In SSA most of the productivity increase is to be achieved through procedural changes—including improvements in automated systems, better performance from a more experienced and fully trained staff, and a decrease in training requirements in 1976 compared to 1975, a year in which many new employees came on board. Of course, as indicated in my statement, I have some uncertainty about our ability to fully achieve the budget productivity goals, but we are going to try our best.

Mr. CONTE. This sounds like an enormous increase in productivity. Why hasn't it been done before?

Mr. CARDWELL. SSA has demonstrated a good record of productivity improvement in the past. With the exception of fiscal year 1974, when SSA implemented the SSI program and suffered a loss in productivity, SSA's average productivity improvement for the previous 5 years averaged over 4 percent. For the 2-year period fiscal years 1975–76 we are projecting an average productivity of 5.5 percent, not much different than past experience. As I mentioned in my opening statement, however, there are some uncertainties concerning our ability to maintain the agency's past record of productivity, but we think at this time that the budget estimate is reasonable based on past performance.

Mr. CONTE. If you can absorb this much through increased productivity, can you try a little bit harder?

Mr. CARDWELL. I don't think we can do any better. I just hope we can do that well. Our success in achieving the budgeted productivity will depend, in part, upon timely implementation of various systems improvements and procedural changes, as well as the accuracy of our estimates of training needs and other factors that affect productivity in 1976. As I have become more familiar with the agency's operations I have come to believe that SSA has pretty much milked dry a lot of the capacity for systems and procedural changes. Much of the answer to future productivity may lie in program simplification that would require legislative changes.

Mr. CONTE. Can you tell me why your predictions of productivity for 1975 and 1976 are less certain than in past years? For that matter, how certain were they in past years?

Mr. CARDWELL. SSA predictions of productivity for 1975 and 1976 are less certain than in past years because many of the uncertainties concerning workload performance capacities which have come into the picture in the last year and a half as a result of the implementation of the SSI program may continue to affect SSA for the next fiscal year. Our early estimates for the SSI program were far from the mark as indicated by our experience in 1974 and our need for a supplemental appropriation in 1975. Until systems and procedures for this program stabilize and we gain some further experience with SSI, I believe our estimates for this program may be less certain than our past budget estimates have been. And I believe our past record of estimating productivity has been quite good. Over the 5 years prior to fiscal year 1974 when we lost productivity, from fiscal year 1969 through fiscal year 1973, our average annual productivity estimate was a little over 3 percent. This compares to an actual average annual productivity improvement of about 4 percent for the same time period.

THIRD-PARTY INCREASES

Mr. CONTE. Do you consider the estimate of a 10-percent increase in salaries and prices paid by third parties to be excessive? This is higher than the rate of predicted inflation, isn't it?

Mr. CARDWELL. There are several reasons that we have budgeted for this increase in salaries and prices for the third parties. First, the Office of Management and Budget economic assumptions predicted increases in this range for State and local wages. Also, an analysis of recent increases provided by the health insurance contractors shows a trend which substantiates the economic assumptions. These increases in many cases result from union contracts which have been or will be negotiated.

Another reason for the increase in salaries relates to third-party productivity improvements. They have been adding higher salaried personnel and reducing the size of their clerical staffs, as more and more they use automated systems to process bills and claims. The salary increases are partially offset by the productivity which we expect of the third parties.

Mr. CONTE. What are you doing to keep these increases down?

Mr. CARDWELL. As I said earlier, we subject the third parties to the same kind of budget review we apply to SSA itself. We cut third-party budgets when it is called for, or when fiscal conditions are tight. We also monitor their business practices, see that they purchase only needed supplies, and periodically have them audited by the department's audit agency.

Mr. CONTE. How do you square a 10-percent increase in third-party expenses with the President's 5-percent ceiling on benefits for 1976? Don't you think everyone's expenses will be increasing 10 percent next year?

Mr. CARDWELL. Social security beneficiaries and Government employees have received substantial increases in benefits and salaries over the past few years. The States and contractors, on the other hand, have been relatively slow in increasing employee salaries, and the increases projected for 1976 will still not fully catch up in many cases. Also since the salary increases of third parties result from union negotiated contracts and management efforts to offset the impact of inflation and since we are not supposed to pay less than the actual costs incurred through our contracts with the third parties, we think it is essential to budget for what most likely is going to happen.

REDUCTION IN TRAINING

Mr. CONTE. How do you explain your reduced training requirements in light of your need for an additional 4,800 man-years? These employees have to be trained, don't they?

Mr. CARDWELL. In fiscal year 1976, SSA is not budgeting for any significant increase in staffing for this account. In fiscal year 1975 SSA recruited large numbers of new employees, and their training—much of it technical in nature—caused the amount of time spent on training to be abnormally high. In fiscal year 1976, we will not have this additional technical training, and, therefore, the amount of training will return to a more normal level. The additional 4,800 man-years requested in the 1976 budget will not be achieved by new employees hired in 1976, but rather by the employees hired late in fiscal year 1975 who wil be on duty for a full year in fiscal year 1976.

ADP EQUIPMENT

Mr. CONTE. How much is the ADP equipment which you are purchasing?

Mr. CARDWELL. We plan to spend $8.1 million in fiscal year 1976 for ADP equipment, the majority for four major types of equipment: two optical scanning devices which will be used to convert printed material into magnetic tape; modems which are used on telecommunications lines to convert data from its form at input to a form which can be carried over communications lines, and back into its proper output form—modems are currently leased from the telephone company; channels for our currently leased large-scale computer systems which allow transmission from one piece of computer hardware to another along a data path; and a magnetic tape storage and delivery system.

Mr. CONTE. How much do you estimate you will save through increased automation? How long will it take for this new equipment to pay for itself in increased savings?

Mr. CARDWELL. Purchase of the optical scanning devices is required to replace an aged device currently being utilized. Savings as a result of this type of device are already reflected in SSA manpower estimates. Purchase of modems and channels will not result in increased savings due to automation but we have determined through lease versus purchase analyses that purchase of this equipment is more advantageous than continuing to rent. We anticipate that the purchase of the magnetic tape storage and delivery system will result in considerable manpower and material savings but we are unable to quantify these savings at this time. A thorough analysis, however, will be conducted prior to actual purchase of the equipment.

EMPLOYMENT

Mr. CONTE. What is your present OMB personnel ceiling? Has your entire personnel increase request been approved? How many more slots did you request than were approved?

Mr. CARDWELL. The Office of Management and Budget asked us to budget for what we needed to do the job over the next 2 years in the way of temporary and term employees who would not become permanent additions to the Federal work force. That is what we did. We were also exempted from the Government-wide 2 percent employment reduction on permanents. The total employment ceiling based on OMB's approved deficiency apportionment and included in the supplemental request now pending before the Congress for SSA for fiscal year 1975 is 85,635 for all programs, administered by SSA. This includes 72,359 full-time permanents, 6,000 limited-term appointments, and 7,276 temporary and part-time positions. The term appointments will count as permanents for Federal employment reporting purposes because the employees filling the slots will be on board for more than 1 year although they are not expected to become permanent additions to the Federal work force. With the inclusion of the term appointments, SSA's total full-time permanent ceiling is 78,359.

Mr. CONTE. How many people do you hire under the special summer employment program for the disadvantaged?

Mr. CARDWELL. For the summer of 1975, we expect to hire about 3,000 under the special summer employment for the disadvantaged. We refer to them as summer aids and stay-in-school students. That number increases our approved work force by about 3½ percent for the summer months.

Mr. CONTE. What are the eligibility requirements for this program?

Mr. CARDWELL. One purpose of these summer programs is to provide meaningful work to needy young people who might not otherwise have the opportunity to obtain summer jobs. Essentially, need is the only eligibility requirement for the programs. Prior to being appointed under schedule A excepted authority, summer aids and stay-in-school students must first meet the criteria for determining economic need. The primary referral sources, including certification of eligibility, are local State employment service offices.

Mr. CONTE. Do you actually need more people during the summer months? Would your productivity increase if you did not participate in this program?

Mr. CARDWELL. Past years' experiences clearly demonstrate that, with appropriate job planning, orientation, supervision, and instruc-

tions, many of these young people perform their assignments in a highly acceptable manner. There are always, I believe, in summer employment programs instances where summer employees are assigned to make work projects or to real work projects that do not fit their skills or interests. This is a price we pay for summer employment on a large scale, but it is a worthwhile price. While no studies have been made of these employees' affect on productivity, it is logical to assume that they may cost this agency some productivity but very little. From 3,000 people working 2 to 3 months, we get the equivalent of about 600 man-years of available working time. This is only seven-tenths of 1 percent of the total man-years budgeted for this year. So if there is some productivity loss, it's extremely minimal and is far outweighted by the dividends gained from the investment. These young employees are used to replace regular employees who are on vacation, they help alleviate seasonal workload increases, and they help to reduce the amount of overtime that might otherwise be required. More importantly, the summer programs enable us to provide meaningful employment to our Nation's young people, which will provide them not only an opportunity to earn money and enrich their career goals, but also to learn more about the activities of their Government; and by the way, they are paid the minimal wage of $2.10 an hour.

PERKINS COMMITTEE RECOMMENDATIONS

Mr. CONTE. Would you tell me which of the Perkins committee recommendations are already operative? Which will be implemented during 1976?

Mr. CARDWELL. I will be glad to provide for the record the status of those Perkins committee recommendations that we have taken a position on or are already operative.

[The insert follows:]

Status of Perkins Committee Recommendations

1. Carriers Produce Utilization Review Data

SSA concurs in this recommendation. Existing instructions require carriers to produce the type of data referred to in the report. SSA is monitoring the practices of the carriers to see that they are meeting current Medicare requirements.

Status: Operative.

2. More Refined Measurement Criteria Needed

The objective of an improved carrier evaluation system has been substantially accomplished through a performance measurement system presently in place. Certain measurement refinements have been--and will continue to be--made which assure an even more accurate assessment of performance. The addition of a Quality Assurance Program, now operational, adds the capability for quality measurement to the evaluation system. However, the degree of comparative measurements of the carriers' ability to apply professional standards of medical necessity, because of the nature of the process, is extremely limited. Also, the measurement of the application of professionals standards of medical necessity may be performed by Professional Standards Review Organizations (PSROs).

Status: Substantially operative--continuing refinements will be made.

3. Enter into Research Contract to Develop Improved Performance Criteria

SSA concurs with this recommendation. SSA will advertise for, and negotiate an appropriate contract with a firm qualified to provide support in our continuing efforts to improve performance criteria. Contracting on a task order basis rather than entering into a research contract is the favored approach since it would be responsive to specific problem areas in performance criteria development. The tentative target date for a signed contract is August 15.

Status: Implementation planned for FY 1976.

4. Develop Improved Cost Reporting and Cost Accounting Guidelines

SSA concurs with the recommendation to develop improved cost reporting and cost accounting guidelines in an effort to more precisely identify and to reduce the variations which have occurred in the cost experience of the contractors, and to provide a greater degree of reliability in the use of reported cost data for the comparison of contractors' performance. Action has been initiated to implement this recommendation through in-house efforts, through the preparation of a Request for Proposal (RFP) for contract with a qualified organization to assist in our efforts, and through inclusion in the revised prime contracts reference, as appropriate, to the Cost Accounting Standards Board regulations which can be adopted for Medicare program administrative purposes.

Status: Implementation planned for FY 1976.

5. Issue an Annual HEW Publication Showing the Results of Carrier Performance

SSA concurs with the substance of this recommendation--that results of carrier performance should be made known. The intent of this recommendation has already been met through the issuance of numerous reports related to contractor performance. The Annual Contractor Evaluation Report for each contractor has proved useful in encouraging improved performance, and the evaluation reports are widely read. Although performance information is readily available, SSA will consider publishing it in a generalized, summary-type format.

Status: Operative.

6. Announce a Policy of Contract Nonrenewal for Poorly Performing Carriers

SSA is already complying with this recommendation. Therefore, we do not see the need for any special announcement of a policy of nonrenewal for poor performance.

Status: Operative.

7. Formulation of Incentive Reimbursement Plans for Carriers

Under the authority of Section 222 of the Social Security Amendments of 1972, SSA is developing proposed experiments on incentive and fixed price arrangements which will be undertaken beginning in FY 1976.

Status: Implementation planned for FY 1976.

8. Reassign Portions of Workload of Poorly Performing Carriers

SSA will continue its practice of reassigning territorial portions of workloads upon determining that the present allocation is responsible for the inadequate operations of a carrier and that the change in allocation would be likely to result in improved performance.

Status: Operative.

9. Research and Development Program for Medicare EDP Systems

Provision is already made for carriers to keep abreast of new EDP technology and techniques. If a system implementation or upgrade is approved, funds are budgeted for this purpose. Carrier technical personnel attend EDP training workshops and there is an exchange of information about new technologies and/or program developments among carriers through the carrier technical advisory group and through periodic SSA/carrier meetings. If a carrier becomes aware of a new technological development or technique that it believes would improve its efficiency and result in program benefits, implementation would be considered under the appropriate provisions in the contract between the carrier and the Secretary.

In addition, we will begin to issue technical papers which will deal with the successful application of advanced technology within intermediary/carrier settings.

Status: Operative. Further refinements, however, will be made.

10. Making the Carrier Representative Group (CRG) a More Effective Body

a. SSA concurs that the effectiveness of the Carrier Representative Group should be enhanced. The functions of the Group are now being reviewed by both SSA and the Group. After agreement has been reached on a statement of functions, it will be reflected in appropriate administrative directives.

b. SSA has considered the recommendation to eliminate the rotation of carrier representatives to the Group if all carriers agree that the representatives are providing effective leadership and consultation. In conjunction with the Group, SSA has decided to retain the rotation process but rotate members only once every three years.

c. SSA does not concur in the recommendation to allow policy differences between SSA's Bureau of Health Insurance and the Group to be brought before the Commissioner. The Group representatives and all other contractors are free to express major policy differences and request consideration of these differences by top SSA and HEW staff.

Status: Substantially operative.

11. Carrier Views Be Taken into Account Early in the Policy-Making Process

SSA finds that existing prior consultation and other mechanisms provide an ample opportunity for carriers to present views on most Medicare administration issues. Opportunities also exist for carriers to comment on matters that relate to broad health policies developed and/or coordinated at the Department level.

Status: Operative.

12. Treatment of Carrier Joint Ventures

SSA concurs and has adopted the position expressed in this recommendation. The recommendation states that where a carrier relinquishes any material portion of its responsibility and functioning with respect to data processing and delegates the responsibility to a joint venture or a jointly owned subsidiary it removes itself from total control. Therefore, in keeping with the spirit of the carrier contract, a joint venture or joint subsidiary should be treated as a subcontractor for purposes of requiring bid solicitation.

Status: Operative.

13. Improvements in the Procurement Process for EDP Subcontracts

SSA concurs and has compiled with the recommendations to require (1) improved specifications for Request for Proposals (RFPs); (3) establishment by carriers of explicit factors and weights for evaluating proposals; and (4) improved procedures in bid submissions by subcontractors to facilitate comparison among proposals. SSA, however, finds that it cannot concur in item (2), which calls for consideration of financial assistance to responsible bidders, due to the cost and legal questions which would arise and the possibility that such a procedure would not result in an increase of qualified bids.

Status: Substantially operative.

14. 90-Day Time Schedule for Approval of EDP Subcontractors

SSA concurs and, in fact, will reflect such a policy of final approval of a proposed subcontract within 60 days from receipt of the recommendation made to the Secretary in the new prime contracts with the Medicare contractors effective July 1, 1975. However, adherence by SSA to this time schedule will be contingent upon the recommendation being complete, correct, and not requiring additional or clarifying information.

Status: Implementation planned for FY 1976.

15. Separation of EDP Subcontract Decision-Making Process

SSA concurs to this extent: the development of the Model B system and the EDP subcontract decisions should not be the responsibility of the same group. Within SSA's Bureau of Health Insurance, the group reviewing EDP subcontracts has been separated from the Model B System group. However, the experience and background knowledge necessary to properly evaluate Medicare EDP subcontracts is a practical obstacle to removing this function from the Bureau. If recommended legislation is introduced to allow for

fixed-price contracts (refer to item 7), this issue would not arise under contracts based on fixed price.

Status: Substantially operative.

16. Limitation on Term of EDP Subcontract

SSA concurs. This recommendation has been fully implemented.

Status: Operative.

17. Use of Conflict of Interest Questionnaire by Subcontractors

SSA concurs. The carrier contracts will be modified for FY 1976 to require annual conflict of interest questionnaires from the officers and directors of any subcontractors.

Status: Implementation planned for FY 1976.

18. Independent Feasibility Study of the Benefits from Regional Processing Centers

SSA concurs and will issue a Request for Proposal prior to August 1, 1975, to undertake a study of the cost and operational considerations involved in establishing the optimum number and size of regional computer centers.

Status: Implementation planned for FY 1976.

MODEL B DISENGAGEMENT

Mr. CONTE. What is the status of your cost-benefit analysis on Model B disengagement?

Mr. CARDWELL. The Social Security Administration has completed considerable staff work on pricing out the various alternative arrangements to the in-house maintenance of the Model B claims processing system. We will have a plan ready by the end of this fiscal year.

CLAIMS PROCESSING TIME

Mr. CONTE. What is your target time period for the processing of a social security claim? What is the present average? How close to your target do you expect to get this year?

Mr. CARDWELL. Our current median processing time for retirement and survivors claims is about 30 days and our target time is 24 days. Disability claims are inherently more time-consuming to process than other types of claims. Not only does the law require that these claims be decided by an agency of the State in which the applicant resides, but also every disability decision must be supported by medical evidence, which must, in the first instance, be secured from the claimant's sources of medical treatment. Further, many disability claims require that special medical examinations be arranged, which adds further to delay. Overall median processing time for initial disability claims, including both allowances and denials, is currently around 70 days. Our target median time is 50 days.

As you might imagine, reducing processing time is a gradual process. I would not want to guess how much improvement can be made this year, but we will keep on trying. However, with continued systems and methods improvements, and further reductions in pending workloads, we might reach our target times by the end of 1976.

Mr. CONTE. Thank you.

Mr. FLOOD. Again, I thank you, Mr. Cardwell.

Mr. CARDWELL. Mr. Chairman, thank you. It is always a pleasure, Mr. Chairman.

Justification of the Budget Estimates

Appropriation Estimate

LIMITATION ON SALARIES AND EXPENSES

For necessary expenses, not more than [$2,004,729,000] *$2,373,132,000* may be expended as authorized by section 201(g)(1) of the Social Security Act, from any one or all of the trust funds referred to therein: *Provided*, That such amounts as are required shall be available to pay travel expenses either on an actual cost or commuted basis, to an individual for travel incident to medical examinations, and to parties, their representatives and all reasonably necessary witnesses for travel within the United States, Puerto Rico, and the Virgin Islands to reconsideration interviews and to proceedings before administrative law judges under titles II, XVI, and XVIII of the Social Security Act: *Provided further*, That $25,000,000 of the foregoing amount shall be apportioned for use pursuant to section 3679 of the Revised Statutes (31 U.S.C. 665), only to the extent necessary to process workloads not anticipated in the budget estimates and to meet mandatory increases in costs of agencies or organizations with which agreements have been made to participate in the administration of titles XVI and XVIII and section 221 of title II of the Social Security Act, and after maximum absorption of such costs within the remainder of the existing limitation has been achieved: *Provided further*, That such amounts as may be agreed upon by the Department of Health, Education, and Welfare and the United States Postal Service shall be used for payment, in such manner as said organizations may jointly determine, of postage for the transmission of official mail matter in connection with the administration of the social security program by States participating in the program: *Provided further*, That such amounts as may be required may be expended for administration within the United States of the social insurance program of the United Kingdom, under terms of an agreement wherein similar services will be provided by the United Kingdom in that country for administration of the social insurance program of the United States.

Appropriation Estimate

LIMITATION ON SALARIES AND EXPENSES

For "Limitation on salaries and expenses" for the period July 1, 1976, through September 30, 1976, $629,900,000 may be expended as authorized by section 201(g)(1) of the Social Security Act, from any one or all of the trust funds referred to therein: Provided, That such amounts as are required shall be available to pay travel expenses either on an actual cost or commuted basis, to an individual for travel incident to medical examinations, and to parties, their representatives and all reasonably necessary witnesses for travel within the United States, Puerto Rico, and the Virgin Islands to reconsideration interviews and to proceedings before administrative law judges under titles II, XVI, and XVIII of the Social Security Act: Provided further, That $25,000,000 of the foregoing amount shall be apportioned for use pursuant to section 3679 of the Revised Statutes (31 U.S.C. 665), only to the extent necessary to process workloads not anticipated in the budget estimates and to meet mandatory increases in cost of agencies or organizations with which agreements have been made to participate in the administration of titles XVI and XVIII and section 221 of title II of the Social Security Act, and after maximum absorption of such costs within the remainder of the existing limitation has been achieved: Provided further, That such amounts as may be agreed upon by the Department of Health, Education, and Welfare and the United States Postal Service shall be used for payment, in such manner as said organizations may jointly determine, of postage for the transmission of official mail matter in connection with the administration of the social security program by States participating in the program: Provided further, That such amounts as may be required may be expended for administration within the United States of the social insurance program of the United Kingdom, under terms of an agreement wherein similar services will be provided by the United Kingdom in that country for administration of the social insurance program of the United States.

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Language Analysis

Language Provision	Explanation
Provided, That such amounts as are required shall be available to pay travel expenses either on an actual cost or commuted basis, to an individual for travel incident to medical examinations, and to parties, their representatives and all reasonably necessary witnesses for travel within the United States, Puerto Rico, and the Virgin Islands to reconsideration interviews and to proceedings before administrative law judges under title II, XVI, and XVIII of the Social Security Act:	Authorizing legislation did not specify whether or not travel for claimants, their representatives, and witnesses to reconsideration interviews and to hearings was a necessary administrative expense. This provision permits the payment of these travel expenses.
Provided further, That such amounts as may be agreed upon by the Department of Health, Education, and Welfare and the United States Postal Service shall be used for payment, in such manner as said organizations may jointly determine, of postage for the transmission of official mail matter in connection with the administration of the social security program by States participating in the program:	Authorizing legislation does not permit the States to use franked mail in the administration of the social security programs. This provision allows such use as jointly determined by DHEW and the United States Postal Service.
Provided further, That such amounts as may be required may be expended for administration within the United States of the social insurance program of the United Kingdom, under terms of an agreement wherein similar services will be provided by the United Kingdom in that country for administration of the social insurance program of the United States.	Authorizing legislation does not specifically authorize SSA to perform duties or expend funds for the administration of the social insurance system of another country. This provision authorizes SSA to provide service to a small number of United Kingdom beneficiaries within the United States. In turn, service will be provided to a small number of social security beneficiaries within the United Kingdom.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Limitation on Salaries and Expenses

Amounts Available for Obligation

	1975 Revised	1976
Appropriation	$2,004,729,000	$2,373,132,000
Proposed supplementals	121,258,000	---
Subtotal, adjusted appropriation	2,125,987,000	2,373,132,000
Comparative transfer to:		
"Office of the Secretary, Departmental Management"		
Purpose: Regional administrative services for increased Social Security Administration staff	-706,000	---
Purpose: Administration of Long Term Care Facilities Program	-1,125,000	---
Sub-total, budget authority	$2,124,156,000	$2,373,132,000
Unobligated balance, end of year (contingency reserve)	---	-25,000,000
Total obligations	$2,124,156,000	$2,348,132,000

Summary of Changes

1975 Estimated obligations (adjusted for comparative transfers)..	$2,002,898,000
Plus: Proposed supplementals.....	121,258,000
Sub-total, 1975 Revised obligations.....	2,124,156,000
1976 Estimated obligations.....	2,348,132,000
Net Change.....	+$223,976,000

	Base		Change	
	MY	Amount	MY	Amount
Increases				
A. Built-in:				
1. Full year effect of October, 1974 pay raise.....				+$17,978,615
2. Cost of extra work day in 1976.....				+4,598,787
3. Full year effect of increased government share of Health Benefits Contribution.....				+2,680,900
4. Other mandatory changes in SSA payroll costs....				+13,051,899
5. Mandatory changes in wages and prices paid by public and private agencies performing work on a contract basis.....				+65,729,550
Sub-total, built-in..				+104,039,751
B. Program				
1. Increase of 10.7 percent in work output.....		$1,920,086,368		+207,735,494
a. SSA proper (12.4 percent).....	85,152	1,260,407,814	+10,581	+186,291,844
b. State agency (disability program) (-7.7 percent).....		211,176,354		-16,277,150
c. State agency (health program) (3.2 percent).....		19,679,000		+638,000
d. Contractors (health program) (8.6 percent).....		428,823,200		+37,082,800

	Base		Change	
	MY	Amount	MY	Amount
2. Increase to reimburse State centralized services (FMC 74-4).....				+$3,516,049
3. Continuing space and communications facilities.....		123,680,736		+4,452,355
4. Changes in prices, rates, and other cost factors..				+8,297,297
5. Purchase of ADP equipment.....		2,341,663		+5,817,969
6. IRS Contract for account number file project.....		500,000		+6,076,000
Sub-total, program...			+10,581	+235,895,164
Total increases.			+10,581	+339,934,915
Decreases				
A. Procedural changes and other cost reductions				-95,579,058
1. Procedural and other changes in production costs - SSA Proper (6.4 percent).....			-5,733	-64,827,016
2. State agency productivity (disability program) (3.6 percent).				-7,500,942
3. State agency productivity (health program) (3.1 percent).....				-605,000
4. Contractor productivity (health program) (4.9 percent).....				-22,646,100
B. Additional cost of overtime		9,235,423		-783,563
C. Initial cost of recruiting new staff.....		11,024,968		-4,366,939
D. One-time costs of opening new offices.....		2,528,430		-641,143
E. Other one-time projects or intermittent purchases.....		34,075,412		-7,827,212
F. SSI Contracts with States..		20,683,000		-6,761,000
Total decreases.....			-5,733	-115,958,915
Total, Net Change.....			+4,848	+223,976,000

Explanation of Changes

Increases:

A. Built-in

1. Full year effect of October 1974 pay raise..... $17,978,615

This is the cost of carrying the 5.52 percent pay increase effective October 13, 1974 for a full year in 1976.

2. Cost of one extra work day in 1976..... $4,598,787

There are two extra days of pay above the standard 260 days (52 weeks of 5 days) in 1976. There was one extra day in 1975.

3. Full year effect of increased government share of Health Benefits Contribution..... $2,680,900

This is the cost of annualizing for a full year in 1976 the added cost of the Government's share of contributions toward employees' health benefit plans as a result of P.L. 93-246 signed January 31, 1974.

4. Other mandatory changes in SSA payroll costs..... $13,051,899

a. Pay above the base of grade..... $6,121,240

This is the cost of carrying periodic step increases granted in 1975 for a full year in 1976, and the net cost of such step increases made in 1976.

b. Promotions and reclassifications..... $19,692,607

This is the cost of promotions and reclassifications anticipated for 1976 and the cost of annualizing for a full year in 1976 the promotions of the large number of trainees hired in fiscal year 1974 and promoted to intermediate or journeyman grades in 1975. Included in this item is a $2,358,578 increase for the cost of the reclassification of program center benefit authorizers from GS-8 to GS-9 and technical assistants from GS-9 to GS-10. It is expected that the Civil Service Commission will approve this reclassification effective for July, 1975.

c. Recruitment below journeyman grades..... -$12,761,948

The cost of promotions to journeyman grades is partially offset by the practice of hiring new personnel at levels one or more grades below the journeyman level.

5. Mandatory changes in wages and prices paid by public and private agencies performing work on a contract basis..... $65,729,550

A significant amount of work related to the disability insurance, health insurance, and supplemental security income programs is carried out by State agencies and by non-profit organizations and insurance companies acting as agents under contract with the Government. The 1976 budget estimate assumes higher wages and prices to be paid by these organizations, as follows:

a. State agencies (disability work in the insurance and SSI programs)..... $17,207,450

Of the total, $10,832,560 is for an increase of 11 percent in the salaries of State employees (from an estimated average of $12,100 in 1975 to $13,440 in 1976). The fees for medical consultative and general physical examinations, and medical evidence purchased by the States for making disability decisions in the insurance and SSI programs are projected to increase by approximately 13 percent for each case requiring one or more examinations, accounting for the remainder of the increase of $6,374,890. The States purchase consultative examinations in developing claims for both disability insurance benefits and SSI benefits, and the cost for these examinations is projected to increase from an average of $95.00 to $107.00 for each case requiring one or more.

b. State agencies (health program)..... $1,005,000

The 1976 estimates project an 11 percent increase in salaries (from an estimated average of $12,963 in 1975 to $14,399 in 1976) for health insurance State agency personnel who verify and certify that providers of medical services meet the conditions for participation in the Medicare program.

c. Contractors (health program)..... $47,517,100

The 1976 estimate assumes an 11 percent increase in average salaries (from an estimated average of $10,224 in 1975 to $11,362 in 1976) of personnel of health insurance contractors at a cost of $30,523,700. The remainder of the increase results from a 10 percent increase in the cost of supplies, space and materials for the contractors.

B. Program

1. Increase of 10.7 percent in work output..... $207,735,494

The volume of work to be done by the staff of the Social Security Administration and by public and private agencies under contract to perform certain administrative functions for the disability and health insurance programs and for the SSI program is estimated to increase by 10.7 percent over the 1975 level. This substantial increase is to a great extent due to increases in workloads to be processed by the staff of the Social Security Administration for the SSI program. However, these and other increases in workload volume are partially offset by a decrease in the volume of work performed by State agencies in making disability determinations for the SSI program.

a. Increase of 12.4 percent in work output of Social Security Administration proper..... 10,581 man-years and $186,291,844

The 12.4 percent increase in work output results from the following:

(1) The major increases in workloads to be processed in 1976 are for the Supplemental Security Income (SSI) program. The higher workloads in this program will require 5,562 additional man-years in 1976. Most of this increase is attributable to the large volume of SSI annual redeterminations to be processed in 1976. In 1975 the Social Security Administration expects to process approximately 1,000,000 of the cases that were converted from the State assistance rolls prior to January, 1974 when the Federal government

assumed responsibility for these cases. In addition, 226,000 redeterminations are expected to result in 1975 from individuals who visit the district offices to report some change that may affect the amount of monthly payments. In 1976, SSA will complete the remaining 1,600,000 converted cases, and will make the first redeterminations for 1,200,000 new federal recipients who were added to the rolls by the end of 1975. In addition, 942,000 of the 1,000,000 converted recipients who were redetermined in 1975 will be scheduled for their second annual redeterminations and another 300,000 redeterminations are expected to result from recipient reported changes that may affect monthly payment amount. To sum up, the annual redetermination workload will increase from 1,226,000 in 1975 to 4,042,000 in 1976. Another important aspect of this redetermination work in 1975 and 1976 is that it will serve to validate and supply missing data to the records of those individuals who were converted from State and local assistance rolls. In order to effectively accomplish this, redeterminations for these individuals require about as much development as a new claim. As a result, initial redeterminations for converted individuals will require considerably more manpower than subsequent redeterminations, or than redeterminations for individuals for whom SSA has taken the initial application for benefits.

Other substantial workload growth occurs in the number of hearings and appeals that are held for the SSI program--from 21,000 in 1975 to 67,924 in 1976. Hearing examiners are expected to be much more familiar with the SSI program and are therefore expected to process a larger number of SSI cases in 1976. Finally, the recipient population served is projected to increase from 4,465,000 on June 30, 1975 to 5,070,000 on June 30, 1976.

(2) The social security insurance programs administered by SSA will continue to experience workload increases based upon growth in population served and greater utilization of health services. In addition, part of the workload increase in the social security programs in 1976 is a result of working off backlogs which accumulated during the peakings of SSI work related to the implementation of the new program. The manpower needed for workload growth by program is as follows: retirement and survivors insurance, 1174 man-years; disability insurance, 605 man-years, and health insurance, 558 man-years.

In addition, about 360 man-years will be required for the annualization of annual representative payee accountability reporting begun in 1975. This procedure provides for an annual report by representative payees to account for the disposition of an entitled individual's social security benefits. Formerly, this accounting procedure was an on-going part of the Social Security Administration's workload, but in fiscal year 1972, representative payee accounting was suspended due to manpower restrictions. In 1975 this procedure was partially reinstated. Another 420 man-years will be needed as a result of recent court decisions that require the government to provide full rights of due process in cases of reduction, suspension or termination of benefits. This additional manpower will be necessary so that any beneficiary found by SSA to be overpaid can be given the opportunity for an oral hearing before any steps are taken to reduce or suspend benefits in order to recover the overpaid amount.

An additional 13 man-years is required for other minor changes.

(3) An increase of 1285 man-years is expected in 1976 in the social security number issuance workload. Social security account numbers will be issued to 15,043,000 individuals in 1976, an increase of 6,632,000 over last year. This includes an increase of 5,500,000 for issuance of social security numbers to individuals on the AFDC rolls.

(4) In order to keep our earnings record operation current, we will require an additional 638 man-years in 1976. In addition to the normal workload increase of 13,000,000 items, SSA expects to process 20,000,000 items that we had to backlog in 1975. Taken together, these factors will increase the workload from 367,000,000 items in 1975 to 420,000,000 items in 1976.

(5) The number of formal hearings and appeals conducted in the programs other than Supplemental Security Income is expected to rise to more than 116,000 in 1976 thereby requiring an additional 538 man-years. Much of this increase in workload is a result of reducing by about 14 percent the large number of hearings pending at the end of fiscal year 1975. The budget provides for a reduction in hearings pending in the retirement and survivors. disability and health insurance programs from 57,938 at the end of fiscal year 1975 to 49,853 at the end of fiscal year 1976.

(6) The effect of the increases shown above is partially offset by a net decrease of 572 man-years in the amount of time spent on one-time projects. The principal reason for this decrease is the completion of a major SSI leads project in 1975. This project involved contacting over 5,000,000 social security beneficiaries whose benefit amount was low enough that potential SSI eligibility was indicated. The budget also contains funds for "direct deposit" projects to encourage beneficiaries to allow the government to deposit social security benefit checks directly in an individual's bank account instead of mailing them to his home. Studies were conducted in Florida and Georgia in 1975 and will be expanded to other states in 1976.

A summary of the projects for each year follows:

	Man-Years	
	1975	1976
1. SSI Leads Projects	602	---
2. Direct Deposit Projects	93	186
3. Files Purge	104	23
4. Other miscellaneous projects	21	39
	820	248

b. Decrease of 7.7 percent in work output of State agencies making disability determinations..... -$16,277,150

The organizations in the States which make determinations for the disability insurance program also determine the existence and continuance of disability under the blind and disabled provisions governing the Supplemental Security Income (SSI) program. The volume of work performed by State agencies in making disability determinations is expected to decrease by more than 7 percent due to a decline in the number of SSI claims to be received and processed. Abnormally heavy SSI workloads including backlogs carried over from 1974 are budgeted in 1975, the first full year of the program. Though fewer SSI claims

will be processed by the State agencies in 1976 than 1975, the processing of over 700,000 new SSI claims in 1976 will increase the number of beneficiaries on the SSI roll. State agency workloads, for both the disability and SSI programs, are projected as follows:

Disability Determinations (Social Security and SSI)	1974 Actual	1975 Estimate	1976 Estimate
Receipts	2,061,066	2,441,029	2,274,239
Processed	1,847,714	2,533,729	2,356,042
Pending at End of Year	357,438	264,738	182,935

c. Increase of 3.2 percent in work output of State agencies involved in health insurance (Medicare)..... $ 638,000

There is an expected increase in the number of providers and the frequency of State agency survey visits to the providers of health insurance services. These reviews ensure that services provided comply with the Medicare conditions of participation. Health providers are expected to increase from 16,333 in 1975 to 16,513 in 1976 and surveys from 41,690 in 1975 to 42,150 in 1976.

d. Increase of 8.6 percent in work output of health insurance (Medicare) contractors..... $37,082,800

The increase in work output of Medicare contractors is composed of the following:

(1) The processing of 500,000 additional hospital insurance claims and 7,600,000 additional medical insurance claims in 1976 is estimated to cost $29,181,900. The increase is based on the projected year-to-year growth in the aged and disabled population covered by the Medicare program and the expected increase in utilization of medical services.

(2) In 1976, a decrease of 773 audits of providers of service will occur as a result of working off the audit backlog in 1975 with 1976 representing the normal level of audit activity. This decrease amounts to $1,769,700.

(3) An increase of $6,247,400 is for intensified effort to strengthen the performance of hospital utilization review committees. The health insurance contractors will assist the committees in developing or improving the mechanisms to conduct timely reviews of the medical necessity of admissions, requests for extended stays and the appropriateness of the care provided patients. These strengthened committees will support the national Professional Standards Review Organization (PSRO) program since the PSRO law provides that the PSRO's may rely on the utilization review activities of those committees that function effectively.

(4) An increase of $3,423,200 is required for other contractor activities including the costs incurred by the contractors in collecting the data to be used by SSA as part of its effort to review and measure the overall performances of the contractors. Another activity is the review and update of the screening operations used in the contractor bill processing systems to assure the proper utilization of hospital services and to assure that Medicare is not paying for any unnecessary services.

2. Increase to reimburse State centralized services..... $3,516,049

Based upon uniform government-wide standards promulgated by the Office of Management and Budget as set forth in Federal Management Circular FMC 74-4 (formerly A-87), an increase of $3,249,049 will be paid to the disability State agencies and $267,000 to health insurance State agencies to reimburse them for indirect and overhead costs allowed by these standards. This increase results primarily from additional States obtaining approval of their proposed overhead charges and from increases for some States in the amount of the previously approved overhead charges.

3. Continuing space and communications facilities..... $4,452,355

a. Space increases in fiscal year 1975 were primarily a result of the expansion begun in fiscal year 1973 to accommodate the additional positions required to administer the SSI program and the cash benefit and Medicare program changes of the Social Security Amendments of 1972. The bulk of this expansion is now complete.

Cost for changes in space rented increases by a total of $244,000 in 1976, exclusive of the 1976 increases attributed to the portion of the standard level user charges above the actual cost of space occupied. This portion is included in the "Payments to Social Security Trust and Other Funds" appropriation. The net increase reflects some technical changes from 1975 in the presentation of the space budget, and it is made up of:

(1) A decrease of $6,802,000 to remove from Salaries and Expenses the charges above actual cost of space occupied which are attributable to the SSI program. These are now included beginning in 1976 in the "Payments to Social Security Trust and Other Funds" appropriation. The Social Security Administration is budgeting under the Salaries and Expenses account to pay for only the actual cost of the space occupied by SSA; and

(2) An offsetting increase of $7,046,000 primarily for the additional cost of four new program centers: Southeastern (Birmingham, Alabama) which was acquired through lease construction and will be occupied in fiscal year 1975; and the Mid-Atlantic (Philadelphia, Pennsylvania), Great Lakes (Chicago, Illinois) and Western (San Francisco, California) program centers which are in purchase contract space and will be occupied in fiscal year 1976. This increase also includes the annualized cost of space acquired in fiscal year 1975 as well as an increase because of higher rental rates and some additional space to be acquired in 1976 for all other components of SSA.

b. Communication requirements will increase by $4,208,355 in 1976. A large part of this rise ($1,686,900) is increased use of telephones, especially for the use of the Federal Telephone System (FTS). This is related to increased emphasis on use of the telephone for interviewing and to the workload growth in Social Security programs, particularly the SSI program. The FTS charges are set through a periodic sampling of agencies' use to determine their proper charges. Another increase of $2,446,700 is required for the expansion in 1976, plus the annualized effect of the expansion in 1975, of a new communications network known as SSADARS (Social Security Administration Data Acquisition and Retrieval System). It was necessary to implement this new mode of communications in 1974 in order to handle the needs of the SSI program where an immediate

response capability is necessary. There is an offsetting decrease of $1,927,600 in the older Advanced Record System (ARS) of communication which will still be used but to a lesser extent. The remainder of the increase ($2,002,355) is needed for the communications associated with the added space acquired in fiscal years 1975 and 1976, and for increases in local and toll calls. This includes $308,300 for rate increases expected for commercial facilities.

4. Changes in prices, rates and other cost factors..... $8,297,297

The major changes which result in this increase are:

a. An increase in "other objects" expenses of $2,711,716 projected for disability State agencies. The change is the result of projected higher costs of travel and transportation, supplies, equipment and rental and maintenance of office space.

b. An increase of $603,000 in other objects expenses projected for health insurance State agencies for similar reasons.

c. An expansion of the capacity of computers used for operations and management and control purposes will require an increase of $1,642,700. The increased capacity is necessary because of greatly expanded program requirements, primarily because of the SSI program.

d. An increase of $395,981 projected for replacement of worn out equipment for Social Security Administration offices.

e. An increase of $2,801,035 for other price increases, primarily in the areas of printing and supplies.

f. An increase of $142,865 resulting from other minor changes.

5. Purchase of ADP equipment..... $5,817,969

This increase in 1976 is due to the purchase of four major types of ADP equipment: (1) another optical scanning device which converts printed material directly into magnetic tape more rapidly than the former machine which has more limited input capabilities; (2) a magnetic tape storage and delivery system; (3) modems which are used on telecommunication lines to convert data from its form at input to a form which can be carried over communication lines, and back into its proper output form; and (4) channels for one of the large scale computer systems which allow transmission of data from one piece of computer hardware to another along a data path. The cost of the channels is partially offset by savings in rental costs in the same year.

Purchase of ADP Equipment

Two Optical Scanners	+$2,599,000
Magnetic Tape Storage and Delivery System	+$1,350,000
Modems	+$1,340,000
Channels for Computer System	+$600,000
Additional Equipment for Storage and Retrieval System	+$284,000
Savings due to purchase of ADP equipment and other changes	-$355,031
	+$5,817,969

6. IRS Contract for the account number file project..... $6,076,000

In 1976, SSA plans to contract with the Internal Revenue Service for the IRS to assist SSA with the keypunching work involved in the project to convert the paper social security number application file to an electronic data base. This work will be performed in IRS service centers during their off-season. In 1975, a small pilot project was conducted with IRS in order to test procedures for implementing the plan in 1976. In anticipation of IRS assistance in this project, SSA expended less than half of the manpower originally budgeted for keypunching for this project in 1975.

Decreases:

A. Procedural changes and other cost reductions..... -$95,579,058

1. Procedural and other changes in production costs-- SSA proper (6.4 percent)..... -5,733 man-years and -$64,827,016

a. Procedural changes to improve current methods of handling workloads will save 3,145 man-years and $31,302,402 in 1976. Some of the principal ones are:

(1) Further improvements in the automated system for processing SSI work, and simplifications in the procedures for handling both SSI claims and post-entitlement events. For example, the need to verify automobile registration has now been eliminated in more than 95 percent of the SSI claims, and some aspects of the procedure for determining the "living arrangement" of the applicant have been simplified. Other changes to speed up claims processing are under consideration. By 1976, much of the SSI work which previously required manual processing will be more fully automated.

(2) Two major systems changes - Claims Automated Process System (CAPS) and Manual Adjustment, Credit and Award Process (MADCAP) are expected to produce significant saving in 1976. CAPS will increase to about 90 percent the number of initial social security claims which are processed automatically and paid almost immediately based on district office key-in of basic information. Certain aspects of this system began to be phased in during November 1974, and when it is fully operational it will be able to correct and update the automated record without the need for manual processing as was previously the case. MADCAP, which was implemented in the fall of 1974, is a further automation of the social security post-entitlement systems that handle nearly all post-entitlement actions (such as change of address, termination or suspension of beneficiaries and adjustments of benefit amounts). It replaces three smaller, fragmented systems and thereby eliminates much duplication of effort in the batching and coding operations and reduces the amount of manual processing required.

(3) In 1974 SSA began to replace some of its teletype machinery with more sophisticated equipment. This new system, known as SSA Data Acquisition and Retrieval System (SSADARS) eliminates the necessity to enter certain constant data into the system, has instant error correction capability as well as immediate query response, and can be operated more rapidly by the employee. SSADARS did not produce the savings we had anticipated for 1975 because the SSI query traffic was so heavy that frequent breakdowns of the system took place. In 1975, SSADARS was expanded to double the number of field offices which have this capability and the system was upgraded to handle an increased volume of traffic.

(4) The 1976 budget also anticipates further expansion of "teleservice" activities which give beneficiaries and claimants more opportunities to transact SSA business, including filing of claims, over the telephone. The resulting decrease in personal visits to district offices and increase in one-contact actions will produce additional savings in 1976.

(5) Increased rental of automatic typewriters in the Bureau of Hearings and Appeals will produce further savings in 1976 because of the increased speed with which hearing decisions can be processed to completion.

(6) Additional health insurance contractors are providing health insurance billing data directly on magnetic tape rather than sending the paper copies to SSA. Therefore, savings are expected in 1976 because less billing data will have to be converted from paper record to magnetic tape by SSA personnel.

(7) As the number of beneficiaries covered by SSA's programs increases, the manpower required to service these beneficiaries does not increase correspondingly. This trend was particularly pronounced in fiscal year 1975--the first full year of servicing the SSI beneficiaries--and it continues in 1976. About 55 percent of the SSI beneficiaries will also be OASDI beneficiaries in fiscal year 1976; and often work performed for one program will serve another. For example, proof of age, disability and other evidence used in developing initial claims can be used in both programs where an individual who files for SSI benefits is already on the OASDI rolls, or where he is jointly filing for SSI and OASDI benefits. Continued savings will be realized in fiscal year 1976 as a result of these program interrelationships.

b. The amount of work processed relative to employee time spent performing staff functions is expected to increase in 1976 saving 758 man-years and $12,106,204. This saving is due to efforts to hold down increases in staff areas relative to workload processing functions.

c. The amount of time employees are in training relative to work processed will decrease in 1976 resulting in savings of 1,545 man-years and $17,261,903. This decrease in the training ratio is attributable principally to:

(1) a decline in the number of new employees to be recruited in 1976 following the large increase in term and temporary employees in 1975, and

(2) a decrease in the amount of time spent on SSI training as more of the employees on duty become fully trained in all necessary aspects of the SSI program.

d. Other changes in production costs will result in a net decrease of 285 man-years and $4,156,507. This saving results from the increased familiarity of the staff with the SSI program, and the experience gained by new employees hired in 1975 which will result in a reduction in the amount of time necessary to process the work.

2. State Agency productivity (disability) (3.6 percent)..... -$7,500,942

The productivity saving in State agencies results from decreased training needs related to supplemental security income (SSI) claims, increased employee efficiency in processing SSI claims, a decline in the percentage

of social security disability claims which require consultative examinations, and decentralizing some State disability determination units. The SSI program was first implemented during 1974, and resulted in high training requirements and low employee productivity in 1974 and 1975.

3. State agency productivity (health program) (3.1 percent). -$605,000

A 3 percent improvement in productivity is anticipated as State agency employees become more experienced and receive better training in methods of inspecting providers of health services. Under the Medicare program, State agency inspectors conduct investigations and fact-finding surveys to determine whether medical facilities comply with health, safety, and quality-of-care standards.

4. Contractor productivity (health program) (4.9 percent)... -$22,646,100

A productivity improvement in the Medicare bill and claims processing operations from systems and procedural changes which are now being developed and implemented is expected to save $21,288,000. The principal factor contributing to the decrease is the continuous growth in the amount of workloads processed by the contractors on new or upgraded automated processing systems. By the end of fiscal year 1976, over 68 percent (an increase of 16 percent over 1975) of the Part A contractor (Blue Cross plans, for example) workloads will be processed via automated systems. The Part B contractors (Blue Shield plans, for example) have historically been further ahead in using automated systems, to process claims. It is expected that by the end of 1976 over 82 percent (an increase of about 5 percent over 1975) of the Part B workloads will be processed by computer systems such as the Model B developed for SSA by the McDonnell-Douglass Corporation or the Electronic Data Systems (EDS) claims processing system. These systems are operated and maintained by SSA or by "in-house" contractor personnel or through a subcontract with a systems firm such as EDS.

Improvements to the bill and claims processing operations also produces savings. The continued use of optical scanning equipment eliminates key punching work as does the increased use of cathode ray tube terminals. It is expected that an additional 28 percent of the Part B workloads will be processed by systems using cathode ray terminals.

There are also savings of $1,358,100 in audits of providers. As the in-house audit staffs become more experienced it is expected that both productivity and the quality of audits will improve.

B. Additional Cost of Overtime..... -$783,563

A decrease in 1976 in the additional cost of overtime above the average payroll cost of regular time is achieved because of a decrease in the average salary for overtime work. The work scheduled to be performed on overtime in 1976 does not require as high a proportion of higher-skilled, higher-paid employees as the work done on overtime in 1975.

C. Initial Cost of Recruiting New Staff..... -$4,366,939

In 1975, SSA plans to continue to increase its staffing to accomodate unanticipated workload needs primarily related to the Supplemental Security Income program. In 1976, recruitment will decline to a level consistent with normal rates of turnover since the staffing level of SSA will remain essentially unchanged. Most of the cost of recruiting new staff is for training travel and equipment purchases, but costs are also incurred for printing, supplies, and transportation.

D. One-time costs of opening new offices..... -$641,143

Most of the remaining new office openings related to recent program expansion will be completed by the end of fiscal year 1975, resulting in a decrease in these costs in 1976. Most of this decrease is attributable to a decline in the number of hearing offices, primarily to accommodate the SSI hearing workload, to open in 1976, and therefore a decrease in the cost of purchasing equipment for these offices.

E. Other one-time projects or intermittent purchases..... -$7,827,212

The following table identifies the major areas in this category in 1975 and 1976.

	FY 1975	FY 1976	Change
1. Mass Mailing of Rights and Responsibilities Booklets and Medicare Handbooks.....	$4,000,000	---	-$4,000,000
2. Site Preparation for two new computers.....	2,300,000	---	-2,300,000
3. SSI Detail Travel.....	1,413,618	---	-1,413,618
4. Research Projects.....	11,908,205	$13,352,426	+1,444,221
RSI Program.....	1,787,468	3,185,327	+1,397,859
DI Program.....	1,440,237	1,128,752	-311,485
HI Program.....	6,927,606	8,124,530	+1,196,924
SSI Program: Survey of Low Income Aged and Disabled....	1,700,000	200,000	-1,500,000
Other.....	52,894	713,817	+660,923
5. Other Contracts.....	3,836,087	4,170,378	+334,291
Bicentennial Celebration Contracts.....	100,000	300,000	+200,000
Public Information Contracts.....	425,000	1,125,000	+700,000
HEW Services.....	2,315,900	2,505,850	+189,950
Extension of Periodic Physical to Field Employees.....	995,187	239,528	-755,659
6. Alterations to Space and Other Services to Buildings and Facilities.....	3,619,000	2,557,600	-1,061,400
7. Equipment Purchases.....	6,998,502	6,167,796	-830,706
Calculators for program center and district office personnel..	1,300,000	450,000	-850,000
Equipment for blind service representatives and claims representatives.....	224,750	---	-224,750
Microfilm equipment.....	498,000	617,000	+119,000
Closed circuit TV for training...	900,000	1,050,000	+150,000
Modernization of main cafeteria in central office.....	100,000	400,000	+300,000
Modular furniture for program centers.....	342,800	564,200	+221,400

	FY 1975	FY 1976	Change
Automatic typewriters for program centers	$263,000	---	-$263,000
Other miscellaneous equipment	3,369,952	3,086,596	-283,356
Total	$34,075,412	$26,248,200	-$7,827,212

F. SSI Contracts with States ..... -$6,761,000

In 1976 there are changes in the cost of SSI related contracts with the States and local jurisdictions. No further costs will be incurred in fiscal year 1976 for contracts to "close out" the conversion in the States and to perform the adjusted payment level (APL) recalculation in certain States, which is necessary to properly determine the amount of hold harmless payment for which the Federal government is responsible. In addition, costs for State contracts to maintain the minimum income level (MIL) of converted SSI beneficiaries decline. MIL maintenance is required to insure that those people converted to the SSI roles do not suffer a loss of income due to the provisions of the SSI program. Decreases in these two types of contracts are partially offset by an increase in the cost for a contract under which New York City will act as representative payee for and administer treatment of drug addicts and alcoholics, as required by law. Only start-up costs to prepare for this process will be incurred by New York City in 1975. Starting with fiscal year 1976, the city is expected to take over these functions for drug addicts and alcoholics living in New York City.

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Obligations by Activity

Page Ref.		1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
121	Old-age and survivors insurance:				
	Amount.....	$580,008,490	$638,239,924	$705,246,651	+$67,006,727
	Positions.....	34,206	35,130	35,130	---
125	Disability insurance:				
	Amount.....	$354,935,367	$392,079,704	$436,747,905	+$44,668,201
	Positions.....	14,406	14,226	14,226	---
130	Health insurance:				
	a. Hospital insurance:				
	Amount....	$218,880,943	$202,379,478	$233,362,617	+$30,983,139
	Positions.	3,213	2,720	2,720	---
	b. Supplementary medical Insurance:				
	Amount....	$429,150,200	$418,207,894	$474,139,827	+$55,931,933
	Positions.	5,046	4,440	4,440	---
136	Supplemental security income:				
	Amount.....	$396,754,000	$473,249,000	$498,635,000	+$25,386,000
	Positions.....	15,705	21,621	21,840	+219
	Total obligations.	$1,979,729,000	$2,124,156,000	$2,348,132,000	+$223,976,000
	Positions...	72,576	78,137	78,356	+219

Obligations by Object

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Total number of permanent positions	72,576	78,137	78,356	+219
Full-time equivalent of all other positions	3,635	6,010	6,927	+917
Average paid employment 1/	74,455	78,403	83,163	+4,760
1/ Excludes overtime man-years	3,526	6,749	6,837	+88
Personnel compensation:				
Permanent positions	$859,979,000	$882,014,000	$975,308,000	+$93,294,000
Positions other than permanent	21,810,000	42,454,000	67,243,000	+24,789,000
Other personnel compensation	49,364,000	96,619,000	99,897,000	+3,278,000
Special personal service payments	5,000	30,000	30,000	---
Sub-total, personnel compensation	931,158,000	1,021,117,000	1,142,478,000	+121,361,000
Personnel benefits	79,148,000	89,128,000	101,819,000	+12,691,000
Travel and transportation of persons	21,488,767	22,191,664	22,235,000	+43,336
Transportation of things	4,675,329	4,915,000	6,779,000	+1,864,000
Rent, communications, and utilities	151,236,129	175,050,083	185,146,000	+10,095,917
Printing and reproduction	11,488,074	21,954,000	27,116,000	+5,162,000
Other services	61,519,315	73,000,317	84,880,941	+11,880,624
Payments to States:				
Disability	210,734,430	211,176,354	210,566,477	-609,877
Health	21,160,000	19,679,000	21,587,000	+1,908,000
SSI Contracts	---	20,683,000	13,922,000	-6,761,000
Payments to Medicare contractors	465,759,100	428,823,200	490,777,000	+61,953,800
Supplies and materials	11,130,026	17,398,000	18,656,000	+1,258,000
Equipment	9,506,830	18,676,000	22,018,000	+3,342,000
Land and structures	725,000	362,900	150,100	-212,800
Insurance claims	---	1,482	1,482	---
Total obligations	$1,979,729,000 2/	$2,124,156,000	$2,348,132,000	+$223,976,000

2/ Excludes $25,000,000 contingency reserve included in the appropriation.

Authorizing Legislation

Legislation	1976 Authorized	1976 Appropriation requested
Section 201(g)(1) of the Social Security Act	Indefinite	$2,373,132,000

Limitation on Salaries and Expenses (Trust Fund)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
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	953,409,000	933,709,000	953,409,000	943,559,000
1971	1,044,991,000	1,044,991,000	1,044,991,000	1,044,991,000
1972	1,150,167,000	1,150,167,000	1,150,167,000	1,150,167,000
1973	1,403,047,000	1,403,047,000	1,403,047,000	1,403,047,000
1974	1,887,898,000	1,887,898,000	1,887,898,000	1,887,898,000
1975	2,035,571,000	1,992,107,000	2,004,729,000	2,004,729,000
Proposed Supplemental	121,258,000			
1976	2,373,132,000			

Justification

Limitation on Salaries and Expenses

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Personnel compensation and benefits 1/.....	$1,010,306,000	$1,110,245,000	$1,244,297,000	+$134,052,000
Positions.....	72,576	78,137	78,356	+219
Payments to States.....	231,894,430	251,538,354	246,075,477	-5,462,877
Payments to Health Insurance Contractors.	465,759,100	428,823,200	490,777,000	+61,953,800
Other Expenses.....	271,769,470	333,549,446	366,982,523	+33,433,077
Total.....	$1,979,729,000	$2,124,156,000	$2,348,132,000	+$223,976,000
Positions.....	72,576	78,137	78,356	+219
1/ Average manpower estimates are as follows:				
Regular staff.....	74,455	78,403	83,163	+4,760
Overtime equivalent.	3,526	6,749	6,837	+88
Total.....	77,981	85,152	90,000	+4,848

General Statement

The request for a 1976 "Limitation on Salaries and Expenses" is a request for the Social Security Administration to use the social security trust funds to meet the administrative expenses incurred in carrying out the social security programs of retirement, survivors, disability and health insurance and the supplemental security income (SSI) program for the aged, blind, and disabled. Although the administrative expenses of the SSI program are paid initially from the social security trust funds, the trust funds are reimbursed from Federal funds. The account, "Supplemental Security Income Program," contains $498,635,000 for this purpose in fiscal year 1976.

The statutory basis for the retirement, survivors, and disability programs can be found in title II of the Social Security Act. The health insurance (Medicare) program is administered under title XVIII of the Social Security Act. The basic objective of the social security programs is to protect individuals and families against the risks of economic loss resulting from retirement, disability, death, and the costs of health care for the aged and disabled. The statutory authority for the SSI program is title XVI of the Social Security Act. This program replaced the former State and local administered programs of aid to the aged, blind, and disabled. The objective of the SSI program is to supplement from general revenues, the social security benefits and other income of the aged, blind and disabled when benefits plus other income are below a Federal minimum standard or, when they have no other income, to meet the entire Federal minimum standard from general revenues.

Size of Program Administered

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. As a result, today more than nine out of ten jobs in paid employment and self-employment are covered or eligible for coverage under 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 voluntary medical insurance program and are insured for a substantial part of doctor and other medical bills. Also, Medicare coverage is now available to certain disabled persons and persons insured under the social security program who have chronic kidney disease. In addition, approximately 4 million persons are currently on the beneficiary rolls of the Supplemental Security Income program.

The number of persons covered by programs authorized by the Social Security Act continues to grow. This growth is illustrated by a comparison of the number of beneficiaries in payment status and the amount of benefits paid in just the past decade. During fiscal year 1966, about 20.8 million persons were on the retirement, survivors or disability insurance benefit rolls. In fiscal year 1976, an estimated 32.2 million will be on the rolls, or over one and a half times the level of 10 years ago. In addition, there are other groups who were not afforded coverage in 1966 but will benefit from social security programs in 1976:

--An estimated 5.7 million aged and disabled persons will have the cost of hospital and related services reimbursed by the hospital insurance program.

--Approximately 13.3 million aged and disabled persons will have the cost of physicians' or other services reimbursed by the supplementary medical insurance program.

--Approximately 5 million aged, blind and disabled persons (including recipients of Federally administered State supplementation benefits) will receive supplemental security income payments.

During fiscal year 1966, the Social Security Administration paid out $19.8 billion in cash benefits under the retirement and survivors insurance and disability insurance program. In 1976, payments will have increased almost 5 times to $92.3 billion, and will be paid not only to beneficiaries of the cash benefit program, but also to Medicare beneficiaries and recipients of supplemental security income. The following table illustrates this growth, by program:

Program Payments Under Existing Legislation
(in millions)

Cash Benefit	1966	1976
Retirement and survivors insurance	$18,071	$62,864
Disability insurance	1,721	9,083
Medicare		
Hospital insurance	-0-	11,380
Supplementary medical insurance	-0-	4,145
SSI		
Supplemental security income (Federal payments)	-0-	4,795
Total	$19,792	$92,267

Comparison of Administrative Costs with Income

There are two principal sources of income to the social security trust funds, from which the social security programs are financed. They are: 1) contributions from employees (which are matched by employers) based on earnings for the retirement, survivors, disability and hospital insurance programs; and 2) premiums from enrollees and Federal fund contributions for the supplementary medical insurance program. In addition, the law requires that funds not currently needed for benefit payments and/or administrative expenses be invested with the interest earned used to help finance the program (interest earnings for fiscal year 1976 are estimated at $3.6 billion):

The total administrative costs of the social security trust fund programs estimated for fiscal year 1976 are only 2.3 percent of the income from contributions, premiums and investments. The total administrative costs include not only salaries and expenses (costs of the Social Security Administration components and those of the State agencies and health insurance contractors who perform necessary functions under the disability and Medicare programs), but also the costs of construction, an appropriate share of Departmental Management, and social security related work performed by other agencies such as the Treasury Department.

The table below compares the total administrative costs estimated for fiscal year 1976 with income for each of the four trust fund programs.

Comparison of Administrative Costs with Income
(Contributions and Interest) by Trust Fund - Fiscal Year 1976

Trust Fund	Income (Contributions and Interest)	Administrative Costs	Administrative Costs as % of Income
Old Age and Survivors Insurance	$61,395,000,000	$929,903,000	1.5%
Disability Insurance	8,244,000,000	281,673,000	3.4%
Health Insurance	13,453,000,000	329,613,000	2.4%
Supplementary Medical Insurance	4,970,000,000	514,698,000	10.4%

As indicated in the table, administrative costs as a percent of income vary from 1.5 percent for the OASI program to 10.4 percent for the Supplementary Medical Insurance program. There is a higher ratio for the SMI program because the processing of a large number of small bills is involved. SSA experience in this area is comparable to that of private insurers.

FY 1976 administrative costs of the supplemental security income program, which is financed from Federal funds, are 8 percent of benefit payments (including payments paid by the States but administered by SSA). It should be noted, however, that SSI benefits in many cases supplement other income and, therefore, the average amount of these monthly payments is much lower than the average social security program cash payment. The table below gives the latest average monthly payments of the old age, survivors and disability programs and the SSI program.

	SSA Cash Payment Program		
	Old Age	Disability	SSI Federal Payment
Average Monthly Payment as of December 31, 1974	$188	$206	$97

Highlights of the 1975 - 1976 Budget Request

I. The Supplemental Security Income Program

A. Estimates of SSI Recipients Have Changed

The SSI program was effective January 1, 1974, and on that date 3.1 million SSI beneficiaries came on the Federal rolls. Last year we estimated that by the end of fiscal year 1974 the number of SSI recipients would increase to 4.8 million and by the end of fiscal year 1975 the number would be 5.6 million recipients. Our experience with the program has caused us to lower our recipient estimates. As of June 30, 1974, there were 3.6 million and as of January 1, 1975, there were 4 million SSI recipients on the rolls. The table below shows the number of beneficiaries now estimated for fiscal year 1975 and the estimate for fiscal year 1976 including those who will receive only a Federally administered State supplementary payment:

	(in millions) 1975	1976
SSI recipients at end of year:		
Aged	2.5	2.8
Blind and disabled	1.9	2.3
State supplement only (included in above)	(.4)	(.6)
Total	4.4	5.1

SSA has made and will continue to make substantial efforts to contact potential SSI eligibles. Last summer, for example, we identified and contacted over 5 million social security beneficiaries who receive $160 or less each month on the assumption that many of these persons would be eligible for SSI payments. Less than 200,000 claims resulted from this effort.

We have reexamined our initial assumptions on the potential universe of eligibles for SSI--about 7 million. Although we find nothing incorrect in the data we used to make this estimate, the data were limited, particularly in the area of resources, one of the factors used to determine SSI eligibility. It may be that persons potentially eligible for very small SSI payments do not want to make the effort to file.

B. More Time Is Needed to Process SSI Claims

In budgeting for the SSI program last year, we started from our experience with the social security program. For example, we assumed that the time to process an SSI claim for an aged individual would approximate the time to process a social security claim for an aged individual. When the SSI aged individual was also a social security recipient, we assumed that we could save time because factors such as proof of age had already been developed. We know now that we must spend substantially more time handling SSI claims than we originally anticipated. The major reasons for this are:

--The individuals applying (aged, disabled, poverty stricken, frequently unlearned, etc.) need more help in filing their claims than the average social security applicant.

--Development of evidence to corroborate the claimant's statements regarding his income and resources is more complex and more time consuming than originally anticipated.

--The program has turned out to be much more complex than we first thought because there were amendments to the original legislation for which we did not adequately budget. These amendments complicated the automated monthly payments by introducing variables affecting the payments to individuals.

--The administration of optional State supplementary benefits for the 17 States that have elected Federal administration of the supplements is more complex than we expected because of the great variety of payment levels which are set by the States. We must calculate these optional benefits which can vary by geographic location as well as by type of living arrangement.

Thus, although the current estimate of SSI workloads is lower than last year's 1975 estimate, the manpower needed for the program is higher.

SSA estimates that it will need a net increase of 1,627 or 28 percent more manyears in fiscal year 1975 to process SSI claims than last year's estimate of 5,750 manyears. In fiscal year 1976, SSA estimates that manpower requirements for claims will decrease 23.9 percent from 7,377 to 5,613 manyears on the assumptions that the SSI workloads (including the working off of backlogs) will decline by about 14 percent and that the processing times will also decrease (-13 percent for aged claims and -8 percent for blind and disabled). In 1976, we expect to have a more experienced staff, better procedures, and improved systems to facilitate the processing of claims.

C. A Major Effort on Redeterminations is Budgeted

The Social Security Act requires that the Federal Government conduct redeterminations to verify the eligibility and correct assistance payment amounts for all persons on the SSI rolls. In fiscal year 1975, SSA plans to make redeterminations on 1.0 million of the 2.6 million cases that were converted from State assistance rolls prior to January 1974 when the Federal program became effective. In 1976, this budget request provided for processing redeterminations of the remaining converted cases--1.6 million. In addition in fiscal year 1976, the plan is to make redeterminations of approximately 1.2 million new Federal recipients and to make the second annual redeterminations of the 1.0 million converted cases initially redetermined in 1975. In addition, about 300,000 cases will need some additional redetermination work as individuals report changes in status that may affect their benefit amounts.

The most time consuming of these redeterminations will be the cases converted from the former State and local rolls because we will be looking carefully at all factors of entitlement. Since many of these individuals were on the State and local assistance rolls for long periods of time and conversion to the Federal roll was accomplished through a paper conversion process and did not require personal contacts between the recipients and representatives of the Federal government, SSA believes it is important to give redeterminations for the converted recipients the highest priority. From this major redetermination effort relating to the conversion cases, we are projecting savings of $35 million in benefit payments in 1975 and $100 million in 1976.

D. SSI State Agency Contract Costs Decline

There will be a large decrease in the costs of contracts with State welfare agencies in fiscal year 1976 as shown in the table below:

Contract	1975 Estimate	1976 Estimate	Change
Adjusted Payment Level (APL) Recalculation Conversion Close Out	$10,600,000	---	-$10,600,000
Minimum Income Level Maintenance	9,000,000	$7,350,000	-1,650,000
Monitoring the treatment of drug addicts and alcoholics in New York City	1,083,000	6,572,000	+5,489,000
Total	$20,683,000	$13,922,000	-$6,761,000

In order to insure that the Federal government pays the correct amount for "hold harmless" protection, SSA has contracted with several States in fiscal year 1975 to recalculate their adjusted payment levels, which are the determinants of "hold harmless" payments. These recalculations should be completed by June 30, 1975. In addition, certain costs associated with the closing out of the conversion agreements with the States will not carry over into 1976.

Another reduction will occur in the costs of agreements with the 32 States, which are to be reimbursed by the Federal government for their expenses incurred in determining the "Minimum Income Level" maintenance. The "MIL" is the basis for establishing the amount of mandatory State supplementary payment and is a specific dollar amount established for each eligible individual or couple converted from State assistance to SSI rolls. Since the "MIL" is applicable to only those cases converted from State welfare rolls and it is expected that the number on the rolls will decline because of death and terminations of disability, the administrative costs incurred by the States should decline.

The above decreases will be offset partially by continuing for all of 1976 the work which was begun in fiscal year 1975 by the City of New York to handle the benefits for SSI recipients who are drug addicts and/or alcoholics and to administer the required treatment to these individuals. Social Security Administration personnel in our district offices are not equipped by training or experience to handle this special work.

II. Requirements Related to Due Process

Recent court decisions have required the Social Security Administration to reexamine its procedures for assuring due process of law in cases involving reduction, suspension or termination of benefits. Developments in this area are still in a state of transition, but it is already clear that increased manpower will be needed to provide due process in the manner required by the courts. The fiscal year 1976 budget includes some modest increases for this purpose. The initial and most imperative effect of the recent court decisions has been in the administration of the Supplemental Security Income program, but the social security programs also are beginning to be affected.

In 1970, the Supreme Court in Goldberg vs. Kelly held that a welfare recipient has a right to a hearing before his benefits were adjusted. This right includes an opportunity for a face to face meeting and for cross-examination of adverse witnesses. This principle has been extended to title II of the Social Security Act by U.S. District Court decision in Elliott, Molina, et al vs. Weinberger; Mattern vs. Weinberger and Buffington/Biner vs. Weinberger. In the latter case, unlike the others, the court issued a nation-wide order that the Social Security Administration is to cease reducing benefits to recover overpayments until the beneficiary has been provided an opportunity for an oral pre-adjustment hearing. The budget request for 1976 reflects approximately 420 man-years to begin implementing new hearing procedures in cases involving overpayment to beneficiaries. The manpower for SSI due process was already in the 1975 workload base and is continued in 1976.

Another area related to due process concerns is the area of representative payee accountability. In 1971 in an effort to reduce manpower requirements it was decided to place a temporary moratorium on requiring accountability reports from persons who act on behalf of a beneficiary who is unable to handle his own funds by reason of senility, mental disability or other causes. In recognition that a periodic review was necessary to ensure that these payments were being used in the beneficiary's best interests, SSA soon reinstituted the reports for the "higher risk" cases. Even this policy leaves

the Government open to adverse court action and therefore during 1975 we have begun to reinstate a full scale accountability process. The cost for annualizing the full implementation in 1976 is about 360 man-years.

III. Issuance of Social Security Numbers

Issuance of new social security numbers is a large area of workload increase in fiscal year 1976. The Social Security Administration will issue 15 million social security numbers in fiscal year 1976, an increase of 6,600,000 numbers over the fiscal year 1975 level. This is a 79 percent increase in work and an increase of 1,792 man-years in fiscal year 1976 will be required.

The most significant workload increase in this area is in the enumeration of recipients of Aid to Families with Dependent Children (AFDC) where the workload will increase from 500,000 in fiscal year 1975 to 6,000,000 in fiscal year 1976. The Social Security Amendments of 1972 require that a social security number be issued to any individual who applies for or receives benefits under any Federal or federally subsidized program.

IV. New Approach to SS-5 File Conversion

Originally, SSA had planned to convert all SS-5 paper records to an electronic record over a five year period using our own employees. In the fiscal year 1975 President's Budget last year we included 1,678 man-years toward this goal. As the project began it became apparent that it would be more efficient and effective to have some of the work performed by Internal Revenue Service employees and equipment in periods other than when there is a peaking of income tax work. Therefore a mutually acceptable plan was developed and IRS assistance will begin in 1975 and increase in 1976. In this way the work will be spread out and the peaking of work by government agencies will be minimized. The Social Security Administration will subcontract with the Internal Revenue Service for the work performed by that agency. The budget can be summarized as follows:

SS-5 Conversion Project

	1975 Estimate		1976 Estimate	
	Man-Years	Money	Man-Years	Money
Social Security Admin.	775	$7,281,000	838	$ 7,873,000
Internal Revenue Service	50	471,000	700	6,576,000
Total	825	$7,752,000	1,538	$14,449,000

The IRS manpower is included in that agency's reimbursable budget.

V. Budget Reflects Only Actual Space and Facilities Costs of Space Occupied or to be Occupied by Trust Fund and SSI Operations

The Social Security Administration's budget request for 1976 reflects Congressional intent with respect to payments to the General Services

Administration for standard level user charges. SSA is not budgeting under Salaries and Expenses to pay GSA more than the actual cost of the space actually occupied by SSA.

The space and services costs included in the 1975-76 budget for Salaries and Expenses are shown below:

($ in 1,000s)

	1975 Appropriation	1976 Estimate
Actual cost of space and services for Social Security and SSI program	$68,430	$75,476
Charges above actual costs for SSI Program	6,802	--
Total	$75,232	$75,476

It should be noted that the standard level user charges above actual cost for both the SSI and social security program will be carried in 1976 in the Payments to Trust and Other Funds Appropriation. In 1975, the additional charge attributable to the SSI program was carried in Salaries and Expenses.

VI. Medicare

A. Perkins Committee Report and Contractor Performance

In February 1973, the Secretary appointed the Advisory Committee on Medicare Administration, Contracting and Subcontracting (the Perkins Committee) to advise him and the Commissioner of Social Security concerning broad organizational and operational matters, contract formulation, and reimbursement principles applicable to Medicare contracts and subcontracts. The Committee report, released in June 1974, contained recommendations designed to result in more efficient and economical administration of the Medicare program. The broad issues covered in the report include measuring carrier performance, actions to be taken against poorly performing carriers, incentives for high carrier performance, and increasing competition in the field of data processing for the Part B (physician services) program.

In the fiscal year 1975 report of the Senate Committee on Appropriations and in the conference report on the fiscal year 1975 Labor-HEW Appropriations Act concern was also expressed "that the competitive process be utilized to the fullest extent possible in the administration of Medicare, particularly in the procurement of equipment, goods or services or changes in providers of equipment, goods and services," and that the recommendations of the Perkins Committee be carried out.

A tracking system has been established within the Social Security Administration for following each of the recommendations of the Perkins Committee through evaluation and implementation. A report requested by the Senate Committee on Appropriations on actions to implement the Perkins Committee recommendations, or reasons for not doing so, is in preparation. Some of the Perkins Committee recommendations are already operative or coincide with support activities already in progress.

For example, carrier contracts have been revised in accordance with the Perkins Committee recommendations to require cost and price analysis on subcontracting, the use of Requests for Proposals (RFP's) in subcontracting and accessibility to the records and reports of subcontractors.

Of the major recommendations, three have signifcant implications for the existing carrier/intermediary community:

1. Disengagement by the Federal Government from maintenance of the so-called Model B (Government developed and maintained) automated claims processing system.

2. Creation of opportunities for the carrier/intermediary community to participate in Medicare planning and policy matters.

3. Development of criteria for measuring the performance of carriers.

The Social Security Administration has made known to the carriers and intermediaries its acceptance of these three recommendations and has discussed each of them with spokesmen for the two groups. In the case of the first, Model B disengagement, the House Committee on Government Operations has asked for a cost-benefit analysis before implementation, and SSA has agreed. This recommendation and the one to develop criteria will both require the use of the private sector and will involve considerable lead time before implementation. Discussions with the carrier/intermediary community on opportunities for their participation are now underway.

In January 1974, a quality assurance program for Part B contractors was initiated. Under this program, a sample of claims processed by the contractors is reprocessed and a subsample is reviewed by SSA regional staffs to determine number and type of errors made. Contractors are ranked on the quality of their performance from the data obtained from the sample. The implementation of the quality assurance program rounds out a rather complete program for measuring performance of Part B contractors. Attention is now being directed to development of measurements of performance of contractors in the Part A (hospitals and other providers) program and to improvement of unit cost analyses of contractors in both Part A and Part B. As performance measurements are developed and improved and standards of acceptable performance are established, SSA will have better tools for managing Medicare contracts.

B. Utilization Review

Effective February 1, 1975, new utilization review regulations require that hospitals provide for timely reviews of the medical necessity of admissions, extended duration stays, and the professional services provided. The overall objective of such utilization reviews is to see that patients receive quality care and that there is an effective and efficient use of health services and facilities.

These regulations are supportive of the Professional Standards Review Organization (PSRO) program. The PSRO law provides that PSROs can rely on the review activities of hospital utilization review committees which the PSRO has determined to function effectively. It is expected that effective hospital utilization review committees should facilitate the development of PSROs and also enable PSROs to concentrate their efforts on relatively smaller areas of questionable

professional activity.

The health insurance contractors will play a significant role assisting hospitals in establishing or improving existing utilization review programs, and toward this effort SSA had budgeted over $6,000,000 for the contractors in fiscal year 1976. It is expected that this intensified utilization review program will save $60,000,000 in Medicare benefit payments in 1976.

VII. Productivity

The fiscal year 1975 President's budget was formulated on the assumption that fiscal year 1974 productivity would increase by 4.2 percent. However in fiscal year 1974, SSA experienced for the first time since 1961 a loss in productivity, a loss of 2.4 percent. A number of factors account for this productivity loss. First, SSA's necessary preoccupation with the SSI program and with the backlog situation both in the field and data processing organizations significantly impaired the agency's ability to maintain its past record of substantial annual productivity improvement. Major systems improvements designed to automate further the claims and post-entitlement work, which had been in the planning stage for several years, were set back by the need to put top priority on SSI. For this reason, these systems improvements will not produce the savings estimated in the budget previously approved by the Congress for fiscal year 1975. Also, when there are large backlogs much time must be spent on dealing with inquiries and straightening out multiple problems which snowball due to delays in processing claims and appellate work. A third reason for the productivity loss was the receipt of lower than estimated claim workloads, particularly in the SSI program.

It is SSA's plan to recapture this lost productivity in fiscal year 1975 and achieve further productivity savings in fiscal year 1976. The average productivity over the two year period is budgeted at slightly more than 5 percent. The table below shows the year to year changes in productivity and the man-year value of these changes.

	Year to Year Increase	Man-Year Savings/Costs
FY 1970.....	7.1%	-3,799
FY 1971.....	2.4	-1,334
FY 1972.....	1.6	-909
FY 1973.....	4.8	-2,865
FY 1974.....	-2.4	+1,829
FY 1975 Est.....	4.7	-4,006
FY 1976 Est.....	6.4	-5,733

Major efforts are now under way to improve and simplify the processing of all SSI claims actions in order to bring about a significant increase in productivity in the SSI program. Additional factors contributing to increased productivity in 1976 are an expansion of SSA work that will be done over the telephone such as claims interviewing, greater use of electronic data processing equipment, an updated telecommunications system, and various other systems and procedural changes, including accomplishment of those delayed in previous years. Further, additional manpower savings will result from integrated administration of the social security and SSI programs. An example of this integration is the use of a single input to beneficiary records such as change of address, to serve more than one program.

Exhibit 1 shows the trend in productivity in SSA over a 10 year period. During this time work output is projected to increase 186 percent while manpower increases only 86 percent, resulting in a productivity improvement of 54 percent. 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 Social Security Administration manpower. The manpower index covers total manpower paid directly from the Salaries and Expenses appropriation including overtime. Work performed by State agencies and contractors is excluded from this exhibit.

It would appear that a number of uncertainties concerning workload performance capacities have come into the picture for the last year (this is particularly true in the case of SSI workloads). These uncertainties may continue to affect the budget period 1975/1976. Thus, SSA's predictions of productivity for 1975 and 1976 are less certain than in past years.

VIII. Approximately 31 cents out of Every Administrative Dollar in 1976 is Budgeted for Third Parties

As indicated in exhibit 2, in 1976 over 31 cents out of each dollar requested for Salaries and Expenses will go to third parties who assist in carrying out the provisions of the Social Security Act. These third parties are State agencies who perform functions under the disability, health insurance, and supplemental security income programs as well as private contractors who perform functions under the health insurance program.

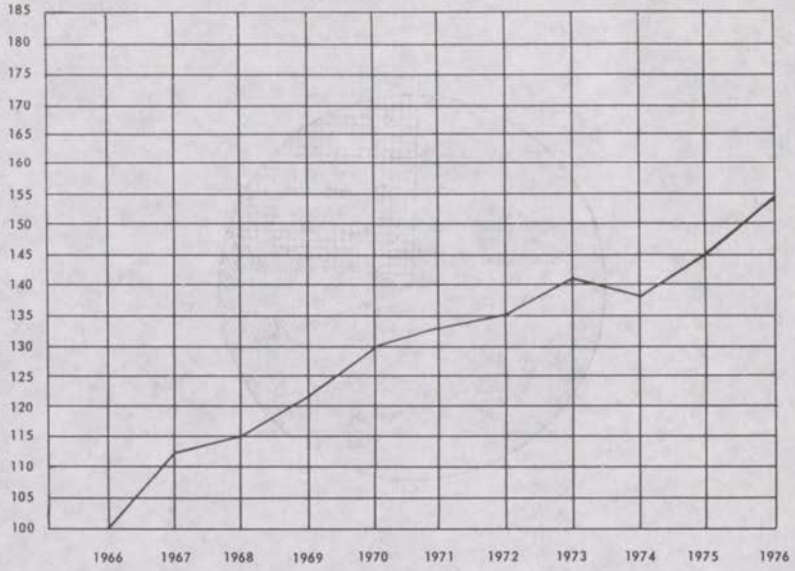
In 1976, over 9 cents out of every salaries and expenses administrative dollar will go to disability State agencies who make disability determinations for the social security and supplemental security income programs on (1) initial claims for benefits, (2) reconsideration claims resulting from medical denials, and (3) investigations of continuing eligibility for benefits. These disability determinations must be made on all claims where eligibility involves meeting medical disability criteria.

Health insurance State agencies (principally public health agencies) will require 1 cent of every salaries and expenses administrative dollar to certify that providers of services--i.e., hospitals, skilled nursing facilities, home health agencies, and independent laboratories--meet Medicare standards and thus are eligible to participate in the program.

Health insurance contractors such as Blue Cross and Blue Shield organizations and private health insurance companies will require 21 cents of every salaries and expenses administrative dollar in 1975. These third parties process most Medicare bills and claims for payment and perform certain other administrative functions.

Exhibit 1

COMPARISON OF MANPOWER WITH WORKLOAD[1]
PRODUCTIVITY INDEX
Fiscal Year 1966 = 100



INDICES OF WORK OUTPUT, MANPOWER, AND PRODUCTIVITY

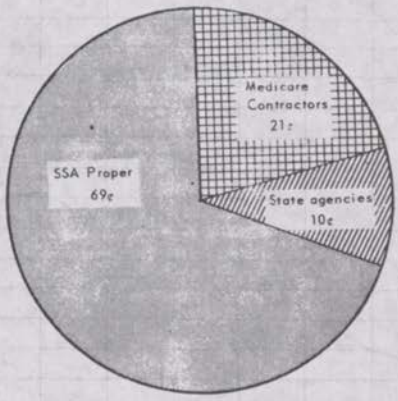
Year	Work Output	Manpower	Productivity 2/
1966 actual	100.00	100.00	100.00
1967 actual	115.53	102.43	112.79
1968 actual	130.96	112.99	115.91
1969 actual	136.41	112.24	121.53
1970 actual	144.03	110.68	130.13
1971 actual	152.42	114.37	133.27
1972 actual	157.67	116.45	135.40
1973 actual	174.34	122.84	141.93
1974 actual	215.31	155.48	138.48
1975 estimate	254.72	175.67	145.00
1976 estimate	286.36	185.67	154.57

[1]Work performed b, State agencies and Medicare contractors and the manpower for them are excluded.

[2]Productivity index equals work output index divided by manpower index times 100

Exhibit 2

ADMINISTRATIVE EXPENSE DOLLAR-FISCAL YEAR 1976 ESTIMATE



	Amount	Percent of Total Amount
SSA Proper.....	$1,611,279,523	68.6
Medicare Contractors.....	490,777,000	20.9
State Agencies:		
A. Social security program		
Disability.....	119,353,144	5.1
Medicare.....	21,587,000	.9
B. Supplemental Security Income Programs:		
Disability.....	91,213,333	3.9
Other State contracts.....	13,922,000	.6
Total State Agencies.....	246,075,477	10.5
TOTAL OBLIGATIONS.....	$2,348,132,000	100.0

IX. Manpower and Positions

SSA's total man-year and position requirements for all of the programs it administers are shown in the tables below. A separate breakout has been made in each table for the Salaries and Expenses appropriation which finances the administrative costs of the cash benefits, Medicare and SSI programs. The other programs requiring man-years and positions are the black lung program and reimbursable work performed for private groups and other government agencies. The reimbursable work does not require an appropriation of funds.

	Man-Years		
	FY 1975 President's Budget	FY 1975 Revised Estimate	FY 1976 Estimate
Salaries and Expenses			
Permanent position and term man-years	70,820	72,393	76,236
Temporary and part-time position man-years	3,635	6,010	6,927
Overtime man-years	3,526	6,749	6,837
Subtotal	77,981	85,152	90,000
Total, Social Security Administration			
Permanent position and term man-years	71,910	73,875	77,181
Temporary and part-time position man-years	3,755	6,457	7,106
Overtime man-years	3,592	6,918	6,900
Grand Total	79,257	87,250	91,187

	Positions Authorized		
	FY 1975 President's Budget	FY 1975 Revised Estimate	FY 1976 Estimate
Salaries and Expenses			
Full-time permanent	72,351	72,137	72,356
Term	-	6,000	6,000
Subtotal	72,351	78,137	78,356
Temporary and Part-time	3,440	6,951	7,261
Total, Salaries and Expenses	75,791	85,088	85,617
Total, Social Security Administration			
Full-time permanent	73,378	73,372	73,372
Term	-	6,000	6,000
Subtotal	73,378	79,372	79,372
Temporary and Part-time	3,500	7,276	7,276
Grand Total	76,878	86,648	86,648

	Positions Filled at End-of-Year		
	FY 1975 President's Budget	FY 1975 Revised Estimate	FY 1976 Estimate
Salaries and Expenses			
Full-time permanent.....	71,338	71,124	71,343
Term.....	-	6,000	6,000
Subtotal.....	71,338	77,124	77,343
Temporary and Part-time.....	3,440	6,951	7,261
Total, Salaries and Expenses	74,778	84,075	84,604
Total, Social Security Administration			
Full-time permanent.....	72,365	72,359	72,359
Term.....	-	6,000	6,000
Subtotal.....	72,365	78,359	78,359
Temporary and Part-time.....	3,500	7,276	7,276
Grand Total.....	75,865	85,635	85,635

The tables above reflect the need of the Social Security Administration for significant increases in man-years and positions in 1975 over the level originally approved by Congress. These needs, which were explained in our recent 1975 Supplemental budget requests, carry throughout 1976. They relate principally to the SSI program and backlogs of work in all programs SSA administers. When the administrative problems SSA was encountering were brought to the attention of the President, his response was to ask us to budget for what was needed to get the job done both in fiscal years 1975 and 1976. The President, however, stipulated that where possible we should meet the additional manpower requirements through overtime and temporary employment without committing the Government to long range permanent increases in the SSA work force. This approach is reflected in the tables above.

The fiscal year 1975 revised estimate for SSA in total, provides for an increase of slightly more than 10,000 positions over the level previously approved by Congress for fiscal year 1975. Six thousand of the increase is for term employment and 4,000 for regular temporary and part-time employment. The "terms" will count against the permanent employment ceiling and will be on board for more than one year, but they will not become a permanent addition to the Federal work force. The 1975 increase of 10,000 is carried in the budget throughout fiscal year 1976 (with minor adjustments).

It should be noted that when the budget request for 1975-1976 was submitted to Congress it provided for 15,000 temporary and part-time employees for SSA for both fiscal years--11,500 more than the original 1975 appropriation. It also provided for SSA to take its share of the 2 percent Government-wide reduction in permanent employment (about 1,500 permanent positions). Since that time, SSA was able to identify for the Office of Management and Budget and the President what kind of work we had that required permanent employees, what required temporary employees and what required employees who would be on the rolls for more than one year but would not become permanent additions to the Federal work force. As a result of this analysis, the decision to allow increases only in temporary employees was reconsidered. First, the President exempted SSA from the 2 percent Government-wide reduction in permanent employees. This was a restoration of 1,494 permanents. Then, the President is going to allow us to make up to 6,000 term appointments. The remaining 4,000 additional jobs will be temporary positions.

Activity 1 - Old-Age and Survivors Insurance Program

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Personnel compensation and benefits 1/.....	$458,227,069	$493,479,444	$544,821,801	+$51,342,357
Positions.....	34,206	35,130	35,130	---
Other expenses.....	121,781,421	144,760,480	160,424,850	+15,664,370
Total Obligations.....	$580,008,490	$638,239,924	$705,246,651	+$67,006,727
Positions.....	34,206	35,130	35,130	---

1/ Man-year estimates are as follows:

Regular.....	35,430	36,142	38,196	+2,054
Overtime.....	1,632	3,111	3,138	+27
Total.....	37,062	39,253	41,334	+2,081

Scope of Program

Funds requested for the old-age and survivors insurance program provide for: (1) the initial determination of eligibility of workers, wives, widows, children and dependent parents for old-age and survivors benefits; (2) reevaluation of the initial determination when requested by the claimant; (3) changing the beneficiary rolls to assure proper and correct payment of benefits; and (4) investigation of the beneficiary's continuing entitlement to benefits including the evaluation of the 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 and the overall direction of the program and administrative services.

Workloads

A. Workload Trends

Indicative of the workload trend in this activity is the number of OASI beneficiaries on the roll. The table below shows the average number of persons receiving benefits and the amount of benefits paid in selected years.

Fiscal Year	Average Number of Beneficiaries in Current Payment Status	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
1971	23,569,000	31,101,018,000
1972	24,359,000	34,541,000,000
1973	25,205,000	42,170,000,000
1974	26,311,000	47,849,000,000
1975 estimate	26,987,000	54,718,000,000
1976 estimate	27,918,000	62,864,000,000

The number of persons on the old-age and survivors insurance beneficiary roll will continue to increase for many years into the future. The normal year-to-year growth in the roll and in the amount of benefits paid is in large measure dependent on population growth, economic growth and demographic changes. In addition, year-to-year growth is frequently affected by legislative changes to the basic Social Security Act.

Also growth in the amount of benefits paid each year will increase because the number of beneficiaries increase and because the average monthly benefits will increase as general earnings levels rise and as automatic increases tied to the cost of living become effective. The amount of benefit payments increases in 1975 and 1976 exceeds normal growth because Public Law 93-233 (enacted December 1, 1973) authorized an across-the-board increase of 11 percent effective June 1974, with 7 percent of this amount payable in advance for March through May 1974. The same public law provides for a possible automatic cost-of-living benefit increase in June of each year beginning in June 1975. The benefit amount for fiscal year 1976 that is shown above assumes an 8.7 percent increase effective in June 1975 and first payable in July 1975. The President's legislative proposal to limit this increase for one year to 5% is not reflected in the table above, which is based on existing law.

B. Work Output

An overall increase of 8.6 percent in work output is projected in 1976 over 1975. The principal indicators of work output used to compute the year-to-year change in volume in this activity are:

	1975 Legislative Estimate	1975 Revised Estimate	1976 Estimate	Difference 1976 over 1975
Claims for retirement and survivors insurance benefits processed.....	4,130,000	3,973,000	4,098,000	+125,000
Average number of beneficiaries serviced.....	28,709,000	28,277,000	28,997,000	+720,000

	1975 Legislative Estimate	1975 Revised Estimate	1976 Estimate	Difference 1976 over 1975
Appellate actions processed (These include reconsiderations of claims decisions, hearings before administrative law judges and appeals to the Appeals Council).....	39,900	31,560	32,138	+578
Persons subject to continuing eligibility review. (These include representative payees other than the natural parent, age 18-22 beneficiaries attending school, and beneficiaries who are working and file reports of earnings).....	3,208,600	2,785,300	2,876,600	+91,300

Other principal indicators of workload volume for functions whose costs are distributed to this activity and activities 2 and 3 are:

Social security numbers established.....	11,334,000	8,411,000	15,043,000	+6,632,000
Earnings items posted to worker's lifetime record of earnings....	399,078,000	366,986,800	400,898,000	+33,911,200

The 8.6 percent increase computes to a need for 3,468 additional man-years at 1975 production rates and is the result of:

1. A 6.8 percent increase in the number of work units that will be processed over the 1975 level which accounts for an increase of 2,669 man-years. As indicated in the preceding table the increases in work units occur principally in claims applications processed, servicing a larger number of beneficiaries on the rolls and a large increase in the volume of social security numbers to be issued. The increase in new retirement and survivor claims to be processed is due to an increase in the number of new claims to be filed and a planned reduction in pending work carried over from 1975. The large increase in the volume of social security numbers to be issued is due primarily to the scheduled enumeration of 6 million AFDC program recipients in fiscal year 1976. This is necessary because the Congress directed SSA to issue social security numbers to any individual who applies for or receives benefits under any Federal or Federally-subsidized program.

2. A net increase of 701 man-years in other work output, including 610 man-years for full restoration of representative payee accountability (a process designed to assure that persons who receive benefits on behalf of another use the benefits properly) begun in 1975 and for providing the beneficiary with full rights to due process under the law before reducing, suspending or terminating benefits. Due process affords an individual the opportunity to discuss the reason for such action and, if dissatisfied, to

appeal the decision. The remaining 91 man-years are primarily for a project now underway to provide beneficiaries with the opportunity of having their checks deposited directly into their bank accounts.

Manpower and Positions

The 8.6 percent increase in work output results in a net increase of 3,370 man-years over the 1975 level, partially offset by a saving of 1,289 man-years from procedural changes and other factors that affect productivity. The installation of a single automated claim process, further automation in the processing of notices that change entitlement and benefit amounts of beneficiaries on the rolls, increased use of telephone servicing units in district offices, an expansion of a new communications system to virtually all district and branch offices, less training and a more experienced staff contribute to improved productivity of 3.1 percent in 1976.

The overall increase in man-years of 2,081 is to be achieved principally by staff hired for a limited term beginning late in 1975 and by temporary and part-time employees.

Money Requirements

The cost of administering this activity in 1976 is budgeted to increase by $67,006,727 of which $51,342,357 is for payroll costs and $15,664,370 for other expenses.

Over 35 percent of the payroll cost increase is due to mandatory changes in these costs such as annualization of the pay increase, periodic within grade promotions, and promotions of employees to the journeyman grade. The balance of payroll costs is related to the increase in manpower in this activity. The increases in other expenses are related to greater manpower, higher work output, continuing space and communication costs, and increases in rates, prices and other cost factors.

Activity 2 - Disability Insurance Program

	1975 Estimate	1975 Revised Estimate	1976 Estimate	Increase or Decrease
Personnel compensation and benefits 1/.....	$198,948,722	$220,930,620	$247,650,048	+$26,719,428
Positions.....	14,406	14,226	14,226	---
Payments to States.....	106,406,882	109,527,194	119,353,144	+9,825,950
Other Expenses.....	49,579,763	61,621,890	69,744,713	+8,122,823
Total Obligations.....	$354,935,367	$392,079,704	$436,747,905	+$44,668,201
Positions.....	14,406	14,226	14,226	---
1/ Man-year estimates are as follows:				
Regular.....	14,485	14,699	15,604	+905
Overtime.....	682	1,262	1,285	+23
Total.....	15,167	15,961	16,889	+928

Scope of Program

Funds requested for the disability insurance program provide for: (1) initial determinations of eligibility for cash benefits for disabled workers and their dependents; (2) making initial determinations of eligibility for Medicare benefits for disabled workers and other disabled beneficiaries; (3) reevaluating the initial determination upon the claimant's request; (4) making changes in the beneficiary roll to assure proper and correct payment of benefits; and (5) investigating the beneficiary's continuing eligibility for benefits. The administrative costs budgeted for the disability program include the costs of State agencies which determine the existence and continuance of a disability.

Workloads

A. Workload Trends

The following table displays the trend in the average number of disability insurance beneficiaries in payment status and in the amount of benefits paid for selected years.

Fiscal Year	Average Number of Beneficiaries in Current Payment Status	Benefits Paid During Year
1960	460,000	$528,000,000
1965	1,563,000	1,392,000,000
1970	2,495,000	2,778,000,000
1971	2,666,000	3,381,000,000
1972	2,930,000	4,046,000,000
1973	3,271,000	5,162,000,000
1974	3,561,000	6,159,000,000
1975 estimate	3,897,000	7,636,000,000
1976 estimate	4,256,000	9,083,000,000

The year-to-year growth in the number of beneficiaries is directly related to the incidence of disability in the population and the size of the population covered by the social security insurance program. In addition, legislative changes to the program affect the size of the beneficiary roll and the amount of disability insurance payments made in each year. One major factor causing the increase in the rolls in 1974 and 1975 was the Supplemental Security Income program which became effective on January 1, 1974. Title XVI of the Social Security Act as amended provides that no person shall be eligible for supplemental security income if he fails to file, within 30 days of notification by the Secretary, for other benefits such as retirement, disability, workmens compensation and unemployment benefits to which he may be entitled. This requirement stimulated filing for social security disability benefits by disabled persons who had been receiving only State assistance payments.

The amount of benefits paid to disability insurance beneficiaries during each fiscal year is related to the number of people on the rolls in current payment status and to the average monthly benefit amounts payable to these individuals. The increase in benefit payments in 1975 and 1976 is greater than normal because the payments reflect the added costs of new legislation. Public Law 93-233 authorized a general benefit increase of 11 percent effective June 1975 with 7 percent of this amount payable for March through May 1974. Also this law provides for a possible automatic benefit increase tied to the cost-of-living in June of each year beginning in June 1975. The benefit payments budgeted for 1976 assume that beneficiaries will receive an increase equivalent to 8.7 percent effective with the July 1975 check. The President's legislative proposal to limit this increase for one year to 5 percent is not reflected in the preceding table, which is based on existing law.

B. Work Output

1. Social Security Administration

The work output for this activity is projected to increase 8.6 percent in fiscal year 1976 over 1975 for the Social Security Administration. The principal indicators of the work output volume in this activity for the Social Security Administration are:

	1975 Estimate	1975 Revised Estimate	1976 Estimate	Difference 1976 over 1975
Claims for disability benefits from disabled workers and their dependents:				
Receipts	1,668,000	1,794,000	1,785,000	-9,000
Processed	1,689,000	1,810,000	1,808,000	-2,000
Average number of beneficiaries serviced	3,971,000	3,962,000	4,378,000	+416,000
Appellate actions: 1/				
Receipts	351,687	309,568	302,768	-6,800
Processed	352,449	284,243	312,900	+28,657
Persons subject to continuing eligibility services 2/	3,099,000	2,992,000	3,279,000	+287,000

1/ Includes reconsiderations, hearings before Administrative Law Judges and appeals to the Appeals Council.

2/ Includes representative payees for disabled beneficiaries other than the natural parent; disabled persons on beneficiary rolls, all of whom are subject to periodic checks on their continued disability; and dependents age 18 - 22 attending school and dependents who work and must file reports of earnings.

The 8.6 percent increase in work output is the net effect of: (1) 8.3 percent increase in workload units processed (1,318 man-years); (2) an increase of 154 man-years for full restoration of representative payee accountability begun in 1975 to assure that benefit payments are properly used on behalf of beneficiaries unable to handle their own funds; and for providing beneficiaries with full rights to due process before reducing, suspending, or terminating benefits (due process gives the beneficiary the right to discuss and if necessary appeal an SSA decision); and (3) a decrease of 93 man-years for work of a one-time nature, related primarily to the completion in 1975 of a project to purge the disability files of dormant claim folders.

As indicated in the preceding table, the number of applications for disability benefits to be received and processed in fiscal year 1976 is slightly below the volumes estimated for fiscal year 1975. This small decrease in applications filed and processed is more than offset by increases in the volume of appellate actions, the number of beneficiaries to be serviced, and investigations of continuing eligibility for benefits. The appellate workloads to be processed in 1976 are higher than 1975 primarily because of the need to work off large backlogs of hearings which have accumulated in prior years. Reconsiderations, the first step of the appellate process, are budgeted to increase by 3 percent. Hearings, the second step, will increase by 27 percent in fiscal year 1976 over 1975, and appeals of these hearing decisions to a special appeals council will increase by 28 percent.

2. State Agencies

The State agencies are under contract to the Social Security Administration to make disability determinations on claims filed by disabled workers, widows and children. In addition, the States make determinations to ascertain the continuation of disability. In fiscal year 1976 the work output of these agencies will be about the same as fiscal year 1975--the change is estimated at less than one percent. The workload indicators of the work output volume in this activity for State agencies are:

	1975 Estimate	1975 Revised	1976 Estimate	Change
Disability Determinations:				
Receipts	1,464,000	1,621,300	1,581,800	-39,500
Processed	1,576,000	1,631,300	1,630,800	-500

A productivity improvement of 2.3 percent is projected for the State agencies in 1976 for this activity. This results primarily from reduced training needs, decentralization of some State disability determination units, and an increase in the number of determinations that can be adjudicated without the need for State agencies to purchase and review consultative examinations.

Manpower and Positions

A net increase of 928 man-years is budgeted for this activity. The man-years increase of 1,379 is related to a higher level of work but is partially offset by a savings of 451 man-years in productivity. This saving results from: (1) a decrease of 346 man-years from a further expansion in the automated claims processing systems, added savings from the expanded use of telecommunications systems in district offices, and the utilization of automatic typewriters in the hearing offices, and (2) a decrease of 105 man-years coming from reduced training time and a more experienced staff.

The overall increase in man-years of 928 is to be achieved primarily by staff hired for a limited term beginning late in 1975 and by temporary and part-time employees.

Money Requirements

The cost of administering this activity in 1976 is budgeted to increase by $44,668,201 over 1975. Of this increase, $34,842,251 is for the Social Security Administration program and $9,825,950 for the disability State agencies.

The $34,842,251 for the Social Security Administration includes $26,719,428 for payroll costs and $8,122,823 for other expenses. Over 27 percent of the payroll cost increase is due to mandatory changes such as annualization of the pay increases, periodic within grade promotions, and promotions of employees to the journeyman grade. The balance of payroll costs are related to the increase in man-years in this activity. The increases in other expenses are related to increased work output and manpower, to continuing space and communications costs, and to increases in rates, prices and other cost factors.

State agency requirements for fiscal year 1976 are expected to increase by $9,825,950. Projected salary increases for State agency employees account for $6,421,208 of this change. An increase in the unit cost of consultative examinations required by State agencies in making disability determinations will produce a further increase of $3,135,754. Smaller increases will be experienced in overhead and indirect costs and in other objects of expenditure. Partially offsetting these increases is a decrease of $2,720,607 due to productivity savings, of which $1,379,151 results from a decline in the percentage of disability claims which require consultative examinations.

Activity 3 - Health Insurance Program

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Personnel compensation and benefits	$119,360,741	$118,852,248	$134,578,266	+$15,726,018
positions 1/	8,259	7,160	7,160	-0-
Payment to States	21,160,000	19,679,000	21,587,000	+ 1,908,000
Payment to Contractors	465,759,100	428,823,200	490,777,000	+61,953,800
Other Expenses	41,751,302	53,232,924	60,560,178	+ 7,327,254
Total	$648,031,143	$620,587,372	$707,502,444	+$86,915,072
positions	8,259	7,160	7,160	-0-
Subactivities:				
Hospital Insurance	$218,880,943	$202,379,478	$233,362,617	+$30,983,139
positions	3,213	2,720	2,720	-0-
Supplementary Medical Insurance	$429,150,200	$418,207,894	$474,139,827	+$55,931,933
positions	5,046	4,440	4,440	-0-

1/

Man-year estimates are as follows:				
Regular	8,274	7,787	8,276	+489
Overtime	368	668	677	+9
Total	8,642	8,455	8,953	+498

Scope of Program

Funds requested for Activity 3 provide for the administration of the hospital insurance program and the supplementary medical insurance program which were established by the 1965 amendments to the Social Security Act, commonly referred to as Medicare and more recently modified by the Social Security Amendments of 1972. Both programs provide insurance protection to persons age 65 or over, disabled persons who have been eligible for social security disability benefits for at least 24 months and to workers insured under social security and their dependents who have chronic renal disease and receive hemodialysis or renal transplant. The hospital insurance program affords protection against the costs of inpatient hospital services, post-hospital home health services and post-hospital skilled nursing facility services. The voluntary supplementary medical insurance program covers the costs of physicians' services and other medical costs. There are certain deductible and coinsurance requirements to be met in both programs.

The hospital insurance program is financed primarily by payroll contributions, except for those "deemed" insured under previous legislation whose costs are funded from general revenues and the uninsured who can enroll by paying a monthly premium. The supplementary medical insurance program is financed partially by a monthly premium paid by the participants and partially by Federal fund appropriations.

The administrative costs of Medicare budgeted under this activity include those incurred by components of the Social Security Administration in enrolling persons into the program, maintaining the individual beneficiary records of utilization of hospital and medical services, and collecting premium payments. The administrative costs also include the costs of processing bills for services rendered under the hospital insurance program and claims for services rendered under the supplementary medical insurance program. For the most part, these bills and claims for services rendered are processed by third party contractors, i.e. Blue Cross and Blue Shield plans and by private insurance companies. Also included are the administrative costs of the State health agencies who are responsible for certifying that hospitals, home health agencies, skilled nursing facilities, and independent laboratories meet and adhere to the health and safety standards of participation in the Medicare program. A small amount (24 positions and $500,000 for both fiscal year 1975 and fiscal year 1976) is included in Activity 3 for work in connection with Professional Standards Review Organizations (PSROs) authorized by the 1972 Social Security Amendments. These organizations of practicing physicians in local areas are to assure that health services are necessary and provided in accordance with professional standards. SSA's principal function with respect to PSROs is to coordinate their activities with those of the health insurance contractors. The PSRO program is administered by the Health Services Administration, Office of Assistant Secretary, Health, DHEW.

Medicare Coverage and Benefits

A. Workload Trends

The estimated growth of Medicare in 1975 and 1976 is reflected in the number of persons covered under the hospital and medical insurance programs, the number of persons receiving reimbursement, 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 Services	Benefits Paid
Hospital Insurance			
1974 Actual.....	23,104,000	5,256,000	$7,805,979,541
1975 Estimate.....	23,672,000	5,486,000	9,901,000,000
1976 Estimate.....	24,237,000	5,657,000	11,380,000,000
Medical Insurance			
1974 Actual.....	22,676,000	11,613,000	2,873,602,532
1975 Estimate.....	23,236,000	12,724,000	3,551,000,000
1976 Estimate.....	23,794,000	13,278,000	4,145,000,000

Benefit payments are expected to increase at a faster rate than the number of persons receiving reimbursed services essentially because of higher costs of health services. The budget estimates shown above for benefits paid are based on existing law and do not reflect the effect of legislative proposals by the President which would reduce Medicare outlays. The "benefits paid" column for 1975 and 1976 reflect a number of reductions to stem from administrative actions:

1. Under new utilization review regulations, require hospitals to conduct timely reviews of the medical necessity of admissions; determine the maximum length of stay based on norms for a particular diagnosis; review requests for extended stays and review the quality of patient care rendered.

2. Reduce the upper limit on the amount which the Medicare program will recognize as reasonable for the reimbursement of hospitals, from 90 percent to 80 percent of the costs incurred by similar hospitals for routine in-patient hospital care.

3. Eliminate the inpatient routine nursing care differential for Medicare patients which was established at a rate of 8.5 percent over the average cost for care of a non-aged patient.

4. Implement a new payment procedure which reduces the balance held by banks that service the Medicare contractors in order to increase the amount of funds held in the Medicare trust funds and, therefore, increase the interest earned by these funds.

5. Limit Medicare reimbursement for drugs provided during inpatient stays in hospitals and skilled nursing facilities to the cost of less expensive multi-source drugs (as opposed to brand name) equivalents if these equivalents are widely and consistently available and prohibit providers from charging the beneficiaries for the amount determined to be unallowed.

1974 experience and the budget estimates for the newest areas of Medicare coverage are shown in the table below:

Extensions of Coverage	Average Number of People Covered by the Program	Persons Receiving Reimbursed Services	Benefits Paid
1. Medicare for Disabled			
Hospital Insurance:			
1974 Actual.....	1,815,000	450,000	$475,000,000
1975 Estimate.....	1,995,000	580,000	823,000,000
1976 Estimate.....	2,180,000	650,000	1,023,000,000
Medical Insurance:			
1974 Actual.....	1,642,000	1,232,000	232,000,000
1975 Estimate.....	1,815,000	1,361,000	439,000,000
1976 Estimate.....	1,985,000	1,489,000	548,000,000
2. Chronic Renal Disease			
Hospital Insurance:			
1974 Actual.....	9,000	6,000	20,000,000
1975 Estimate.....	13,000	6,000	47,000,000
1976 Estimate.....	16,000	7,000	52,000,000
Medical Insurance:			
1974 Actual.....	9,000	13,000	54,000,000
1975 Estimate.....	13,000	17,000	152,000,000
1976 Estimate.....	16,000	21,000	217,000,000

Work Output

1. Work Units

The principal indicators of work output in this activity are:

	1975 Estimate	1976 Estimate	Difference 1976 over 1975
Bills for services covered by hospital insurance.....	11,018,600	11,542,000	+523,400
Claims for services covered by medical insurance.....	94,690,900	102,303,400	+7,612,500
Audits of hospitals, skilled nursing facilities, and home health agencies.....	14,093	13,320	-773
Surveys of providers by State agencies and other visits..	41,690	42,150	+460

Viewed on a composite basis the net effect of all workload units in this activity, by organizational component, is as follows:

	Percentage Change over 1975
Social Security Administration.....	+10.0
Health Insurance Contractors.....	+6.8
State Agencies.....	+3.2

The increase in work performed by the staff of the Social Security Administration and the health insurance contractors reflects expanding workloads due to the normal growth in the population aged 65 and over; the year-to-year growth in the number of those persons extended coverage under the 1972 amendments, particularly the disabled; and higher utilization of health services, offset by a small decline in the number of audits of hospitals, skilled nursing facilities, and home health agencies to be performed in fiscal year 1976 as a result of working off the audit backlog in 1975 and reducing the audit workload to a normal level.

The number of survey and other visits by State health agency personnel in 1976 is expected to increase 3.2 percent over 1975. These visits are required to certify and recertify hospitals, skilled nursing facilities, and other facilities as meeting the standards established for participation in the Medicare program. The higher workloads are based on the higher number of total surveys, including: initial application and annual resurveys and particularly the additional formal resurveys for skilled nursing facilities which are now required to be performed within certain time limits and the complete survey of a sample of hospitals which belong to the Joint Commission on Accreditation of Hospitals (JCAH). Until recently hospitals which belonged to the JCAH were only surveyed by the State to ascertain if they met utilization review standards.

2. Qualitative Improvements

In addition to the increase of 6.8 percent in work units for the health insurance contractors, there is also a rise of 1.8 percent in added work due to qualitative improvements. This will increase costs in 1976 over 1975 by an estimated $7,966,900. The largest single factor contributing to this increase will be a major effort on the part of the contractors to help improve the

performance of provider utilization review programs. Under new utilization review regulations which became effective February 1, 1975, and which are supportive of the Professional Standards Review Organizations (PSRO) program, hospitals are required to have utilization review plans that provide for timely reviews of the medical necessity of admissions, extended duration stays and the appropriateness and quality of patient care rendered. The overall objective of the utilization review program is to see that Medicare beneficiaries receive quality patient care but also that there is effective and efficient use of available health facilities and services. The contractors will assist providers in either establishing an effective utilization review program or in improving an existing one.

Another major improvement effort on the part of both SSA and the contractors is continually evaluating the bill and claims processing systems used by the contractors and trying to shorten processing times. It is recognized that unnecessary delays can cause financial hardships for the beneficiary who is probably living off only his or her social security benefit and needs immediate reimbursement for out of pocket medical expenses. Often changes dictated by legislation take time to work properly into the claims operation. Also, when a contractor implements a new claims processing system or significantly upgrades an existing one, there are usually problems in the beginning that in a short time are corrected. The end result is that usually the contractor performs better than before.

The other significant improvement is the added work related to quality assurance reviews of contractor performance. In January 1974, a quality assurance program was initiated for the Part B contractors. The contractors review a sample of processed claims and SSA regional staffs review a sub-sample of the contractors' sample to determine the number and type of errors made by the contractors in processing claims. It is based on the data from these reviews that the contractors are ranked on the quality of their performance. The 1976 budget reflects the development and implementation of a program for measuring the performance of the Part A contractors. In addition, SSA will also undertake efforts to improve the unit cost analyses of both the Part A and Part B contractors. The objective of all these efforts is for SSA to have the tools to better manage the Medicare contracts.

Manpower and Positions

The increases in work output are partially offset by manpower savings resulting from procedural and other changes in production costs. Increased productivity occurs in all components engaged in handling Medicare work (SSA 3.8 percent; contractors 4.9 percent; and State agencies 3.1 percent). Improved bill processing methods brought about by better computer systems in contractor operations offset some of the increased workload costs in these operations. State health agency personnel are also expected to show some improvement through more experience in the conduct of surveys of providers. In SSA proper, savings occur as contractors submit bill data on magnetic tape rather than a paper copy. The increase of 498 man-years in SSA Medicare operations in 1976 will be achieved primarily through the use of temporary and part-time employees.

Money Requirements

The cost of administering this activity in 1976 is budgeted to increase by $86,915,072 of which $61,953,800 of the increase is for the costs of health insurance contractors, $1,908,000 is for State health agencies, and $23,053,272 is for components of the Social Security Administration.

Of the nearly $62 million increase in health insurance contractors, 49.3 percent or $30,523,700 is for mandatory increases in salaries and 27.4 percent or $16,993,400 is for other cost increases such as travel, equipment, supplies and space. The remaining $14,436,700 is for handling a 8.6 percent increase in work output, partially offset by a productivity improvement of 4.9 percent. The $23 million increase for the SSA proper includes $15,726,018 in payroll costs and $7,327,254 in other object costs. Over 23 percent of payroll cost increases are for mandatory changes in costs for present staff (annualization of pay increases, periodic within grade promotions and promotions of employees to journeyman grade); the remainder is for the net increase of 498 man-years required by the increased workloads.

Activity 4 - Supplemental Security Income Program

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Personnel compensation and benefits 1/.....	$233,769,468	$276,982,688	$317,246,885	+$40,264,197
Positions.....	15,705	21,621	21,840	+219
Payments to disability State agencies.....	104,327,548	101,649,160	91,213,333	-10,435,827
Payments to State welfare agencies.....	---	20,680,000	13,922,000	-6,758,000
Other expenses.....	58,656,984	73,937,152	76,252,782	+2,315,630
Total Obligations.....	$396,754,000	$473,249,000	$498,635,000	+$25,386,000
Positions.....	15,705	21,621	21,840	+219
1/ Man-year estimates are as follows:				
Regular.....	16,266	19,775	21,087	+1,312
Overtime.....	844	1,708	1,737	+29
Total.....	17,110	21,483	22,824	+1,341

Scope of Program

Funds requested for this activity provide for the administration of the Supplemental Security Income program for the aged, blind, and disabled which became effective January 1, 1974. In addition to Federal administration of the basic SSI program, title XVI of the Social Security Act enables States to enter into agreements with the Secretary of DHEW for Federal administration of State mandatory or mandatory and optional supplementation payments. The Federal government is currently administering the mandatory supplements of 32 States and the optional supplements for 17 of these 32 States. Under terms of the agreements, the Federal government bears the costs of administering these State supplementation payments. The Federal administrative expenses of both the Federal and State supplementation programs are covered by this activity.

Because the administration of this program is integrated with that of the social security insurance programs, the costs of administration of all of these programs are carried in the same Salaries and Expenses appropriation. The Social Security Act authorizes advances from social security trust funds to pay the administrative costs of the Supplemental Security Income program. Repayment of this advance is made currently on an estimated basis with final accounting made after the year is over and actual data are available including interest due the trust funds, if any. Another appropriation account, "Supplemental Security Income Program," includes a request for $498,635,000 to reimburse the social security trust funds in fiscal year 1976 for the administrative expenses of the SSI program.

The funds for this activity in fiscal year 1976 cover the following work: (1) the initial determination of eligiblity of persons aged 65 and over and blind

and disabled persons regardless of age; (2) reevaluation of determinations to deny or terminate payments when such reevaluation is requested by the claimant; (3) updating the individual's supplemental security record to assure proper and correct payments; and (4) investigation of the recipient's continuing entitlement to payments including periodic redeterminations of eligibility. The administrative costs budgeted for this program also include the cost of paying State agencies for determining the existence and continuance of a disability, the cost of paying State welfare agencies for performing certain income level computations and the cost of paying the City of New York to act as representative payee for the city's drug addicts and alcoholics and to monitor their treatment.

Workloads

A. Workload Trends

Fiscal Year	Recipients at End of Fiscal Year	Benefits Paid During Year
1974 Actual	3,584,000	$2,443,850,000
1975 Revised	4,465,000	$5,560,000,000
1976 Estimate	5,070,000	$6,195,000,000

The "benefits paid during year" column shown in the table above includes State funds paid for State supplementary programs administered by the Federal government; and the recipients column includes persons who receive State supplementary payments only when the Federal government makes the payment on behalf of the States. It also should be noted that the benefits column is based on present law and would be lower if the President's legislative proposal, to hold all benefit increases scheduled to occur next year to five percent, is enacted.

The Social Security Administration implemented the Supplemental Security Income program on January 1, 1974 after having converted to the Federal roll over 3,000,000 State records of aged, blind, and disabled individuals who had been receiving assistance payments from State and local welfare agencies. At the end of fiscal year 1974 there were about 3,300,000 recipients on the rolls receiving a Federal payment (1,150,000 of whom also received a State supplementary payment) and an additional 300,000 recipients receiving only a State supplementation payment administered by the Federal government. By the end of fiscal year 1975 is is estimated that these recipients will increase to 4,020,000 Federal and 445,000 State supplementation only, and to 4,510,000 and 560,000 respectively by the end of fiscal year 1976.

B. Work Output

1. Social Security Administration

A 23.2 percent increase in work output is projected in fiscal year 1976 over 1975 for the Social Security Administration proper. The principal indicators of the work output volume in this activity are:

	1975 Estimate	1975 Revised	1976 Estimate	Difference 1976 over 1975
Claims applications from the aged:				
Receipts.....	1,845,000	975,000	800,000	-175,000
Processed.....	1,946,000	990,000	872,000	-118,000

	1975 Estimate	1975 Revised	1976 Estimate	Difference 1976 over 1975
Claims applications from the blind and disabled:				
Receipts.....	964,300	1,235,000	1,115,000	-120,000
Processed.....	1,173,000	1,273,000	1,136,000	-137,000
Average number of recipients.....	5,321,000	4,054,000	4,805,300	+751,300
Appellate actions 1/..	517,950	413,200	495,074	+81,874
Continuing eligibility review 2/.....	6,443,400	3,174,000	6,204,006	+3,030,006
(Redeterminations included above).....	(4,440,000)	(1,226,000)	(4,042,000)	(+2,816,000)

1/ Fiscal year 1975 includes 392,200 interviews on adverse decisions and reconsiderations on disability decisions and 21,000 formal hearings and appeals. The comparable figures for fiscal year 1976 are 427,150 and 67,924.

2/ These include representative payees for SSI recipients, all disabled and blind recipients subject to review of their continuing disability and all SSI recipients subject to a redetermination of their income and assets and other eligibility factors.

The 23.2 percent increase in work output is due to a 26.6 percent increase in workload units processed (5,562 man-years) and a decrease in non-recurring special project work (-571 man-years).

Applications from the aged and blind and disabled to be processed in 1976 are about 255,000 fewer than estimated for 1975. In 1975 SSA plans to process the high backlog of claims built up by the end of 1974. These abnormally high backlogs no longer exist and in 1976 we are processing current claims. However, total appellate workloads which began to surface in 1975 will increase nearly 20 percent over the 1975 level in 1976. This workload includes formal hearings and appeals which more than triple in 1976 (21,000 in 1975 to almost 68,000 in 1976). Actions taken to maintain the recipient rolls (changes in addresses, income and resource notices, reports of non-receipt of checks) increase in 1976 because of the increased number of recipients on the rolls. Actions related to continuing eligibility to SSI payments almost doubles in 1976 mainly because SSA will be making annual redeterminations of eligibility and correct benefit amount for all SSI recipients (over 4,000,000 redeterminations) compared to about 1,200,000 made in 1975. (1,000,000 of these are scheduled redeterminations of converted cases and 200,000 are unscheduled claimants who will report changes in status directly to the district offices.)

2. Disability State Agencies

State agencies are under contract to make disability determinations in the SSI program just as they do in the disability insurance program. Work output by State agencies is expected to decline by 16.1 percent in

fiscal year 1976. Abnormally heavy SSI workloads, including workloads carried over from 1974, are budgeted in 1975, the first full year of the program. The lower volume of work in 1976 more closely reflects estimated ongoing workload levels. The SSI workload indicators of the work output volume for State agencies are:

	1975 Revised	1976 Estimate	Change
SSI Disability Determinations:			
Receipts.....	1,197,700	1,060,400	-137,300
Processed.....	1,249,300	1,097,200	-152,100

A productivity improvement of 5.2 percent is projected for the State agencies in 1976. This is primarily due to decreased training needs and increased employee efficiency in processing SSI claims.

State agency requirements for 1976 will decrease by a net of $10,435,827. Reduced work output is responsible for a decrease of $16,353,529 and improved productivity results in a decrease of $4,780,335. These decreases are partially offset by increases in the salaries of State agency employees ($4,411,352), the unit costs of medical examinations purchased by the State agencies ($3,239,136), overhead and indirect costs ($1,604,501) and other objects of expenditure ($1,443,048).

State Welfare Agency Contract Costs

The table below summarizes the categories of State Welfare Agency contracts and the associated costs:

Contract	FY 1975 Revised Estimate	FY 1976 Estimate	Change
Adjusted payment level (APL) recalculation/conversion closeout costs.....	$10,600,000	---	-$10,600,000
Minimum income level maintenance.....	$9,000,000	$7,350,000	-$1,650,000
Monitoring the treatment of drug addicts and alcoholics (New York City).....	$1,083,000	$6,572,000	+$5,489,000
Total.....	$20,683,000	$13,922,000	-$6,761,000

As explained in the General Statement for Salaries and Expenses in fiscal year 1975 States performed functions under contract as indicated in the table above that were financed out of this appropriation. The APL recalculation and conversion closeout will be completed in 1975 and will not recur in 1976. The other two functions continue.

Manpower and Positions

In fiscal year 1976 the net manpower increase of 4,991 man-years in work output represents an increase of 26.6 percent over 1975. This increase is partially offset by a savings of 3,650 man-years in productivity, an increase of about 16 percent over 1975. Fiscal year 1975 was the first full year of

operation of the SSI program and the Social Security Administration staff gained experience with the program operation throughout the year. Large productivity savings are budgeted in fiscal year 1976 because of the program experience gained in fiscal year 1975, a large decrease in the amount of training necessary in 1976, projected improvements in the operations of the SSI automated system, and other procedural improvements in processing the SSI workloads. The factor that contributes the most to the improved productivity is training. It is estimated that training requirements in 1976 will decrease by more than 1,200 man-years from the 1975 level.

Except for a small increase of 219 positions and a 29 man-year increase in overtime, the additional manpower necessary in 1976 will be achieved by staff hired for a limited term beginning late in 1975 and by temporary and part-time employees.

Summary of Money Requirements

The budgeted increase of $25,386,000 is the net effect of: (1) $42,579,827 for SSA proper principally for the 1,341 man-year increase mentioned above, mandatory pay increases, continuing space and communication costs, and rate and price increases, partially offset by a $6,800,000 transfer of the standard level user charges (SLUC) above actual cost for space for the SSI program to another account. These charges are now covered in the "Payments to Social Security Trust and Other Funds" appropriation, so that all SLUC charges in excess of equivalent commercial rates will be shown in the same place; (2) a decrease of $10,435,827 for State agencies making determinations of disability because work output decreases by 16.1 percent in 1976; and (3) a reduction of $6,758,000 in payments to State welfare agencies because of the completion in fiscal year 1975 of nonrecurring work, conversion costs, and APL recalculation; partially offset by increased costs for the contract with New York City for acting as representative payee and monitoring the treatment of drug addicts and alcoholics.

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)

1975		1976		
			Budget Estimate	
Positions	Amount	Authorization	Positions	Amount
78,137	$2,125,987,000	Indefinite	78,356	$2,373,132,000

Purpose: The "Limitation on Salaries and Expenses" is an authorization to the Social Security Administration for obligation of up to a specified sum of money from the social security trust funds for administration of the following: (1) the cash benefit programs of old-age, survivors and disability insurance, (2) the Medicare programs of hospital and supplementary medical insurance, and (3) the Supplemental Security Income (SSI) program for the aged, blind, and disabled.

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. Supplementary medical insurance is a voluntary program supported from two sources: (1) premium payments from the aged, certain disabled persons, and persons with chronic kidney disease who elect to participate in the program, and (2) general revenues of the Federal Government. The SSI program is fully financed from Federal funds. However, section 305 of the Social Security Amendments of 1972 authorized initial advances from the social security trust funds for the administrative expenses of the SSI program, with full reimbursement (with interest) from Federal funds. This reimbursement is included in another appropriation, "Supplemental Security Income Program." The cost of administration of the SSI program is carried in this salaries and expenses request because administration of the program is integrated with that of the social security programs for purposes of economy and efficiency.

The "Limitation on Salaries and Expenses" covers the administrative expenses of the following: (1) the components of the Social Security Administration itself; (2) State agencies who perform functions under the disability, Medicare, and supplemental security income programs; and (3) Blue Cross and Blue Shield associations and private health insurance companies who have been designated to act as intermediaries and carriers (contractors), to process and pay bills and to perform other functions under the Medicare program.

Administrative costs are related to workloads generated by the statutory provisions of social security programs. The size of the loads depends upon factors such as population growth, level of employment, economic conditions, incidence of illness among the aged and disabled, and mortality rates and is therefore, for the most part, not subject to administrative control.

Accomplishments in 1975

Effective July 1, 1973, Medicare coverage was extended to individuals who have been social security disability beneficiaries for at least 2 years and to workers insured under social security and their dependents who have chronic renal disease and receive hemodialysis or renal transplant. The Supplemental

Security Income program began on January 1, 1974. The thrust in 1975 is on improved administration and reduction of backlogs in these and other programs administered by SSA, with emphasis on the Supplemental Security Income program.

Some of the major accomplishments scheduled for fiscal year 1975 in the cash benefits and Medicare programs include:

1. Making monthly cash payments to an average of 28.3 million retirement and survivor beneficiaries and 4.0 million disability beneficiaries.

2. Taking 3.8 million new claims for retirement and survivor insurance benefits and 1.8 million new claims for disability benefits.

3. Making payment to providers for services furnished 9.9 million individuals under the hospital insurance program, which involved processing 11.2 million claims for hospital insurance benefits; reimbursing providers for services furnished 12.7 million individuals under the supplementary medical insurance program, which involves processing 94.6 million claims for physicians' and other medical services.

4. Maintaining the earnings records for about 95.5 million active worker accounts as a base for determining the eligibility to social security benefits and the amount of these benefits. This involves posting 367 million wage items to these accounts in fiscal year 1975.

5. Issuing 8.4 million new social security numbers, including 1.2 million for the Internal Revenue Service to enumerate spouses of taxpayers, 500,000 to start the enumeration of the "Aid to Families with Dependent Children" rolls and 6.3 million which is the regular ongoing work.

6. Continuing and expanding the task of converting the social security number paper files to an electronic record.

Major tasks for fiscal year 1975 involved in the Supplemental Security Income program include:

1. Taking claims from 2.2 million individuals for benefits under the SSI program. This includes claims from 1.0 million aged applicants and 1.2 million blind and disabled applicants.

2. Processing 1.0 million redeterminations of eligibility and current payment amount on those beneficiaries converted from State assistance programs.

3. Maintaining and servicing the records of 4.5 million recipients. This includes 4.0 million recipients of a Federal payment and 500,000 persons who only receive a State supplementation payment which is administered by the Federal Government.

4. Improving the automated systems for processing SSI work.

5. Insuring that the Federal Government pays the correct amount for "hold harmless" protection by contracting with several States in fiscal year 1975 to recalculate their adjusted payment levels.

6. Entering into a contract with the City of New York to receive payment on behalf of SSI recipients who are drug addicts and alcoholics, in order to ensure that the benefits are properly used and the recipients receive appropriate treatment.

The overall work output during 1975 by Social Security Administration personnel is to increase by 18.3 percent over the prior year. Also in 1975,

SSA's productivity is budgeted to increase by 4.7 percent resulting in savings of 4,006 man-years.

The Social Security Administration cost in fiscal year 1975 of performing administrative tasks necessary to carry out the social security cash benefit, supplemental security income and Medicare programs is budgeted at $2,124,156,000. Of this amount, $680,361,554 or 32 percent is for third parties. The obligations budgeted for Social Security Administration proper break down into $1,110,245,000 for personnel compensation and benefits and $333,549,445 for other objects of expense.

As the result of the President's decision to add about 11,500 positions (mostly term, temporary and part-time) during fiscal year 1975, the Social Security Administration will begin to reduce backlogs in claims and the appellate processes in conjunction with efforts to improve the administration of the supplemental security income program and to improve the service to the public in branch and district offices.

Objectives in 1976

Continuing to improve the administration of the Supplemental Security Income program, working off backlogs and effectively servicing a growing number of beneficiaries under all programs are the major objectives in fiscal year 1976. This involves the following major tasks:

1. Taking 1.9 million claims for SSI benefits including .8 million claims from the aged and 1.1 million claims from the blind and disabled.

2. Servicing 5.1 million SSI recipients by the end of the fiscal year. Included in this total are 4.5 million recipients getting a Federal payment and 600,000 who only get a State supplementation payment administered by the Federal Government.

3. Issuing 15,043,000 social security numbers, an increase of 6,632,000 over 1975. This includes an increase of 5,500,000 account numbers for enumerating recipients of the program "Aid to Families with Dependent Children."

4. Posting 420,000,000 wage items to the earnings record of more than 96 million workers.

5. Implement payment of automatic benefit increase in July 1975 based on increases in the cost-of-living as required by legislation.

6. Continuing normal maintenance of the beneficiary rolls to reflect death, change of address, change in work status, and change in the type and amount of benefit to be paid.

7. Improving the automated system and procedures for processing SSI claims work and post-entitlement actions.

8. Implementing revised procedures to provide "due process" in cases involving reduction, termination or suspension of benefits to recipients of the supplemental security income and other social security programs. These procedures will require notifying the recipient before taking administrative action to reduce, terminate, or suspend benefit payments.

9. Continuing the conversion of the social security number paper file to an electronic record. In addition to the efforts of the Social Security Administration, funds are provided to reimburse the Internal Revenue Service for providing about 700 man-years of work to this project.

10. Using for all of fiscal year 1976 the large numbers of term, temporary and part-time employees which were added during fiscal year 1975 to clear up existing backlogs in disability and supplemental security income claims in the hearings and appeals process. In addition to clearing up this work, these positions shall be used to complete other special work short-term in nature.

Work output of Social Security Administration personnel is budgeted to increase in fiscal year 1976 by 12.4 percent over fiscal year 1975 levels (total work output of the Social Security Administration including third parties is budgeted to increase 10.7 percent). SSA's productivity is budgeted to increase by 6.4 percent, resulting in savings of 5,733 man-years. Most of these manpower savings are related to procedural and other changes to improve the current methods of handling workloads. The most significant procedural change is the improvement in the automated systems SSA uses to process SSI and title II work. Major savings also result from a decrease in the amount of time spent on SSI training as more of the employees on duty become fully trained in all necessary aspects of the SSI program.

The SSA cost in fiscal year 1976 of performing administrative tasks necessary to carry out the social security cash benefits, supplemental security income and Medicare programs is budgeted at $2,348,132,000. Of this amount, $736,852,477 or over 31 percent is for third parties. The obligations budgeted for SSA proper break down into $1,244,297,000 for personnel compensation and benefits and $366,982,523 for other objects of expense.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Limitation on Salaries and Expenses

Amounts Available for Obligation

	1976 Estimate	July 1, 1976 through September 30, 1976
Appropriation	$2,373,132,000	$629,900,000
Unobligated balance, end of period (contingency reserve)	-25,000,000	-25,000,000
Total obligations	$2,348,132,000	$604,900,000

Obligations by Activity

	1976 Estimate		July 1, 1976 through September 30, 1976	
	Pos.	Amount	Pos.	Amount
Old-age and survivors insurance	35,130	$705,246,651	35,130	$189,567,000
Disability insurance	14,226	436,747,905	14,226	111,644,000
Health insurance:				
a. Hospital insurance	2,720	233,362,617	2,720	57,799,000
b. Supplementary medical insurance	4,440	474,139,827	4,440	117,349,000
Supplemental security income	21,840	498,635,000	21,840	128,541,000
Total obligations	78,356	$2,348,132,000	78,356	$604,900,000

Obligations by Object

	1976 Estimate	July 1, 1976 through September 30, 1976
Total number of permanent positions.....	78,356	78,356
Full-time equivalent of all other positions.	6,927	9,200 2/
Average paid employment 1/.....	83,163	86,300 2/
Personnel Compensation:		
Permanent positions.....	$975,308,000	$248,743,000
Positions other than permanent.....	67,243,000	17,750,000
Other personnel.....	99,897,000	22,500,000
Special personal service payments.....	30,000	7,000
Sub-total, personnel compensation...	1,142,478,000	289,000,000
Personnel benefits.....	101,819,000	25,500,000
Travel and transportation of persons.....	22,235,000	6,008,000
Transportation of things.....	6,779,000	1,832,000
Rents, communications, and utilities.....	185,146,000	50,025,000
Printing and reproduction.....	27,116,000	7,327,000
Other services.....	84,880,941	22,278,000
Payments to States:		
Disability.....	210,566,477	58,400,000
Health.....	21,587,000	5,900,000
SSI Contracts.....	13,922,000	3,200,000
Payments to Medicare contractors.....	490,777,000	124,400,000
Supplies and materials.....	18,656,000	5,041,000
Equipment.....	22,018,000	5,949,000
Land and structures.....	150,100	40,000
Insurance claims.....	1,482	---
Total obligations by object....	$2,348,132,000	$604,900,000

1/ Excludes overtime equivalent of 6,837 man-years in 1976 and 6,000 man-quarters in the July 1 - September 30, 1976 period

2/ Represents man-quarters.

Justification

The budget estimate of $629,900,000 (including a $25,000,000 contingency reserve) for "Limitation on Salaries and Expenses" for the July 1, 1976 - September 30, 1976 period is based on the assumption that no program expansions or new program initiatives will take place during the transition period. The budget basically continues the Federal employment levels planned for the end of fiscal year 1976 for SSA. The usual basis for estimating the Salaries and Expenses budget request (the amount of work to be received and processed during the fiscal period) has been used for the interim period also. Estimates for the major workloads for the transition period are as follows:

Social security insurance programs:

Retirement and survivors claims	975,000
Retirement and survivor beneficiaries in force (end of quarter)	29,460,000
Disabled worker and dependent claims	457,000
Disability beneficiaries in force (end of quarter)	4,475,000
New social security numbers issued	1,978,000

Medicare program:

Hospital insurance bills	7,055,000
Medical insurance claims	20,864,000

Supplemental security income program:

Aged claims	230,000
Blind and disabled claims	280,000
SSI beneficiaries in payment status (Federal)	
Aged	2,460,000
Blind and disabled	2,145,000
Total Federal	4,605,000
SSI beneficiaries in payment status (State only)	
Aged	425,000
Blind and disabled	170,000
Total State only	595,000

However, workload data alone is not a valid basis for projecting the resource requirements for the components of the Social Security Administration for the July 1 - September 1976 interim fiscal period. Traditionally, this 3 month summer period has a higher manpower to workload ratio than other quarters of the year. Generally, workloads in this summer period are lower, but the use of manpower is higher because employees take their summer vacations, and SSA fills in by heavily supporting various programs for the disadvantaged through the employment of youth during the summer. Therefore, for this transition period, the estimates for SSA proper are based on what we know our experience to be in the use of manpower coupled with actuarial workload estimates. The budget estimates for the 3 month transition period are summarized below:

Social Security Administration:

Personnel compensation and benefits	$314,500,000
Other expenses	98,500,000
Sub-total	413,000,000
Medicare contractors	124,400,000
Health insurance State agencies	5,900,000
Disability State agencies	58,400,000
SSI Contracts with States	3,200,000
Total obligations	$604,900,000

SSA Proper:

The June 30, 1976 authorized levels of 78,362 for permanent positions (including 6,000 term positions) and 7,261 for temporary and part-time positions were continued for the three month period at the estimated average salaries in effect in June, 1976 adjusted for mandatory increases for within-grade and other promotions. Costs for other than personnel compensation were projected at about the same ratio to payroll as in the 1976 budget, adjusted by 2 percent (8 percent) annual rate) for anticipated price and rate changes. Other manpower adjustments made for the 3 month period were:

1. Overtime, which is needed because of the heavy vacation schedules of employees in the summer, was projected at a quarterly rate equivalent to 6,000 people--somewhat less than the 1976 budgeted annual rate of 6,837 man-years.

2. Special summer employment to support the government-wide programs for the disadvantaged and to fill in for regular employees on leave was projected at an average of 2,500 people for the transition period. This is a normal rate for SSA.

Manpower summary	Man-Quarters
Regular permanent positions (includes lapse)	71,300
Term positions (includes lapse)	5,800
Temporary and part-time positions (includes lapse)	6,700
Overtime	6,000
Special summer employment	2,500
Total, SSA	92,300

Using the above assumptions, obligations for SSA proper for the 3 month transition period are estimated as follows:

Payroll (including personnel benefits)	$314,500,000
Other objects	98,500,000
Total	$413,000,000

Medicare Contractors:

The assumptions include an estimate that workloads will grow at an annual rate of 8.5 percent, which is consistent with historical growth. In order to include the impact of salary and other cost increases as well as productivity improvements we utilized the annual percent change budgeted for 1976 over 1975 in unit costs--Part A, 8.3%; Part B, 1.2%. Combining these workload and unit cost estimates, a full year's projection of cost was made. Then this annual rate was adjusted to reflect the July-September quarterly ratio to the annual total based on past experience. The provider audit workload was estimated based on comparable budgeted quarterly costs for fiscal year 1976.

Based upon these assumptions we estimated the following:

	Processed Work July - September 1976	Unit Costs July - September 1976
Part A bills	7,055,000	$5.98
Part B claims	20,864,000	$3.53

Based on the above factors the Medicare contractor budget estimates are:

Part A bills	$42,200,000
Part A audit	8,500,000
Sub-total, Part A	50,700,000
Part B Claims	73,700,000
Total	124,400,000

Health Insurance State Agencies

The workloads for the health insurance state agencies are expected to remain relatively stable during the July-September, 1976 period. Overall cost increases partially offset by productivity improvements in fiscal year 1976 over fiscal year 1975, were budgeted at 9.6 percent. Using the same annual rate of overall increase, the estimate for the July-September, 1976 period is $5,900,000.

Disability State Agencies:

The budget estimate for the Disability State agencies for the period totals $58,400,000. This consists of $42,400,000 for the costs of processing disability determinations and $16,000,000 for medical examinations and medical evidence purchased by the States.

The three month transition period budget estimate assumes workload levels and productivity consistent with the fiscal year 1976 budget for both the Disability Insurance program and the Supplemental Security Income program. Obligations for State agency personnel and related other objects costs were based on the fiscal year 1976 estimate and increased at an annual rate of 10.25 percent to reflect increasing State and local salary costs and the price increases. These obligations total $42,400,000 and are composed of the following:

State Agency Costs	Transition Period Budget Estimate
Payroll and employee benefits	$30,000,000
Indirect and overhead charges	5,200,000
Other objects of expenditure	7,200,000
Total costs	$42,400,000

Obligations for medical examinations and medical evidence purchased by State agencies were based on the fiscal year 1976 estimate and increased at an annual rate of 12.6 percent. This is the same yearly increase projected in the fiscal year 1976 budget estimate. Total obligations for medical examinations and evidence are $16,000,000. This is mostly for consultative examinations, which are requested for both DI and SSI claims. General physical examinations and purchases of medical evidence are done only for SSI claims. Total State medical costs consist of the following:

State Agency Medical Costs	Transition Period Budget Estimate
Consultative examinations	$15,200,000
General physical examinations	500,000
Purchase of medical evidence	300,000
Total medical costs	$16,000,000

SSI Contracts with States

During the interim period estimated costs of the contracts with States to perform mandatory income level (MIL) calculations and with New York City to act as representative payee for the city's drug addicts and alcoholics and monitor their treatment are $3,200,000.

The cost for States performing MIL calculations ($1,600,000) is somewhat less than one-fourth of the fiscal year 1976 level of $7,350,000. MIL maintenance costs decrease because the number of converted recipients, for whom MIL maintenance is protection of their December 1973 income level, steadily declines because of death, recovery from disabilities or accumulation of excess resources.

The estimate of $1,600,000 for the New York City contract is projected at about one-fourth of the budgeted cost for fiscal year 1976 of $6,572,000.

LIMITATION ON CONSTRUCTION (TRUST FUND)

WITNESSES

FRANCIS D. DeGEORGE, ACTING ASSOCIATE COMMISSIONER
SHERWIN T. MONTELL, ACTING DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
PHILIP A. O'BRIEN, ACTING BUDGET OFFICER, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. FLOOD. The next item is the Limitation on Construction.

Mr. CARDWELL. I am most pleased to have Mr. DeGeorge do this one.

Mr. FLOOD. I imagine you are.

We have your biographical sketch, Mr. DeGeorge. We have your statement. We will place that in the record.

[The biographical sketch follows:]

Name.—Francis D. DeGeorge.

Position.—Acting Associate Commissioner for Management and Administration, Social Security Administration, Department of Health, Education, and Welfare since January 1975.

Former positions.—Assistant Commissioner for Administration, Social Security Administration, December 1973–December 1974; Associate Administrator for Management, Social and Rehabilitation Service, December 1972–December 1973. Assistant Administrator for Financial Management, Social and Rehabilitation Service, March 1971–December 1972. Treasurer, Systematics General Corp., McLean, Va., 1969–70; vice president, Alloys Unlimited, New York, N.Y., 1968–69; vice president, Amecom Division, Litton Industries, College Park, Md., 1966–68; vice president, Finance, Education Group, Litton Industries, White Plains, N.Y., 1965–66.

Other positions in Litton Industries and E. I. Du Pont, 1953–65. Military service—U.S. Marine Corps: 1951–53, First Lieutenant, Lieutenant Colonel, USMCR.

Education.—LaSalle College, Philadelphia, Pa., B.S.-accounting, 1951; University of Delaware, Newark, Del., M.B.A.-business administration, 1956.

Affiliations.—American Management Association; Institute of Electrical and Electronics Engineers, Inc.; Chairman of the HEW Board of Grant Appeals; Member of the Educational and Rehabilitation Advisory Committee of the Veterans' Administration.

Awards.—The Secretary's Special Citation for service performed as Chairman of DHEW's Department Grant Appeals Board, 1974.

Name.—Sherwin T. Montell.

Position.—Acting Director, Office of Financial Management, Office of Management and Administration, Social Security Administration since November 1974.

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; Budget Officer, Social Security Administration 1970 to 1974.

Education.—Wesleyan University, Middletown, Conn., 1947 to 1951, A.B. Magna Cum Laude, Phi Beta Kappa; Harvard University, Cambridge, Mass., 1951 to 1953, M.A. Chinese language and history.

Personal.—Born in St. Louis, Mo., February 9, 1929. Married to former Garciela Colmenares Vivas of Venezuela. Resides in Columbia, Md. One daughter, Gabriela Ann.

STATEMENT BY THE ACTING ASSOCIATE COMMISSIONER OF SOCIAL SECURITY

The Social Security Administration is requesting $6,300,000 in new budget authority from the social security trust funds for fiscal year 1976 to make purchase contract payments on three new program center buildings which we expect

to occupy in fiscal year 1976. I n addition to this request for new budget authority, we are seeking permission to use $1,147,876 of previously authorized program center funds for headquarters projects. The program center money was originally appropriated for site and design purposes, but since sites were obtained as part of a purchase contract arrangement, all of the money appropriated for site and design is not needed. A similar request in fiscal year 1974 to transfer program center money to district offices constructio was approved by Congress.

I want to start this discussion by pointing out that the need for the additional budget authority hinges upon what action the Congress takes on our recent 1975 supplemental budget request of $20,242,000 in our "Payments to Social Security Trust and Other Funds" account and on the request we are making in that same account for 1976. I testified recently before this committee on that supplemental, and you recall that this $20,242,000 request from Federal funds was the approach we used—with the concurrence of OMB and GSA—to carry out the directives of the Congress that the social security trust funds bear only the actual costs of space and related services which are used in the operations of the social security trust fund programs and that the trust funds not contribute to the building and improvement of space used by nontrust fund agencies. In other words, we'll pay for the actual cost of our space through our trust fund "Salaries and Expenses" account as we have in the past, but anything over and above that would be paid from Federal funds into the GSA Federal buildings fund. This safeguards the trust funds. If the Congress approves this approach then the authorization requested in this construction account would not be needed because the purchase contract payments would be made from the Federal buildings fund and not from this construction account.

REVIEW OF CONSTRUCTION

Now I would like to briefly review for you the three phases of our construction program. I would like to give you the present status and what our current and future plans are.

HEADQUARTERS CONSTRUCTION

The objective of construction at the headquarters complex in the Baltimore, Md. area is to provide adequate facilities to house personnel and equipment required to administer and support the social security program on a national scale. In fiscal year 1975 we plan to obligate a total of $4.4 million from funds already appropriated to provide the finishing touches to the West Building and for some essential contract changes at a cost of $111,000; to complete the purchase of land to the east of our site at a cost of $1 million; to design and construct a direct access road to Route I–70 from the Social Security Administration parking lots to alleviate some of the traffic congestion on local thoroughfares at a cost of $1.1 million, and to complete the preliminary design of additional facilities for headquarters at a cost of $2.1 million. Current plans call for the construction of two new headquarters facilities, one at Woodlawn and one other in downtown Baltimore. The Woodlawn building is to provide efficient facilities for the large central computer operations of the Social Security Administration, while the Baltimore building is to consolidate operations now housed in three separate leased facilities in the city.

The prospectus for this expansion project, through the purchase contract method, was transmitted to the House and Senate Public Works Committees in August 1974. Since the General Services Administration's purchase contract authority for 1975 was not sufficient to accommodate both SSA buildings, a supplemental request for 1975 has been made by GSA to increase its purchase contract authority from $300 million to $396,106,000 to make possible the letting of contracts on both buildings in 1975. The cost of these two facilities is estimated at $161 million.

DISTRICT OFFICE CONSTRUCTION

Our general policy has been to house district offices in trust fund constructed buildings in those locations where federally owned or commercial space was not available or not suitable. To carry out this policy we were requesting site and design funds for about 30 new projects a year and appropriate construction funds. Of our 665 district offices, 72 are now located in buildings constructed with trust fund moneys. The budget before you assumes that we will obligate funds for 21 to be under construction in 1975; and 31 in 1976. Also we plan to expand 36 of the 72 offices that are already constructed. We also have a number of other locations where we may start the design phase. To carry out these plans the

budget projects obligations of $11.9 million in 1975 and $15.5 million in 1976. These obligations are from previously authorized amounts.

PROGRAM CENTER CONSTRUCTION

In fiscal year 1975, we expect to complete the design and the major portion of the construction of new buildings for our program centers in Chicago, Ill.; Philadelphia, Pa.; and Richmond, Calif. Each of these centers has about 2,200 employees whose principal job is to handle all additions, terminations, benefit amount and other changes to the monthly payment rolls. The program center projects have been approved by the Public Works Committees and will be financed through purchase contracting, which is permitted by the Public Buildings Amendments of 1972, passed on June 16, 1972. This means that the Social Security Administration will, upon occupancy of the buildings (now estimated to be early fiscal year 1976) pay an estimated annual purchase contract payment for the three program centers of $14,400,000 for a period of 30 years, after which the government will own the buildings. Since we will not occupy the buildings the entire fiscal year 1976, we have requested new budget authority of only $6,300,000 to be used with the $3,600,000 appropriated in fiscal year 1975 to make our purchase contract payment for the period we do occupy the buildings in fiscal year 1976.

As I said earlier, the $6.3 million requested in 1976 and $3.6 million appropriated in 1975 will not be needed if the Congress approves our recent proposal of paying the actual rental costs from Salaries and Expenses and the excess, which would be used for future Federal construction, out of Federal funds. If this proposal is approved, the purchase contract payments will be met out of GSA's Federal Building Fund. If it is not approved and the Federal funds are not appropriated as requested, SSA will need the new budget authority of $6.3 million and the previous $3.6 million granted last year to meet the government's purchase contract obligations for these program center buildings.

CONSTRUCTION INTERIM PERIOD BUDGET ESTIMATE

Our budget request for the interim period from July 1, 1976, through September 30, 1976, is $3,633,000. This new budget authority is required to make purchase contract payments on four district offices and three program centers scheduled to be completed and occupied in fiscal year 1976. Since this interim budget period consists of 3 months, the purchase contract money required was computed by taking a quarter of the $14,400,000 annual program center charge for three centers and a quarter of the $132,000 annual purchase cotnract charge on four district offices.

Once again it should be stated that the purchase contract funds we are requesting for this interim period will not be required if the standard level user charges approach for obtaining space is approved for the Social Security Administration.

NEW BUDGET AUTHORITY ON CONSTRUCTION ACCOUNT

Mr. FLOOD. You are asking for $6.3 million under the construction limitation account.

In your statement you say this request hinges—that is your word—on what Congress does with the 1975 appropriation budget requesting $20.2 million for these standard level user charges.

Now you know very well what the House has done with the 1975 supplemental. We allowed zero. So what happens now?

Mr. DEGEORGE. Basically we will need the $6.3 million one place or another. If that action stands, and I suspect it will, then we will need the $6.3 million here.

Mr. FLOOD. Let's see about that. Let's see if we understand this. Here you are, and this is quite a trapeze act. You are requesting trust funds for construction. That is on the one hand. Now on the other hand you are requesting Federal funds now to pay this GSA building fund. That is a mighty good trick. Either way you cannot lose.

Why can't we go back to the good old way of doing things? You sent up a budget for construction, OK. We take a look at the budget for construction. If it looks OK, we allow the funds. What can be simpler than that?

Mr. DeGeorge. Let me make it as simple as I can make it.

Mr. Flood. I thought I did.

PURCHASE CONTRACT PAYMENTS

Mr. DeGeorge. We must pay for the purchase contract lease amounts, the $6.3 million one way or the other. The Social Security Administration must have these funds either in the standard level user charge or the construction account. The testimony indicates that if you cut back and eliminate the standard level user charge, we must have the $6.3 million under "Limitation on construction."

Mr. Flood. Why don't you send up a budget on construction? We have been dong that for a couple of hundred years. Why don't you do that?

Mr. DeGeorge. Three years ago the Congress passed the Public Buildings Amendments of 1972 which established the standard level user charge legislation. Since then there have been a lot of people who do not think that is what we want to do today. That legislation is the only way we have at this moment to pay for these purchase contract payments. If you say that Congress cannot authorize it there, we are saying we must have the $6.3 million here. If in effect you do pass the standard level user charge, then this amount in construction will not be needed here.

Mr. Flood. This is a beauty. You just cannot lose.

Mr. DeGeorge. I would say we cannot win.

PROGRAM CENTER CONSTRUCTION

Mr. Flood. I'll say it the other way. Here you have these four program centers under construction. They were supposed to be completed this month. That is what you said last year. Now you say they will not be ready until next year. It is going to cost $6.3 million more to do the job. What is causing the delay in construction? Did someone deliberately slow down this construction?

Mr. DeGeorge. No, sir, I do not believe that at all. I think there have been delays in procurement and construction. At one program site there has been serious foundation problems. In the others, there have been other construction delays.

Mr. Flood. Are these leaning towers of Pisa?

Mr. DeGeorge. Fortunately we are not in that Philadelphia building.

Mr. Flood. There is one around here, I am told, that is like that. They are saving money on foundations and over the buildings go. You then come back and it costs 10 times more to fix it up.

PAYMENT FOR PROGRAM CENTER CONSTRUCTION

Mr. DeGeorge. The primary problem we have is that in order to have the buildings we have to pay the equivalent rent. These were authorized under the purchase contract method of procurement within

the authority of GSA. That $6.3 million requested for 1976 plus the $3.6 million authorized for 1975 averages out to about 9 months rental for the three buildings acquired under purchase contract, and covers the period occupied in this fiscal year. Annual purchase contracts are $14.4 million.

You know at the end of 30 years these buildings become the property of the U.S. Government.

Mr. FLOOD. Yes.

I know why Cardwell was tickled to death to say "DeGeorge" on this one.

HEADQUARTERS PROJECTS

You are also requesting permission to reprogram $1.1 million for headquarters projects. Where did you find $1.1 million, under a rug?

Mr. DEGEORGE. That is unused obligational authority from previous years to finish up land acquisition and recent construction activities in Woodlawn. Now we are planning two new buildings; one is in Woodlawn and one in downtown Baltimore.

Mr. FLOOD. Now there is something right there. We have often wondered why in the world you want to build a facility like that in the downtown urban area. Isn't that contrary to everything that is going on in the country?

Mr. DEGEORGE. I don't believe so here. We are proposing two buildings. One is to replace office buildings in downtown Baltimore where we have about 3,500 social security employees in buildings that average 75 years of age. Those buildings are rented and it was agreed to replace these rented facilities with a new building downtown along with the building in Woodlawn, which is a computer facility needed for our program work.

Mr. FLOOD. We know about them. You do not think this building of facilities in the downtown area is contrary to the present trend?

Mr. DEGEORGE. I guess where you stand depends on where you sit on this issue, Mr. Chairman.

Mr. FLOOD. What is that?

Mr. DEGEORGE. The people in Baltimore County where the Woodlawn headquarters is located, have made a strenuous campaign to say they do not want any more social security buildings in the county. Mayor Schaefer and the people in Balitmore have said they would like to have the buildings in Baltimore. We thought about what kind of building we could have on Security Boulevard to give us the minimum number of people because of the heavy traffic and we considered what we could do downtown.

Mr. CARDWELL. I think the trend in Government space has been to go back downtown. The Government as an employer was running to the suburbs along with everybody else and deserting the city. That is the issue here.

The buildings we would replace are in the inner city. The city says, wait, it is not fair for you to move out in the pleasant suburbs and leave us holding the bag and we will lose taxes. It is part of an urban renewal project in downtown Baltimore.

It is the same in Washington. A lot of them rushed to the suburbs and I am not so sure a lot of them would not want to be back here.

METHODS OF FINANCING PROGRAM CENTER CONSTRUCTION

Mr. FLOOD. The Birmingham project is being built through lease construction. Then there are three other projects going on under purchase contract. Can you tell us the difference between these two methods of construction and who decides which one to use on a given project?

Mr. DEGEORGE. The purchase contract procedure allows the GSA to borrow the necessary funds for 30 years while the occupant, in this case the SSA, pays a monthly payment including interest for those 30 years. In effect the primary difference is that title reverts to the Government under the purchase contract authority. Under lease construction as I understand it, there is a straight lease which we pay like any other commercial space.

Mr. FLOOD. Who makes the recommendation?

Mr. MONTELL. The Public Works Committee decides that. These projects are submitted to the Public Works Committee with an analysis of the costs of construction, leases, purchases, et cetera.

DISTRICT OFFICES

Mr. FLOOD. I understand that. What is your situation on the construction of these district offices? You have 665 district offices around now. How many more will you need next year?

Mr. DEGEORGE. We have over 1,200 district and branch offices, sir. This budget includes obligations for about 51 new site acquisitions and the actual building of about 31. We lease most of the district and branch offices.

Mr. FLOOD. You say you had 1,200.

Mr. DEGEORGE. Over 1,200 district and branch offices.

Mr. FLOOD. What is the criteria used to determine the need for a new district office?

Mr. DEGEORGE. We have a set of criteria. Basically, it addresses demographic factors such as population of service area, socioeconomic

character and population trend; and workload factors such as claims and the number of beneficiaries. Over the last 2 years we have tried to locate more new offices in the urban areas, the downtown areas, because this is where the supplementary security applicants live. We have tried to put a higher emphasis in that area.

Mr. FLOOD. Have you ever closed down a district office because you found you did not need it any longer?

Mr. MCKENNA. We have done that in years gone by, but not in the past 20 years.

Mr. CARDWELL. It will not be easy, ever.

Mr. FLOOD. My business is to ask questions. I did you a favor asking you that one.

Mr. MCKENNA. During World War II we closed something like 40 offices. I think that is the last time we closed on office. We did that because those offices had very little business because everybody who was able to was at work or in the armed services. We were able to make that kind of adjustment during that period of time. Since then we have been on an expanding basis in terms of work and in terms of the actual need for offices, really on a pressure basis ever since.

UNOBLIGATED FUNDS AT END OF 1976

Mr. FLOOD. I will wind up the morning with this question, if everything goes as planned, all this whole business we have gone through, how much of an unobligated balance do you expect to have at the end of fiscal 1976?

Mr. DEGEORGE. Actually I think it would be very little, Mr. Chairman. The only new budget authority we are requesting under this appropriation is the $6.3 million for purchase contract payments.

Mr. FORBUSH. I think the answer is $1.5 million at the end of the year.

Mr. FLOOD. All right.

Thank you very much.

Justification of the Budget Estimates

Appropriation Estimate

LIMITATION ON CONSTRUCTION

For acquisition of sites, construction, and equipment of facilities and for payments of principal, interest, taxes, and any other obligations under contracts entered into pursuant to the Public Buildings Purchase Contract Act of 1954 and the Public Buildings Amendments of 1972 [$8,232,000] *$6,300,000* to be expended as authorized by Section 201 (g)(1) of the Social Security Act, from any one or all of the trust funds referred to therein, and to remain available until expended.

Appropriation Estimate

LIMITATION ON CONSTRUCTION

For acquisition of sites, construction, and equipment of facilities and for payments of principal, interest, taxes, and any other obligations under contracts entered into pursuant to the Public Buildings Purchase Contract Act of 1954 and the Public Buildings Amendments of 1972, $3,633,000 to be expended as authorized by section 201 (g)(1) of the Social Security Act, from any one or all of the trust funds referred to therein, and to remain available until expended.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Limitation on Construction (Trust Fund)

Amounts Available for Obligation

	1975 Estimate	1975 Revised	1976
Appropriation	$8,232,000	$8,232,000	$6,300,000
Unobligated balance, start of year	15,393,497	29,472,072	20,575,621
Unobligated balance, end of year	-9,014,497	-20,575,621	-1,501,621
Total Obligations	$14,611,000	$17,128,451	$25,374,000

Summary of Changes

1975 Budget Authority	$8,232,000
1976 Budget Authority	6,300,000
Net Change	-1,932,000

Program Increases:

	1975 Base	Change from Base
1. Purchase contract payments on three program centers	$3,600,000	+$2,700,000

Program Decreases:

1. District Office construction	4,500,000	-4,500,000
2. Purchase contract payments on four district offices	132,000	- 132,000
Total, Net Change		-1,932,000

Explanation of Changes

1. Purchase contract payments on three program centers (+$2,700,000)

Four program centers are under construction: Philadelphia, Pennsylvania; Richmond, California; Chicago, Illinois; and Birmingham, Alabama. The Birmingham center is being built through lease construction, and the other three through purchase contract arrangements. New budget authority of $3,600,000 to make purchase contract payments for three months was approved in fiscal year 1975 on the assumption that the three centers would be ready for occupancy in April 1975. The centers are scheduled now for occupancy at various times in fiscal year 1976, and the purchase contract costs for the fiscal year are estimated at $9,900,000--$6,300,000 more than now available. The $6,300,000 is $2,700,000 higher than the 1975 appropriation for program centers.

The additional $6,300,000 and the previously appropriated $3,600,000 will not be needed by the Social Security Administration if the Congress approves the proposal elsewhere in the fiscal year 1976 budget request to appropriate Federal funds (Payment to Trust and Other Funds) for payment of GSA standard level user charges and to authorize use of trust funds (Limitation on Salaries and Expenses) for the actual cost of the new program center space to be occupied. If these funds are appropriated, the purchase contract payments will be met out of GSA's Federal Buildings Fund. If they are not appropriated, SSA will need the new budget authority of $6,300,000 requested here and the previous $3,600,000 granted last year, to meet the government's purchase contract obligations.

2. District office construction (-$4,500,000)

The 1975 appropriation provided $4,500,000 for the acquisition of sites and the design of buildings at 30 new locations. If approved by the Congress, the construction needs for these 30 offices and all new district office construction will be met in the future by expenditures from GSA's Federal Buildings Fund. This fund is financed by standard level user charges. District office construction already underway or planned will be met out

of prior obligational authority.

3. Purchase contract payments on four district offices (-$132,000)

In fiscal year 1975 $132,000 was appropriated to make purchase contract payments on an estimated four district offices. Future purchase contract payments, if authorized by Congress, will be met by expenditures from GSA's Federal Buildings Fund, which is financed by standard level user charges.

4. Reprogramming of program center money ($1,147,876)

In addition to the increases in budget authority requested above, we are seeking permission to use $1,147,876 of previously authorized program center funds for headquarters projects. The program center money was originally appropriated for site and design purposes, but since sites were obtained as part of a purchase-contract arrangement, all of the money appropriated for site and design is not needed. The amounts transferred would be (a) $299,500 for the purchase of land in Colonial Park Estates, (b) $192,000 for the construction of the headquarters access road to I-70, and (c) $656,376 for the planning and preliminary design of the additional headquarters facilities. A similar request in fiscal year 1974 to transfer program center money to district offices construction was approved by Congress.

Obligations by Activity

Page Ref.		1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease	
166	Headquarters.....	--	$4,394,889	--	-$4,394,889	A
168	District Offices...	$11,011,000	11,897,755	$15,474,000	+3,576,245	B
170	Program Centers....	3,600,000	835,807	9,900,000	+9,064,193	C
	Total Obligations.	$14,611,000	$17,128,451	$25,374,000	+$8,245,549	

Explanation of Changes

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
A				
Completion of an office building known as the West Building.....	--	$111,053	--	-$111,053
Purchase of land adjoining the headquarters site (Colonial Park Estates) and payment of relocation costs under PL 91-646 -- Uniform Relocation Assistance Act.....	--	1,043,010	--	-1,043,010
Acquisition of right-of-way properties, design, and construction of an access road from the headquarters site to highway I-70..	--	1,114,087	--	-1,114,087
Planning and preliminary design of additional headquarters facilities.	--	2,126,739	--	-2,126,739
Subtotal, headquarters.	--	$4,394,889	--	-$4,394,889
B				
Acquisition of sites and the design of 39 district offices in 1975 and 51 in 1976.....	$5,083,000	$5,016,000	$6,605,000	+$1,589,000
Direct construction of 21 offices in 1975 and 27 in 1976.....	5,796,000	5,181,755	8,737,000	+3,555,245
Expansion of 36 offices already constructed and occupied.....	--	1,700,000	--	-1,700,000

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Purchase contract payments on 4 offices to be occupied in fiscal year 1976.....	132,000	--	132,000	+132,000
Subtotal, district offices.....	$11,011,000	$11,897,755	$15,474,000	+$3,576,245
C				
Design modifications for three program centers in Philadelphia, Pennsylvania; Chicago, Illinois; and Richmond, California.....	--	$835,807	--	-$835,807
Purchase contract payments on these three centers to begin upon occupany in early fiscal year 1976...	$3,600,000	--	$9,900,000	+9,900,000
Subtotal, program centers.....	$3,600,000	$835,807	$9,900,000	+$9,064,193
Total Obligations.....	$14,611,000	$17,128,451	$25,374,000	+$8,245,549

Obligations by Object

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Other services	$2,062,173	$7,741,496	$3,846,915	-$3,894,581
Lands and structures	9,074,623	9,386,955	13,976,633	+4,589,678
Grants, subsidies, and contributions	1,026,673	--	2,227,193	+2,227,193
Interest and dividends	2,447,531	--	5,323,259	+5,323,259
Total obligations by object	$14,611,000	$17,128,451	$25,374,000	+$8,245,549

Authorizing Legislation

Legislation	1976 Authorized	1976 Appropriation Requested
Title II, Section 201(g)(1) of the Social Security Act	Indefinite	$6,300,000

Limitation on Construction (Trust Fund)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
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	2,800,000	2,800,000	2,800,000	2,800,000
1972	18,194,000	18,194,000	18,194,000	18,194,000
1973	1,000,000	1,000,000	1,000,000	1,000,000
1974	--	--	--	--
1975	8,232,000	8,232,000	8,232,000	8,232,000
1976	6,300,000			

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Justification

Limitation on Construction (Trust Fund)

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Obligations.....	$14,611,000	$17,128,451	$25,374,000	+$8,245,549

General Statement

The 1976 request provides for continuation of construction activities for SSA headquarters, program centers, and district office projects. The largest projects will be financed through use of the purchase contract method. These projects are the planned expansion at headquarters, both at the Woodlawn site and downtown Baltimore and completion of three program centers in Chicago, Illinois; Philadelphia, Pennsylvania; and Richmond, California. The only direct construction involved is to continue the ongoing program of district office construction from funds appropriated in prior years.

The implementation of the Public Buildings Amendments of 1972, which created the system of standard level user charges, has brought about a change in the method of budgeting for the facilities needs of the Social Security Administration --a change which affects the Limitation on Construction account.

Under the old system, rental and maintenance costs of space for the Social Security Administration were budgeted for in the Limitation on Salaries and Expenses (trust fund) appropriation, and Social Security Administration construction requirements were met through the Limitation on Construction (trust fund) appropriation.

Under the new system, if approved by the Committees on Appropriations, there would be no SSA construction account. The Social Security Administration will request funds in the Salaries and Expenses account to cover the actual cost of space occupied and a Federal fund appropriation in the Payments to Social Security Trust and Other Funds account to pay to GSA that part of the standard level user charges above the actual cost of the space occupied by SSA. This approach will satisfy the dual objectives of the operation of GSA's Federal Buildings Fund and the protection of the integrity of the trust funds. No trust fund money will be used for non-trust fund purposes. Out of the money transferred to GSA from the Salaries and Expenses account and the Federal fund payment for standard level user charges, GSA can pay the cost of SSA leases, utilities, services and annual purchase contract payments and maintain the Federal Buildings Fund to finance future construction for SSA and other agencies.

In fiscal year 1975 and 1976 SSA is in a transition period from the old to the new system. SSA is requesting permission to continue to use construction funds previously appropriated to wind up projects which already have begun. In addition, SSA is requesting new 1976 obligational authority of $6,300,000 to make purchase contract payments on three new program centers which the agency expects to occupy in fiscal year 1976. The $6,300,000 requested for fiscal year 1976 and $3,600,000 appropriated in fiscal year 1975 will not be needed by SSA if the Congress approves the proposal elsewhere in the fiscal year 1976 budget request to appropriate Federal funds (in the Payment to Trust and Other Funds account) for payment of GSA standard level user charges and to authorize use of trust funds (in the Salaries and Expenses account) for the actual cost of the new program centers space to be occupied. If these funds are appropriated, the purchase contract payments will be met out of GSA's Federal Buildings Fund. If the Congress does not approve the approach recommended both by GSA and SSA this request for new 1976 obligational authority is necessary because funds must be available to meet the government's financial commitments to the contractors who are building the three program centers.

Activity 1 - Headquarters

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Obligations.....	---	$4,394,889	---	-$4,394,889

Explanation of Estimated Obligations

The current 1975 estimate of obligations reflects progress on projects funded from prior years' appropriations. The 1975 estimate of obligations is:

Completion of West Building.....	$111,053
Land Purchase - Colonial Park Estates.....	1,043,010
Site, design, and construction of an access road to I-70.....	1,114,087
Planning and preliminary design of additional facilities.....	2,126,739
Total.....	$4,394,889

A description of current projects follows:

1. Construction of an office building known as the West Building (funds appropriated in 1966 and 1967) was completed and the building was occupied in June 1973. An additional $299,500 was transferred in fiscal year 1974 to this project from the headquarters land purchase activity for the final settlement of a claim by the Henry Knott Co., contractors for the West Building. This claim was for additional costs which were incurred due to implementation of change orders which delayed the completion of other essential work. The remaining obligations for fiscal year 1975 are for landscaping and finishing touches to the building.

Fiscal Year	Obligations
1967 - 1974.....	$13,434,047
1975 Estimate.....	111,053
Total project funding.....	$13,545,100

2. The second project is completion of the purchase of available land in Colonial Park Estates, adjacent to the headquarters site, as well as payment of relocation costs (under title II of Public Law 91-646 - Uniform Relocation Assistance Act) associated with improved properties acquired since January 2, 1971. Funds for this project were appropriated in 1966, 1967, and 1973. We are also proposing to transfer $299,500 to this project from the program center activity in fiscal year 1975.

Fiscal Year	Obligations
1966 - 1974.....	$1,331,990
1975 Estimate.....	1,043,010
Total project funding.....	$2,375,000

3. The third project is the design of additional operations space and the planning and construction of an access road. Funds were originally appropriated in 1966 and 1967, both for the construction of the West Building and for construction of additional operations space. When it was determined that these appropriations did not provide sufficient funds for construction of both of these facilities, it was decided (with the permission of the Appropriations Committees) to complete the West Building, and utilize the remaining funds for the planning and construction of an access road to the site and the design of additional operations space. The current 1975 estimated obligations include $1,114,087 for completing the purchase of right-of-way properties and constructing an access road across the back of the headquarters site to highway I-70. This obligation figure includes a proposed transfer of $192,000 from the program center activity in fiscal year 1975.

The 1975 estimate also includes $2,126,739 for planning and preliminary design of additional facilities. Of this amount $656,376 is a proposed transfer from the program center activity in fiscal year 1975. Current plans call for the construction of two facilities, one at Woodlawn and one other in downtown Baltimore. The Woodlawn building is to provide efficient facilities for the large central computer operations of the Social Security Administration, while the Baltimore building is to consolidate operations now housed in three separate leased facilities in the city and to provide for expansion.

The prospectus for this expansion project through the purchase contract method was transmitted to the House and Senate Public Works Committees in August 1974. Since the General Services Administration's purchase contract authority for 1975 was not sufficient to accommodate both SSA buildings, a supplemental request for 1975 has been made by GSA to increase its purchase contract authority from $300,000,000 to $396,106,000 to make possible the letting of contracts on both SSA buildings in 1975.

Activity 2 - District Offices

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Obligations.....	$11,011,000	$11,897,755	$15,474,000	+$3,576,245

Overall Plan

Our general policy has been to house SSA district offices in trust fund owned buildings in those instances where Federally owned or commercial space was not available or was unsuitable for social security purposes. Our approach to implementing this policy was to seek site and design funds for about 30 new construction projects a year and construction funds for those projects approaching the actual construction phase.

We are currently reviewing this policy because a number of new developments have occurred to warrant this review. One of these is the introduction of the system of smaller branch offices which are satellites to larger district offices. These have provided better service to the public being closer to where people live. The branch offices generally have been located in leased space rather than in facilities constructed specifically for SSA use.

Another development is the initiation of the SSI program. SSI claims, post-entitlement and redetermination work, which are handled by district offices, have changed the previous workload patterns and introduced a greater element of uncertainty into planning for district office space needs through the construction of permanent facilities. As a result of these factors, we have not moved as quickly as previously contemplated with the district office construction program.

Historical Summary of the District Office Construction Program

Funds totaling $33,992,000 were provided in the 1965, 1966, and 1967 appropriation for the acquisition of sites, the design, and construction of 107 district office buildings. The 1971 appropriation and the 1974 transfer of funds from the program center activity (with permission of the Appropriations Committees) provided an additional $6,865,000 for the acquisition of sites and the design of buildings at 60 locations. Since this authorization was received, inflation has reduced the site and design possibility to only 52 locations. The 1975 appropriation of $4,500,000 provides for the acquisition of sites and the design of buildings at another 30 locations. A summary of where we stand on the district office construction program is shown below:

	Number of Offices Authorized	
	Site and Design	Construction
Completed.....	76	72
In Progress.....	0	4
Not Started.....	113	31
Total.....	189	107

1975-1976 Program

Plans for 1975-1976 are shown on the following page. All work is to be accomplished by use of obligational authority given in prior years.

	Number of Offices Fiscal Year 1975	Number of Offices Fiscal Year 1976
Direct Federal Construction.....	21	27
Purchase Contract Construction..	--	4
Total Construction.....	21	31
Site and Design.....	39	51
Expansion of Existing Offices...	36	--

Activity 3 - Program Centers

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Obligations.....	$3,600,000	$835,807	$9,900,000	+$9,064,193

The 1972 appropriation provided budget authority of $18,194,000 for the acquisition of sites and the design of four buildings to house the Social Security Administration's program center operations in Birmingham, Alabama; Philadelphia, Pennsylvania; Chicago, Illinois; and Richmond, California. Since the appropriation was enacted, the space needs of the Birmingham, Alabama program center are being met through lease construction. The remaining three centers are being financed through purchase contract arrangements. This means that the Social Security Administration will, upon occupancy of the buildings, (estimated to be early FY 1976) pay an estimated annual purchase contract payment for the three program centers of $14,400,000 for a period of 30 years, after which the government will own the buildings. Since we will not occupy the buildings the entire FY 1976, we have requested new budget authority of only $6,300,000 to be used with the $3,600,000 obtained in FY 1975 to make our purchase contract payment for the period we do occupy the buildings in FY 1976.

The additional $6,300,000 and previously appropriated $3,600,000 will not be needed by the Social Security Administration if the Congress approves the proposal elsewhere in the FY 1976 budget request to appropriate Federal funds for payment of GSA standard level user charges (Payments to Trust and Other Funds) and to authorize use of trust funds (Limitation on Salaries and Expenses) for the actual cost of the new program center space to be occupied. If these funds are appropriated, the purchase contract payments will be met out of GSA's Federal Building Fund. If they are not appropriated, SSA will need the new budget authority of $6,300,000 requested here and the previous $3,600,000 granted last year to meet the government's purchase contract obligation.

Out of the $18,194,000 made available by the Congress, the design costs of the three purchase contract program centers were estimated to be $6,100,000 and these funds were transferred to the General Services Administration for this purpose prior to their entering into a purchase contract agreement for the project.

The committees on appropriations in fiscal year 1974 gave their permission to transfer $4,065,000 to the district office program. Last year they gave their permission to use $5,796,000 of the $8,029,000 remaining in the 1972 program center appropriation for the construction phase of 18 district offices and this year we are requesting $1,147,876 for the completion of the headquarters projects. This leaves $1,085,124 remaining from the original 1972 program center appropriation.

SOCIAL SECURITY ADMINISTRATION

Limitation on Construction

Program Purpose and Accomplishments

Activity: Limitation on Construction (Section 201(g)(1) of the Social Security Act)

1975	1976	
Appropriation	Authorization	Budget Estimate
$8,232,000	Indefinite	$6,300,000

Purpose: This appropriation finances purchase contract payments under the provisions of P.L. 92-313 (Public Buildings Amendments of 1972).

Accomplishments, 1975: During fiscal year 1975 we will obligate $16,944,451 from construction appropriations already enacted and $184,000 from the current appropriation. These obligations will provide for (1) expansion at headquarters ($4,394,889), (2) the site, design, and construction of additional district offices ($11,897,755), and (3) completion of design of new program centers ($835,807). Our plans at headquarters are to complete acquisition of all authorized land parcels, to complete the planning and preliminary design for expanding our headquarters facilities, and to construct an access road across the back of the headquarters site to Interstate Highway I-70. In our district office program, we plan to construct 21 additional offices, (to be financed directly by trust funds), acquire sites and design 39 more and expand 36 offices already constructed to meet increased space demands made by the SSI program. Design of three new program centers is expected to be completed. Although not reflected in either obligation or outlay figures, progress is expected during fiscal year 1975 on the headquarters construction project which will be financed through purchase contract methods. The objective of these two new facilities, one in downtown Baltimore and the other at our Woodlawn site, is to consolidate operations which are now scattered in rented facilities around downtown Baltimore and the Woodlawn site as well as to meet increased space needs primarily for computer operations.

Objectives, 1976: For 1976 we seek new budget authority of $6,300,000. With this authority and authority already enacted, we will obligate $25,374,000. These obligations include $15,342,000 for site, design, and direct Federal construction of additional district offices, and $10,032,000 for purchase contract payments for part of the year on 3 program centers and 4 district offices. Our plans for district offices include the construction of 31 additional offices (27 to be financed directly by trust funds and 4 through purchase contract arrangements) and site acquisition and design of 51 additional offices. Completion and occupancy of our three new program centers is scheduled for early fiscal year 1976.

The $10,032,000 in purchase contract payments on the 3 program centers and 4 district offices will not be needed by the Social Security Administration if the Congress approves the proposal elsewhere in the fiscal year 1976 budget request to appropriate Federal funds (Payments to Trust and Other Funds) for payment of GSA standard level user charges and to authorize use of trust funds (Limitation on Salaries and Expenses) for the actual cost of the new space to be occupied. If these funds are appropriated the purchase contract payments will be met out of GSA's Federal Buildings Fund.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Limitation on Construction

Amounts Available for Obligation

	1976 Estimate	Interim Period
Appropriation	$6,300,000	$3,633,000
Unobligated balance, start of year	20,575,621	1,501,621
Unobligated balance, end of year	-1,501,621	-1,501,621
Total Obligations	$25,374,000	$3,633,000

Obligations by Activity

	1976 Estimate	Interim Period
Headquarters	--	--
District Offices	$15,474,000	$33,000
Program Centers	9,900,000	3,600,000
Total Obligations	$25,374,000	$3,633,000

Justification

Limitation on Construction

The requested budget authority of $3,633,000 is required to make purchase contract payments on four district offices and three program centers scheduled to be completed and occupied in fiscal year 1976. Since this interim budget period consists of three months, the purchase contract money required was computed by taking a quarter of the $14,400,000 annual purchase contract charge for three centers and a quarter of the $132,000 annual purchase contract charge on four district offices.

The $3,633,000 in purchase contract payments on the three program centers and four district offices will not be needed by the Social Security Administration if the Congress approves the proposal elsewhere in the fiscal year 1976 budget request to appropriate Federal funds (Payments to Trust and Other Funds) for payment of GSA standard level user charges and to authorize use of trust funds (Limitation on Salaries and Expenses) for the actual cost of the new space to be occupied. If these funds are appropriated, the purchase contract payments will be met out of GSA's Federal Buildings Fund.

MONDAY, APRIL 28, 1975.

OFFICE FOR CIVIL RIGHTS

WITNESSES

PETER E. HOLMES, DIRECTOR, OFFICE FOR CIVIL RIGHTS, AND ASSISTANT TO THE SECRETARY FOR CIVIL RIGHTS
MARTIN H. GERRY, DEPUTY DIRECTOR, OFFICE FOR CIVIL RIGHTS
HARRY FAIR, ASSISTANT DIRECTOR FOR MANAGEMENT, OFFICE FOR CIVIL RIGHTS
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, COMPTROLLER

Mr. FLOOD. We begin with civil rights and the presentation will be made by Peter Holmes, director of the Office for Civil Rights and assistant to the Secretary for Civil Rights.

We have your biographical sketch, Mr. Holmes, which we will place in the record at this point.

[Mr. Holmes' biographical sketch follows:]

Name.—Peter E. Holmes.

Position.—Director, Office for Civil Rights and Assistant to the Secretary for Civil Rights.

Birthplace and date.—Wooster, Ohio, April 7, 1939.

Education.—1945–1957—Orrville, Ohio Public Schools. 1957–1961—Northwestern University. 1961–1962—American University.

Experience: Present.—Director, Office for Civil Rights.

May 1969–1973.—Director of Public Affairs and Special Assistant for Policy Coordination, Office for Civil Rights, Office of the Secretary, Department of Health, Education, and Welfare, Washington, D.C.

May 1966–1969.—Executive assistant/legislative assistant, U.S. Senator Robert P. Griffin of Michigan.

1962–1966.—Editor/legislative writer, Congressional Quarterly, Inc., Washington, D.C.

1961–1962.—Research assistant, U.S. Senator Frank J. Lausche of Ohio.

Association membership.—Pi Sigma Alpha, national political science honorary.

Publications.—Congressional Quarterly publication, *Congress and the Nation* (contributor); 1945–64, writing sections on transportation, the Presidency, and the Federal Judiciary.

Mr. FLOOD. You have some people with you. With the exception of Mr. Miller, we would like to know who they are.

Mr. HOLMES. On my left is Martin Gerry, Deputy Director, Office for Civil Rights, and to his left is Mr. Harry Fair, Assistant Director for Administration and Management, Office for Civil Rights.

Mr. FLOOD. You have a prepared statement, Mr. Holmes. How do you want to handle this?

Mr. HOLMES. However the subcommittee would like. I can run through it.

Mr. FLOOD. It is your show.

GENERAL STATEMENT

Mr. HOLMES. Why don't I proceed. I think it is brief and shouldn't take too long. It is a pleasure, Mr. Chairman, and members of the subcommittee to present the fiscal year 1976 budget request for the Office for Civil Rights. The budget request would provide 907 positions and $26,498,000, an increase of 60 positions and $2,825,000 above the fiscal year 1975 level.

DISCRIMINATION AGAINST HANDICAPPED PERSONS

The Secretary has assigned to this office a major new responsibility: enforcement of section 504 of the Rehabilitation Act of 1973, which prohibits discrimination against physically or mentally handicapped individuals in federally assisted programs. It is estimated that more than 25 million handicapped individuals in the United States are potentially affected by this nondiscrimination provision of law. The budget request would provide 42 positions to staff this compliance program.

We have been developing a proposed regulation which is expected to be published by July 1. In the process, we have had to come to grips with several difficult issues: defining the class of handicapped persons; determining the nature and scope of discriminatory practices that affect handicapped persons in federally assisted programs; analyzing present data sources and developing a data gathering program; establishing compliance techniques and the framework for an enforcement strategy. We are preparing the section 504 regulation in consultation with other HEW and executive agencies which have worked with handicapped persons in the past, and we are also meeting with representatives of groups of handicapped persons and other interested organizations to receive their input. While this process is somewhat time-consuming, it should contribute to a more effective regulation.

Initial reviews, pursuant to complaints, are underway to develop investigative and legal strategies for substantiating and documenting discrimination against handicapped persons. Such reviews will help determine the extent of discriminatory practices and effective remedies. For example, one key question is the extent to which a school district or college or university must accommodate its facilities to the physical limitations of its students or employees. Another area of importance is the obligation of school districts to provide free and suitable education or training to all handicapped children, regardless of the nature or severity of their handicap. Section 504 also applies to the employment practices of recipients of Federal financial assistance and raises the question of employment opportunities for otherwise qualified handicapped persons.

Until the implementing regulation takes effect, the Office has been proceeding, where possible, to investigate and resolve complaints of discrimination.

HEALTH AND SOCIAL SERVICES

In the fiscal year 1976 request, 12 new positions are proposed to administer the nondiscrimination requirements of title VI of the Civil Rights Act of 1964 in the health and social services area.

There are approximately 95 HEW health and social services programs which provide Federal financial assistance to 7,000 hospitals, 4,500 skilled nursing facilities, 2,200 home health agencies, and there are 250 State agencies through which benefits and services are provided to more than 30 million needy, aged, sick, and disabled individuals.

The Office is continuing to conduct comprehensive, indepth reviews of the delivery of services to beneficiaries and potential beneficiaries, many of whom are minorities. The reviews, in several instances, serve

a dual purpose. On the one hand, OCR is able to investigate possible discrimination in the delivery of services in specific program areas, and at the same time, assess the compliance status of State agencies. Also, increased emphasis is being placed on the pre-grant review of new applicants for participation in federally funded programs such as medicare, Hill-Burton, and health maintenance organization.

In addition to expanding the number of indepth investigations and pre-grant compliance determinations, additional personnel will allow increasing on-site reviews of medical facilities and investigation of complaints that allege racial or national origin discrimination.

Guidelines are being completed which will detail specific measures State agencies must undertake to safeguard against discrimination in the provision of health care and social services. The conduct of State agency reviews and the training of State agency personnel will also be carried out to assist them in meeting title VI compliance objectives.

HIGHER EDUCATION

In the higher education field, 6 additional positions are requested for the enforcement of title IX of the Education amendments of 1972, which prohibits, with certain exceptions, sex discrimination in federally assisted education programs or activities.

This is the first comprehensive sex discrimination legislation dealing with treatment accorded students, at the college level as well as at the elementary and secondary level. More than 9,700 public comments were received subsequent to publication last year of a proposed regulation. In response, the Department completed a final regulation which must now be approved by the President. In preparing the regulation the Office had to deal with a host of difficult policy questions in such areas as the granting of scholarships, intercollegiate athletics, professional and honorary fraternities, sororities, student housing, employee health insurance and disability plans, and pension benefits.

There will be a continuing need to clarify and redefine nondiscrimination responsibilities of colleges and universities under both title IX and title VI. A student affairs manual is being completed within the office to guide the conduct of compliance reviews.

Monitoring of eight State systems of higher education, which have submitted plans for desegregation under title VI, will be an ongoing responsibility. Other State systems may be reviewed to determine whether they also have an obligation to overcome the effects of past discrimination.

In addition, the Office is responsible for enforcing provisions of the Public Health Service Act which prohibit sex discrimination in the admission of students to health manpower and nurse training programs benefiting from Federal financial assistance. We are also responsible for reviewing the compliance of higher education institutions subject to the nondiscrimination and affirmative action requirements of Executive Order 11246, as amended.

ELEMENTARY AND SECONDARY EDUCATION

In the elementary and secondary education area, the Office is implementing a program to determine whether equal educational services are being offered in four of the Nation's major school systems.

The reviews will determine whether there is discrimination on the basis of race, color, national origin, sex, or mental and physical handicap in the delivery of educational services. Essentially, reviews focus on four issues of inschool discrimination: (1) Comparability of financial and human resources, (2) compatibility of the educational environment with the needs of children, (3) assignment practices, such as ability grouping and tracking, and (4) operation of noninstructional service programs, such as discipline, guidance and counseling, and extracurricular activities. The four school systems being reviewed contain a significant proportion of the Nation's minority students.

The Office has launched a major new initiative to review the compliance of school districts with the decision of the Supreme Court in *Lau* v. *Nichols*, concerning the provision of special assistance to students with English language deficiency. In January 1975, 333 school systems, with significant numbers of national origin minority students, were contacted and asked to submit information to determine whether there are compliance issues requiring further inquiry.

An important undertaking in fiscal year 1976 will be a program of reviews of school systems which report a serious disproportion in the suspension and expulsion of minority students. Data gathered and analyzed by the Office indicate that minority students are being kept out of school as a disciplinary measure more frequently and for longer periods than nonminority students. It is an area which, we believe, mandates further inquiry on our part.

Onsite investigations of area vocational schools under the nondiscrimination provisions of title VI and title IX will also be pursued. And we will continue reviewing the civil rights compliance status of agencies applying for and receiving funds under the Emergency School Aid Act. During the past 2 fiscal years, OCR enforcement of the civil-rights-related provisions has brought a substantial advance in reducing racial isolation and correcting discrimination in the employment and teacher assignment practices of school districts which have applied under the Emergency School Aid Act.

CONTRACT COMPLIANCE

Finally, the Office has the responsibility under Executive Order 11246, as amended, to insure that Federal contractors and subcontractors do not practice discrimination in employment on the basis of race, color, religion, sex, or national origin and that they take affirmative action to insure that employees are treated without regard to such factors. Compliance reviews are made to analyze employment practices of contractors and to assist them in implementing effective, affirmative action plans. This includes reviews of construction contractors in the 71 designated plan areas, as well as reviews of some of the estimated 2,700 nonconstruction contractors under HEW's compliance jurisdiction.

CONCLUSION

Mr. Chairman, I have sought to summarize briefly some major new areas of emphasis. Our proposed budget is, of course, designed to support compliance activity in these and other areas of concern.

In summary, the fiscal year 1976 budget request would provide 907 positions and $26,498,000, an increase of 60 positions and $2,825,000 above the fiscal year 1975 level.

Thank you. I will be glad to respond to any questions you may have.

STAFF INCREASE SINCE 1968

Mr. FLOOD. That is very fine, but you are requesting 60 new jobs for 1976.

Mr. HOLMES. That is correct.

Mr. FLOOD. Your Office will have a total down there of 907 positions?

Mr. HOLMES. 907.

Mr. FLOOD. It is like topsy; it keeps growing every year. In 1968, there were 338 positions in that Office. Now if we allow this 1976 request, that would mean over a 300-percent increase in 8 years. Why do you keep adding to the staff every year? Doesn't some of that workload decrease once in a while, just a little, or something?

Mr. HOLMES. Let me respond this way, Mr. Chairman. Since 1968, four major civil rights provisions have been added to our jurisdiction: Executive Order 11246, as amended, the Public Health Service Act amendments prohibiting sex discrimination, title IX, a broad anti-sex-discrimination provision, and section 504 of the Rehabilitation Act of 1973 for which we are requesting 42 positions in the fiscal year 1976 budget. This program has very far-reaching implications and ramifications for the Office in that it deals with the physically and mentally handicapped. We are quite frankly, frequently criticized for not having enough staff to address all of the compliance issues that may come to our attention in the course of a year as a result of statistical information or complaints which we receive.

MANPOWER UTILIZATION REVIEW

Mr. FLOOD. Is your Office subject to manpower utilization review by the Office of the Secretary?

Mr. HOLMES. Yes, it is.

Mr. FLOOD. Are the positions covered by a work measurement system?

Mr. HOLMES. Yes, they are. We are conducting within the Office for Civil Rights, with the concurrence of the Office of the Secretary, a manpower utilization survey, and we are subject to those requirements.

Mr. FLOOD. To the work measurement system?

Mr. HOLMES. That is my understanding.

Mr. FLOOD. I tell you what you do. Insert in the record a chart showing, year by year, the number of positions assigned that Office going back to 1968; come right down year by year.

Mr. HOLMES. I would be glad to.

[The information follows:]

DISTRIBUTION OF OFFICE FOR CIVIL RIGHTS POSITIONS

FY 1968 thru 1975

AS OF MARCH 31, 1975

POSITIONS	Total	Head Quarters	Total Regions	Boston	New York	Philadelphia	Atlanta	Chicago	Dallas	Kansas City	Denver	San Francisco	Seattle
Fiscal Year 1968	333	157	176	6	17	28	52	18	30	4	6	15	-
Fiscal Year 1969	386	141	185	7	23	30	46	25	29	1	5	19	-
Fiscal Year 1970	401	162	239	13	28	30	48	37	37	2	8	34	2
Fiscal Year 1971	550	201	349	21	38	43	61	57	51	7	12	49	10
Fiscal Year 1972	596	221	375	24	40	45	63	60	53	10	13	53	14
Fiscal Year 1973	707	236	471	30	50	55	76	69	69	15	21	64	22
Fiscal Year 1974	872	268	604	41	63	66	85	80	78	41	34	76	20
Fiscal Year 1975	847	266	581	40	61	65	81	75	75	39	38	74	33
Programmed Fiscal Year 1976	907	288	619	42	66	70	86	80	79	42	40	78	36

TITLE IX REGULATION

Mr. FLOOD. You said 60 jobs you are asking for. All right. Of those 60 jobs, 6 are for the purpose of enforcing title IX of the education amendments of 1972?

Mr. HOLMES. Yes. Six of the required positions are for this purpose.

Mr. FLOOD. That is the sex discrimination provision?

Mr. HOLMES. That is correct.

Mr. FLOOD. Pretty hot subject right now.

Mr. HOLMES. Very.

Mr. FLOOD. That is the understatement of the day, I guess. Do you have any idea when those title IX regulations will be approved?

Mr. HOLMES. It is our hope, Mr. Chairman, the title IX regulation will be finally approved and effective by July 1, 1975. The regulation has been transmitted by the Department to the White House, and, as you know, the statute requires Presidential approval before the regulation becomes final.

STAFFING TITLE IX

Mr. FLOOD. How many people in your office are assigned to title IX.

Mr. HOLMES. Our total elementary and secondary education division staff, Mr. Chairman, is 246, including headquarters and regional offices. The figure is inclusive of professional and clerical personnel. The division has title VI and title IX compliance responsibilities and may have section 504 responsibilities in addition to other civil rights-related legislation in the area of elementary and secondary education. We are trying to conduct joint compliance reviews of school districts. We think this promotes the most efficient and effective use of our staff. In other words, when we review a school district, we would look at both title VI as well as title IX discrimination issues.

TITLE IX COMPLAINTS

Mr. FLOOD. How many complaints involving sex discrimination do you expect this year? You don't have a crystal ball, but do you have some idea?

I want to know how many you expect in fiscal 1976?

Mr. HOLMES. We have received in the neighborhood of 300 complaints.

Mr. FLOOD. How many do you expect this year?

Mr. HOLMES. We have during the current fiscal year, received about 150 title IX complaints in the elementary and secondary area and approximately 150 in the higher education area. We would expect, in the remaining months of the fiscal year, to continue receiving complaints, but I want to stress for the subcommittee that when the title IX regulation is finalized and issued and with the attendant publicity a very large increase in complaints is anticipated.

Mr. FLOOD. Again how many do you expect in fiscal year 1976?

Mr. HOLMES. I think an estimate of 500 discrimination complaints just in the elementary and secondary education area. This is a conservative estimate.

TITLE IX COMPLAINT REVIEWS

Mr. FLOOD. How many reviews have you initiated on your own so far this year?

Mr. HOLMES. In the area of title IX?

Mr. FLOOD. Certainly, and how many do you expect to initiate out of your shop next year?

Mr. HOLMES. We have, heretofore in this fiscal year, conducted approximately 62 title IX-oriented reviews in the elementary and secondary education——

Mr. FLOOD. What do you propose to do next year?

Mr. HOLMES. We talked about the level of title IX complaints prior to your last question, and I said that I anticipated probably a minimum in fiscal 1976 of 500, and I just wanted to make clear for the record that was a minimum estimate. I would guess that once the title IX regulation is published and publicized the number could conceivably range between 500 and 1,000 in the elementary and secondary education area alone. When you get to the higher education area where you have more sophisticated groups, I would project an equal or larger number of title IX complaints encompassing both student services and employment matters. So the level of workload would not, quite frankly, permit us to investigate each and every individual complaint we received.

Mr. FLOOD. How many do you expect next year?

Mr. HOLMES. About 1,000 to 2,000—a minimum of 500 in the elementary and secondary education area and 500 in higher education.

Mr. FLOOD. You mean next year?

Mr. HOLMES. In fiscal 1976.

Mr. FLOOD. You will initiate that many?

Mr. HOLMES. No; that is how many title IX complaints projected.

Mr. FLOOD. How many did you initiate this year, this present year?

Mr. HOLMES. We are able——

Mr. FLOOD. How many did you initiate—9, 11, 4,000, what?

Mr. HOLMES. The office has investigated more than 100 title IX complaints involving elementary and secondary and higher education institutions.

Mr. FLOOD. Initiated by you?

Mr. HOLMES. Right.

Mr. FLOOD. How many are you going to initiate next year, do you think? That is a tough one, but what do you think?

Mr. HOLMES. My answer, Mr. Chairman, is that we can initiate investigations of 25 to 50 percent of complaints received. If we receive 2,000 complaints, then I would estimate the office might initiate 500 to 1,000 complaint investigations.

But a point I would like to make is that we try to consider a great deal of information in determining our annual compliance priorities, not just complaints. We are not primarily a complaint-oriented operation.

Mr. FLOOD. That is the basis for the answer, but tell us how many will you initiate next year?

Mr. HOLMES. We would attempt investigations that would cover approximately 500 to 1,000 individual title IX complaints. Most of the complaints would be considered within the context of compliance reviews of institutions that we have targeted for review based on information, including that contained in individual complaints, available to us.

Mr. FLOOD. That question was part of a numbers game; how many?

Mr. HOLMES. Mr. Gerry.

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Mr. GERRY. Mr. Chairman, I think there are a couple of points that make these numbers less significant or more significant.

Mr. FLOOD. What are the numbers? You wouldn't do very well in Vegas.

Mr. GERRY. One complaint that we are investigating, for example, alleges systematic discrimination in employment by the New York school system which hires approximately 60,000 teachers and 125,000 people. So when you are talking about doing an investigation of that complaint, and it is one complaint, you are talking about something quite different than one person's complaint; so that the numbers of complaints I think have to be looked at in terms of the potential number of people affected.

And we have been, particularly in the elementary and secondary education area, developing strategies to try to maximize the impact of our investigations.

Mr. FLOOD. We are concerned with the jobs and the cost of the jobs. That is why I want it by numbers.

Mr. GERRY. All I am suggesting is that complaints must be considered with other information in establishing investigative priorities. One of the factors we have been emphasizing is potential impact. We are trying to investigate complaints which promise to affect many people. Therefore, I could say that 250 complaints were going to be investigated, and tell you very little about the potential impact of complaints if I didn't also tell you whether they were New York City's or one individual person.

CONFERENCE REPORT—EFFECT ON TITLE IX ENFORCEMENT

Mr. FLOOD. Are you aware of the language in the conference report on the 1975 Labor-HEW bill concerning your office and the title IX provisions?

Mr. HOLMES. There was language in the conference report regarding the Office's enforcement of nondiscrimination provisions of law with respect to public school systems in each of its regional offices.

Mr. FLOOD. It was on page 17 of the conference report, the title was the "Office of the Secretary."

Mr. HOLMES. You are referring to the language inserted by Mrs. Green, regarding the title IX regulation and the issue of physical education classes.

Mr. FLOOD. Has this had any effect at all on your plans for administering title IX?

Mr. HOLMES. The title IX regulation——

Mr. FLOOD. We very seldom go to the point of putting language like that in reports of the Appropriation Committee. When we do that, it stands out like a sore thumb.

Mr. HOLMES. Yes, the language in the conference report, as I indicated, pertains to physical education, Mr. Chairman, and the General Counsel of the Department is going to testify after me, I understand this afternoon.

My understanding of the Department's position was that the language was considered non-binding. Further, the Department suggested that if this was the position of the Congress, an amendment to the title IX statute would be more appropriate.

Mr. FLOOD. So it didn't have any effect on your plans for administering title IX, that language?

Mr. HOLMES. It does have an effect in that it indicates the conference committee's feelings regarding this issue and we, of course, have attempted to draft a regulation that provides reasonable provisions regarding equal opportunity.

AMENDMENTS RESTRICTING APPLICATION OF TITLE IX

Mr. FLOOD. Are you familiar with what happened on the subject of title IX when the House recently passed the education appropriation bill of 1976, just last week?

Mr. HOLMES. Yes, the Casey amendment.

Mr. FLOOD. What effect do you think that provision is going to have on the administration of title IX?

Mr. HOLMES. If that provision is passed by the Congress, there would necessarily be changes made in the regulation. Congress, in December, passed what was known as the Bayh amendment, exempting the admissions practices of social fraternities and sororities from title IX. The final regulation, of course, would reflect that congressional exemption.

Mr. FLOOD. I am talking about what was done on the education bill for 1976.

Mr. HOLMES. It was passed by the House and is pending in the Senate.

Mr. CONTE. Would you yield, Mr. Chairman?

Mr. FLOOD. Yes.

Mr. CONTE. How about the Bayh amendment?

Mr. HOLMES. The Bayh amendment was enacted into law and amends the title IX statute.

Mr. CONTE. Not on an appropriation bill?

Mr. HOLMES. No, the amendment was not contained in an appropriation bill.

It was contained in Public Law 93–568, which authorized a White House Conference on Library and Information Services, enacted December 31, 1974.

The departmental regulation will, of course reflect this and other subsequent statutory changes.

Mr. CONTE. You mean unless there are actual changes made in the law, you really don't pay any attention to the language in the report?

Mr. FLOOD. Certainly in this case he made it pretty plain. Ordinarily that isn't so. Ordinarily they pay pretty close attention. They get the word downtown pretty readily. It is unusual for us to write langauge in a report, but when we do, they catch on pretty fast because we generally do not write language in appropriation bills.

Mr. HOLMES. I am sure I speak for the Secretary in saying it certainly is not the intent of the Department of Health, Education, and Welfare not to recognize or pay heed to language contained in an appropriation conference report.

Mr. FLOOD. Are you telling us now you are not going to follow it, but that you are going to suggest a legislative amendment?

Mr. HOLMES. Again, the position of the Department in this case was that the language of the conference report did not constitute,

in effect, a statutory amendment. Under the circumstances, the Department felt it was non-binding. However, if the Congress enacts such an amendment, it would certainly be reflected in the implementing regulation.

Mr. FLOOD. You mean you would follow an act of Congress; isn't that nice?

Mr. MILLER. Mr. Chairman, there was a similar sort of thing on the other side of this issue in connection with the continuing resolution. You remember that the report said that we didn't have to spend $75 million as directed by the continuing resolution. We made it very clear that that didn't change the law, and we felt that did not give us an out and that the Congress would have to take specific action.

I would also make the point, I think, that we don't say there has to be a change in basic legislation. We implement appropriation language as though it were basic legislation, but report language sometimes will not serve to amend basic legislation.

STAFFING: HANDICAPPED COMPLIANCE PROGRAM

Mr. FLOOD. Most of these new jobs you are asking for in the budget are for the enforcement of section 504 of the Rehabilitation Act. You want 42 new jobs for that.

Mr. HOLMES. That is right.

Mr. FLOOD. How many now do you have assigned to that program?

Mr. HOLMES. We have no staff officially assigned to the 504 program. There is within our office a program development staff of 10 people who have been working on the development of the 504 regulation. We do need staff now, and that is why we are coming to the Congress in the fiscal 1976 budget to seek additional staff to enforce this provision.

Mr. FLOOD. How did you arrive at the number of 42, a crystal ball, or did you use mirrors, or what?

Mr. HOLMES. No; we attempted, Mr. Chairman, to project the level of compliance activity for fiscal 1976. If the regulation is published by the end of this fiscal year, which we anticipate, comments will be coming in. Moreover, there will be activity in terms of compliance reviews, investigations, what-have-you.

Mr. FLOOD. Let's go on the other side of the table. You told us in your statement that over 25 million—I remember I underlined that—25 million handicapped individuals are potentially affected now by these provisions of section 504.

Mr. HOLMES. That is correct.

Mr. FLOOD. Now, considering this to be the universe of need, what do you expect to accomplish with 42 people?

Mr. GERRY. Mr. Chairman, the real question is how many people do we need for fiscal year 1976, and the question there has to do with training and the development of the program. Our judgment was it would not be a good use of resources to ask for people we didn't feel we could train and prepare to operationalize the compliance program in the field. Of the 42 people we are requesting about three-fourths would be assigned to the regional offices, to carry out the day-to-day investigation activity. We feel the area is so complicated and involves so many different types of handicapped persons and issues, that it

is really not feasible for us to try to fully train during fiscal year 1976 any more than approximately 35 or 40 people.

What we are hoping to do are two things: Guage complaint activity that will follow the issuance of a regulation and train compliance staff, approximately three to four people per region, so there will be ongoing capability for investigation.

We would like again to move toward consolidation and not create a completely separate staff just for 504. We would like to try to develop the rest of our staff.

SECTION 503 OF REHABILITATION ACT

Mr. FLOOD. What responsibility does your shop have concerning section 503 of the Rehabilitation Act? This section deals with the affirmative action plans and the Labor Department is mainly responsible.

Mr. HOLMES. That is correct. Section 503 will be administered by the Department of Labor.

Mr. FLOOD. What responsibility does your Office have in connection with that? Your Office is involved, too, isn't it?

Mr. GERRY. Yes, the Office of Federal Contract Compliance has been delegated in the Labor Department the authority for that program. It was previously in another part of the Labor Department. At this point the program is centralized in the Department of Labor and there have not been investigative delegations made to other agencies. It is our expectation that the Department of Labor will at some point during a program development effort they are going through, establish or seek to establish delegations to HEW and other agencies. That hasn't happened yet. It appears to be the intent of the Labor Department to do that but they are involved in the same kind of thing we are involved in which is the initial program development and now they are concentrating on their own staff.

HEALTH AND SOCIAL SERVICES

Mr. FLOOD. On the health and social services, you are asking for 12 new jobs. Again, I see some more of this gobbledygook here. You referred to "in-depth investigation." Beautiful. All right. What results have you achieved?

Mr. HOLMES. Mr. Chairman, we undertook 25 in-depth investigations during fiscal 1975 which we hope to increase to 35 in fiscal 1976. An in-depth investigation involves on-site review of the actual delivery system and referral processes.

For example, a review is currently being conducted in New Orleans of hospitals and the concern is the large number of hospitals either all black or substantially black juxtaposed against neighboring hospitals all white or virtually all white. The question is, why do you have these utilization patterns on the part of the hospitals in New Orleans?

Mr. FLOOD. You mean nearby physically?

Mr. HOLMES. Yes. The question again is, what has caused these racial patterns? Is there discrimination in employment? Is there discrimination in the hospitals with regard to the treatment of patients? Are doctors referring black patients only to certain hospitals and

white patients to other hospitals? This is the type of in-depth review that we are talking about and this goes across the board in not just the area of hospitals but nursing home referrals, as well.

Mr. FLOOD. We are gun shy on these cliches, in-depth investigation, period. My.

Mr. HOLMES. It always helps for me to explain it, too.

STAFFING: CONTRACT COMPLIANCE

Mr. FLOOD. You are not requesting any new jobs for contract compliance.

Mr. HOLMES. That is correct.

Mr. FLOOD. You have 219 assigned to that job already. You have 219 assigned to it and you are not asking for any new jobs? That makes it pretty clear that this work seems to be settling down.

Why can't you cut back a few in the compliance area with all the others you are putting on? What is the matter there?

Mr. HOLMES. That, sir, is true at the present time in the construction compliance area regarding the 71 designated "plan" areas of the Department of Labor. However, 2,700 nonconstruction contractors come under the jurisdiction of the contract compliance division as well. The focus of this program has been traditionally in the area of construction compliance. We are presently trying to develop policies and procedures to launch a more effective and comprehensive program with respect to nonconstruction contractors—museums, hospitals, social service facilities, et cetera.

Mr. Gerry, do you have something to add?

Mr. GERRY. The question here is Revised Order No. 4, which details the Labor Department requirements for affirmative action plans. It applies to virtually all nonconstruction contractors but not to construction contractors. We have been, for the last 2 years, intensively involved in policy development with higher education institutions regarding Revised Order No. 4. The difficulties and subleties of Revised Order No. 4 complicated our efforts.

TRAVEL BUDGETARY ITEM

Mr. FLOOD. Now, the budget proposal is for 907 positions in 1976.

Mr. HOLMES. That is correct.

Mr. FLOOD. The amount you have in your budget for travel is $1.6 million. That ain't hay, even for the Appropriations Committee. That averages out to about $1,750 in travel funds per employee, that means the clerks, the cooks, the elevator operators. That strikes me as being pretty excessive. What do you think about that?

Mr. HOLMES. The nature of our work, Mr. Chairman—investigation of discrimination—involves a great deal of travel by our staff. We are visting hospitals on-site, local school districts on-site, higher education institutions on-site. We do not operate what some might describe as a paper compliance program whereby you have a relatively limited size staff sitting in-house and reviewing reports that come through.

Mr. FLOOD. I know, at the same time you are right at the front door of about $2,000 a year per employee for your whole Office. Imagine that, almost $2,000 a year as the average in your Office.

Mr. GERRY. Mr. Chairman, I think the point is——

Mr. FLOOD. Is somebody after you?

Mr. GERRY. I think we are saying that travel is not an incidental but essential part of our operation. Other agencies might average a lot of money on contractor grants or on other types of equipment, whereas travel is an integral part of our day-to-day activities. Seventy-five percent of our staff is involved in on-site enforcement activity.

Mr. FLOOD. You make a big deal, in your statement, about your decentralized program, you are going to the cause and the source. You are decentralizing. What is all the travel about? Doesn't decentralization reduce travel? It does everyplace else. Even for the Department of Defense it does.

Mr. HOLMES. It may reduce travel from Washington headquarters but to follow Mr. Gerry's point, on-site investigations are an essential part of our responsibilities and there is extensive travel by compliance officials in each of the regional offices.

Mr. GERRY. With respect to in-depth reviews instead of a paper compliance program, which preceded it, we visit the institutions themselves. Accordingly, there is significant increases in travel. It is an essential part of increasing the effectiveness of our reviews. The greater the distance from the regional office, the less likely we are to get an accurate picture of the delivery of services.

OTHER SERVICES

Mr. FLOOD. About 15 percent, $3.8 million, in this total budget is for a line item that you call other services. How would you like to pick up this thing sitting here some night and see "Other services, $4 million"?

You didn't think that up. That is standard terminology downtown. We still want to know what you include in other services.

I tell you what you do. We are watching these in the whole Department. You prepare for the record a list of items and the amount of each one for this gimmick, "Other services."

Mr. HOLMES. I would be glad to—and we will submit that for the record.

[The information follows:]

"OTHER SERVICES" FOR OFFICE FOR CIVIL RIGHTS

Object class	
25. Other services.	
Consolidated working fund or reimbursable agreements with other Federal agencies	
25.11 Contract and agreements with other Federal agencies	$30,000
25.12 Data processing services	354,000
25.13 Other reimbursable services	840,000
(Health services, CSC investigations, SLUC, etc.)	
Contracts for furtherance of Federal programs	
25.31 Research and/or development	875,000
25.33 Management studies, evaluation, etc	1,000
25.34 Conferences, workshops, etc	137,000

Administrative and miscellaneous services

25.74 Repairs to office equipment	5,000
25.7N Maintenance agreements (equipment)	1,000
25.7Z All other maintenance and repairs	8,000
25.9D Training (individual)	131,000
25.9A Management studies	1,000
25.9J Purchasing services	25,000
25.9K Check writing services	37,000
25.9P Storage of household effects	4,000
25.9U Purchase of vital records	5,000
25.9Y Other services (working capital fund)	1,311,000
25.72 Repairs and alterations to buildings	14,000
Total Office for Civil Rights	3,779,000

One of the things we have been attempting over the years, which I think has resulted in more efficient and effective use of staff while making substantial staff increases unnecessary, is the collection and analysis of data. In this "Other services" item are substantial funds for the letting of contracts for the collection of data regarding recipients of Federal financial assistance and for the analysis of the data for a better understanding of the trends and identification of compliance problems.

DELETION OF FISCAL YEAR 1975 APPROPRIATION LANGUAGE

Mr. FLOOD. Watch this one. You are requesting the deletion of appropriation language relating to the transportation of students from one school to another. Here you go. Now you know, and we know that you know that we know that you know, the origin of that language. Now if you want this deleted, under all the circumstances, we are certainly going to need more than a two-line explanation. This is a murder case and that is all you have in the justification, two lines. For the record, don't get carried away; but it had better be good; insert a very clear, concise explanation of the reasons for deleting this language provision.

Mr. HOLMES. We will be glad to.

[The information follows:]

The language contained in Public Law 93-517 that is attached to the appropriation for the Office for Civil Rights is ambiguous. For example, the reference to "any order" is not clear. Is this an order of a Federal court, an order by an administrative law judge, the HEW reviewing authority or the secretary? Does the term refer to an order given the Director of the Office for Civil Rights to one of his/her regional directors or division chiefs? The use of the terms "same circumstances" and "in the same manner" is not clear. Furthermore, the addition of the language to the OCR appropriation section makes the entire section cumbersome and difficult to understand.

We would propose the deletion of the language not only because it is ambiguous and difficult to understand, but it is superfluous in that its intent, to achieve uniformity of treatment for all areas of the country, is already accomplished by 42 U.S.C. 2000d-6 which provides as follows:

(*a*). It is the policy of the United States that guidelines and criteria established pursuant to title VI of the Civil Rights Act of 1964 and section 182 of the Elementary and Secondary Education Amendments of 1966 dealing with conditions of segregation by race, which whether de jure or de facto, in the schools of the local educational agencies of any State shall be applied uniformly in all regions of the United States whatever the origin or cause of such segregation.

(*b*). Such uniformity refers to one policy applied uniformly to de jure segregation wherever found and such other policy as may be provided pursuant to law applied uniformly to de facto segregation wherever found.

(c). Nothing in this section shall be construed to diminish the obligation of responsible officials to enforce or comply with such guidelines and criteria in order to eliminate discrimination in federally assisted programs and activities as required by title VI of the Civil Rights Act of 1964.

Mr. FLOOD. Mr. Conte.

NEW POSITIONS AUTHORIZED IN FISCAL YEAR 1975

Mr. CONTE. How many new positions were included for your Office in the 1975 appropriation bill?

Mr. HOLMES. Fourteen, Mr. Conte. We had requested 28. Congress allowed only half of our request.

Mr. CONTE. How many of those are filled?

Mr. HOLMES. All of those are filled.

Mr. CONTE. How much of an increase are you requesting for 1976?

Mr. HOLMES. Sixty additional positions.

AFFIRMATIVE ACTION REQUIREMENTS

Mr. CONTE. We have had some problems in my district with the affirmative action plan, particularly in the Federal housing project at Holyoke. It seems when nonminority workers go to the union hiring hall, they are turned away because they can't be hired until a certain number of minority workers are hired and there is a shortage of minority applicants in many cases.

Are you familiar with this type of problem, and do you have any suggestion for dealing with it?

Mr. HOLMES. The objectives, of course, of an affirmative action plan of the nature you describe here is to increase the applicant flow of minorities. I, quite frankly, cannot understand why, if there are not sufficient minority applicants, other people that have applied who may be of a nonminority status, would not be hired.

Mr. CONTE. There is not a quota system?

Mr. HOLMES. The Department of Labor has established in these planned areas goals, which are distinguished from quotas, which are targets the contractor is expected to make an effort to reach. They are not quota systems and the failure to reach the target levels would not necessarily represent noncompliance.

Mr. Gerry just advised me that Massachusetts has a State contract compliance program that also establishes hiring goals on projects. Now, I don't know whether the case to which you refer concerns a Federal or State imposed plan.

Mr. GERRY. The Boston plan had two separate sets of goals, one set by the Commonwealth and one by the Department of Labor.

ADMISSIONS APPLICATIONS

Mr. CONTE. Many applications for higher education institutions forbid the applicants to convey in any manner the applicant's race or ethnic identification.

Given this, how do you evaluate the racial policy for admission or guidelines for admission if an institution conducts a blind admission process as far as race is concerned? Does this satisfy the Federal requirements?

Mr. HOLMES. I would like to distinguish here between employment and student admissions and your question reaches the latter point. We encourage institutions to determine as best they can, and they need not do this by the application form, the racial and sex composition of applicants.

There are no Federal laws requiring the establishment of goals for the admission of students of various races or sexes to higher education institutions.

Our interest is assuring a nondiscriminatory admissions process and also, equally important, a nondiscriminatory recruitment process. We find in many areas that higher education institutions will recruit only at schools that are predominantly nonminority. We encourage and require them often to broaden their efforts to recruit at schools that are yielding high numbers of minority graduates.

CONTRACT AWARDS DELAYED

Mr. CONTE. Last year, you told me the University of Massachusetts had its contract funds withheld because of the inadequacy of its affirmative action plan under Executive Order 11246. Can you tell me now what is the status of this case?

Mr. HOLMES. For the full status of it, Mr. Conte, I will have to supplement the record, with your permission. The University of Massachusetts does not presently have Federal contracts in a hold position, so apparently—and again I don't know the full details—the problem that gave rise to that delay last year has been corrected.

[The information follows:]

An initial compliance review was conducted of the University of Massachusetts/Amherst on August 7, 1970. The university submitted draft affirmative action plans on March 16, 1973, and May 3, 1973. On January 29, 1974, the Boston Regional Office for Civil Rights notified the university that its affirmative action plan was not acceptable and established a time frame of March 15, 1974, as the date for submittal of a complete and comprehensive affirmative action plan.

The Agency for International Development requested information regarding the compliance status of the University of Massachusetts, prior to the award of a contract in the amount of $166,000. The Boston regional office requested a delay to assure the university would meet the March 15 deadline. The revised affirmative action plan was submitted by the university on May 22, 1974, and the contract was released that same date. The university's affirmative action plan is currently under review.

Mr. CONTE. Good. There were three schools, I believe, last year in that predicament. Is that the same now?

Mr. HOLMES. There are two schools presently that are having their Federal contracts delayed for failure to have an adequate affirmative action plan.

ASSIGNMENT OF RESPONSIBILITIES FOR HANDICAPPED COMPLIANCE

Mr. CONTE. When you talk about the Secretary assigning new responsibilities to you regarding the enforcement of section 504 of the Rehabilitation Act of 1973, this isn't actually a new responsibility. Didn't you tell us last year that you had this responsibility?

Mr. HOLMES. I think I indicated last year that the Act was passed in 1973. It was amended in 1974, Mr. Conte, by the Congress. I probably indicated to the subcommittee at that time that we were expect-

ing to receive the responsibilities for section 504 and were laying plans to begin a regulation development process.

DEFINITION OF HANDICAP

Mr. CONTE. Can you tell me how you define handicap in context of section 504, and how did you arrive at that definition?

Mr. HOLMES. Let me ask Mr. Gerry to respond. The whole issue of definition of a handicapped person has been very complex and difficult. The Congress, as I mentioned, amended 504 to change the original definition.

Mr. Gerry?

Mr. GERRY. The basic provision that was changed by amendment says that a handicapped individual—and I am paraphasing—for purposes of the section is a person who has a condition or appears to have a condition which would interfere with a major functioning of the individual's life.

That could be with respect to employment, education; it could be perceptual; it could be the question of movement from place to place. This was an attempt, as I understand it, by the Congress to replace a much less specific definition which cross-referenced other provisions of the Rehabilitation Act, itself.

We are trying to translate the second definition, the one I described, into more specifics. In other words, a type of mental or physical impairment that would substantially impair one or more of these aspects of life would be covered. There are a lot of questions with respect to the occurrence of that condition, whether it was voluntary, for example, and this would involve such things as alcohol abuse or drug abuse. The definition then relates to a record or history of impairment or the individual being regarded as having an impairment which affects a major part of life.

DEVELOPMENT OF TITLE IX REGULATION

Mr. CONTE. Going back to title IX, on page 5, you say:

> In response, the Department completed a final regulation which must now be approved by the President. In preparing the regulation the Office had to deal with a host of difficult policy questions in such areas as the granting of scholarships, intercollegiate athletics, professional and honorary fraternities, student housing, employee health insurance and disability plans, and pension benefits.

I wonder if you could elaborate on that and tell us about each one of those categories?

Mr. HOLMES. Yes; I would be glad to.

Title IX, as you know, is rather brief. The language tracks title VI of the Civil Rights Act of 1964 and prohibits discrimination on the basis of sex in education programs receiving Federal financial assistance. We find, for example, many single sex scholarships in higher education institutions being administered under a will, trust or other instrument. What are the implications of title IX regarding single sex scholarships?

In the athletics area, athletics is an important, integral part of educational systems in terms of extracurricular activities of institutions; what are the implications of title IX regarding athletic teams?

Is it permissible, for example, for an institution to have single sex teams? With regard to professional fraternities and sororities, there are a large number of organizations that are single sex which occupy important positions on university campuses in providing students contacts in their disciplinary and occupational field, research activity, what-have-you. If there is a male-only professional fraternity at a coed institution and no counterpart female organization there would be an obvious lack of opportunity for women to participate.

In the employment area, we mentioned pension benefits, Mr. Conte. There is presently a conflict between two Federal agencies over the issue of contributions and benefits. Do you permit equal contributions for male and female employees with a resulting differential or discrepancy in benefits because of actuarial tables that project longer life expectancy for females? Do you require equal benefits for males and females regardless of what that may mean in terms of requiring greater contributions for women as opposed to males?

So it was these types of issues that we had to consider in developing a comprehensive regulation for title IX. These types of issues contributed, I think it is safe to say, to the length of time in preparing the regulation and also to its controversy.

APPROVAL OF TITLE IX REGULATION

Mr. CONTE. They will go into effect as soon as the President approves them?

Mr. HOLMES. That is right.

Mr. CONTE. When will that be?

Mr. HOLMES. We are hoping in the not too distant future, so that there will be an effective date of July 1, 1975.

Mr. CONTE. How can you determine that you need six positions to enforce the regulations of title IX when the regulations haven't been approved yet?

Mr. HOLMES. We are receiving complaints already, and we have undertaken a number of surveys that indicate to us the extent of sex discrimination in educational institutions. As I had indicated earlier, we have received approximately 150 title IX complaints in the past fiscal year in the elementary and secondary area and approximately 150 in the higher education area.

This is an indication to us of the anticipated workload level that we will face. We have been attempting, I might add, Mr. Conte, to undertake a limited enforcement program in the absence of a regulation. We have investigated information that has come to our attention to the extent issues are clearly under the statutory language of title IX and not subject to interpretation that may be contained in the regulation.

MONITORING OF STATE HIGHER EDUCATION SYSTEMS

Mr. CONTE. Could you tell me the eight State systems of higher education which are being monitored for desegregation in compliance with title VI?

Mr. HOLMES. Florida, Arkansas, Georgia, Oklahoma, North Carolina, Virginia, Maryland, Pennsylvania.

STAFF: MINORITY AND SEX STATUS

Mr. CONTE. Of your present 847 positions, for the record can you provide a breakdown of the people in your office by section and minority status? How about the 60 new positions likewise that you are requesting? How many of those do you expect would be women or minority group members?

Mr. HOLMES. Mr. Conte, we would be glad to provide the information for the record. Let me give you some general figures. Presently, 62 percent of our office is minority, and 57 percent female. We have that broken down for race and sex by individual grade level. It will be somewhat difficult for us with regard to projecting the 60 new hires, but I do want to mention that we have an affirmative action program in the Office for Civil Rights, and will be focusing recruitment efforts also on handicapped persons whom we hope to employ in the office in increasing numbers.

[The information follows:]

With regard to the 60 additional positions requested in the fiscal year 1976 budget, the Office for Civil Rights will apply affirmative efforts to recruit minorities, women, and handicapped individuals at each of the grade levels requested. Under the application of such efforts, we would expect that minorities would constitute 40 percent and handicapped individuals 30 percent of new hires. It is also expected that women would constitute at least 50 percent of all new hires as a result of applying affirmative recruitment efforts.

OFFICE FOR CIVIL RIGHTS
OCR STAFF
ON BOARD AS OF MARCH 30, 1975

Form 1

	FEMALE						MALE						
Grade	Black	White	Spanish Surnamed	American Indian	Oriental	Total	Black	White	Spanish Surnamed	American Indian	Oriental	Total	Grand Total
18								1				1	1
17													
16							1	1				2	2
15	4	4				8	12	18	1			31	39
14	3	7	2			12	30	29	8			67	79
13	7	10	2		2	21	39	43	9		1	92	113
12	21	9	3			33	16	16	9	1		42	75
11	19	23	4			46	15	19	8			42	88
10	2				1	3							3
9	27	20	3	1	2	53	8	8	6	2	4	28	81
8	6	1				7	1					1	8
7	37	19	4	1	1	62	3	9	2	1		15	77
6	32	6	2	1		41	1	1				2	43
5	34	26	5	2	1	68	2	1				3	71
4	29	20	7	1	1	58	2	2	1			5	63
3	14	8	3	1	1	27	2					2	29
2							2					2	2
1													
Total	235	153	35	7	9	439	134	148	44	4	5	335	774

mlm 4/30/75

45554

HIGHER EDUCATION COMPLAINTS

Mr. CONTE. The justification indicates you will be able to conduct 95 compliance reviews or complaint reviews in higher education in 1975. How many complaints were received in 1975, and will the remainder simply be carried into 1976; and what do you expect in 1976? You can put that in the record.

Mr. HOLMES. Fine.

[The information follows:]

Complaints of discrimination received by the Higher Education Division for calendar year 1974 and for the period January 1, 1975–April 14, 1975, are indicated by individual civil rights authorities.

	Executive Order 11246, as amended	Title VI	Title IX	PHSA
Calendar year 1974	197	118	127	2
Jan. 1–Apr. 14, 1975	24	13	17	0

For Fiscal Year 1976, the Office expects no significant change regarding complaints submitted under title VI of the Civil Rights Act of 1964 and sections 799A and 845 of the Public Health Service Act. However, it would be expected that issuance of a final regulation to implement title IX of the education amendments of 1972 would result in at least a three-fold increase in the number of complaints from the calendar 1974 level. Because of a memorandum of understanding between the Equal Employment Opportunity Commission and the Office of Federal Contract Compliance, dated September 11, 1974, regarding the processing of complaints of discrimination, the Office for Civil Rights does not expect to have any substantial responsibility for complaints submitted pursuant to Executive Order 11246, as amended. The Office, however, will continue to process the backlog of complaints submitted under the Executive order prior to September 11, 1974.

HANDICAP ADVOCACY GROUPS

Mr. CONTE. Would you explain what it means when the justification states that section 504 staff will be dealing with a wide range of client advocacy groups which OCR does not presently work with? What groups will they be dealing with, and how, and are they any different than those with whom OCR already works? Do you want to put that in for the record?

Mr. HOLMES. Yes, we would be glad to, but as a general matter we have not, prior to passage of section 504, had jurisdiction in the area of the physically or mentally handicapped. We are moving into an entirely new area for the Office for Civil Rights, and we have not dealt with these interest groups previously.

Primarily, we have been involved with women, minority, and racial and ethnic groups.

[The information follows:]

The Office for Civil Rights has sought advice concerning the development of a regulation for section 504 from the Council for Exceptional Children, the Children's Defense Fund, the American Coalition of Citizens With Disabilities, Inc., the National Association of Retarded Citizens, United Cerebral Palsy, the Epilepsy Foundation of America, the National Coordinators of Developmental Disabilities Council, the American Association of Mental Deficiency, Disabled in Action, the National Association for Mental Health, and the American Association of Workers for the Blind. During the period in which the regulation is redrafted for final publication and in which implementation and enforcement procedures are developed, continuing contact will be maintained with these groups, as well as with such additional organizations as the National Easter Seal Society, the National Paraplegia Foundation, and the National Association of the Deaf.

EQUAL OPPORTUNITY SPECIALIST

Mr. CONTE. Can you tell me what an equal opportunity specialist does; what kind of training or experience does such a position require?

Mr. HOLMES. I would be glad to, and perhaps I could submit for the record a position descrition for the equal opportunity specialist.

[The information follows:]

The Office for Civil Rights utilizes the equal opportunity specialist position classification, GS–160 series, which requires substantial job specialization in programmatic areas such as elementary and secondary education, higher education, health and social services, and contract compliance.

Equal employment specialist work involves such duties as:

Investigations, negotiations and conciliations, of complaints of discrimination;

Reviewing individual complaint files and determining corrective measures that should be taken;

Evaluating and preparing reports on the effectiveness of equal employment opportunity program activities;

Analyzing statistical data and other information on minorities and women to evaluate program progress and pinpoint areas (organizational, geographic, occupational, et cetera) in need of improvement;

Consulting with minority and women groups about special concerns regarding minorities and women;

Qualification requirements

A personal commitment to promote equality of opportunity for all persons, regardless of race, color, religion, sex, or national origin;

An understanding of the basic goals of civil rights and equal opportunity movements;

An understanding of the particular employment problems of minority groups and women;

Ability to meet and deal effectively with persons of either sex and of differing racial, ethnic, cultural, and economic backgrounds;

Ability to establish effective working relationships with management officials, personnel staff, employees, and appropriate community groups.

Training for an equal opportunity officer

Legislation, regulation, executive order, policies, and procedures pertaining to the responsibilities delegated to the Office for Civil Rights;

Compliance reviews;

Investigation on causes and effects of discriminatory practices;

Analysis of facts to identify causes of discriminatory practices;

Rules of evidence, negotiation, and conciliation;

Report writing.

The incumbent of this position serves as senior equal opportunity specialist in the field of education. They work under the general supervision of the Chief of the Elementary and Secondary Education Branch with wide latitude for the exercise of independent judgment in carrying out assigned duties. They are responsible for planning and conducting a variety of assignments to insure that institutions and organizations within their particular region who are participating in federally sponsored or federally financed assistance programs, comply with the spirit and intent of title VI of the Civil Rights Act of 1964, Executive Order 11246 and the regulations pertinent thereto. They conduct complaint investigations to determine the validity of the complaint, conduct negotiations with the proper officials to eliminate areas of discrimination, conduct routine and special compliance reviews, as necessary act as team leaders on larger investigations directing the work of other equal opportunity specialist assigned to the team, assist in training new employees and prepare reports of all findings for.

Policies and Responsibilities

1. Conducts compliance reviews of the policies and practices at grantee, contractor, and subcontractor facilities with the DHEW region; may be assigned

responsibility for personally conducting the review of difficult cases or for supervising lower grade Equal Opportunity Specialists. In conducting compliance reviews, makes a comprehensive investigation and evaluation of the policies and practices of the grantee, contractor, or subcontractor with respect to Executive Order 11246, title VI, title IX, sections 799A and 845 and related rules and regulations of OECC and DHEW.

2. As assigned, may participate in conferences with contractor or grantee officials to negotiate for corrective action by the grantee, contractor, or subcontractor to eliminate discriminatory practices and to develop affirmative action to ensure equal opportunity in employment and/or programs. Prepares or directs the preparation of reports of findings and recommendations. In difficult cases which lack clear precedents, may be assigned independent responsibility for holding conferences and preparing reports.

3. As an expert, conducts and/or directs investigations of complaints of discrimination filed against grantees, contractors, or subcontractors by employees or applicants for employment and beneficiary and applicants for benefits; complaint investigations involving interviews with the complainant, other witnesses, contractor, or grantee officials, and a review of all pertinent records and procedures to determine if nondiscrimination regulations have been violated. Conducts conferences with contractor or grantee officials, and, in those instances where discrimination is verified, obtains appropriate corrective action or assists the Branch Chief in negotiating an acceptable resolution of the case. Prepares timely and effective reports of findings and recommendations to the Branch Chief.

4. As assigned, may assist the branch chief in coordinating grant or contract compliance matters with DHEW officials with grants management officials of other Federal agencies within the DHEW region, particularly with respect to the technical requirement of the nondiscrimination clauses, the equal opportunity clause, and related DHEW or other Federal regulations.

5. As assigned, participates in conferences and meetings of grantee or contractor organizations, civil rights organizations and state the requirements relating to title VI, title IX, sections 799A and 845 and Executive Order 11246.

Supervision and Guidance Received:

Incumbent's expertise and experience in handling cases makes it possible for him to have broad discretion in handling cases. In routine cases, incumbent generally need not seek assistance from Branch Chief. In difficult cases, seeks assistance after he ascertain the facts and defines the issues. Work is judged in terms of timeliness, effectiveness, and ability to exercise mature judgment.

INTRODUCTION

The incumbent serves as the chief, elementary and secondary education branch, in one of the regional civil rights offices and is responsible for implementing the educational phases of the Office for Civil Rights, Department of Health, Education, and Welfare, activities under the provisions of title VI of the Civil Rights Act of 1964. The position is located in one of the DHEW regional offices each of which administers the program in at least three or more of the surrounding States. Duties are concentrated on and emphasize enforcement of nondiscrimination requirements involved in the desegregation of public schools. However, incumbent must also be able to render positive assistance to those programs involving nondiscrimination in other federally assisted programs.

The elementary and secondary branch, regional civil rights office, is responsible for implementing the day to day policies and programs involving the enforcement provisions of Title VI as they relate to the various DHEW programs in the field of elementary and secondary education. In addition, it renders assistance, including advice and help, to those recipients interested in voluntary compliance; to the press, civil rights groups, police and public officials, and similar groups, to promote and encourage public acceptance of the advantages of voluntary compliance.

As a supervisory equal opportunity specialist (branch chief), assigned to work in the elementary and secondary education branch, the incumbent investigates, conciliates, and attempts to gain compliance in very complex cases involving new situations the outcome of which could have precedent-setting results. These duties are carried out with considerable independence and substantial negotiative authority. Cases are normally of such importance and difficulty that the incumbent directs the team of lower grade specialists. As the

branch chief, coordinates all assignments. This includes determining the assignments, directing the investigations and conciliation efforts and evaluating the findings. Represents and shares with the Civil Rights Regional Director substantive responsibility for the promotion of OCR's program by working with State and local officials and private organizations.

DUTIES AND RESPONSIBILITIES

Plans and conducts complaint investigations to ascertain compliance with the DHEW regulations the provisions of title VI of the Civil Rights Act of 1964, and/or EO 11246. Investigations and reviews involve meetings with the complainant and organizational management in order to ascertain if the nondiscrimination provisions of the regulations and/or law have been violated. Also interviewing of other witnesses who can give factual information having bearing on the case. Investigation includes the review of all records maintained by the institution or organization being investigated as well as those or other public agencies having bearing on the case under consideration.

Responsible for directing routine and special compliance reviews to maintain current information on organizations within the region subject to the act and the order Reviews involve a comprehensive examination of the policies and practices of the recipient concerned with respect to the total requirements of title VI or EO 11246.

Provides advice and counsel to recipients for the solution of major sensitive problems. Arranges conferences, recommends action and negotiates to resolve differences of opinion, principles or operations, and so forth. Writes reports of findings and recommends action for solution.

As branch chief, negotiates with groups or representatives of groups who have been found in violation in order to work out ways and means of satisfactory compliance. Prepares follow-up reports and progress thereafter to avoid repetition or circumvention. Recommends remedial action and directs follow-up. Confers with operating officials in participating DHEW programs to define areas for review.

Attends conferences and meetings of recipient organizations throughout the regions as well as civil rights organizations, State and local official meetings, and so forth, to inform them of departmental policies, procedures, and requirements to assure compliance with the act and Executive orders.

Carries out personnel management responsibilities for the section; identifies training needs, recommends persons for training and seminar training appointments, initiates and/or reviews recommendations and supporting documents for promotions, recruitments, performance ratings, quality increases, disciplinary actions, etc. Initiates and/or reviews request for new equipment, materials, additional space and new facilities for accomplishing the work of the section. Develops ways and means for handling workloads within employment ceilings on current expenditures of alloted funds.

Incumbent is responsible for furthering equal opportunity employment by demonstrated evidence of fairness in making selections, encouragement, and recognition of employee achievements, fair treatment of minority group employee, and sensitivity to the developmental needs of all employees, including minority groups and women.

SUPERVISION

Incumbent serves under the regional civil rights director but has substantial freedom from supervisory controls. Assignments are normally made without instructions. Incumbent usually functions with considerable independence, exercising his own judgment in deciding necessary action and negotiating voluntary compliance. Work is reviewed for achievement of results.

AFFIRMATIVE ACTION

Mr. CONTE. Are there other pending court cases concerning affirmative action and reverse discrimination?

Mr. HOLMES. Yes; there are. With regard to reverse discrimination, of course, there was the DeFunis case mooted by the Supreme Court last spring There are several other cases at the Federal District Court level. There is a case involving the University of California at Davis that is making its way through the State courts in California.

Mr. CONTE. One last question. Can you give me a statement that I can use to explain affirmative action to those of my constituents that consider such a program a form of reverse discrimination?

Mr. HOLMES. Yes; I would be glad to. Do you want a statement drafted?

Mr. CONTE. Yes; I will give you a little time to work on that.

Mr. HOLMES. Fine.

[The information follows:]

Executive Order 11246, as amended, prohibits discrimination in employment on the basis of race, color, religion, sex, or national origin by Federal contractors and subcontractors and requires that they take affirmative action to insure that employees are treated without regard to such factors. The affirmative action concept requires a contractor to determine whether women and minorities are "underutilized" in its employee work force and, if that is the case, to develop as a part of its affirmative action program specific goals and timetables designed to overcome that underutilization. Underutilization is defined in implementing regulations as "having fewer women or minorities in a particular job than would reasonably be expected by their availability." This underutilization is distinguished from a lack of representation resulting from discriminatory employment decisions by the contractor himself. In other words, a contractor must not only remedy identified discrimination against a particular person or group, but must also, if that group is not fairly represented in his work force, direct good faith efforts to increase their number.

The Executive order does not require a contractor to select a certain number or proportion of minorities or women. In fact, "reverse discrimination" in one form or another violates the Executive order and nothing in a proper affirmative action plan requires "reverse discrimination." Rather, the primary concern of affirmative action is to insure that all persons, regardless of race, color, religion, sex, or national origin, receive an equal opportunity in the employment process. The Department investigates alleged abuses in the implementation of affirmative action programs which are brought to our attention. Further, when it is substantiated that a contractor is engaging in "reverse discrimination" corrective action must be undertaken immediately.

AFFIRMATIVE ACTION—HANDICAPPED COMPLIANCE PROGRAM

Mr. CONTE. When you speak of employment practices and educational opportunities are you thinking in terms of some sort of affirmative action requirement for the handicapped?

Mr. HOLMES. The Office for Civil Rights expects to include in its section 504 regulation general remedial and affirmative action provisions similar to those found in the title VI and title IX regulations, which require affirmative action where necessary to remedy past discrimination and allow such action to overcome the effects of conditions which resulted in limited participation by persons of the protected class. It does not contemplate requiring recipients to adhere to goals and timetables in their provision of services to, or hiring of, handicapped persons. OCR is, however, considering the inclusion in its regulation of certain provisions necessary to a meaningful nondiscrimination program which could be viewed as affirmative action, such as provisions which would require that primary and secondary education programs be accessible to physically handicapped children and that institutions of higher education accommodate to the needs of students who cannot take tests or examinations under regular conditions.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Smith.

Mr. SMITH. I have no questions.

Mr. FLOOD. Mr. Michel.

RESPONSIBILITY: HANDICAPPED COMPLIANCE PROGRAM

Mr. MICHEL. What are the enforcement responsibilities of civil rights under section 504 of the rehabilitation amendments? I understand that it covers not only all the program areas in which civil rights is now working, but also some additional areas such as the supplementary medical insurance program.

Mr. HOLMES. There are two major differences, in terms of coverage, between section 504 of the Rehabilitation Act of 1973 and title VI of the Civil Rights Act of 1964. Section 504 does not contain the exception with respect to employment that is contained in title VI. Secondly, in enacting section 504 Congress did not exclude from coverage contracts of insurance, et cetera. Thus, section 504, unlike title VI as currently construed, would cover recipients of Part B—Medicare—Supplementary Medical Insurance Program.

Also, unlike title VI, section 504 would cover federally guaranteed home loan programs and such things as FDIC. While only HEW would be responsible for enforcing section 504 with respect to Part B—Medicare, the enforcement responsibilities of other agencies such as VA would also loom large.

TITLE IX WORKLOAD

Mr. MICHEL. What is the status of the title IX regulations and what kind of workloads are or will you be experiencing under these regulations?

Mr. HOLMES. A revised regulation has been approved by the Secretary and was transmitted, on February 28, to the President for approval as required by law. After Presidential approval, the regulation will be published in the Federal Register, and it will not take effect for at least 45 days after publication. There have been 254 complaints of discrimination in higher education submitted to the Office since the enactment of title IX. With regard to elementary and secondary education, 364 complaints have been received during calendar years 1973 and 1974.

The Office will be preparing an Assurance of Compliance Form and, of course, will have to review forms once they are returned by educational institutions. We will also be establishing priorities for conducting compliance reviews and training regional compliance staff regarding provisions of the regulation. Development and dissemination of ex-

planatory information and briefing sessions will seek to clarify requirements concerning institutions subject to the nondiscrimination provision of title IX.

COURT DECISIONS—COMPLIANCE RESPONSIBILITIES

Mr. MICHEL. Could you expand on your title VI responsibilities and workloads under the *Adams* v. *Weinberger* and the *Lau* v. *Nichols* court orders?

Mr. HOLMES. Under the order issued in the *Adams* case, on February 16, 1973, there were several initial requirements imposed on the Office for Civil Rights. The Office was required, within 60 days, to institute enforcement proceedings or refer to the Department of Justice: 42 districts which did not justify presumptive *Swann* violations; and 74 districts that had been determined in noncompliance with title VI during the 1970–71 school year. The Department was also directed to communicate, within 60 days, with 85 school districts having one or more schools substantially disproportionate in their racial composition.

The order also imposes reporting requirements of every 6 months for a 3-year period regarding complaints of discrimination which the Office receives in elementary and secondary education and higher education. The Department was also directed to implement an enforcement program for vocational and other schools administered by State departments of education and to monitor all school districts under court desegregation orders to the extent resources permit. Also, the Department was directed to effect compliance concerning the public higher education systems of 10 States.

Concerning the *Lau* decision, as I stated in my opening testimony, the Office for Civil Rights in January 1975, contacted 333 school systems to request information regarding instructional services for students whose primary or home language is other than English. I should mention also that under our operational planning system, the Office is to examine 1974–75 data from the Elementary and Secondary School Civil Rights Survey to identify additional districts with obligations pursuant to *Lau*.

Mr. MICHEL. Thank you. That is all.

Mr. FLOOD. Thank you, Mr. Holmes.

Mr. HOLMES. Thank you, Mr. Chairman.

Justification of the Budget Estimates

Appropriation Estimate

OFFICE FOR CIVIL RIGHTS

For expenses necessary for the Office for Civil Rights, [$22,207,000] *$25,147,000*, together with not to exceed [$1,466,000] *$1,351,000*, to be transferred and expended as authorized by section 201(g)(1) of the Social Security Act from any one or all of the trust funds referred to therein [which sum shall be available for expenditure to enforce any order, with respect to the desegregation of the schools of a local educational agency, requiring the transportation of students from one school to another school only under the same circumstances and in the same manner whether the residence of the students of such school or the principal office of such local educational agency is situated in the northern, eastern, western, or southern part of the United States .][1]

For "Office for Civil Rights" for the period July 1, 1976, through September 30, 1976, $6,494,000: Provided, that in addition, not to exceed $352,000 may be transferred and expended as authorized by section 201(g)(1) of the Social Security Act, from any one or all of the trust funds referred to therein.

Explanation of Changes

1. Language deleted as unnecessary. The intent of this language has already been met by the Elementary and Secondary Amendments of 1969, P.L. 91-930 (42 U.S.C. 2000D-6).

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

DEPARTMENTAL MANAGEMENT

Office for Civil Rights

Amounts Available for Obligation

	1975 Revised	1976
Appropriation	$22,207,000	$25,147,000
Proposed Supplemental	655,000	---
Subtotal, Budget Authority	$22,862,000	$25,147,000
Receipts and Reimbursements from:		
Trust funds	1,466,000	1,351,000
Total, Obligations	$24,328,000	$26,498,000

Summary of Changes

1975 Estimated Obligations	$23,673,000
PLUS: 1975 Proposed Supplemental	655,000
1975 Revised Obligations	24,328,000
1976 Estimated Obligations	26,498,000
Net Change	+2,170,000

	1975 Base		Change from Base	
	Pos.	Amount	Pos.	Amount
Increases:				
A. Built-in:				
1. Annualization of new FY 1975 positions	---	---	---	+130,000
2. Annualization of October 1974 pay raise; and of the health benefits increase (P.L. 93-246)	---	---	---	+273,000
3. Extra Day's Pay	---	---	---	+69,000
4. Reimbursement to the Working Capital Fund and other increased administrative costs	---	---	---	+235,000
5. Anticipated increases in charges for space and building management services by the GSA	---	---	---	+364,000
Subtotal	---	---	---	+1,071,000
B. Program:				
1. Compliance enforcement	628	18,051,000	+60	+1,099,000
2. Contract compliance	219	6,277,000	---	---
Subtotal	847	24,328,000	+60	+1,099,000
Total, net change	---	---	+60	+2,170,000

Explanation of Changes

Increases:

A. Built-in:

1. Annualization of 14 new positions authorized by the Congress for FY 1975, $130,000.

2. Annualization of the October, 1974 pay raise, $273,000.

3. One more working day than in FY 1975, $69,000.

4. Reimbursement to the Department's Working Capital Fund for OCR's share of increased administrative costs composed of: 1) increased charges for annualized new FY 1975 WCF positions; and 2) charges for increased FY 1976 WCF services. Also reflects increased costs for other administrative expenses including FTS, commercial telephones, upward mobility, and postage, $235,000.

5. Anticipated increases in charges for space and building management services by the General Services Administration as required by the Public Buildings Amendments of 1972 (P.L. 92-313), $364,000. Of this approximately $84,000 is for 60 new FY 1976 requested positions.

B. Program:

1. Compliance enforcement - Sixty positions and $1,099,000 are requested to meet increased compliance workload. Six of the positions requested would be assigned to enforce Title IX of the Education Amendments of 1972 in the Higher Education/Student Affairs Division; twelve of the positions are for the Health and Social Services Division for enforcing Title VI; and the remaining forty-two positions would be assigned to the Rehabilitation Division to implement section 504 of the Rehabilitation Act of 1973 which prohibits discrimination against the handicapped by recipients of Federal financial assistance.

Obligation by Activity

	1975 Enacted		1975 Revised		1976 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Civil Rights..	847	$23,673,000	847	$24,328,000	907	$26,498,000	+60	$2,170,000

Obligations by Object

	1975 Estimate	1975 Revised	1976 Estimate	Increase or Decrease
Total number of permanent positions.....	847	847	907	+60
Full-time equivalent of all other positions.....	16	16	16	---
Average number of all employees.....	842	842	887	+45
Personnel compensation:				
Permanent positions.....	14,446,000	14,794,000	16,052,000	+1,258,000
Positions other than permanent.....	260,000	311,000	311,000	---
Other personnel compensation.....	33,000	33,000	33,000	---
Subtotal, personnel compensation.....	14,739,000	15,138,000	16,396,000	+1,258,000
Personnel benefits.....	1,268,000	1,244,000	1,376,000	+132,000
Travel and transportation of persons.....	1,033,000	1,313,000	1,587,000	+274,000
Transportation of things.....	25,000	25,000	28,000	+3,000
Rents, communications and utilities.....	2,249,000	2,249,000	2,479,000	+230,000
Printing and reproduction....	146,000	146,000	165,000	+19,000
Other services.....	3,599,000	3,599,000	3,779,000	+180,000
Supplies and materials.....	131,000	131,000	138,000	+7,000
Equipment.....	483,000	483,000	550,000	+67,000
Total obligations by object..	$23,673,000	$24,328,000	$26,498,000	$+2,170,000

Significant Items in House and Senate

Appropriations Committee Reports

Item	Action taken or to be taken
1975 Senate Report	
Equal enforcement funds expenditure	
1. Committee requested by January 1, 1975 a report from Civil Rights on its activities by region. The report would assess the Department's resource allocation in light of the FY 1975 expenditure limitation included in the Office for Civil Rights appropriation language.	1. Report submitted by Peter E. Holmes, Director, Office for Civil Rights, on December 20, 1974. The report details by regional office the enforcement effort pursuant to non-discrimination provisions of the law with respect to public school systems.

OFFICE FOR CIVIL RIGHTS

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1970:				
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.....	8,581,000	8,581,000	9,528,000	8,581,000
SSA transfer.....	947,000	947,000	---	947,000
1972:				
Appropriation.....	10,830,000	10,830,000	10,830,000	10,830,000
SSA transfer.....	1,049,000	1,049,000	1,049,000	1,049,000
1973:				
Appropriation.....	13,129,000	14,768,000	14,768,000	14,768,000
SSA transfer.....	1,049,000	1,180,000	1,180,000	1,180,000
1974:				
Appropriation.....	18,747,000	18,747,000	18,747,000	18,747,000
SSA transfer.....	1,253,000	1,253,000	1,253,000	1,253,000
1975:				
Appropriation.....	22,861,000	22,321,000	22,207,000	22,207,000
Proposed supplemental	655,000			
SSA transfer.....	1,466,000	1,466,000	1,466,000	1,466,000
1976:				
Appropriation.....	25,147,000			
SSA transfer.....	1,351,000			

Office for Civil Rights

	1975 Enacted	1975 Revised	1976	Increase or Decrease
Personnel compensation and benefits	$16,007,000	$16,382,000	$17,772,000	+$1,390,000
Positions	847	847	907	+60
Other expenses	$ 7,666,000	$ 7,946,000	$ 8,726,000	+$780,000
Total	$23,673,000	$24,328,000	$26,498,000	+$2,170,000
Positions	847	847	907	+60
Subactivities:				
Compliance enforcement	$17,565,000	$18,051,000	$19.962,000	+$1,911,000
Positions	628	628	688	+60
Contract compliance	$ 6,108,000	$ 6,277,000	$ 6,536,000	+$ 259,000
Positions	219	219	219	---
Total	$23,673,000	$24,328,000	$26,498,000	+$2,170,000
Positions	847	847	907	+60

General Statement

The Office for Civil Rights is responsible for the enforcement of Title VI of the Civil Rights Act of 1964, Executive Order 11246, as amended, Titles VII and IX of the Education Amendments of 1972, the anti-sex discrimination provisions of the Comprehensive Health Manpower and Nurse Training Acts of 1971 and Section 504 of the Rehabilitation Act of 1973.

Title VI prohibits discrimination with regard to race, color, or national origin in programs and activities receiving Federal financial assistance. The Executive Orders on equal employment opportunity prohibit discrimination with regard to race, religion, color, sex or national origin by employers holding Federal contracts. Title IX prohibits sex discrimination in education programs or activities receiving Federal financial assistance as do the Comprehensive Health Manpower and Nurse Training Acts with regard to medical and nursing schools. Title VII (the "Emergency School Aid Act") also requires compliance monitoring by the Office for Civil Rights. Section 504 prohibits discrimination on the basis of handicap by any recipient of Federal financial assistance.

Title VI compliance responsibilities include the monitoring of public school districts, colleges, universities, libraries, educational broadcasting facilities, hospitals, nursing homes, medical laboratories, and other health facilities; day care centers and various State and local agencies receiving Federal financial assistance.

Under the Executive Orders and by delegation from the Department of Labor, the Office for Civil Rights has responsibility for monitoring all colleges, universities, hospitals and other health service facilities, State and local public agencies holding Federal contracts, and contractors and subcontractors particpating in DHEW funded construction projects.

Compliance responsibilities include implementing, monitoring, and enforcing Section 504 of the Rehabilitation Act of 1973 concerning the handicapped. The Act covers all recipients of Federal financial assistance.

An increase of 60 positions is requested for FY 76 to enable the Office for Civil Rights to carry out the increasing compliance workload in our assigned areas of responsibility by effectively monitoring covered health and educational institutions. All of these positions will be assigned to compliance enforcement including 42 to implement Section 504.

Compliance Enforcement

The compliance enforcement activity encompasses enforcement of laws prohibiting race discrimination in Federally-supported programs (Title VI, Civil Rights Act of 1964); preventing sex discrimination in education programs (Title IX of the Education Amendments of 1972 and the Comprehensive Health Manpower and Nurse Training Acts); and prohibiting discrimination against the handicapped (Section 504 of the Rehabilitation Act of 1973). In addition, it encompasses monitoring of Title VII of the Education Amendments. This activity is carried out by three divisions - Elementary and Secondary, Health and Social Services, and Higher Education - targeted on broad categories of institutions. A Rehabilitation office to monitor and enforce the provisions of Section 504 of the Rehabilitation Act will be established in FY 1975.

Elementary and Secondary Education - FY 1975 Accomplishments

Title VI enforcement will encompass several activities.

1. Adams v. Weinberger. In 1973, the Federal District Court of the District of Columbia ordered CR to investigate 201 Southern and Border State school districts, including 85 districts with schools having enrollment deviating by plus or minus 20 percent or more from the general district enrollment. Each of the 201 districts was desk audited in FY 1974, and 56 received on-site investigations. Relevant activity will continue in FY 1975, and it is expected that the court will order further activity relevant to a new list of plus or minus districts, generating another 125 desk and 15 on-site reviews. Adams v. Weinberger also required CR to assume monitoring responsibility for some 700 court order districts to the extent CR's resources permit and to bring findings to the attention of the court concerned. This represents new activity for CR since previously all matters pertaining to court order districts were routinely referred to the Department of Justice. The order also requires CR to handle complaints in a more aggressive and timely manner than in the past. With the numbers of complaints increasing annually, this puts a greater burden on staff.

2. Full Compliance Status. As court order or HEW plans terminate, those districts become eligible for full compliance (or 441 status), this will require CR desk audits of each such district and an estimated 10 on-site investigations.

3. Lau v. Nichols. The Supreme Court in Lau v. Nichols required that limited or non-English speaking students be provided menaingful instruction. An initial compliance enforcement program will involve review of 350 districts.

Title VI and Title IX will be combined for some activities:

1. Routine compliance activity. The Division will continue its program of routine Title VI reviews adding Title IX as a regular component. This will result in approximately 140 on-site investigations.
2. Special purpose and area vocational technical schools. Title VI and Title IX will be combined to produce reviews of special purpose and area vocational technical schools.
3. Complaints. Approximately 500 Title VI and 250 Title IX complaints will be acted upon.
4. Big City Investigations. Title VI compliance reviews of large cities provide means of reaching and affecting large segments of the minority populations under both Titles VI and IX. The N.Y. City review will continue and reviews of Philadelphia, Houston, Chicago, and Los Angeles will commence.

Title VII (ESAA). With the refunding of ESAA in FY 75, the Division expects to process the same number of applications as were processed in FY 74 (approximately 1600 desk audits); 100 of the districts submitting applications will receive pre-grant on-site investigations, necessary because proposed changes in eligibility requirements will bring the Division into contact with many districts which have not previously received funds. Post-grant on-site reviews will be conducted of 170 FY 1974 grantees.

Program Plans FY 1976

No additional positions are requested for FY 76. Title VI enforcement will continue. Under Adams, depending on a ruling by the court, the Division may retain the responsibility to identify and determine the compliance status of those districts with schools deviating by ± 20 precent or more from the district's enrollment; this activity could result in an estimated 15 on-site investigations. It is anticipated that Division activity in private litigation court order districts will result in 55 complaints received relevant to such districts. Determinations of the compliance status of districts seeking 441 status will be made as necessary, although minimal on-site activity is anticipated in this regard. The investigations of the five major cities will continue through FY 76; on-site time will be greatest during this year. In further implementing the Lau decision, additional districts will be identified and investigated. It is expected that OCR will become involved in several hundred additional districts in this regard. Beyond these selection criteria, the Division will continue its routine compliance review program leading to a projected total of 190 on-site investigations (non-ESAA, non-complaint) during FY 76. The special purpose - vocational education school program will add another 83 on-site investigations. It is estimated that Title VI complaints will increase to approximately 550 and Title IX complaints to 275.

The refunding of ESAA in FY 76 will cause the Division to maintain its previous levels of ESAA activity. The Division will desk audit each application (again approximately 1600 are expected); on-site pre-grant investigations are anticipated as being necessary in 80 applicant districts. Post-grant on-site investigations will be conducted in 170 districts funded in FY 75, to monitor their continuing eligibility.

Higher Education/Student Affairs - FY 1975 Accomplishments

Most resources in FY 1975 will be devoted to the development of policies and procedures in the student affairs area following the issuance of the final Title IX Regulations. A large number of complaints are being generated under both of these pieces of legislation. As a result, the Division plans to conduct pilot reviews in five regions to focus on issues which have not been previously examined in depth in the student affairs area. As a result, we will be able to conduct only 95 compliance reviews and complaint reviews.

Program Plans FY 1976

Six additional positions are requested for FY 76 for enforcement of Title IX of the Education Amendments of 1972. The objective of the Student Affairs Program is to insure equal treatment without regard to race ethnicity, national origin, or sex. The Division accomplishes this objective through two main activities: Investigation of complaints alleging discrimination and review of institutions. In addition to Title IX and on going Title VI compliance effort, the Division has special Title VI compliance activity generated by the Adams v. Weinberger court order. This requires the Division to work with ten States (with possibly 7 additional States for FY 76) which formerly operated dual systems of higher education, in developing plans for desegregating their institutions. In FY 76 the Division anticipates being able to do 100 comprehensive Title VI-IX on-site reviews and 80 complaint investigations, as well as continue the level of on-site reviews required to monitor the state-wide desegregation plans under Adams v. Weinberger. Data from the revised Student Enrollment Survey conducted in 1974 will be available for targeting those institutions which appear to be the most out of compliance.

Health and Social Services - FY 1975 Accomplishments

The Health and Social Services Division conducts Title VI compliance enforcement in hospitals, nursing homes, home health agencies and other providers of health and social services.

In FY 75 CR anticipates the completion of 25 in-depth investigations, an increase of 15 over the FY 1974 level. The in-depth investigations focused on the actual delivery of services to beneficiaries rather than on reviews performed by State compliance agencies. In addition to providing a more detailed examination of the delivery of services of the HEW health and social services programs, these investigations will contribute to the development of Title VI guidelines in the most significant HEW programs. The Division will conduct 900 pre-grant compliance determinations, an increase of 300 reviews over the FY 1974 level. Title VI determinations are much more effective during the "pre-grant" stage than after-the-fact, "post-grant" determinations. These reviews will be of new applicants in Medicare, applicants in the Hill-Burton program, and in the new Health Maintenance Organizations. In addition, the Division will conduct 500 on-site and 300 complaint investigations.

Program Plans FY 1976

Twelve additional positions are requested for FY 76. The Division will increase its emphasis in the conduct of on-site reviews of Medical facilities (hospitals, skilled nursing facilties and home health agencies); in evaluating the compliance status of State agencies administering HEW health and social services programs, utilizing guidelines developed in FY 75; the conduct of additional in-depth investigations of the delivery systems in health and social services programs; and the investigation of complaints alleging violations of Title VI by recipients of HEW funds. The major effect will be to continue to focus on the delivery of services to beneficiaries and potential beneficiaries by the delivery systems. We plan to expand the number of in-depth investigations from 25 in FY 75 to 35 in FY 76, utilizing the additional spaces requested. In addition, we expect to make approximately 1,000 pre-grant compliance determinations, up from 900 in FY 75; increase the number of on-site reviews from 500 in FY 75 to 600 in FY 76; and to conduct investigations of about 325 complaints. The emphasis on pre-grant compliance determinations (up from 600 in FY 74 to 1,000 in FY 76) permits a more effective way to insure compliance with Title VI before Federal funds are provided, rather than after-the-fact determinations.

Rehabilitation Division - FY 1975 Program Plans

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination on the basis of handicap by any recipient of Federal financial assistance. The scope of coverage under Section 504 is broader than that under Title VI in two regards; Section 504 covers employment discrimination for all employees of Federally assisted programs and it covers recipients who receive Federal funds by means of contracts of insurance or guaranty. This places under CR's purview for the first time Federal Programs such as Part B of Medicare. There are an estimated 25 million handicapped persons who may be beneficiaries of the 50,000 institutions receiving Federal assistance administered by HEW.

In FY 75 the development of an enforcement program for Section 504 of the Rehabilitation Act of 1973 was initiated. The major tasks anticipated in FY 75 are policy planning and development for Section 504 and inter-governmental cooperation under Sections 504 and 503. Office activity will include research and formulation of the definition of handicapped persons, identification and assessment of existing relevant data on the handicapped, development of new data sources and methods of collection, study of how Federally-assisted programs or activities impact on mentally or physically handicapped persons, and the development of an Executive Order to give HEW responsibility for the review and approval of proposed regulations under Section 504 of all Federal departments and agencies.

Program Plans FY 1976

Forty-two new positions are requested for FY 76 to implement section 504 of the Rehabilitation Act. In FY 76 the Office for Civil Rights will finalize the Section 504 regulation and will begin a series of pilot reviews which will test the compliance program both procedurally and substantively. The Office will also establish review priorities and begin a routine compliance program, writing investigative reports, negotiating with and possibly bringing enforcement proceedings against elementary and secondary school systems, institutions

of higher education, state and local health and welfare agencies, hospitals, nursing homes and other recipients of Federal financial assistance from HEW.

The Section 504 program will not be able to rely extensively on the present OCR Title VI staff because of this broad scope of coverage and because of the difference in the nature of discrimination against handicapped persons. This difference makes the Section 504 program conceptually more difficult and not fully comparable to Title VI. Further, Section 504 staff will be dealing with a wide range of client advocacy groups with which OCR does not presently work. During FY 76, OCR will process, investigate and resolve complaints under Section 504 and will review and approve the proposed regulations of all Federal departments and agencies which give Federal financial assistance.

Contract Compliance

The Contract Compliance activity, by delegation from the U.S. Department of Labor, administers Executive Order 11246 which bans discrimination by employers holding Government contracts or participating in Federally-assisted construction projects. The work is performed by two Divisions in the Office for Civil Rights: the Contract Compliance Division which monitors HEW-funded construction projects, as well as service and supply contractors providing health, welfare, social and human resource services, and the Higher Education Division which monitors institutions of higher education holding Government contracts and administers other civil rights' statutes affecting higher education institutions.

No new positions are requested for Executive Order compliance activity for FY 76.

Contract Compliance - FY 1975 Accomplishments

In FY 75, the Division projects a Construction Compliance program at the level established in FY 74. In FY 74, the Division selectively monitored more than 800 prime and subcontractors working on HEW-funded construction projects in 67 regional areas with compliance plans approved by the Office of Federal Contract Compliance (OFCC), U.S. Department of Labor, and 261 prime and subcontractors received warning or show-cause letters for serious and consistent deficiencies in minority utilization on HEW construction projects. At the end of the fiscal year, 92 percent of those contractors were complying with the performance requirements and three contractors were noticed for potential enforcement action for continued noncompliance. Certain regional offices will be selected to field test a Construction Compliance program in geographic areas with sizable minority populations but where OFCC has not established specific performance standards.

In the Non-construction (service and supply) program, 227 technical assistance visits, 116 reviews of contractor facilities, 43 pre-award, 41 post-award and 32 follow-up reviews are projected. Any complaints of employment discrimination received will also be investigated during the review process.

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Program Plans FY 1976

Since no new positions are being requested for the Division for FY 76, projected activities in the Construction and Non-construction programs will continue at the level established in FY 75. The Division will also be investigating allegations of employment discrimination against the physically and mentally handicapped under Section 504.

Higher Education - FY 1975 Accomplishments

The Executive Order Compliance Program has two aspects, investigation of complaints of discrimination and review of affirmative action programs. In FY 74 the Division worked on 93 individual and class action complaints and provided desk audits of 124 Affirmative Action Programs. In FY 1975, maximum staff effort will be expended in the development of a complaint investigation manual, an Affirmative Action Handbook, and refined availability statistics to include a standardized reporting format for institutions of higher education. There will be 20 pre-award reviews, 200 desk audits of Affirmative Action Plans, provision of technical assistance to 250 institutions and 150 on-site reviews.

Program Plans FY 1976

No additional positions are requested for FY 76. However, the FY 76 compliance activity will be accelerated measurably due to the policy and program development activity of FY 75. Therefore, the Division expects to complete 75 pre-award reviews and to review the compliance status of 425 institutions.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office for Civil Rights

Program Purpose and Accomplishments

Activity: Office for Civil Rights

1975 Enacted		1975 Revised		1976		
						Budget Estimate
Pos.	Amount	Pos.	Amount	Authorization	Pos.	Amount
847	$23,673,000	847	$24,328,000	---	907	$26,498,000

Purpose: The Office for Civil Rights is responsible for the enforcement of Title VI of the Civil Rights Act of 1964, Executive Order 11246, as amended, Titles VII and IX of the Education Amendments of 1972, the anti-sex discrimination provisions of the Comprehensive Health Manpower and Nurse Training Acts of 1971, and Section 504 of the Rehabilitation Act of 1973.

Explanation: To provide funding of salaries and expenses for the staff of the Office for Civil Rights both in Headquarters and the regional offices.

Accomplishments and Objectives 1975: ESSA applications from 1600 districts will be processed, and approximately 170 post-grant investigations will be conducted. As may be required by the court under Adams v. Weinberger, the Division will identify all those districts in the 17 Southern and Border states which have one or more schools with enrollments which deviate by ± 20 percent or more from the district enrollement. Title VI activity will include private litigation court order districts and four major cities surveys, in addition to New York. The Supreme Court's Lau v. Nichols decision will require compliance enforcement in 350 districts. On-site investigations will be conducted of 54 area vocational technical schools. Title VI and IX complaints will increase to 500 and 250 each.

Major Higher Education Division resources will be committed to Title IX following the issuance of the final regulations. The Division plans to conduct pilot Title VI and IX reviews in five regions and 95 compliance and complaint reviews.

The Health and Social Services Division anticipates completion of 25 in-depth investigations, 900 pre-grant compliance determinations, 500 on-site reviews, and 300 complaint investigations.

The Rehabilitation Division will develop an enforcement program for Section 504 of the Rehabilitation Act of 1973. The major tasks will involve: Policy planning and development; formulation of the definition of handicap; indentification of existing and new data on the handicapped; study of how Federally-assisted programs impact on mentally or physically handicapped persons; and the development of an Executive Order to give HEW responsibility for overseeing of Section 504 regulations for all federal departments and agencies.

The Contract Compliance Division projects a Construction Compliance program at the level established in FY 74 in OFCC plan areas. In the Non-construction program, 156 reviews of contractor facilities are projected, 60 pre-award, 44 post-award and 50 follow-up reviews. In the area of Higher Education the Division will conduct 20 pre-award reviews, 200 desk audits of Affirmative Action Plans, technical assistance to 250 institutions and 150 on-site reviews.

Objectives 1976: The Rehabilitation Division requests 42 positions to enforce Section 504. The Division will concentrate on the primary program objectives of having the enforcement mechanism operational. A series of pilot reviews will be initiated; data collection and analyses techniques, investigative strategies and a remedial approach willbe developed. An additional 6 positions would enable the Higher Education Division to provide more adequate enforcement of Title IX of the Education Amendments of 1972. The Division anticipates being able to do 100 comprehensive on-site reviews and 80 complaint investigations, and to continue the level of on-site reviews required to monitor state-wide desegregation plans under Adams v. Weinberger. An additional 12 positions would enable the Health and Social Services Division to expand the number of in-depth investigations to 35 in addition to approximately 1,000 pre-grant compliance determinations, 600 on-site reviews and 325 complaint investigations.

New Positions Requested
Fiscal Year 1976

Compliance Enforcement	Grade	Number	Annual Salary
Supv. Equal Opportunity Specialist....	GS-15	1	$29,818
Program Analysis Officer.....	GS-15	1	29,818
Supv. Equal Opportunity Specialist....	GS-14	8	204,648
Equal Opportunity Specialist.....	GS-13	4	87,264
Attorney Advisor.....	GS-13	2	43,632
Equal Opportunity Specialist.....	GS-12	4	73,852
Equal Opportunity Specialist.....	GS-11	10	154,810
Equal Opportunity Specialist.....	GS-9	10	128,410
Equal Opportunity Specialist.....	GS-7	4	42,080
Administrative Assistant.....	GS-7	1	10,520
Secretary (Steno).....	GS-6	1	9,473
Secretary (Typing).....	GS-5	10	85,000
Clerk-Typist.....	GS-4	4	30,384
Total new positions.....		60	$929,709

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

DEPARTMENTAL MANAGEMENT

Office for Civil Rights

Amounts Available for Obligation

	1976 Estimate	Interim Estimate
Appropriation (budget authority).....	$25,147,000	$6,494,000
Receipts and Reimbursements from:		
Trust funds.....	1,351,000	352,000
Total obligations.....	$26,498,000	$6,846,000

Obligations by Activity

	1976 Estimate		Interim Estimate	
	Pos.	Amount	Pos.	Amount
Civil Rights	907	$26,498,000	907	$6,846,000

Obligations by Object

	1976 Estimate	Interim Estimate
Total number of permanent positions	907	907
Full-time equivalent of all other positions	16	16
Average number of all employees	887	227
Personnel compensation:		
Permanent positions	16,052,000	4,111,000
Positions other than permanent	311,000	78,000
Other personnel compensation	33,000	8,000
Total personnel compensation	16,396,000	4,197,000
Personnel benefits	1,376,000	352,000
Travel and transportation of persons	1,587,000	397,000
Transportation of things	28,000	7,000
Rents, communications and utilities	2,479,000	628,000
Printing and reproduction	165,000	41,000
Other services	3,779,000	1,043,000
Supplies and materials	138,000	37,000
Equipment	550,000	144,000
Total, obligations by object	$26,498,000	$6,846,000

Office for Civil Rights

Narrative Justification

The interim budget request of $6,846,000 contains two increases to permit the Office for Civil Rights to operate during the interim period at the FY 1976 operational level. These increases are:

1. Annualization for 60 new positions requested in FY 1976, $140,000. These funds are one quarter of the amount required to fully annualize these new positions.

2. Anticipated administrative cost increases, $82,000. These increases involve reimbursement to the Department's Working Capital Fund for Office for Civil Rights' share of annualizing new FY 1976 WCF positions. They also reflect anticipated increases in other administrative costs.

GENERAL DEPARTMENTAL MANAGEMENT

WITNESSES

JOHN D. YOUNG, ASSISTANT SECRETARY, COMPTROLLER
JOHN B. RHINELANDER, GENERAL COUNSEL
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, COMPTROLLER
MICHAEL HARRIGAN, PRESIDENT'S COMMISSION ON OLYMPIC SPORTS
CHARLES F. KEARNEY, DIRECTOR, DIVISION OF OS BUDGET SERVICES
PETER FRANKLIN, SPECIAL ASSISTANT TO THE SECRETARY
THOMAS McFEE, DEPUTY ASSISTANT SECRETARY OF MANAGEMENT

Mr. FLOOD. We now have "General Departmental Management." The presentation will be made by John D. Young, the Assistant Secretary, Comptroller, and we will place your biographical sketch in the record at this point.

[The sketch follows:]

BIOGRAPHICAL SKETCH

Name.—John D. Young.

Position.—Assistant Secretary, Comptroller, Department of Health, Education, and Welfare.

Birthplace and date.—Cortland, N.Y., February 5, 1919.

Education.—Colgate University, 1941, A.B., Syracuse University, 1943, M.S.; and American University, 1974, Ph. D.

Experience

1966–73: Deputy Associate Director, Energy and Science Division, and Director and Chief, Economics, Science and Technology Division, Office of Management and Budget.
1960–66: Assistant Administrator for Administration and Deputy Director of Administration, National Aeronautics and Space Administration.
1954–60: Principal, McKinsey and Co.
1951–54: Executive Officer and Executive Secretary, Office of Defense Mobilization.

Other experience

1953: Staff member, President's Advisory Committee on Governmental Organization.
1953: Assistant to the Chairman, Committee on Reorganization of Department of Defense.
1961: Adviser on organization of Peace Corps.
1965: Member, President's Task Force on Cost Reduction.

Awards

William A. Jump Memorial Award for Outstanding Public Service.
NASA Medal for Outstanding Leadership.
OMB Exceptional Service Award.

PETER H. FRANKLIN

EDUCATION

B.A. in Psychology from University of Cincinnati, 1969; M. Ed. in Urban Studies from University of Cincinnati, 1970; M.B.A. in Finance & Human Behavior from Harvard Business School, 1972.

EMPLOYMENT

Current.—Department of Health, Education, and Welfare. Special Assistant to the Secretary of Health, Education, and Welfare. Areas of primary responsibility in health and long term care. Coordinate and give policy direction in long term care matters that cross over agency boundaries. Work with industry and consumer groups related to the above fields. Provide staff support to the Under Secretary in areas of departmental reorganization and management control.

1972–1973.—Executive Office of the President. Served in assignments at the Price Commission, Cost of Living Council, and the White House. In latter assignment worked as Special Assistant to the President's representative for the Agnes flood disaster.

Summer 1971.—Department of Housing and Urban Development. Served as an intern in the Office of Regional Liaison with responsibilities for evaluating the administrative effectiveness of HUD field offices.

1969–1970.—University of Cincinnati. Served as assistant to the dean of arts and sciences handling general administration and student counseling.

PERSONAL BACKGROUND

Single, age 27, resident of Arlington, Va. Interests include water sports, travel, and working with handicapped children.

INTRODUCTION OF WITNESSES

Mr. FLOOD. Do you want to introduce your cast of characters? I think we know most of them pretty well.

Mr. YOUNG. I don't think some of you have had the pleasure of meeting John Rhinelander, the General Counsel of the Department.

Mr. FLOOD. You look healthy for a lawyer.

Mr. YOUNG. On my extreme right, Michael Harrigan, Executive Director of the President's Commission on Olympic Sports; and Tom McFee, the Deputy Assistant Secretary of Management, sitting in for Dr. Ottina.

COMPARATIVE TRANSFERS

Mr. FLOOD. Each year there seems to be what I call a laundry list, a lot of other people do, too, comparative transfers, both to and from this appropriation account, back and forth, and in and out, and so on. This year there are 11 transfers, and they are all over the place.

Now, for the record, will you insert a detailed explanation of these transfers shown on page 22 of your justifications. Be sure and show the number of the positions that are associated with these transfers.

Mr. YOUNG. Yes, sir; we have that exhibit and we will put it in the record.

Mr. FLOOD. Don't just stick in a lot of figures, you know, and call them column 1 and column 2. We want a detailed explanation of those transfers. That is an assignment.

[The information follows:]

General Departmental Management
Analysis of Comparative Transfers

	To	From	Amount	Positions
Transfers In:				
1. Long-Term Care Divisions - for creation of long-term care standards enforcement divisions under the Regional Directors.	Field Management	SSA	+$1,357,000	+62
		SRS	+$1,803,000	+77
		H	+$1,565,000	+60
			+$4,725,000	+199
2. Regional Public Affairs - for consolidation of agency regional public affairs activities under the authority of the Regional Directors.	Field Management	SSA	+270,000	+10
		H	+270,000	+10
			+540,000	+20
3. Supplemental Security Income Legal Positions - to handle increased litigation brought against SSA under the SSI program -- these positions were provided to SSA in the fiscal 1975 limitations on salaries and expenses supplemental.	Legal Services	SSA	+ 2,548,000	+45
4. FDA Legal Positions - transfer of legal positions provided for the Food and Drug Administration in the FY 1975 Department of Agriculture Appropriations Act.	Legal Services	FDA	+200,000	+10
5. Education Legal Positions - transfer of legal positions provided to the Office of Education in the FY 1974 supplemental for the Guaranteed Student Loan program.	General Counsel	OE	+50,000	+2
6. Other - primarily for employee grievance, and other support.	Varied	SSA	+352,000	+7
		SRS	+57,000	+1
		H	+30,000	+1
		OE	+9,000	--
		NIE	+1,000	--
Subtotal, Other			+449,000	+9
Total, transfers in			+$8,512,000	+285
Transfers Out:				
1. Policy Research - to establish Policy Research as a separate appropriation in FY 1976.	Policy Research	Dept. Mgmt.	-29,260,000	--
Total, General Departmental Management			-$20,748,000	+285

NEW POSITIONS REQUESTED

Mr. FLOOD. Now, also you are asking for a net increase of 310 new jobs.

Mr. YOUNG. Correct, sir.

Mr. FLOOD. And these increases show up in almost every activity. But there is no increase for financial management. Now, how in the world are you going to be able to handle this increased work in the areas of budget and finance? Imagine me asking you that. I have chewed everybody else out asking for more jobs, and now I am asking you why you don't need more jobs. Are you Houdini?

Mr. YOUNG. Let me answer the question by stating that we have rearranged our work programs and some things we were doing in budgeting in the past—details superimposed on ourselves—have been done away with. This has freed people to handle work that will come from the new budget committees and other work increases. We are asking for additional people in audit, but that is the only place we are asking for additional people in financial management, 37 in audit.

Mr. FLOOD. You remember, I asked you.

Mr. YOUNG. Yes, sir, Mr. Chairman.

INCREASE IN OVERHEAD

Mr. FLOOD. All right, having gone through over 2 months of hearings on HEW, we clearly have the impression that most health and education programs have been put through the ratchet, but why was OMB so generous in allowing a 13-percent increase in departmental overhead?

Mr. YOUNG. That is correct if you count about $5 million of that for increased pay costs, an additional day of pay in 1976 and similarly, even though I don't like the terms called built in or mandatories, about $5 million of that comes from those types of items. In addition, you do have a $6 million increase for personnel cost and in the so-called Office of the Secretary, or what we prefer to call general management of the Department. There is $1.5 million for new people.

Mr. FLOOD. General departmental management. That is the Office of the Secretary, we understand that. But I think you are quite right with the title, it is a better one for our purposes.

NEW POSITIONS REQUESTED

Mr. YOUNG. We are asking for 79 new positions which cost $1.5 million. I think it is important we understand what most of those positions are being asked for. There are 26 for procurement, 12 for investigators and 13 for general counsel. All of these 51 positions of the 79 are aimed at one simple idea, to tighten up the integrity and eliminate the misfeasance and malfeasance by which HEW programs are continuously being threatened.

Mr. FLOOD. You didn't think I was going to ask you that, did you?

Mr. YOUNG. No, sir, Mr. Chairman.

LONG-TERM CARE

Mr. FLOOD. The single biggest increase, 126 positions, is for long-term care. We recall very well the former Under Secretary, Frank

Carlucci. He wrote us last year about consolidating the nursing home standard enforcement activities.

Mr. YOUNG. That is correct.

Mr. FLOOD. I think it would be useful if we insert that letter at this point in the record.

Mr. YOUNG. Very good, sir.

[The information follows:]

APRIL 2, 1974.

HON. DANIEL FLOOD,
Chairman, Subcommittee on Labor, HEW, House Committee on Appropriations, House of Representatives, Washington, D.C.

DEAR MR. FLOOD: I am writing to inform you of certain proposed DHEW realinements of functional responsibilities with respect to the Department's nursing home improvement program. I believe these changes will facilitate our efforts to provide a safe environment, upgrade the quality of care, and upgrade the quality of life in our Nation's nursing homes.

On August 6, 1971, the President announced his eight-point program to improve conditions in nursing homes. We have made significant progress towards implementing these eight points (attachment 1), but, as you are aware, conditions in many nursing homes remain unsatisfactory, particularly with respect to the physical safety of patients. The recent nursing home fires in Ohio and Pennsylvania are tragic examples of what can occur in substandard facilities. A recent DHEW study, which received wide media publicity in January, concluded that 59 percent of the nursing homes receiving funds from the medicare and medicaid programs, were out of compliance with one or more aspects of the life safety code, that is, the fire and safety standards that all nursing home facilities must meet to participate in federally funded programs.

The recent fires, and the findings of the above study, dictate the need for more effective action on the part of DHEW and the States to insure that individual nursing home operators upgrade the safety and health conditions in their facilities. The primary mechanism, through which DHEW and the States can influence positively the present conditions in nursing homes, is the strict enforcement of the Federal nursing home standards published in the January 17, 1974, Federal Register. Currently, neither DHEW nor many of the States are able to perform the task of enforcing these nursing home standards in a satisfactory manner. Critical elements of the Federal/State enforcement relationship are described in attachment 2.

At DHEW, we have moved to strengthen our enforcement posture by clearly warning the States and providers that we will not continue Federal financial participation for facilities which are not in compliance with the Life Safety Code or which do not have justifiable waivers or acceptable plans of corrective action for deficiencies. As indicated in my January 2, 1974, directive (attachment 3), this intensified effort will reach a head over the next month.

Unfortunately, the withdrawal of Federal financial participation from a nursing home participating in the medicare and/or medicaid program(s), most often results in the bankruptcy of that facility. This creates an extremely sensitive situation, for we must insure that it is the nursing home operator, and not the nursing home patient, who is penalized for the substandard facility. Working with the States and other Federal agencies, we must provide owners with a reasonable opportunity to meet our standards, but we cannot continue to subsidize homes where the physical conditions literally endanger the lives of patients.

In order to create the delicate balances necessary for establishing a fair, but effective, enforcement effort in a program that requires many subjective judgments but demands nationwide consistency, it is absolutely essential that the program be managed through the most straightforward of organizational structures. A straightforward organizational structure offers the highest probability of insuring timely and consistent enforcement actions and of establishing clear lines of accountability for actions taken.

I believe that our presently fragmented organizational structure for nursing home standards enforcement is seriously hampering the effectiveness of our enforcement program. Whereas the Social Security Amendments of 1972 (Public Law 92-603) mandated that the standards for medicare and medicaid skilled nursing facilities be made identical, and also required that each State assign all standards enforcement responsibilities to its health agency, we, in DHEW,

have continued to organize our nursing home enforcement efforts along program and agency lines. At the present time, the Social Security Administration, the Social and Rehabilitation Service, the Public Health Service and their field organizations, the DHEW Regional Directors, and a special Office for Nursing Home Affairs in the Office of the Assistant Secretary for Health, all have some responsibility for nursing home standards enforcement.

It is in the field, where the day to day contacts with the state health agencies and individual providers occur, that it is absolutely essential that the Federal standards enforcement effort be unified into a single, coherent entity. Thus, to ensure a single Federal voice in the field on standards enforcement matters, and to bring together SRS, SSA, and PHS personnel who are now (after Public Law 92-603) responsible for enforcing the same set of standards, we intend to consolidate into a single line unit under the direction of each Regional Director, all the field personnel of these three agencies who currently perfrom nursing home standards certification and enforcement activities.

This consolidation of field personnel will involve the reassignment of no more than 70 SSA, 75 SRS, and 50 PHS personnel from their respective agency regional offices to the immediate offices of the 10 HEW Regional Directors. The personnel will perform the same duties under the Regional Directors as they are presently performing in their respective agencies. Therefore, this action will not require a revision of the Department's current budget for enforcement activities. For fiscal 1974 and 1975, we will utilize reimburseable agreements between the relevant agencies and the Regional Directors to provide the necessary support for the combined staff. For fiscal year 1976, we will present a consolidated budget for nursing home standards enforcement activities in the Departmental Management appropriation.

In written documents and in my testimony on February 5, 1974, before Representative Fountain's Subcommittee on Intergovernmental Operations, I have indicated that HEW decentralization plans presently being developed normally propose moving program responsibilities from Washington to agency program counterparts in the regions, not to Regional Directors. But in my testimony, I also said that there would be some areas where we will want to place direct program responsibility in the hands of the Regional Directors. I specifically cited the nursing home standards enforcement area as an example where regionalization is required for more effective program management.

I feel very strongly that this consolidation will facilitate our enforcement efforts to upgrade the quality of care and safety in our Nation's nursing homes. Because of the recent fires, I do not think I am being an alarmist in saying that lives literally may depend upon the effectiveness of our enforcement effort.

Since time is essential in this matter, we plan to complete the proposed regional changes by April 15. If you desire, I would be happy to discuss these changes with you, at your convenience, or have members of my staff brief members of your staff.

Sincerely yours,

FRANK C. CARLUCCI.

Mr. FLOOD. Now, of course, HEW has been under the guns, no doubt about that, about health care standards in these nursing homes.

Mr. YOUNG. Yes, sir.

Mr. FLOOD. There is nothing worse than a fire in a building providing care for the elderly. But why is it going to take 126 more people to do the job? We thought the plan was, after talking to Carlucci and reading the letter, to consolidate everything that is now going on in HEW. How come you need more people?

Mr. YOUNG. That is true and those positions were consolidated in the regions, taking current positions from SSA, health agencies, and SRS.

Mr. FLOOD. 126 more people you want. For what? I thought it was a consolidated program of your existing staff. We are not talking about the merits of the program. That is something else. That speaks for itself.

Mr. YOUNG. Those positions were consolidated to handle what we called skilled nursing facilities, or skilled nursing homes, of which there are about 8,000. Now, it is necessary because of enactments of the Congress to include what we call intermediate care facilities for the first time of which there are about 9,500. These will be covered for two points. One is again fire and safety codes and No. 2 is for quality of health care.

In the past, this was a State responsibility. Now the law requires that the Federal Government involve itself in the certification of these intermediate care facilities.

Mr. FLOOD. Are you talking about private and public facilities?

Mr. YOUNG. I would like to ask Peter Franklin, who is the Secretary's Assistant for nursing home affairs, to respond to that. We will introduce a biographical sketch.

Mr. FRANKLIN. Mr. Chairman, it will include both public and private intermediate care facilities, State-owned as well as proprietary operated facilities.

Mr. FLOOD. It is very important for the record to show that. Do you know off the top of your head how many public institutions, State-owned, there are of this kind, as distinct from county and municipal? You can supply that for the record.

Mr. FRANKLIN. Yes; I can submit that for the record.

Mr. FLOOD. State-owned, then county-owned and under the broad umbrella, municipal. Your attorney can tell you that municipal means a half a dozen things but he will tell you what I mean.

Mr. YOUNG. You want this for the intermediate care facilities.

Mr. FLOOD. Yes; at this point in the record.

[The information follows:]

ICFs CATEGORIZED BY TYPE OF OWNERSHIP

REGION	State	Privately-Owned	State-Owned	County-Owned	Municipally-Owned
I	Mass.	577	4	0	2
	Conn.	60	0	0	5
	R.I.	86	1	0	0
	Maine	136	4	0	2
	N.H.	90	0	10	0
	Vermont	46	1	0	1
II	New York	181	1	31	0
	New Jersey	212	0	13	0
III	Pennsylvania	149	21	44	0
	West Virginia	56	0	2	2
	Virginia	94	7	12	3
	D. C.	7	1	0	0
	Delaware	20	1	0	0
	Maryland	118	7	2	1
IV	Alabama	138	0	7	3
	North Carolina	72	4	0	0
	Kentucky	71	0	4	0
	Florida	36	0	4	1
	Mississippi	20	0	3	0
	South Carolina	45	1	4	0
	Georgia	220	5	19	0
	Tennessee	147	9	46	2
V	Illinois	498	0	24	0
	Indiana	398	0	7	0
	Michigan	268	1[illegible]	19	2
	Minnesota	379	16	28	49
	Ohio	565	1	1	1
	Wisconsin	278	7	84	10

ICFs CATEGORIZED BY TYPE OF OWNERSHIP

REGION	State	Privately-Owned	State-Owned	County-Owned	Municipally-Owned
VI	Arkansas	105	6	12	2
	Louisiana	190	0	1	2
	New Mexico	26	4	3	0
	Oklahoma	340	5	6	2
	Texas	831	11	11	3
VII	Iowa	304	0	2	5
	Kansas	299	4	15	9
	Nebraska	175	3	35	10
	Missouri	113	0	28	3
VIII	Colorado	112	6	3	0
	Montana	29	4	13	1
	North Dakota	22	0	2	0
	South Dakota	65	1	0	2
	Utah	98	1	1	0
	Wyoming	15	0	7	2
IX	California	31	0	0	0
	Nevada	5	0	0	0
	Hawaii	5	4	0	0
	Arizona	0	0	0	0
X	Washington	110	0	1	0
	Oregon	158	9	1	1
	Idaho	45	2	12	0
	Alaska	6	2	0	3
		8051	171	517	129

Mr. FLOOD. You also show 199 positions for long-term care for 1975. Are those the jobs that you transferred from HEW agencies?

Mr. YOUNG. Yes, sir, those are a result of the consolidation, and we can break them out.

Mr. FLOOD. I thought so. When those fire and safety regulations were issued last year, there were complaints, with a capital C. Some said the standards were too strict, and others said they were too lenient. Then a lot of people said HEW was moving too slowly, and others said HEW wasn't going fast enough. Anything you wanted was said, and there was plenty said. The result is it seems to be that you are in the middle. There is nothing new about that. But you certainly are on this one. Will you comment briefly, and then for the record make a good presentation on that one. Right now briefly, can you tell us about the effectiveness of these standards? We have volumes and volumes of mail from both sides of the issue, you know.

Mr. YOUNG. My impression is that this is a mixed bag. I think that the General Accounting Office and our own auditors clearly indicate——

Mr. FLOOD. On the effectiveness of the standards?

Mr. YOUNG. Many of the standards; I think there is general agreement on the standards. There are opportunities to waive the standards where that is a possibility, but generally, the States and the Department in the minds of most people have not done an adequate job of enforcing the standards. But you have a paradox. If you strictly enforced all the standards, quickly and immediately, where would the people go that go out of these homes?

Mr. FLOOD. Where would they?

Mr. YOUNG. In some States, they have been able to shift them to other more adequate facilities.

Mr. FLOOD. Public?

LONG-TERM CARE STANDARDS

Mr. YOUNG. Public and private. In other States they have many waivers on fire and safety codes and therefore time to rectify and become in compliance with the standards. Mr. Franklin, is that about right?

Mr. FRANKLIN. Yes; that is correct. We have seen substantial improvement in the last several years, particularly last year, since the consolidation, in the conditions in the skilled nursing homes. We have seen a number of the worst homes closed.

But as Mr. Young well points out, Mr. Chairman, we must walk a very narrow line between strict enforcement and being so strict and perhaps capricious that we could have old people in the streets with no other housing alternative for them. The problem has not been in the integrity of the standards but in adequate enforcement. This is why with 9,500 new homes we are most concerned that we are able to adequately work with the States to assure that the States are applying the nursing home regulations appropriately and with all due vigor.

Now this is one of our great problems. We are required by statute, as you know, for the States to perform this role. It cannot be done directly by the Federal Government, but our people must go into the homes with the States on validation studies to make sure that the

regulations are being applied appropriately. They are very good regulations.

Mr. FLOOD. Do you have the right to express an opinion with reference to State action on any particular public-owned institution?

Mr. FRANKLIN. Yes; on every one.

Mr. FLOOD. You come in with your inspectors and say the following 15 things are wrong with this public institution. Do you give them *x* number of day to correct it or what?

Mr. FRANKLIN. Let me back up one step from that. The State does the initial inspection. The law requires that the State do an annual inspection.

Mr. FLOOD. How do you get into the act?

Mr. FRANKLIN. Because on a sampling basis, we inspect 5 to 15 percent of all the homes to see to it that the States are applying the regulations appropriately.

We have a statement from the State, perhaps in a home as you cited, and they may have cited 15 deficiencies. We will go in with the statement to make sure that the State did not cite five more deficiencies than existed, or five less.

Mr. FLOOD. Suppose you go into a private institution and after all the investigations have been made by the State and you, you say, "if you don't do the following 15 things we won't be able to give you money." They say, "all right, we are going to shut down the institution." Then you step in there and say, "wait a minute, we didn't mean that." If they can't tell you, do you care what is going to happen to the 500 or 600 people? Must they show you where they are going, what kind of institution, public, private, semi-private or home or out in the street?

Mr. FRANKLIN. We do care, Mr. Chairman.

Mr. FLOOD. What can you do about it?

Mr. FRANKLIN. We do several things. We have as part of our regulation, time-limited plans of correction. Where deficiencies are found, a home, be it a large public institution or small private, has a set period during which it can come into compliance, States establish the plans of correction and we approve the plans. A plan of correction allows the home to make up these deficiencies and meet them so it can keep operating and people will not be put out in the street.

RETREAT STATE HOSPITAL

Mr. FLOOD. I want you to do this for me. I have done this because there is an extremely bad situation that has arisen, believe it or not in my district, called the Retreat State Hospital. It is a State-owned institution. Frank Carlucci was connected at the time of his investigations and we talked about it in letters. He knew about this and part of the regulations concerned that. Now as a result of that, as a result of all these things that the State did and you did, the State has taken action and the State is going to order that institution closed down.

Now, in view of what we have said so far, in view of what I have asked you so far, in view of what you have said so far, I know it is an important and extremely difficult problem but I want you to have your best people, just as Carlucci did, we want to know about that particular—that could be exhibit A. It just so happens the timing is such that here you sit on the very day when I understand the local Pennsylvania State Senator and local State Representatives are meeting with the proper State officials on just the very thing we are talking about. So it is an extraordinary coincidence.

Mr. FRANKLIN. We are familiar with the Retreat State Hospital and have been following this closely. Let me point out that we have offered to the State of Pennsylvania technical assistance in relocation. We have no authority as HEW or responsibility——

Mr. FLOOD. How can you give the State of Pennsylvania technical assistance on relocation?

Mr. FRANKLIN. This would be helping them identify other long term care facilities within the State plus alternatives——

Mr. FLOOD. Doesn't the State know it? Why do they need you to help?

Mr. FRANKLIN. The State of Pennsylvania, as you know now, nursing homewise has been having a number of problems in dealing with the nursing home situation, as you know. The Secretary has been led to file suit against Governor Shapp. So because of the problems up there, we have tried to go out of our way to make sure we have offered to the State of Pennsylvania every help that we could feasibly offer.

Mr. FLOOD. Go more out of your way on this Retreat problem and let me know about it, will you?

Mr. FRANKLIN. Yes, sir, we will be delighted to supply this report for the record.

[The information follows:]

Retreat State Hospital

The history of Federal involvement with Retreat State Hospital dates from 1966. There have been a series of surveys over the years and an analysis in retrospect shows that the State in nine years has made no real attempt to correct either the physical or staffing deficencies. The Federal government has for 9 years continued support to this facility in spite of the deficiencies in hopes that it would be brought into compliance. It is now clear that this old, understaffed facility will never meet standards and that its termination is entirely proper. The relocation of the patient population is a State responsibility. The Federal government's role is one of providing technical assistance to a State where it is requested. Such technical assistance could involve consultation on planning, relocation methodology and the identification of alternative facilities. This assistance has been offered to the Commonwealth of Pennsylvania.

The following is an historical summary of HEW's dealings with Retreat State Hospital from 1966 to the present time:

Background

Retreat State Hospital (RSH) is a psychiatric hospital owned and operated by the State of Pennsylvania. RHS consists of a number of buildings with a total compliment of 728 beds. At the time of its participation in the Medicare program, it was certified for 200 beds located in "Building C" of the complex.

RSH is located in Hunlock Creek, Pennsylvania in Luzerne County which has a population of 342,301 with an aged population of about 13 percent. Other nearby psychiatric hospitals are as follows:

Facility	Size	Distance
Danville State Hospital Danville, Pennsylvania	2,056 beds	60 miles
Fairview State Hospital Waymont, Pennsylvania	1,243 beds	43 miles

Clark Summit State Hospital Scranton, Pennsylvania	302 beds	26 miles

Additionally, there are several general hospitals within 15 miles.

RSH applied for Medicare certification April 26, 1966, and was certified June 30, 1966. The hospital applied at one time for JCAH accreditation but it was denied. Because it lacked JCAH accreditation, RSH had to meet the Hospital Conditions of Participation and the special requirements for psychiatric hospital, i.e., Special Medical Record Requirement (405.1037) and Special Staff Requirements (405.1038).

Although a resurvey of RSH was due in September 1969, this resurvey was not performed by the Department of Public Welfare, which at the time had the responsibility for conducting such surveys under a subcontract with the Department of Health, the Medicare State Agency. It was not until August 30-September 2, 1971 that the Medicare State Agency personnel intervened and conducted a survey. This survey disclosed statutory deficiencies and various conditions of participation not in compliance and no report was submitted by the State to the Bureau of Health Insurance Regional Office. The statutory deficiency related to the lack of utilization reviews being performed for extended stay cases. The other deficiencies were found in Physical Environment, Medical Staff, Nursing Department, Dietary Department, Medical Record Department, Pharmacy or Drug Room, and Complementary Departments.

HEW Actions

The Pennsylvania Medicare State Agency, after its survey of August 30-September 2, 1971, requested BHI-RO to determine if RSH met the Life Safety Code, (1967). BHI requested Facilities Engineering and Property Management, whose personnel serve as the authority for the Department, to conduct a survey of the facility. The survey was conducted on April 17, 1972. Because the State was considering using "C" and "A" Buildings, the survey was confined to these structures. With respect to "C" Building, the FEPM team found a series of deficiencies and concluded:

> " In summary, the "C" Building is a multi-story structure of ordinary unprotected construction, not acceptable for institutional occupancy under the Medicare program.
>
> " Even if a complete automatic sprinkler system would be installed, the cost of protecting all exposed steel and wood, and replacing all combustible interior finishes would be unreasonably high, since the building would not meet NFPA Life Safety Code requirements.

> " With a basic structure such as the above described, we do not recommend selecting it for the Medicare program at Retreat State Hospital."

With respect to "A" Building, it was determined to be fire resistive construction; and, while it could be used for Medicare occupancy, there were extensive deficiencies that needed to be corrected before it could come into compliance with the Code.

The findings of the Pennsylvania Medicare State Agency's survey of August 30-September 2, 1971, and the FEPM survey of April 17, 1972, were forwarded by registered mail to the Superintendent of RSH on May 23, 1972. The facility responded with copies of requests for capital and repair projects for fiscal year 1973-74. A follow-up visit by the State Agency in November 1972 disclosed that progress had not been made to correct deficiencies cited earlier.

Following the State's visit, FEPM made another visit in February 1973 to ascertain the progress that had been made to correct life safety code deficiencies. FEPM found that no corrective action had been taken.

Also in February 1973, the BHI-RO requested a survey of RSH by National Institute of Mental Health personnel. The NIMH personnel found that the facility was not in compliance with the Special Staff Requirements Condition of Participation, 405.1038. The 2½ psychiatrists for a 728 bed hospital were determined to be inadequate. The report stated in part:

> "Per an inpatient census of 700, plus 60 on Family care there is 1 full-time psychiatrist, 1 half-time (the clinical Director) and 1 is Acting Director of the Hospital and is forced to set aside important administrative duties in order to carry out clinical, diagnostic and direct therapeutic responsibilities that would other wise simply not be accomplished. This is an impossible psychiatrist-patient ratio even if the Hospital were expected to stumble along with no administration at all. There is no specific assignment of patients to individually responsible psychiatrists, on even physicians because there are simply not enough to go around."

Based on the findings of FEPM and NIMH, BHI proceeded with termination and notified the facility of its proposed action on March 20, 1973. A series of letters were exchanged between the State and BHI, with the former indicating that the facility was trying to make corrections and this should be taken into consideration. The facility was terminated effective October 1, 1973, on the basis that it was not in compliance with the Life Safety Code and was inadequately staffed to render psychiatric care to its patients.

The State appealed the termination action and a hearing was held in Wilkes-Barre, Pennsylvania June 10 through June 14, 1974. The decision was rendered on April 2, 1975. The hearing decision affirmed the termination action. It embraced the following specific findings:

1. The termination of the Retreat State Hospital was made in accord with the procedural requirements of pertinent law and regulations.

2. As of October 1, 1973, the Retreat State Hospital was not in compliance with the cited provision of the Life Safety Code and said provisions were not subject to waiver.

3. As of October 1, 1973, the Retreat State Hospital had a reasonable plan of correction in effect to remedy the deficiencies in relation to the Life Safety Code, and the plan was being implemented is an appropriate and reasonable time period considering all of the facts and circumstances.

4. As of October 1, 1973, the Retreat State Hospital did not meet the staffing requirements necessary to carry out an active program of treatment for the patients in the hospital as required by section 1861(f)(4) because the hospital was understaffed by three psychiatrists and three psychologists.

5. The staffing deficiencies of the Retreat State Hospital were not subject to a plan of correction because the deficiencies were statutory, but even if they were subject to a plan of correction; the Respondent's plan of correction was not being implemented in a manner designed to correct the staffing vacancies within a reasonable period of time.

Additional HEW Actions - Post Termination

To firmly establish its case relative to RSH, BHI requested FEPM and NIMH to conduct surveys of the facility in February 1974. The NIMH survey disclosed that the facility was still not adequately staffed to provide psychiatric care. The FEPM survey disclosed that the facility was still not in compliance with Code and had serious deficiencies.

The Department's goal is to assure that the residents of nursing homes are given the care they need and are entitled to and that they receive this care in a safe environment. There are a number of fine facilities in this country, but there are far too many facilities that do not even meet minimum standards. These homes must either be improved or Federal funds must cease to support them. At DHEW we have moved to strengthen our enforcement posture by clearly warning the States and providers that we will not continue Federal financial participation for facilities that are not in compliance with the conditions of participation for life safety and health and do not have acceptable plans of correction for the deficiencies.

Unfortunately, the withdrawal of Federal financial participation from a nursing home participating in the Medicare and Medicaid programs most often results in the bankruptcy of the facility. This creates an extremely sensitive situation, for we must assure that it is the nursing home provider and not the nursing home patient or client who is penalized for the sub-standard facility. Working with the States and other Federal agencies we must provide owners with a reasonable opportunity to meet our standards which are minimum. We cannot, however, and will not continue to subsidize homes where environmental and health conditions literally endanger the lives of patients.

I would now like to discuss the progress the Department has made to date.

The Eight Point Nursing Home Initiatives

Many of the Eight Point Nursing Home Improvement Initiatives enuciated by the President in 1971 to improve the quality of life and care of the aged and disabled needing long term care have been accomplished. The emphasis of the original initiatives, which included standards development and enforcement, surveyor and health care personnel training, mechanisms responsive to consumer complaints, and research development and collection efforts, has been modified and expanded to reflect current crises in nursing home care. I should like to highlight here our progress to date by first discussing the regulations governing skilled nursing facilities, intermediate care facilities and utilization review.

Development of Uniform Standards for Skilled Nursing Facilities

The Skilled Nursing Facility and Intermediate Care regulations published in the Federal Register January 17, 1974 consolidate and present many new and uniform standards.

For skilled facilities, significant changes include termination of Federal financial participation for eligible patients and clients, when conditions of participation have not been met and serious deficiencies still exist after a time-limited agreement expires.

Standards have been included strengthening independent medical evaluation and utilization review. Particularly important is the requirement that the health care of every patient must be under the supervision of a physician who prescribes a planned regimen of total patient care which is reviewed at least once every 30 days.

Other important standards specify requirements for a Director of Nursing Services, charge nurse, 24-hour nursing service, patient care plan, rehabilitative nursing care, supervision of nutrition, administration of drugs by trained personnel and meeting minimum 1967 Life Safety Code Standards.

The publication of the October 3, 1974 regulations for Skilled Nursing Facilities adds to the January regulations and includes almost all the recommendations of this Subcommittee. Particularly significant is the inclusion of required policies regarding Patients' Rights, seven-day registered nurse services, a medical discharge plan, qualified consultant dietitian, and medical direction including an organized medical staff.

Disclosure of ownership is now a condition of participation and a facility must supply full and complete information to the survey agency identifying each person who has any direct or indirect ownership interest of 10 percent or more. Requirements for disclosure affecting corporations and partnerships are also included. The provider is required to report promptly any changes in ownership.

Regulation of Intermediate Care Facilities

The regulations governing intermediate care facilities which were published January 17, 1974 required a new level of care under the Medicaid Program. Prior to publication of these final regulations the standards which applied had been those established by the States.

DHEW's regulations require that all intermediate care facilities must be surveyed and certified by March 1975. The Department will not permit Federal financial participation to continue for any facility that has not been surveyed and certified by this date. By March 1977 all intermediate care facilities must have corrected all deficiencies and be in compliance with Federal regulations.

Utilization Review

Final regulations covering utilization review were issued on November 29, 1974 and will become effective in June of this year. These regulations were mandated by P.L. 92-603 and govern hospitals and mental institutions as well as nursing homes. The guidelines that are being developed for nursing home care look to functional considerations as well as diagnosis in developing criteria and norms for extended stays. We expect all facilities to benefit from review of the appropriateness, timeliness and quality of care, and from the requirements to study the aspects of their medical care practice. These regulations are compatible with the operations of Professional Standards Review Organizations that are now being organized throughout the Country.

Consumer/Provider Interest in Nursing Home Conditions and Federal Standards

The Nation's consumers and providers have shown a high degree of interest in the area of long term care. This interest should not be surprising in a year marked by Mary Adelaide Mendelsohn's book, Tender Loving Greed, and the emotion it generated as well as by the recent reports of the Senate's Long Term Care Subcommittee on nursing home care and the actions taken by DHEW.

To better communicate and discuss Federal actions with consumers and providers, the Department through the office of Nursing Home Affairs has conducted "open forum" meetings to which representatives of provider, consumer and professional associations are invited to learn about new regulations and provide input into interpretive guidelines. On February 18, 1975 such a meeting was held at the White House at the request of the President to discuss the nursing home crisis and ways in which all of us can work together to more effectively improve nursing home care. Where DHEW receives a specific complaint from individuals or through other sources such as the White House or the Congress about a facility, the complaint is investigated by the Regional Offices of Long Term Care. These offices work closely with the appropriate State agencies to investigate complaints. Unannounced visits are made if indicated.

One mechanism under study to deal specifically with consumer complaints are the DHEW nursing home ombudsman demonstration projects currently operational in seven States. An assessment of the experiences with various models for resolving grievances is underway.

The interest of concerned individuals, families, groups, communities, and the Congress will help to improve nursing home care. The sense of community presence in homes will not only aid in assuring humane treatment, but also in reassuring residents and patient care staff that they are not a forgotten and neglected segment of the population. No one organization or group can bring about improvement in care alone. There must be a concerted effort by all parts of our national community if we are to achieve an optimal level of

care in a safe environment for all who require these services.

DHEW Organization

In order to discuss the Department's total long term care efforts, I feel it is important to have an understanding of how we are organized to meet our mandates, and how we are enforcing our mandates.

The Department's long term care program, to be effective, must be managed through an organizational structure which offers the highest probability of ensuring timely and consistent enforcement actions and of establishing clear lines of accountability for actions taken.

Until recently the approach of the Department to nursing homes has been fragmented along agency lines. Responsibility has been split between the Social Security Administration, the Social and Rehabilitation Service, the Public Health Service, the Administration on Aging, the HEW Regional Directors and a special Nursing Home Affairs Office in the Office of the Assistant Secretary for Health.

One year ago, the Secretary took certain organizational steps to rationalize our approach in dealing with the complex problems in nursing homes. First, the overall responsibility for the coordination of the long term care effort has been moved to the Immediate Office of the Secretary. The Special Assistant to the Secretary is responsible for coordinating the long term care efforts of all the DHEW agencies. All policies affecting nursing homes have final clearance in my office. Second, the operating responsibility for all survey and certification and standards enforcement has been consolidated under the HEW Regional Directors. Each Region has established an Office of Long Term Care Standards Enforcement. These offices became operational in June 1974. These new offices combine the responsibilities formerly in the Bureau of Health Insurance, the Medical Services Administration, and the Public Health Service.

Third, at headquarters the Secretary has designated the Office of Nursing Home Affairs as the operating focal point for all activities affecting long term care, nursing homes, and aging in the Public Health Service. The Office of Nursing Home Affairs also provides the direct link between the Regional Offices of Long Term Care and the Secretary's Office. An Interagency group, co-chaired by the Director of the Office of Nursing Home Affairs and me, reviews all long term care policies in draft form. Once finalized, these policies become a part of the Department's Standard Operating Procedures Manual which governs uniform application of policy throughout the country.

Enforcement

With regard to enforcement, over 400 skilled facilities have either voluntarily withdrawn or have had their Federal financial participation terminated. In the past year, landmark regulations were published by DHEW on November 13, 1974 which, for the first time, allowed us in the case of Medicaid to go behind the facility's provider agreement. Prior to these regulations where the Department found a home participating only in the Medicaid program not in compliance with the Federal conditions of participation, Federal financial participation could not be terminated. The Department could only request the State to resurvey. Now where we find a home does not meet conditions of participation for Medicaid, the Department has the authority to refuse Federal matching for the facility in question. These regulations are being enforced by the Regional Offices of Long Term Care throughout the Country.

The actual survey and certification of a nursing home is a State responsibility. However, it is a Federal responsibility to assure that the States fulfill their obligations. Under Medicare the Department contracts with the State to survey and under Medicaid the States are required by statute to survey and certify participating facilities. Under both programs, where a State has failed to perform its duties, the Department has not hesitated to take strong action. For example, the Secretary has filed suit against the Commonwealth of Pennsylvania to require the State to carry out its contractual responsibilities and assure that nursing homes in that State participating in Medicare and Medicaid programs are in compliance with Federal law and regulations.

Training

During 1974 major emphasis was placed on improving the enforcement of the Life Safety Code in skilled nursing facilities and intermediate care facilities. In July and August three Life Safety Code survey training sessions were held for State and Regional Office personnel. Approximately 230 people attended these sessions which were geared to improving interpretation, documentation requirements, and survey techniques. Our Regional Offices of Long Term Care conduct periodic training sessions for State surveyors. This effort has led to more uniform interpretation of Life Safety Code requirements and stricter enforcement.

In addition, over 2,200 State and Federal surveyor personnel have attended DHEW sponsored training. This training involves specialized courses normally presented in a University setting. This educational activity is vital if the decisions and judgments required of survey personnel are to be made properly.

The quality of the Nation's nursing homes is very much dependent on the quality of the surveyors who inspect the homes. We have in each Regional Office a Health Facility Surveyor Improvement Program coordinator to identify specific needs in that area for surveyor training and to see that needs are met.

On August 7, 1974, P.L. 93-368 extended for three years the 100% Federal funding of salaries and training of surveyors for the Medicaid program. This continued support was necessary to ensure that the States could meet their statutory responsibility to survey all skilled and intermediate care facilities on an annual basis.

Further, the Department has an on-going effort to provide opportunities for short term training for nursing home personnel throughout the country. Over 74,000 people have been reached by these opportunities since this initiative was implemented. Nine of our ten Regions have identified a "center of excellence" within their jurisdiction, a long term care facility where on-site training can be given to interdisciplinary teams from other facilities.

Long Term Care Improvement Campaign -- Basis for a National Strategy to Improve Long Term Care

In addition to the 1971 nursing home initiatives, the Secretary initiated in June 1974 a long term care improvement campaign. The initial project was a series of unannounced visits to a random sample of over 300 skilled nursing facilities throughout the Nation. These visits were made by DHEW teams which included a physician, a registered nurse, a physical therapist, a pharmacist, a nutritionist, a life safety engineer and an administrator. The findings of this study will give us the first statistically valid picture of conditions in nursing homes and will be announced by the Secretary in March. The Department will have a vigorous follow-up program based on the findings which will guide us in targeting our efforts to upgrade performance, provide technical assistance to States and providers, improve survey/certification procedures and introduce innovations in the delivery of long term care services.

Another part of the Improvement Campaign is development of a management information system responsive to the Regional and State needs for long term care data. Demands for instant information on surveys, certification, status of individual homes, Life Safety Code inspections, termination of Federal financial participation, and other matters of current nursing home concern have now mounted to the point where it is imperative to produce up-to-the-minute answers without delay. The framework for a computer based management information system has been developed and will begin to operate in March of this year to link data-gathering at headquarters with that of the Regions and the States.

Several other strategies are underway as a part of the Long Term Care Campaign:

--The Department is working with the States to develop a program that would lead to the professional credentialing of State surveyor personnel.

--Alternatives to institutional care are urgently needed and DHEW is studying the barriers to the adequate utilization of alternatives to institutionalization such as home health care.

--Special needs of the mentally retarded and developmentally disabled populations of all ages are surfacing across the country. The Department is actively involved in implementing the existing developmental disabilities legislation and is developing proposals which would improve current law.

--DHEW plans to develop a cost-of-care index to assure that formula for reimbursement to skilled nursing homes and intermediate care facilities is both appropriate and adequate.

--The Department is working to develop a national scorecard system for nursing homes. An "A" rating, for instance, should reflect the same quality of care in whatever part of the country the facility is located.

NEW POSITIONS FOR GENERAL COUNSEL

Mr. FLOOD. Now, the budget shows an increase of thirty jobs for the General Counsel. And in another place it shows an increase of 60 jobs for legal services. Well, well, well. Doesn't the General Counsel provide legal services? Why that split?

Mr. YOUNG. The increase of 90 positions for the Office of General Counsel, 60 of those positions are to handle social security litigation, in other words, taking care of the claims that are made by individual citizens. That is the largest increase.

Another increase of 13 are those that I mentioned to review a sample of the procurement actions that HEW makes of which there are thousands a year, to straighten out legal problems on the complex procurements prior to the time they are made. This is the problem of strengthening the integrity of the procurement process.

Mr. FLOOD. We have been talking about discrimination all day. We don't want to discriminate against lawyers, but in any case this sounds like a lot of lawyers. If I can still add, there are 480 in these two activities, General Counsel and legal services.

By the way, how many of those are actually attorney positions?

Mr. RHINELANDER. 325, but that includes civil rights. It would be about 277.

Mr. FLOOD. You are not developing something like paramedics, are you?

Mr. RHINELANDER. We have some paralegals. We started a program last year, and we have 15 paralegals.

Mr. FLOOD. That is a good phrase. Who would know better than you and I. Paramedics; now what is the matter with paralegals? Only don't get carried away.

BACKLOG OF CASES

All right. By the way, in this request for these additional attorneys, is that based on the present or the expected caseload? What I mean by that is do you have a backlog of cases now?

Mr. YOUNG. Yes, indeed, in almost every single area. And in the SSA thing I think in the last 3 years the caseload has tripled. It has gone from 2,300 to about 7,400 anticipated next year.

Mr. RHINELANDER. 2,300 cases in fiscal year 1973; in fiscal 1976, 7,640 cases, excluding black lung; another 3,000 black lung cases. Over 10,600 cases.

BLACK LUNG

Mr. FLOOD. If there is anybody who knows about the black lung thing, I do. If there ever was a can of worms, this is one of the most outrageous situations that I ever saw. I never in my life saw anything like the existing situation in social security, the huge workload. The backlog of appeals in social security; not only black lung, but in other social security programs as well.

I know of cases sometimes 3 years on an appeal—3 years, some old guy with black lung—3 years on appeal. And we have examined the social security people, had hearings, and don't seem to be any further along with this mess as of this afternoon than we were a couple of years ago. It is one of the most inexplicable, unsatisfactory performances we have seen in anything. I can't understand.

What is the matter? Have you consulted the Social Security Administration about your estimate of court cases? Do they know about this? Believe me, I have never seen or heard of anything like this situation in the Department of Labor and in Social Security, and these administrative law judges.

Well, isn't that something? Not a hearing examiner, not just an old hearing examiner. It has to be administrative law judge—big deal. We had one up in Wilkes Barre on a black lung case, counselor. I don't know where he was from, but he spoke Spanish, and we had to have somebody appear to translate, a translator, not for the applicants, but for the administrative law judge. Imagine. I am not overstating this. Although I may sound as if I am, I am not overstating it at all.

BACKLOG OF CONTRACTS

We recently received a GAO report which indicates that HEW has a growing backlog of these cost reimbursement-type contracts. These are the ones which were physically complete but not closed out, and these contracts total over $600 million and over 2,400 of them—2,400 of them; over $600 million. And everything is all completed, but the contract is not closed out. Why?

Mr. YOUNG. One of the reasons that those contracts are not closed out is the lack of audit staff. In that case, I think, Mr. Chairman, we are going to have to raise the level at which we require auditors to review contracts in which the work has been completed.

Mr. FLOOD. Are you concerned about this?

Mr. YOUNG. Yes, indeed.

Mr. FLOOD. What are you going to do?

Mr. YOUNG. We are going to see that the contracts are closed out, We are also going to see that we don't misuse our available audit staff on small contracts. We are getting on top of that problem.

Mr. FLOOD. Can you imagine what some columnist can do with a story like that? People wouldn't believe this thing.

Mr. YOUNG. Not closing out a contract? It is not necessarily losing money.

Mr. FLOOD. It is physically completed, not closed out—$600 million; 2,400 contracts.

Mr. YOUNG. I understand that, sir. But those are the kind of workloads this Department encounters all the time.

TRAVEL

Mr. FLOOD. For the record, show for each appropriation the positions, average employment, and the amounts actually obligated or currently estimated to be obligated for travel. We want that for fiscal years 1974, 1975, and 1976. This is another mess. And by the way—

Mr. YOUNG. You are talking about the whole Department?

Mr. FLOOD. Yes, and compute the travel in dollars per man-year for the same years that I just gave you. The lid is going to blow off this travel business.

[The information follows:]

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TRAVEL ANALYSES

(Dollars in Thousands)

Agency	1974	1974/1975 Change	1975	1975/1976 Change	1976
Social Security Administration	17,445	+4,747	22,192	+43	22,235
Special benefits for disabled coal miners	361	+212	573	-377	196
Social and Rehabilitation Service	3,154	---	3,154	+680	3,834
Work incentives	433	---	433	---	433
Office of Education	2,753	+353	3,106	+155	3,261
National Institute of Education	514	-146	368	-49	319
Assistant Secretary for Education	135	+53	188	+137	325
Health Resources Administration	2,661	+625	3,286	+171	3,457
Health Services Administration	3,787	+255	4,042	-11	4,031
National Institutes of Health	5,396	+1,155	6,551	+236	6,787
Alcohol, Drug Abuse, and Mental Health Administration	2,244	-67	2,177	-30	2,147
Assistant Secretary for Health	922	+230	1,152	---	1,152
Center for Disease Control	3,053	+44	3,097	---	3,097
Assistant Secretary for Human Development	1,784	+217	2,001	+20	2,021
Departmental Management	3,264	-108	3,156	+237	3,393
Office for Civil Rights	937	+376	1,313	+274	1,587
Saint Elizabeths	242	-12	230	+12	242
Total, DHEW	49,085	+7,934	57,019	+1,498	58,517

NATIONAL INSTITUTES OF HEALTH

Agency	1974	1975	1976
NCI	$2,164	$2,900	$3,419
NHLI	685	786	751
NIDR	225	258	226
NIAMDD	273	305	280
NINDS	382	415	386
NIAID	432	412	392
NIGMS	79	155	100
NICHHD	323	373	276
NIA	-	-	62
NEI	94	160	90
NIEHS	328	332	350
FOGARTY	47	43	43
RR	92	123	123
NLM	160	160	160
DIRECTOR	112	129	129
TOTAL	$5,396	$6,551	$6,787

POSITIONS/AVERAGE EMPLOYMENT

Agency	1974 Pos.	1974 Emp.	1975 Pos.	1975 Emp.	1976 Pos.	1976 Emp.
SSA	71,553	65,777	72,053	70,518	71,867	68,842
Miners Benefits	583	1,404	583	1,089	570	496
SRS	2,781	2,064	2,462	2,276	2,478	2,389
WIN	255	225	255	245	255	245
HSA	7,549	7,030	7,381	6,775	7,156	6,857
CDC	3,599	3,309	3,620	3,346	3,652	3,371
NIH						
NCI	1,838	1,757	1,836	1,823	1,836	1,818
NHLI	663	673	691	674	691	674
NIDR	268	272	268	271	268	271
NIAMDD	557	556	556	566	556	564
NINDS	520	515	510	505	510	505
NIAID	595	588	587	592	587	584
NIGMS	156	152	152	149	152	149
NICHHD	519	518	522	515	353	348
NIA	-	-	-	-	169	167
NEI	128	121	132	121	132	121
NIEHS	237	234	238	234	238	234
RR	72	74	72	75	72	75
FOGARTY	49	49	49	49	49	49
NLM	468	474	468	487	468	487
DIRECTOR	531	486	531	508	546	523
ADAMHA	1,617	1,801	1,574	1,602	1,590	1,560
HRA	1,855	1,985	1,889	1,793	1,887	1,921
ASH	512	505	951	890	765	732
St. E's	4,132	4,017	4,028	3,971	-	3,971
OE	3,053	2,498	3,131	2,892	3,132	2,987
NIE	430	361	370	371	340	355
ASE	70	50	70	62	282	263
OHD	413	399	1,024	959	1,020	959
OCR	871	703	847	826	907	871
DM	3,145	2,950	2,745	2,668	3,340	3,076

TRAVEL COST PER MAN-YEAR

Agency	1974	1975	1976
SSA	$ 265	$ 315	$ 323
Miners Benefits	257	526	395
SRS	1,528	1,386	1,605
WIN	1,924	1,767	1,767
HSA	539	597	588
CDC	923	926	919
NIH			
NCI*	662	1,042	1,331
NHLI	1,018	1,166	1,114
NIDR	827	952	834
NIAMDD	491	539	496
NINDS	742	822	764
NIAID	735	696	671
NIGMS	520	1,040	671
NICHHD	624	724	793
NIA	-	-	371
NEI	777	1,322	744
NIEHS	1,402	1,419	1,496
RR	1,243	1,640	1,640
FOGARTY	959	878	878
NLM	338	329	329
DIRECTOR	230	254	247
ADAMHA	1,246	1,359	1,376
HRA	1,341	1,833	1,800
ASH	1,826	1,294	1,574
St. E's	60	58	61
OE	1,102	1,074	1,092
NIE	1,424	992	899
ASE	2,700	3,032	1,236
OHD	4,471	2,087	2,107
OCR	1,333	1,590	1,822
DM	1,106	1,183	1,103

*Does not include $1,000,000 budgeted for patient travel.

STANDARD LEVEL USER CHARGES

Mr. FLOOD. Since you are the top, and we talked to all the different agencies; we are still trying to understand the budget on the business of the standard level user charges. Oh, boy, we have been through that for a month. This shows up in the budgets in all these HEW agencies. For the record again, will you insert a list by agency showing the amount appropriated for 1975, what you have budgeted for 1976, and the difference between the 2 years and, for heaven's sake, be sure and explain the changes between 1975 and 1976.

[The information follows:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE May 7, 1975

Summary

Standard Level User Charges 1/

Agency	1975 Space Costs	1976 Change in Rating System*	+	1976 New Requirements	=	1976 Total
Health Services Administration.....	$ 4,365,479	-2,766		$ -0-		$ 4,362,713
Center for Disease Control.....	2,773,126	-152,186		1,880,989		4,501,929
National Institutes of Health.....	3,297,840	+444,981		-0-		3,742,821
Alcohol, Drug Abuse, and Mental Health Administration.....	1,217,806	+1,144,215		-0-		2,362,021
Health Resources Administration.....	3,128,026	-761,719		86,600		2,452,907
Assistant Secretary for Health.....	380,548	+999,823		75,342		1,455,713
Total, Health.....	15,162,825	+1,672,348		2,042,931		18,878,104
Social and Rehabilitation Service.....	4,502,437	-859,565		-645,685		2,997,187
Social Security Administration.....	75,402,549	+7,191,928		13,664,536		96,259,013
Assistant Secretary for Human Development Development.....	1,444,533	+202,888		1,417,001		3,064,422
Departmental Management.....	12,316,000	-1,347,250		3,335,911		14,304,661
Total, DHEW.....	108,828,344	+6,860,349		19,814,694		135,503,387

*Increase in space costs because of changes in the method utilized by GSA in the measurement system which includes quality ratings, area, and types of space.

1/Excludes $12,841,859 reimburseable special services in 1976 and $7,279,749 in 1975.

MANPOWER UTILIZATION

Mr. FLOOD. Now, several years ago, this committee's investigative staff undertook a study of the Department's personnel management policies and practices. Believe me, that study produced a number of very constructive criticisms. You might recall them. And it noted very particularly that there was a lack of any departmentwide system for reviewing and determining personnel requirements. There was nothing.

We now have another study along exactly the same lines which indicates there hasn't been any improvement. If there has been, there hasn't been very much since the last study was done.

Mr. YOUNG. Mr. Chairman, I wasn't here when the previous report was done, but I certainly read the last report, and it is my impression, with due respect, it says some improvements have been made, but also it indicates further improvements can be made, and we intend to make them.

Mr. FLOOD. I should say it did. Their "some" was in very small letters, no capital "S" on that "some" at all. Very small letters.

Mr. YOUNG. As I recall the report, it indicated clearly that we should not spend any more time on SSA manpower utilization because it was so well done. Isn't that right?

Mr. FLOOD. What was so well done?

Mr. YOUNG. The SSA manpower utilization.

Mr. FLOOD. How many employees does HEW have now?

Mr. YOUNG. About 140,000.

Mr. FLOOD. All breathing?

Mr. MILLER. Not at one time.

Mr. YOUNG. No comment.

Mr. FLOOD. What you had better do; there is no sense in hammering at that now; for the record, in view of those investigative staff reports—you weren't here for the first one, but we were, and we differ markedly on that word "some," what you think that second report meant in reference to the first one—will you, for the record, go into those two reports and with particular reference to how the last report in your opinion refers to and comments on the first one?

Mr. YOUNG. Yes, sir.

[The information follows:]

HISTORY OF HEW
MANPOWER MANAGEMENT PROGRAM

The manpower management program was implemented in response to the House Subcommittee on Labor and HEW Appropriations (1971) requirement for improved manpower policies and practices at DHEW.

An April 1971 report prepared by the Surveys and Investigations Staff of the House Appropriations Committee was critical of DHEW's lack of a "continuing" system for evaluating manpower requirements, including personnel already employed.

Briefly these deficiencies were:

a. There was no continuing review of operations and manpower requirements.

b. Ceilings were used as the sole control of manpower.

c. There was insufficient long-range manpower planning.

d. Manpower measurement systems are not used in many DHEW activities.

In May 1971 the Under Secretary made a commitment to the House Subcommittee on Labor and HEW Appropriations to establish in the Office of the Assistant Secretary for Administration and Management a continuing evaluation of the manpower base as well as requested increases. Both the Assistant Secretary, Comptroller and the Assistant Secretary for Administration and Management supported the Under Secretary's commitment for the Department, and subsequently agreed to exercise joint control over allocation of manpower ceilings and establishment of a Department-wide manpower allocation reporting system.

The Assistant Secretary for Administration and Management was also committed to developing a Department-wide program of work measurement systems and manpower utilization surveys to provide for better manpower budget substantiations and maximum utilization of current personnel.

Accomplishments

Early in 1974 the manpower management program was given a major thrust by the Under Secretary. The program was included as one of nine Presidential level policy and program objectives established by the Department under the Administration's management-by-objective program. Since then a large-scale across-the-board effort has been taking place throughout the Department.

Accomplishments thus far include development of two technical manuals by the Office of Management Planning and Technology, two by PHS, and one by SSA. Over 300 line and staff personnel throughout the Department have received an average of 5 days training in manpower utilization survey techniques and/or work measurement methodology. 77 work measurement systems in various areas throughout the Department are either operational or now being developed. This adds up to 57% of the Department's positions covered by or being committed to work measurement systems. In addition, 62% of the Department's positions have been covered by manpower surveys; in many cases these surveys determined the feasibility of implementing a work measurement system.

To accomplish this, during FY 1975 alone, over 100 manyears have been dedicated to the Department's manpower management program. This effort has been augmented by several consulting firms providing technical assistance and training, and in some cases performing the surveys and developing work measurement systems. These accomplishments are the result of agency and OS staff and regional office commitment to manpower management capacity-building through their annual manpower management plans. These annual plans are required by the Assistant Secretary for Administration and Management and all reported accomplishments are subject to validation.

The Presidential level manpower management objective will continue through FY 1976 to enable the Department's agencies and OS staff and regional offices to achieve complete coverage through manpower utilization surveys and work measurement systems development. These studies are intended to ensure manpower levels are matched with current program priorities, and that operational redundancy is reduced.

Departmental officials readily recognize there is much room for improvement, and actions are underway to correct the problems outlined by the Surveys and Investigations Staff in their February 1975 progress report. That report substantially acknowledged the significant accomplishments made by the Department, and stated that continued progress requires resolving a number of problems, the more important of which are summarized below:

1. Lack of meaningful relationship between the manpower program and the budget process.

2. Weakness of the institutional base for the program.

3. Emphasis on window-dressing instead of substance.

4. Need for improved communications.

5. Effectiveness of work measurement in a declining manpower situation.

Several improvement actions in each of these areas are now taking place or are scheduled.

Mr. FLOOD. We are also concerned about reports—we read about this—to the effect that HEW is incapable of monitoring its grants and contracts to prevent fraud and mismanagement of funds and all of that.

Now, as far as I know—I have been sitting in this spot for 10 years—as far as I know, this committee has never once turned down any request for staff for this purpose, not once. Now, with 143,000 employees why in the world aren't you able at HEW to do a better management job?

Mr. YOUNG. It is very clear with that many people, without appropriation language and authorization of a ceiling you cannot shift those people into investigators; you cannot put them on tracking procurements; nor can we shift them into the audit staff. We have something like 80 people in the audit staff looking at the SSI problem, other auditors supporting grand juries, as you well know. You cannot convert those people to these kinds of processes unless it is approved by the Congress.

Mr. FLOOD. Did you ask anybody to do it?

Mr. MILLER. One key example is that we have a reprograming letter for this fiscal year before the two appropriations committees to put 10 more people in this area, and we have been asked by the Senate to wait until they hold hearings on the 1976 budget.

Mr. YOUNG. That was without asking for an additional ceiling.

Mr. FLOOD. This committee told you we had no problem with this reprograming. Anyway, put a copy of that in the record at this point.

[The information follows:]

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., February 24, 1975.

Hon. DANIEL J. FLOOD,
Chairman, Subcommittee on Labor and Health, Education, and Welfare, Committee on Appropriations, House of Representatives, Washington, D.C.

DEAR MR. FLOOD: This letter is to inform you of our plans to reprogram 10 positions within the departmental management appropriation to increase the staff of the Investigations Division, Office of Investigations and Security.

These positions would be reprogramed from within the current position ceiling of the Assistant Secretary for Administration and Management. The need to increase the current field staff of seven criminal investigators covering the 50 States is critical.

Recent cases involving major fraud potential have surfaced in New York, Chicago, Boston, and Dallas. These cases involve millions of dollars of Federal funds in the Guaranteed Student Loan and Medicaid programs. In addition, the backlog of cases of alleged fraud, misfeasance, and malfeasance in other grant and contract areas demands immediate criminal investigative attention. It is necessary to preserve the integrity of the Department's programs and stem the increase in "white collar" crime involving HEW administered funds.

The inability to promptly have a criminal investigator on the scene of an alleged fraud creates a very difficult management and program problem. The Department critically needs the capability to promptly determine the validity and seriousness of alleged problem areas in order to make a sound programmatic and administrative decision.

The Department believes that if the Office of Investigations and Security had a criminal investigator on the scene in the Regional Offices to investigate allegations promptly, cases would not escalate to the acute critical program problems we are currently experiencing.

The 10 reprogramed positions, professional and clerical, represent approximately $76,600 for the balance of fiscal year 1975. Further action on the planned reprograming will be withheld for a period of 10 days in order to give you time

to give us your comments. We will, of course, be pleased to provide you with further information if needed.

Sincerely,

CASPAR W. WEINBERGER,
Secretary.

Mr. FLOOD. And also isn't it a fact that Congress has consistently approved more and more positions than OMB has allowed you to fill?

Mr. YOUNG. I think that is generally true.

Mr. FLOOD. It has always been true.

Mr. YOUNG. It is certainly not true in the departmental management area.

Mr. FLOOD. How big is the audit staff?

Mr. YOUNG. It is about 800.

Mr. FLOOD. What was it 5 years ago from today?

Mr. YOUNG. Five years ago it could be around 200 or 300. I think it has doubled in the last 5 years.

Mr. MILLER. We have always filled the positions approved by the Congress.

Mr. FLOOD. Now, place in the record a table showing the size of that audit staff we are talking about, and we want that for each year for the past 10 years up to and including the budget for 1976.

Mr. YOUNG. That will be a good table because 10 years ago is when Jim Kelly first set up the Audit Agency.

Mr. FLOOD. I know Jim very well. That is why I said 10 years.

[The information follows:]

AUDIT POSITIONS BY FISCAL YEAR AS OF JUNE 30

	Authorized positions	On board
Fiscal year:		
1965	328	255
1966	387	368
1967	410	378
1968	546	[1] 550
1969	618	543
1970	679	659
1971	756	751
1972	763	748
1973	775	760
1974	885	841
1975	884	[2] 874
1976	(est.) 961	(est.) 961

[1] A temporary reduction in hiring authority was made elsewhere in the Office of the Comptroller to balance the level of audit hires.
[2] Apr. 26.

PROPERTY CONTROL SYSTEM

Mr. FLOOD. Now, also, what system do you use to control Federal property that is loaned to HEW grantees and contractors?

Mr. YOUNG. This is the Office of Education case; yes, sir.

Mr. FLOOD. What is the system?

Mr. YOUNG. Mr. McFee, do you want to go into the property control system?

Mr. MCFEE. I am not prepared to answer that question, sir.

Mr. FLOOD. I am sure you saw Jack Anderson's column in the Washington Post of Wednesday, April 9, 1975, headlined: "HEW Loses Supplies Worth Millions." I am sure you saw that.

Mr. YOUNG. Yes, sir.

Mr. FLOOD. Do you feel that the HEW has an effective system for controlling Federal property?

Mr. YOUNG. It is very obvious at the time the Office of Education did not have an effective system. They are reconstructing their records, and with all due respect, it is my understanding that most of that property will be able to be accounted for. I have looked into this; the Secretary has looked into it; and I think John Ottina, who is not here, has personally looked into this.

This is a matter of recordkeeping. I am very confident they will be able to prove that this furniture and equipment that was loaned to educational agencies are still there.

Mr. FLOOD. Millions and millions of dollars in Federal property loaned by the Office of Education, to grantees and contractors?

Mr. YOUNG. Loaned legally.

Mr. FLOOD. Well, I hope.

Mr. YOUNG. But now the problem is accounting for it.

Mr. FLOOD. Besides the question of legality, we are talking about the question of accounting. This is an Appropriations Committee.

Mr. YOUNG. It is an accounting problem; yes, sir.

Mr. FLOOD. Do you want to estimate? Are you in a position to estimate the value of this lost property? It is lost, isn't it?

Mr. YOUNG. I do not think the property is lost. I think the accounting records for that property are in poor shape and are being reconstructed, and when those property records are reconstructed, I think the amount of furniture and equipment lost, pilfered or stolen, will be relatively small in comparison to that article, sir.

INVESTIGATORS

Mr. FLOOD. You want 12 new jobs for the Office of Investigations and Security. How many do you have assigned to that shop now?

Mr. YOUNG. At the present time there are 10 positions. We have asked for reprograming, which Mr. Miller just mentioned, of 10 more. That would be 20, and 12 would be 32.

Mr. FLOOD. Let me ask you: How many of these—I know all about these different types and kinds of Government investigators. How many are criminal investigators? That is a different breed.

Mr. YOUNG. It is my understanding that the 10 are trained in these kinds of techniques, which the auditors are not. Eight of them are professional people; all are trained as criminal investigators, and that is what this group is looking for.

Mr. FLOOD. Not just somebody who shuffles paper in the back of the office, but one who has the full status of the phrase criminal investigator.

TYPES OF INVESTIGATIONS

What kind of investigations are involved in what you are talking about? Can you give us a couple of examples? We know a lot about investigations. What are you talking about?

Mr. YOUNG. I will have Mr. McFee give you a couple of examples. If that is not adequate, I have some.

Mr. MCFEE. One of the classical ones closed out this last year was a grantee who had a grant from HEW for $45,000, of which $25,000 of it was pocketed into his personal checking account and used for his own

purposes. This was closed out. There was an indictment, and he was convicted on three counts and was sentenced to 3 years on each count to run concurrently and the money was recovered.

Mr. FLOOD. When was that done?

Mr. MCFEE. In August 1974.

Mr. FLOOD. Give us another one.

Mr. MCFEE. We currently have under investigation one that when finally closed out will be a multimillion-dollar case in the Medicaid area involving hundreds of doctors and drug suppliers. I am not at liberty to go into the complete details on the case, because it is still under investigation.

Mr. FLOOD. What about hardware? What about desks, and office equipment?

Mr. YOUNG. There is one in which the auditors and the investigator participated in a given State, which involved just that, taking Federal funds and supposedly buying mobile clinics, some of which were never bought, laundering the money through a university, et cetera. That case has now been settled in the lower courts. It is on appeal. The gentleman was indicted, and is going to go to jail.

Mr. FLOOD. Then you can supply for the record an assortment, I suppose, of others.

[The information follows:]

DEPARTMENT INVESTIGATIVE EFFORTS

The Division of Investigations currently has under investigation two cases of Medicaid fraud. One involves medical services not rendered and allegations of fraud amounting to about $150,000. Bills were submitted for services not rendered, such as pulling 32 teeth for a patient who had only 8 teeth to begin with and numerous other fictitious services. This case has been presented to the U.S. attorney who has evidenced interest.

Another investigation involves over 100 doctors and a number of clinics, all incorporated by the same group. This fraud, involving $2 to $5 million, again follows a like pattern. When the patient first appeared for treatment, copies of the patient's Medicaid care were made on the company machine, thereafter with great regularity invoices were presented for payment to the patient and members of his family. On a single day as high as 24 separate treatments were recorded and billed for patients and members of the family at various widely dispersed clinics. Department investigators are working closely with the U.S. Attorney and are presenting facts and witnesses to a Federal Grand Jury twice a week. OIS anticipates a large number of indictments in this case in May or June 1975.

The investigative unit has received other complaints similar in nature, some dealing with kickbacks from drug stores to providers. Because of personnel limitations, these complaints or the massive problem of nursing home frauds have not been investigated.

The health area is not without abuse. To date, investigators have discovered fraud, embezzlement, misuse of Federal funds, back dated contracts, acceptance of favors by Government employees from contractors, and falsified travel vouchers.

In one instance, the principals of a Government funded health maintenance organization utilized the proceeds of the grant almost exclusively as salary payments and loans to themselves to avoid payment of income taxes. These principals have reportedly now filed amended income tax returns to cover the situation. This case has also been referred to the U.S. attorney. Little or no progress was made toward making this health maintenance organization operative because State laws prohibited such an operation unless it operated as an insurance carrier with proper reserves, which apparently was not feasible.

Grants and contracts present a financial maze which investigations has delved into as resources and time have allowed. We have already discovered that one HEW official has received $86 an hour for outside employment with a school that

had received millions in grants from the Department. In addition, this same employee utilized job-related material for his privately owned consultant firm. This individual has been convicted and sentenced.

Another case involved embezzlement of about $30,000 of grant funds which the person appropriated for his own use. He too has been convicted, although not yet sentenced.

RELATIONSHIP BETWEEN AUDITORS AND INVESTIGATORS

Mr. FLOOD. By the way, you told us you have 800 people over there in the audit agency.

Mr. YOUNG. That is correct.

Mr. FLOOD. Why in the world can't you assign some of these people to that investigation?

Mr. YOUNG. They are not trained in criminal investigation.

Mr. FLOOD. Wouldn't it be better to train some employee who has been around for a while that knows—instead of bringing somebody in off the street—that knows Government, whether he has been trained as a criminal investigator or not? That gives him a running start.

Mr. YOUNG. Normally the auditors work with the criminal investigator in developing a case, but none of our auditors are trained in these kinds of investigations. These are a special breed. We have inquired of all other audit agencies in town as to whether they get into the investigation. They get into early stages and then are turned over to criminal investigators.

Mr. FLOOD. It is no place for boys and girls; you can see that.

INDIRECT COSTS

Recently, the survey and investigation staff of our committee issued a report on the HEW overhead and the reimbursement to grantees and contractors. We have already given you a copy of that.

Mr. YOUNG. I read it last Thursday.

HEW EXPENDITURES FOR OVERHEAD

Mr. FLOOD. How much money is the Department of Health, Education, and Welfare spending on overhead for grants and contracts?

Mr. YOUNG. As indicated in the Investigative Staff report, except for research grants awarded by NIH, the Department's records do not separately identify payments made for indirect cost on grants and contracts and we cannot now provide that information to the committee in any greater detail than has already been given to the investigative staff.

Based on the information given us by the Department's principle operating components, and which has been provided to the Investigative Staff, we estimate the minimum amount of indirect costs paid for project grants and contracts in fiscal year 1974 was: Public Health Service, $301,652,551, Social and Rehabilitation Services, $4,639,692; Social Security Administration, $1,097,652; Office of Education/NIE, $150 million; and other, $2 million.

IDENTIFICATION OF OVERHEAD PAYMENT

Mr. FLOOD. What is the Department doing to find out how much money is being spent on overhead?

Mr. YOUNG. We believe the NIH indirect cost payment system can be expanded to cover nonresearch NIH awards and project grants and contracts awarded by other principle operating components of the Department. We will undertake a feasibility review for expanding that system and to identify other alternatives if that expansion is not feasible.

OVERHEAD CONTROL

Mr. FLOOD. How can the Department control overhead if it cannot identify how much money is being spent for indirect costs?

Mr. YOUNG. We have been exercising control through the evaluation of indirect cost proposals performed by our indirect cost negotiators and the audit staff. There is good communication between the negotiators and our headquarters staff. Consequently, we are aware of those areas to which we need to devote more attention.

A system to identify the amount of overhead paid by the Department would help us to make a better assessment of the magnitude of the payments by various types of awards and to various kinds of grantees and contractors. It would also better assure that Department policy on the payment of overhead is implemented uniformly by all program personnel. However, in our view, control over the propriety of overhead charged to the Department, and the Federal awards can only be accomplished through a review of institutional overhead proposals by professionally competent negotiators. Hence, we have been primarily devoting our resources to establishing and maintaining a competent negotiation capability.

PHS DATA RETRIEVAL SYSTEMS FOR GRANTS AND CONTRACTS

Mr. FLOOD. Why does the Public Health Service have two computer systems for grants information and none for retrieving indirect cost data on contracts?

Mr. YOUNG. The Public Health Service is presently collecting indirect cost data on a limited number of research contracts and is considering expanding the data it retrieves to include this information on other contracts as well. It has given primary attention to grants because, until recently, contracts represented only a minor portion of its awards.

CONSOLIDATION OF PHS HEADQUARTERS AND REGIONAL GRANTS DATA SYSTEM

Mr. FLOOD. Why cannot the Public Health Service include regional and headquarters grants in one system?

Mr. YOUNG. The administrative support needs for centralized programs are much different than for decentralized programs. Two reasons for this are the much greater volume of the centralized programs and the remote location difficulties associated with regional programs. The IMPAC System was designed and implemented more than 15 years ago for centralized programs. Although this system is very effective for central programs, it does not provide the remote entry and retrieval capabilities essential for regional programs. Because of this, it was determined that the most practical approach to our system needs was to retain the IMPAC System for centralized programs and to develop a second system specifically designed for the needs of the decentralized programs.

DIFFERENT LEVELS OF OVERHEAD PAID UNDER HEADQUARTERS AND REGIONAL AWARDS

Mr. FLOOD. Why are the indirect costs on grants awarded at the headquarters level 14.2 percent, or eight times, greater than the indirect costs on grants administered at the regional level?

Mr. YOUNG. The difference, for the most part, reflects the different kinds of programs administered at the headquarters and regional levels.

Virtually all research funds are administered at the headquarters level. Research constitutes about 70 percent of the total headquarters awards. Grants for research are made primarily to colleges and universities that have invariably established an indirect cost rate and have been awarded indirect costs. The indirect costs are identified separately from direct costs for inclusion into the IMPAC System. About 10 percent of the headquarters awards do not pay indirect costs because of the nature of the programs (such as fellowships), and the remaining 20 percent of the awards are for training which are subject to an administrative limitation of 8 percent.

Regional office awards for research are relatively small, amounting to about 2 percent of total regional awards. Most of the remaining programs either do not pay for indirect costs because of the nature of the program, or are formula grants where indirect type costs are not identified as such, or are service programs where the Federal award provides most of the funding. For example, staffing grants which at a minimum account for 20 percent of the regional awards, do not pay indirect costs; while indirect costs included in health professions capitation grants, which account for 13 percent of the total regional awards, cannot be separately identified.

Finally, in many service-type programs such as health centers, the grant award supports the entire center or a major portion of it. In such situations, the separate identification of indirect costs is meaningless and hence is not done. All costs are inputed into the grants data system as direct costs.

INCREASE IN INDIRECT COSTS

Mr. FLOOD. Why have indirect costs increased in greater proportion than direct costs since fiscal year 1970?

Mr. YOUNG. Based on our contacts with grantee institutions through the negotiation process and our general knowledge of the field, we believe there are several reasons for the increase. The first is that grantees are becoming more cost conscious and are claiming costs which they did not usually claim in the past, even though they were entitled under the Government-wide cost principles to make such claims. Perhaps the reason for this is a greater awareness on their part of the fiscal consequences to them of voluntarily absorbing costs related to Federal programs under a worsening economic climate.

A second reason is increasing administrative costs in relation to direct costs. Institutions have been expending proportionately more funds than they had in the past on such areas as OSHA, affirmative action, protection of human subjects and animals, fair labor standards, collective bargaining, et cetera.

A third reason is that costs which were oftentimes previously claimed as direct, such as occupancy costs, bookkeepers, procurement specialists,

et cetera, must now be classified as indirect costs. This is especially true of awards made to State and local units of government.

A fourth reason is that the mix of types of costs charged directly to grants has been changing, thus giving the appearance of a disproportionate increase in indirect costs. For example, salaries and wages made up approximately 65 percent and 63.6 percent of direct research grant charges in 1971 and 1972, respectively, the balance being for such costs as travel, equipment, supplies, et cetera; in 1974, salaries and wages constituted 67.3 percent. Since most indirect cost rates are based on salaries and wages, the "effective rate," as that term is used in the investigative staff report, must increase. This increase, however, does not necessarily reflect less research effort per dollar expended.

CONTROL OVER INDIRECT COST

Mr. FLOOD. What steps are being taken by the National Institutes of Health to control this disproportionate increase in indirect costs?

Mr. YOUNG. The focus of control over indirect costs—for example, reducing indirect costs—rests primarily outside NIH. The reasonableness and propriety of indirect costs chargeable against HEW and other Federal awards is a determination which can be best made by the indirect cost negotiator with support of audit. The investigative staff has concluded that the negotiators perform sufficient analysis to provide reasonable assurance that the indirect costs proposed by a grantee/contractor institution and as finally accepted by the Government is fair, in accordance with Government-wide cost principles. I have previously described those actions we are undertaking to assure quality negotiations.

It is NIH's responsibility to assure that the rates as approved by the negotiator are properly applied to its awards and to make the negotiator aware of those programs which require special consideration of special rates. The indirect cost payment system has been implemented by NIH to accomplish the former, and there is reasonably good communication between NIH and those involved in the negotiation function in regard to the latter.

DIFFERENCES IN OVERHEAD PAYMENTS AMONG SRS PROGRAMS

Mr. FLOOD. Why do some projects within Social and Rehabilitation Service programs receive reimbursement for indirect costs, while other projects in the same program do not receive reimbursement for indirect costs?

Mr. YOUNG. Some grantees do not seek full, or any, reimbursement for their indirect costs; consequently, grants awarded to these grantees do not provide for them. This is probably more true for grants awarded to State and local units of government, than to other types of institutions. Also, some SRS grant programs provide that the grantee cost-share or match a portion of the program costs. Some grantees elect to satisfy their cost sharing or matching requirement partially or entirely by absorbing indirect costs.

STANDARDIZATION OF OVERHEAD ELEMENTS

Mr. FLOOD. Has the Department of Health, Education, and Welfare attempted to standardize any elements of costs for all grantees?

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Mr. YOUNG. We do not believe that across-the-board standardization in the treatment of costs by all grantees is feasible. The diversity of the grantee community in organizational structures, size, number of programs, and accounting systems argues against such standardization. For example, a small nonprofit organization with only a limited number of programs may be able to identify most or all of its costs directly to each program, while most universities, because of their size and multiplicity of program, would find it virtually impossible to identify many of the same types of costs as direct charges.

Although absolute standardization is not practical, we do agree that a greater degree of uniformity in the treatment of similar costs would be desirable and are working toward this objective. We have, for example, initiated a project to revise the cost principles for colleges and universities to make the procedures for computing indirect cost rates more definitive and uniform.

INCONSISTENT COSTING ON TRAINING AWARDS

Mr. FLOOD. In paying direct costs on training grants, where indirect costs are limited to 8 percent of total direct costs or actual costs, whichever is lower, have more items normally considered indirect costs been included in direct cost budgets?

Mr. YOUNG. This limitation has resulted in a greater tendency by grantees to attempt to charge indirect-type costs as direct charges. However, our policy on training grants recognizes this problem and contains restrictive language to try to minimize the problem. This policy states that costs which are normally considered to be indirect will not be allowed as direct charges to training grants unless such treatment is consistent with the institution's accounting policies and the costs can be identified specifically and exclusively with the activities performed under the training grant and would not have been incurred but for those activities. This policy further requires that when indirect-type costs are proposed as direct charges, the personnel responsible for making grant awards must insure that the charges meet the requirements as previously stated and, if necessary, should consult with the indirect cost negotiator before allowing the charges to the grant.

STANDARDIZATION OF OVERHEAD BASES

Mr. FLOOD. Is there any reason to preclude like institutions from having uniform bases for indirect cost rates?

Mr. YOUNG. We see no major obstacle to the general use of a uniform base for like institutions. However, this problem is not nearly as significant as it might appear on the surface. While it is true that many different bases have been used, the vast majority of grantees use a very limited number of bases.

Mr. FLOOD. Does the Department of Health, Education, and Welfare have any firm policy regarding the selection of a base; that is, for example, should a salaries and wages base, without fringe benefits, be used?

Mr. YOUNG. A firm departmental policy on this subject was issued to the Department's indirect cost negotiation staff in November 1973. This policy states that only six bases are acceptable unless a different base is clearly needed to achieve an equitable distribution of in-

direct costs. While the investigative staff points out that there are 92 bases in the NIH system, more than 90 percent of the institutions contained in the system use one of these six bases.

Although greater uniformity in this area would be desirable and we will continue to try to achieve it, exceptions must be permitted to avoid misallocation of indirect costs. For example, while a salaries and wages base would generally result in an equitable distribution of indirect costs, it could result in a misallocation of such costs when a grantee has a substantial amount of subgrants and subcontracts which require a significant amount of administrative services represented by the institution's indirect costs. Since a salary and wage base excludes the costs of subgrants and subcontracts, the use of that base would, in effect, shift the costs of the services provided to the subgrants/subcontracts to non-benefiting awards.

USE OF COST ACCOUNTING STANDARDS BOARD STANDARDS

Mr. FLOOD. What is the Department of Health, Education, and Welfare doing to adopt the promulgations of the Cost Accounting Standards Board in its negotiations of indirect cost rates?

Mr. YOUNG. To date, the Cost Accounting Standards Board's issuances have had little impact on the determination of indirect costs for the types of organizations that receive HEW grants. The Board's emphasis has been centered primarily on commercial, profitmaking organizations while HEW's grantees and contractors are almost exclusively colleges and universities, hospitals, other nonprofit organizations, and State and local government agencies. The Board has recognized this situation in a number of its standards by exempting universities and State and local governments from the standards or certain aspects of the standards. In addition, since the Cost Accounting Standards Board's standards are directed primarily at large defense contractors most HEW grantees are automatically exempt from the standards because they do not meet the dollar cutoff established by the Cost Accounting Standards Board for application of the standards.

However, we communicate regularly with the Cost Accounting Standards Board staff, provide information and comments on their proposed issuances to them, make them aware of problem areas and our initiatives in those areas, et cetera. For example, the Cost Accounting Standards Board has recently initiated an effort to establish cost accounting standards for indirect costs at colleges and universities. Since this area is particularly important to HEW, we have worked closely with the Board's staff on its preliminary research and we have jointly developed a questionnaire on college and university indirect cost practices. Although the Board's standards in this area will directly apply only to a very small number of large universities, we plan to review them for possible application to all colleges and universities.

CONTROL OF WASTEFUL OVERHEAD SPENDING

Mr. FLOOD. What steps does the Department of Health, Education, and Welfare take to preclude this type of abuse in the overhead pools during negotiations?

Mr. YOUNG. The primary means of uncovering abuses of this nature is the evaluation of the indirect cost proposals by the regional rate negotiators supported by the audit staff. Prior to the negotiation of the rate, an analysis of the grantee's proposal is made by a trained negotiator who reviews the allowability and reasonableness of the costs the grantee proposes to allocate to federally supported programs and the methods used by the grantee to make the allocations. The negotiator also reviews documentation submitted by the grantee to support the proposal, including the institution's independently audited financial statements. In some cases, particularly where the amount involved in the negotiation is substantial, an onsite audit of the proposal is conducted.

We have issued detailed instructions to the regional negotiators on the specific steps that should be followed in evaluating the proposals and the criteria that should be used in determining the scope and depth of the evaluation. Among the most important factors used in determining the scope and depth of the evaluation is the amount of indirect costs involved in the negotiation, the relationship of the proposed rate and the individual indirect cost pools to the rates and pools negotiated for similar organizations, and the extent of Federal financing of the institution's overall operations in relation to its total operating costs. Particularly close scrutiny is made of the reasonableness of the proposed indirect costs in situations where the grantee's total operations are financed entirely or primarily by Federal grants and contracts. The cited grantees are a good example of this situation.

We believe that the current procedures for evaluating indirect cost proposals provide reasonable safeguards to preclude, in most cases, serious abuses in the indirect cost pools. We recognize, however, that the efficacy of these procedures depend on the quality of the evaluations made by individual negotiations. In order to insure that the evaluations are conducted effectively, we plan to make onsite reviews of the regional negotiation operations, starting in the late summer and early fall of this year. We are also planning to conduct an advanced training program for the regional negotiators later this year to improve their skills in evaluating the proposals.

EFFECT OF UNALLOWABLE COSTS ON OVERHEAD RATES

Mr. FLOOD. How would charges to which exceptions were taken have affected the indirect cost rate of the organization?

Mr. YOUNG. The charges had a four-tenths of 1 percent effect on the rate. The total amount of such charges identified by audit and annualized was $15,000. The institution's base was in excess of $3.3 million.

PREVENTION OF WASTE AND FRILLS IN OVERHEAD

Mr. FLOOD. Has the Department of Health, Education, and Welfare ever considered the advisability and practicality of evaluating the efficiency and frugality of its grantees and contractors in an effort to eliminate wasteful practices and frills in an effort to prevent the dollars currently going into overhead payments from increasing beyond the present level?

Mr. YOUNG. This question implies that the present level of overhead payments is the optimum level and increases in overhead reflect and

are the result of wasteful practices and frills. We believe neither is true. It also supposes the existence of objective standards or criteria of efficiency or frugality against which an institution's operations can be measured. These do not exist. Finally, it assumes that the size of an institution's overhead is an indicator of its operational efficiency; this also is not true.

It is possible to spot and take action against blatantly poor or abusive management and we have done so, but it is most difficult and of questionable propriety for the Department to superimpose its judgment of what is a good or bad management practice over that of qualified managers in its grantee and contractor institutions.

Having said that, the Department is sensitive to the problem and has considered the advisability and practicality of evaluating the efficiency and frugality of its grantees. To some extent, such evaluations are made through the Department's audit of grantee institutions and evaluations of their overhead proposals and occasionally by on-site visits by the negotiators themselves. However, this is a very difficult area and one in which we as a Federal agency must exercise much discretion.

INCENTIVES TO CONTROL OVERHEAD

Mr. FLOOD. Does the Department of Health, Education, and Welfare have any plans to improve the present system of establishing indirect cost rates for reimbursing indirect costs for grants and contracts so as to encourage grantees to control the expansion of allowable overhead costs.

Mr. YOUNG. Yes, in several areas. We are currently working on proposed revisions to the cost principles for colleges and universities which will provide more precise instructions on identifying and measuring costs identifiable with Federal grants and contracts. These revisions will require GSA approval. The recommendations if adopted, will substantially reduce the propensity of colleges and universities and Federal representatives to arrive at different and conflicting interpretations of key areas of the principles. They will also contribute to our efforts to bring about greater comparability of costing data. A similar project to review the cost principles for State and local units of government is scheduled to commence this year. Recommended changes to these principles also require the approval of the General Services Administration.

We have already recommended to the General Services Administration that it develop a set of Government-wide cost principles for nonprofit institutions and provided it with a copy of our principles as a starting base and a listing of individuals who might serve on a task force to expedite that development.

We will continue our training sessions for regional negotiators. This year's session will be focused on those major HEW programs whose objectives and characteristics require special handling in the development of indirect cost rates. We will also undertake training sessions for both headquarters and regional program personnel on the indirect cost process and its effect on the award of direct costs. We anticipate that these sessions will result in better communication between the negotiators and those involved in the direct administration of HEW programs and further reduce the possibility of indirect

costs being reimbursed as direct charges on grants and contracts. We will continue to present workshops for grantee institutions on Federal costing principles and the development of proper indirect cost proposals.

We are also considering the extent to which cost reducing incentives for grantees and contractors can be instituted into the indirect cost process. However, we believe the avenues open to us may be quite limited.

We do not agree however, that the present system encourages inefficiency in grantee institutions. We also believe that there are external forces upon grantee institutions which tend to discourage frills and wastefulness in the indirect cost area. The vast majority of HEW funds are awarded to institutions in which the ratio of Federal to non-Federal funds is less than 30/70, that is for each dollar of indirect cost expended by an institution it is likely to recover only 30 percent as a reimbursement from the Federal Government. There may be such incentive on the part of those institutions which receive the predominate amount of their funding from the Federal Government and undoubtedly instances of abuse could be found with such institutions, but we believe we do have procedures to minimize the extent of that abuse, and on the whole, we believe that there may exist as many examples of institutions which undercharge Federal programs for indirect costs as there are that may overcharge them. We believe there is a need for vigilance, however, we also believe the potential for abuse tends to be exaggerated.

REVIEW OF OVERHEAD POLICY

Mr. FLOOD. Has the Department of Health, Education, and Welfare reviewed its basic policies and concepts concerning how much of the general costs of a grantee or contractor should be borne by the Federal Government—the taxpayer?

Mr. YOUNG. Yes, in 1972 and again approximately 6 months ago. Those reviews considered the Department's overall policy for paying indirect cost, the types of costs paid and their importance to the conduct of HEW programs and alternatives to the policy. It was our conclusion that the present policy is basically sound.

INDIRECT COST AS AGENDA ITEM OF OFFICE OF FEDERAL PROCUREMENT POLICY STUDY

Mr. FLOOD. In the event that the Office of Federal Procurement Policy does institute such a study, would the Department of Health, Education, and Welfare consider the problem of indirect costs as one suitable for inclusion in the agenda?

Mr. YOUNG. Since the Office of Federal Procurement Policy is responsible for procurement policy rather than Federal assistance policies, it might be more appropriate for such a study to be conducted by the Office of Management and Budget.

In the last session of Congress, H.R. 9060 and S. 3514 were introduced requiring the Office of Management and Budget to undertake a comprehensive study to develop a system of guidance for Federal assistance programs. A similar bill, S. 1437, has been introduced in this session. The Office of Management and Budget has advised us

that it and the General Services Administration are initiating such a study, concentrating first on the definition of contract, grant, and cooperative agreements and the establishment of uniform relationships and conditions under which these instruments should be used. The question of indirect costs is one suitable for addition to the Office of Management and Budget/General Services Administration agenda. It might especially consider the appropriateness of a Government-wide policy on the extent to which indirect cost should or should not be reimbursed grantees and contractors and the effect on the financial condition of such institutions of the failure of Federal agencies to pay such costs. The Office of Federal Procurement Policy should be kept informed and consulted throughout the study. We have been informed that the Office of Federal Procurement Policy agrees with this approach.

HEW MANPOWER PRACTICES

Mr. FLOOD. We also had the committee survey and the investigation staff issue a report on the manpower management policies and practices of HEW. You have a copy of that report, also. We have here a series of questions dealing with that report.

Mr. YOUNG. Yes; the Secretary has replied to the one on manpower utilization.

REGIONAL STATE LIAISON

Mr. FLOOD. In the regions, there are positions responsible for State liaison activities at both the program agency and regional director levels. Criticism in the earlier investigative staff report focused on State liaison positions in SRS where the employees are called deputy regional commissioners for State programs (DSP). In spite of the criticism, such positions have increased in number and grade since the last report.

How do you reconcile the increase in the number of DSP positions in SRS with the upgrading of the State liaison function at the regional director level and the buildup of his staff?

Mr. MCFEE. The State liaison function of the deputy regional commissioner for State programs in SRS differs from the liaison function performed by the regional director's staff. The SRS position is concerned with substantive program issues for which SRS is responsible and the incumbent works with State welfare offices to provide technical assistance on program matters. The regional director's office works with the Governor's Office to help a State develop systems for coordinating services and to bring together programs designed for particular target groups. The regional director's office deals with broad program policy rather than specific operational concerns.

However, on January 6, 1975, a complete reorganization affecting all SRS regional offices was approved. This eliminated the function of deputy regional commissioner for State programs. The HEW regional personnel offices are now implementing the reorganization in conjunction with SRS regional management. This effort should result in a reduction in the number of grade GS–15 level positions in the SRS regional offices.

Mr. FLOOD. How do you explain why State liaison officials at the regional director level are in grades GS–12, 13, and 14 while DSP's

whose responsibility is limited to coordinating SRS programs are in grade GS–15?

Mr. McFee. At the regional director's level, there is an assistant regional director for intergovernmental operations (ARD) at the GS–15 level who is responsible for the State liaison function. The grades 12, 13, and 14 jobs you refer to are staff jobs under the ARD. As I stated earlier, however, the SRS reorganization will eliminate the deputy regional commissioner for State programs positions.

OPERATIONAL PLANNING SYSTEM

Mr. Flood. The operational planning system, DHEW's approach to management by objective, has a serious credibility problem. Objectives are selected on the basis of their sex appeal and interest to top management instead of on the basis of the actual work situation. As a result, the system tends to provide a distorted picture of work operations, not necessarily related to actual day-to-day activity. What value does the Department get from the operational planning system, and what is the Department's response to this criticism of OPS?

Mr. McFee. I am happy to respond to questions regarding the Department's operational planning system. Secretary Weinberger and former Secretary Richardson have stated publicly that their application of management by objectives principles to HEW, through the operational planning system, which we call OPS, represents a major innovation in managing social programs. In fact, Secretary Weinberger has recently reaffirmed his commitment to OPS by doubling the frequency of the OPS management conferences he holds with each of his agency heads from a bimonthly to a monthly basis.

I believe that your questions indicate that you have three areas of particular interest in the system: One, the basis upon which the Secretary selects objectives for personal tracking; two, the relationship of the system to actual day-to-day activities; three, the value of the system with respect to the overall management of the Department.

OPS is an accountability system which, in keeping with the Department's decentralized organization, leaves the responsibility for day-to-day operations and activities to the agency heads and their program personnel. However, through OPS, the Secretary holds these managers accountable for achieving specific accomplishments resulting from daily operations. In short, OPS is oriented toward results that are expected of key line managers. It was never intended to be a work processing system. In fact, it is deliberately designed only to provide benchmarks against which the Secretary can measure and monitor performance in order to determine whether the results that he has asked for, or expects, are being achieved.

The Secretary's criteria for selection of objectives is based upon the extent to which a proposed objective addresses the implementation of: One, major new legislation; two, major new executive initiatives; three, corrective plans of actions for programs experiencing major operational problems; and four, major changes of directions for existing programs. In addition, the Secretary selects 10 objectives related to the improvement of regional operations.

During fiscal year 1975, the Secretary is tracking 45 objectives. Of these, 14, or 31 percent, cover implementation of major legislation enacted by Congress; for example, professional standards review or-

ganizations, Health Maintenance Organizations, Community Employment Training Act, Education Amendments of 1974, and title IX to the Education Amendment of 1972. Eight, or 18 percent, represent new executive initiatives such as right to read program, alternative social security payment mechanisms, and protection of individual rights. Nine, or 20 percent, cover programs experiencing operational and/or management problems like guaranteed student loan program, long-term care, nursing home standards enforcement, and the early periodic screening, diagnosis and treatment program. Four, or 9 percent, involve major change in program direction such as WIN, and home health care, and 10, or 22 percent, cover improvements in regional operations. In most cases, those objectives which are not selected by the Secretary are tracked by the agency or program head through their own internal tracking mechanisms, akin to the Secretary's OPS management system but not encompassed by it.

The key to the effectiveness of OPS is the monthly management conference, the face-to-face meeting through which the Secretary holds his agency heads and key staff members accountable for specific results.

We believe the values of the OPS management and control system to the Department include the following: Responsiveness: OPS provides the institutional framework for top-down setting of priorities and bottoms-up setting of objectives which are responsive to the policies of the President, Congress, and the Secretary. Accountability: OPS establishes clear accountability among nonelected officials for the outcome called for by elected officials. Performance measures: Too often bureaucracies fall into the trap of "management by activity." This is an attitude which equates a high level of current activity with efficient management. OPS mitigates this tendency by requiring managers to state in advance the results which they are seeking to achieve, and establishing a framework against which actual progress and results can be measured.

Management dialog: The face-to-face monthly management conferences provide a regular opportunity for communication between the Secretary and the agency heads and insure the regular involvement of the Secretary in operational initiatives. Feedback and followup: The assignment and monitoring of action items from the monthly management conferences insures that corrective action plans are implemented and that other important followup tasks do not "fall between the cracks." Evaluation: OPS allows regular collection and evaluation of information on the progress of programs toward the achievement of specific goals.

In conclusion, I would stress that the overriding purpose of OPS is to provide the Secretary with the means to establish accountability and management control over HEW's priority programs, traditionally unpopular goals in any bureaucracy. As former Secretary John Gardner once observed, "When you figure out how to hold a middle-level bureaucrat accountable, it will be comparable to landing on the moon." I believe that OPS has helped the Department to move significantly toward pinpointing responsibility at all levels of operation. However, as you might expect, the imposition of accountability for specific results, accompanied by regular monitoring of performance, often generates adverse reactions from those being held accountable. I believe

that adverse comments from the operating levels may have been, in fact, the genesis for your remarks. Rather than viewing such reactions as a negative assessment of the system, these observations tend to reinforce my belief that OPS is fulfilling the purpose for which it is designed; that is, to provide the Secretary and his top managers with an effective short-range management planning and control system.

HEALTH REORGANIZATION

Mr. FLOOD. How does DHEW respond to criticism that the recent reorganization of the Public Health Service and the build up of the staff of the Assistant Secretary for Health is tantamount to a restoration of the Surgeon General of the Public Health Service under a new name and new management. In 1968, the Office of the Surgeon General was considered an unnecessary layer of management and was abolished; yet in 1973, it appears its equivalent was restored.

Mr. MCFEE. The 1968 reorganization of the Public Health Service assigned the Assistant Secretary for Health authority over a revamped Public Health Service and responsibility for health policy direction of all departmental health programs. The reorganization also created two new operating agencies, the Health Services and Mental Health Administration and an enlarged National Institutes of Health. Together with the Food and Drug Administration, these new agencies formed an expanded and more comprehensive Public Health Service.

Thus, the reorganization of 1968 was not predicated on abolishing unnecessary layers of management, but dealt succinctly on recognizing the expanded and interdependent programmatic concerns of the Public Health Service.

By 1973 the mission of the Public Health Service became more complex because of the need for a coordinated national health strategy and the growth of categorical health programs. A requirement was therefore reestablished for the Assistant Secretary for Health, as the line manager of now six health agencies, to have direct command of functions such as planning and development, budget formulation, personnel management, and establishing policies in grants and contracts management.

To illustrate, in brief, the change in complexity over the past several years, in fiscal year 1969 the Public Health Service appropriation totaled $2.9 billion compared to an estimated $4.5 billion for fiscal year 1976. Additionally, estimated outlays in fiscal year 1976 will total $15 billion for Medicare and $7.2 billion for Medicaid.

NATIONAL CANCER INSTITUTE

Mr. FLOOD. The National Cancer Institute bypasses DHEW and submits its budget request and gets its dollars directly from OMB. The Cancer Act Amendments of 1974 include a provision for a similar bypass with respect to manpower requirements. What changes, if any, have been made in the methods for allocating employment ceilings to the National Cancer Institute to conform with the Cancer Act Amendments of 1974?

Mr. MILLER. The Office of Management and Budget now allocates a specific ceiling on positions as well as dollars to the National Cancer Institute. It makes this allocation after considering the recommenda-

tions from the Cancer Institute, the Director of the National Institutes of Health, the Assistant Secretary for Health, and the Secretary of HEW.

PERSONNEL

Mr. FLOOD. DHEW has a large number of personnel offices for agencies and activities widely divergent in size and mission and with no apparent criteria for their establishment.

What are DHEW's criteria for establishing a personnel office?

Mr. MCFEE. In making a decision about the number and location of personnel offices that are needed, we consider such matters as the scope and level of program authority exercised at various levels and the size and nature of the programs, the geographical dispersion of Department personnel, and the level and complexity of the positions. Experience has shown that managers who have been delegated significant program authorities need to have a staff of personnel specialists readily available to provide day-to-day assistance on personnel matters.

Mr. FLOOD. What happened to the 1971 plan for consolidating the three operating personnel offices in Washington, D.C., and in view of this plan, how does DHEW justify the subsequent establishment of still another personnel office in the same area for the National Institute of Education?

Mr. MCFEE. After further consideration of the 1971 plan for consolidating three personnel offices in the Southwest area, the decision was made that such consolidation would not serve the best interests of management. Agency heads have broad program authorities and responsibilities, and they need a comparable level of personnel authority to employ and utilize staff and assign work. Day-to-day interaction by the personnel office with the agency staff is essential to provide the technical assistance needed by the agency head and his key management officials, and this interaction can best occur when the personnel office is located within the agency.

NIE was established by statute as a separate major organizational component within HEW, and the Director of NIE was given, by law, significant personnel authorities that are not vested in the Secretary. The NIE Director needed a personnel office within his organization to assist him in carrying out his responsibilities in the personnel area.

MANPOWER MANAGEMENT

Mr. FLOOD. At the departmental level, the investigative staff found that there is no meaningful relationship between the manpower management program and the budget/ceiling allocation process.

Why, after 3 years, have the Assistant Secretary, Comptroller and the Assistant Secretary for Administration and Management still not worked out and formalized in writing any satisfactory working relationship on manpower management matters?

Mr. MCFEE. An informal paper identifying the various roles and interrelationships of the Assistant Secretary for Administration and Management and the Comptroller's Office was worked out last summer. Although it did not have the status of something that was published in the organization manual, it did provide a guide as to who should do what during the budget process. As was noted in the Secretary's

response to the recommendations in the investigative report, the paper will be formalized and circulated among the principal operating components of the Department.

Mr. FLOOD. How can you expect to build up support for a manpower management program unless the organization directing the program also has some responsibility for allocating and managing employment ceilings?

Mr. MCFEE. The basic objectives of the manpower management program are to install regular procedures for measuring workload accurately, develop criteria for the optimum allocation of manpower, and help the agencies to make regular surveys of their manpower to insure that the Government is getting the best return on its manpower investments.

During formulation of the fiscal year 1976 manpower requirements the staff of the Assistant Secretary for Administration and Management and the Assistant Secretary, Comptroller worked together analyzing and developing recommendations for staffing increases to be requested in the President's budget. As this working relationship to jointly allocate and manage employment ceilings was agreed to last year, it will be formalized and circulated in the paper I mentioned earlier.

REORGANIZATIONS

Mr. FLOOD. What special efforts have been made to provide for employees who are displaced in the course of reorganizations and how successful have such efforts been?

Mr. MCFEE. In cases where there is a surplus of personnel as a result of the reorganization or where grades of positions may be adversely affected, specific plans, tailored to the particular situation, are developed for working out other assignments for the employees involved. If this effort is not successful, reduction-in-force procedures are followed to give employees their rights under the regulations.

Mr. FLOOD. To what extent are the continuing reorganizations and turnover of key officials in the Department and the agencies a contributing factor to grade creep?

Mr. MCFEE. In fact, the overall average grade for this Department has decreased since 1971 rather than increased. Also, from 1971 to early 1975, the percentage of employees in positions at GS–11 and above, in relationship to total Department employment, increased only three hundredths of 1 percent. While the percentage increase in numbers of employees at certain levels (GS–12, for example) was greater over the 4-year period than the percentage increase of total staff, I believe this was due to the staff needs of new or expanded programs rather than to any reorganizations which occurred.

NIH BUDGETED POSITIONS VERSUS EMPLOYMENT

Mr. FLOOD. In conflict with avowed departmental policy and practice, NIH employment exceeded Congressionally authorized position allowances over a 6-month period in fiscal year 1974 and for 3 out of the first 4 months in fiscal year 1975. Do budgeted positions any longer serve as an employment constraint and, if so, how do you explain the NIH employment record over the past year and one-half?

Mr. MILLER. Budgeted positions do, in fact, serve as an employment constraint. In our judgment, at no time did NIH employment exceed congressionally authorized positions. They did exceed the amount shown in the 1974 column of the President's 1975 budget, but this figure was lower than the number of positions Congress authorized in the 1974 appropriation.

This matter was called to the attention of the House Appropriations Subcommittee at the fiscal year 1975 hearings on the appropriation for the Office of the Director, NIH. I have a copy of that discussion with me. I would be happy to offer it as an insert for the record.

[The information follows:]

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EMPLOYMENT CEILING

Mr. NATCHER. At the beginning of the hearings, Mr. Schwartz, we had a discussion of employment ceilings, as you will recall. I understood you to say that you expected to receive an increase in your employment ceiling from the Department. Is that correct?

Mr. SCHWARTZ. Yes, sir, that is correct.

Mr. NATCHER. If you receive an increase in your ceiling, does this mean that NIH will have more positions than shown in the budget?

Mr. SCHWARTZ. Yes, sir, that is correct. When we receive these positions, I think it would be appropriate for us to put into the record the requirement for increased budgeted positions. In a few Institutes we will exceed what currently is shown as budgeted positions.

Mr. MILLER. Could I comment on that?

Mr. NATCHER. Go ahead.

Mr. MILLER. We will not have more positions than the Congress authorized. We will have more positions than are shown in the 1974 budget column of the budget that the President submitted last January. We will be glad to discuss with staff whether we ought to get formal approval from you for that. But we will not have more than we are authorized by the Congress.

Mr. NATCHER. As far as having more positions, does this apply to both 1974 and 1975?

Mr. SCHWARTZ. It is our understanding, Mr. Natcher, that these positions would be made available to NIH in fiscal year 1974 and therefore would become part of an increased base for fiscal year 1975.

ZERO-BASE ANALYSIS

Mr. FLOOD. Agencies requesting manpower increases in the fiscal year 1976 budget were required to provide backup for the additional positions in the form of zero-base analysis of the organizations requesting the increases. However, neither was the expression defined nor were any instructions provided telling how to make such a study.

Why didn't the Department define or provide any instructions for making a zero-base analysis of manpower needs in the fiscal year 1976 budget call?

Mr. MCFEE. The term "zero-base analysis" should not be regarded with too much technical precision. It was a short-handed way of saying that each agency should examine and justify its various day-to-day efforts on programs and activities to see where staff could be reallocated before the agency asked for additional manpower. It is expected that through this process each request will have included full consideration of all other alternatives, and that this will result in fewer and better-substantiated requests for additional manpower.

Mr. FLOOD. With each agency making its own interpretation and using its own methods, how can the results of such studies be meaningful across agency lines?

Mr. MCFEE. Last year we frankly encouraged each agency to use the methods it thought best to examine its own manpower base. We were not in a position to prescribe the standard approach to manpower analysis. There is so much diversity among the agencies of the Department that it may not be possible to do studies which have much general application. One possibility is some manpower standards that might be prescribed for review and approval of project grant applications, but even here, there are many peculiarities in each program which are dictated either by specific legislative requirements or by characteristics dictated by the program objective. For example, reviewing a biomedical research grant application requires somewhat different procedures than an education demonstration project.

Mr. FLOOD. Why weren't organizations not requesting new positions also zero-based to find out if they are overstaffed?

Mr. MCFEE. This decision was made strictly to keep the workload manageable. I also believe that the annual budget process is not the best way to tackle this sort of problem. The regular management surveys should be much more effective at examining a stable program.

MANPOWER MANAGEMENT PROGRAM

Mr. FLOOD. Why were positions in the Office of the Secretary exempted from the manpower management program until this year, and wouldn't there have been credibility to be gained for the program in setting an example by doing rather than by talking?

Mr. MCFEE. This is actually not the case. During fiscal year 1972 extensive manpower utilization surveys were conducted in the Office of the Secretary. This resulted in significant cutbacks and reallocations while the departmental manpower management program was still in the planning stages. In fact, the OS experience demonstrated the feasibility of the departmental manpower management program that was initiated in May 1972.

Mr. FLOOD. Why is there no coverage of the manpower management program in the general administration manual or in any other formally issued DHEW directive?

Mr. MCFEE. Each year we have sent a letter to the Department's operating components stating program and reporting requirements. These annual letters have been supported by agency progress reviews and technical assistance. Thus far we have needed the policy and operational latitude provided by the annual plan approach. However, now that we have sufficient experience, we can develop a common departmentwide program directive. It is being developed now and will be issued during the next 6 months. The directive will include program policies, procedures, and functional agreements necessary to institutionalize a coordinated manpower management program.

Mr. FLOOD. Why is the Department using so many consultants and contract personnel to support the manpower management program and why can't the work be done by civil service staff?

Mr. MCFEE. The Department does not have nearly enough management analysts with the quantitative measurement skills necessary to accomplish the work associated with building better manpower man-

agement capacity. Therefore we have had to resort to consultants and contract personnel, principally to train in-house staff on manpower utilization survey and work measurement systems methodology.

Mr. FLOOD. If consultant services are really required, wouldn't it be desirable, from the standpoint of uniformity and consistency in approach, for all agencies to use the same consultant?

Mr. MCFEE. We tried this at first, but found the enormity of the training job such that we would not be able to meet our commitment to the committee. We also learned from Mr. Young's experience that diverse approaches to manpower measurement systems was a good idea—it gives the agencies the chance to develop the type system most useful to their needs. We do, however, insure uniformity and consistency among work measurement systems by requiring they at least meet the following criteria:

A means of identifying and counting the outputs produced.—Examples: Grants awarded, cases processed.

Standard times should be developed for such outputs, set by any appropriate method.

Procedures for forecasting the required number of outputs for budget periods.—Examples of forecast methods: Trends, implications of legislative analysis and funding levels, et cetera.

A periodic or at least end of fiscal year evaluation of the internal labor productivity index of the organization based on the weighted aggregation of outputs, to provide an indication of the productivity trend.

A procedure for employing the four preceding elements to produce a zero base budget.

An ongoing means for comparing actual workload to forecast workload and actual backlog to forecast backlog, as appropriate to the work of the organization.

PUBLIC AFFAIRS

Mr. FLOOD. Public affairs activities in the regions have been centralized under an assistant regional director for public affairs since June 1974. The investigative staff found that a total of 17 public affairs employees are still working for the Social Security Administration in the regional offices.

With regional public affairs activities centralized since June 1974, why does SSA still have 17 public affairs employees in the regional offices? What is being done to correct the situation?

Mr. MCFEE. The creation of a departmental office of the assistant regional director for public affairs was never intended to replace or absorb all the Social Security Administration's public affairs responsibilities. The assistant regional directors for public affairs within the offices of each of the regional directors absorbed only the policy and planning public affairs function of SSA, and accordingly SSA transferred 10 policy and planning public affairs positions from SSA headquarters to the Department. However, the agency was authorized to retain all of its operational public affairs functions in the regions, whose responsibilities are for matter particular to SSA and its program.

Responsibility continues to rest with SSA's public affairs offices to disseminate specific SSA program information to the public, in order

to keep SSA's current and potential beneficiaries, those involved in providing services under the programs, and the public in general informed of rights and responsibilities under the many programs administered by SSA. This public information function is distinct and unduplicative of the regional directors' public affairs function.

Mr. FLOOD. Why did the recent reorganization of the DHEW public affairs structure include only "agency" public affairs offices?

Mr. MCFEE. The Secretary decided to reorganize and reduce those offices as a matter of first priority. However, a review and evaluation of public affairs positions within the Office of the Secretary and the regional offices has been initiated, and is scheduled for completion by June 30, 1975.

Mr. FLOOD. In publicizing the results of the public affairs reorganization, why was no mention made of 44 new public affairs positions established in the Department since July 1, 1973?

Mr. MCFEE. The scope of the public affairs report was confined to the Department's agencies and we do not think the report is misleading. Changing manpower requirements are a fact of life in HEW. The buildup of public affairs staffing levels in other parts of the Department was in response to new program requirements. Rather than requesting new positions, we accomplished this through reallocating existing resources.

Mr. FLOOD. Why wasn't the DHEW manpower management organization consulted about the staffing implications of the reorganization of the public affairs activity?

Mr. MCFEE. Implementation of the Secretary's decisions did involve two staff analysts from the Office of the Assistant Secretary for Administration and Management, which also includes the DHEW manpower management organization. In view of the Secretary's decision to reduce staff in this area, the reorganizataion immediately became an implementation project that could be accomplished without requiring we use our scarce manpower-analysis capability.

Mr. FLOOD. Mr. Michel.

REGROUPING OF ACTIVITIES

Mr. MICHEL. What do you hope to gain from regrouping your activities under the titles "Departmental Operations" and "Departmental Direction"?

Mr. YOUNG. The two titles are meant to clearly distinguish those activities providing specific services to meet work requirements directly resulting from Agency operations, from those activities related to the Secretary's overall responsibilities for management of the Department. The budget as previously presented has given the impression that the Secretary's general management staff is huge and growing. This has disguised growth in service workloads such as long-term care, audit and litigation resulting from program operations. Of the $105,504,000 and 3,340 positions requested for fiscal year 1976, 60 percent of the dollars and 55 percent of the positions are in departmental operations. Of the requested increase of $11,914,000, 71 percent of the dollars and 76 percent of the positions are in departmental operations.

CENTRALIZATION OF LONG-TERM CARE ENFORCEMENT

Mr. MICHEL. Why has the Department centralized the long-term care standards enforcement function under the regional directors?

Mr. YOUNG. The Department has centralized the long-term care standards enforcement function in one office under the regional directors to deal unilaterally with the States and providers rather than through four separate agencies each having a part of the enforcement responsibility. The current situation in nursing homes is serious and the elevation of the function to the regional director's offices reflects the priority attached to the program by the Secretary. At headquarters the Secretary has moved the focus for the program to his immediate office.

NEW NURSING HOME STANDARDS ENFORCEMENT POSITIONS

Mr. MICHEL. What new responsibilities require that Congress approve an increase of 146 new positions for standards enforcement?

Mr. YOUNG. The Department has the major new responsibility, as contained in the Social Security Amendments of 1972 (Public Law 92-603), of enforcing new Federal regulations governing participation of intermediate care facilities in the medicaid program. This new responsibility will add approximately 9,500 ICF's to our current workload of 7,900 skilled nursing facilities. All of the newly added facilities require a file review of State fundings, and approximately 5 percent will receive a direct, Federal survey to validate State reviews. Additional effort will be required to process termination actions and requests for waiver of the Federal regulations.

LEGAL WORKLOADS

Mr. MICHEL. What kind of workloads justify an increase of 90 positions for legal staff?

Mr. YOUNG. Seventy-four or 82 percent of the additional positions requested are for increases in the litigation workload in our Social Security, Education, Human Resources, and Public Health programs.

Several trends have led to this increase in litigation. I would be happy to furnish detailed information for the record.

[The information follows:]

Social Security litigation has been explosive. These cases, for the most part, are brought by individuals who are denied claimant status in SSA's administrative system, and exercise their right to seek judicial review. Some of these cases involve present beneficiaries that SSA determines are no longer eligible. Excluding black lung litigation (about 3,000 cases in fiscal year 1976), 7,640 new social security cases will be filed in fiscal year 1976, as compared with 4,500 in fiscal year 1975, 3,200 in fiscal year 1974, and 2,300 in fiscal year 1973. In the first 4 months of calendar year 1975, 2,162 new cases have been filed in the Federal district courts (including black lung); in calendar year 1974, it was not until the end of June that 2,000 new cases had been filed; and the 2,162 new cases for the first 4 months of this year are only 400 less than were filed in the entire calendar year 1973. An increasing number of cases seek broad injunctive or declaratory relief against SSA (over 50 with respect to the SSI program alone in calendar year 1974). For example, *Eldridge* v. *Weinberger*, a Supreme Court case, challenges the absence of a pretermination oral hearing prior to termination of disability

benefits. And *Buffington* v. *Weinberger*, a national class action suit before the court of appeals for the Ninth Circuit challenges the absence of a pretermination oral hearing prior to recoupment of past overpayments.

Over the last 6 years or so, the grant programs of the Department have become subject to regular and probing judicial review. A major factor has been the relaxation or rejection by the Federal courts of traditional technical defenses such as standing, exhaustion of administrative remedies and ripeness. The constitutionality of statutes (such as alleged sex discrimination in various provisions of the Social Security Act), the Department's interpretation of statutes (such as the "unborn child" issue in AFDC, which over 30 district courts ruled on, most adversely, before the Supreme Court recently upheld the Department's position), and particularly regulations issued by the Department under its grant programs are regularly challenged. Suits by States against the Department are becoming common, the subject matter of current ones include quality control in AFDC and retroactive social service claims. The Justice Department, at the request of HEW, brought a suit for injunctive relief to ensure compliance with nursing home regulations.

Not only the increased scope of judicial review, but the types of orders issued by district courts has fundamentally changed in recent years. In *Adams* v. *Weinberger*, a sequel to *Adams* v. *Richardson*, where a district court enjoined the Department in a detailed order, the district court recently issued a supplemental order expanding relief against the Department with respect to enforcement activities under title VI of the Civil Rights Act of 1964 in 17 border and Southern States. The FDA is under a similar, sweeping district court order. A pending district court case alleges failure by HEW and Labor to enforce sex discrimination prohibitions in educational institutions, and seeks broad injunctive and declaratory relief.

Our working assumption is that every major decision of the Department will be challenged in court, frequently many times.

While the Department of Justice, or U.S. attorneys, generally are counsel of record in court proceedings, the brunt of preparing the defense of the Department in litigation rests with the HEW General Counsel's Office.

The litigation workload expected in fiscal year 1976 is as follows:

Social Security litigation (excluding black lung cases) will triple from 2,300 court cases in fiscal year 1973 to 7,640 in fiscal year 1976. Two thirds of our request for additional positions is required to handle this litigation. The handling of social security litigation requires the close cooperation of the HEW General Counsel's Office, the Social Security Administration, the Civil Division in the Department of Justice, and the U.S. district courts. On October 18, 1974, the HEW General Counsel, several members of his staff, and Mrs. Carla A. Hills, then Assistant Attorney General, Civil Division, met with the U.S. attorneys at their annual meeting. As background information for that meeting, Mrs. Hills sent a memorandum, dated October 9, to all U.S. attorneys, enclosing a background memorandum, litigation statistics, and a work flow study prepared by the HEW General Counsel's Office. Many of the recommendations included in those documents, and suggestions made by various U.S. attorneys, have been put into effect since last fall. Based on the new cases filed in the Federal district courts in January–April 1975, and the recent significant increase in output by the Social Security Administration's Bureau of Hearings and Appeals, it appears that the projected level of cases for fiscal year 1976 set forth in detail in those documents is accurate.

We estimate that the Health Maintenance Act—Public Law 93–222—and professional standards review organizations—Public Law 92–603—may generate approximately 150 cases in fiscal year 1976, but have no hard historical data.

We estimate that an addition of 82 cases of administrative litigation over the present caseload will result from our education programs in fiscal year 1976.

The increased litigation workload expected in fiscal year 1976 in human resources programs is caused by a rise in the type of welfare cases presently being handled and two newly developing areas—quality control and medicaid. Sixty-three cases are expected in fiscal year 1976, as compared with 46 in fiscal year 1974. More important than the number of cases in this area, though, is the very complex nature of the facts and legal issues in some categories of cases. For instance, the constitutionality of the utilization review regulations is now before a district court in a suit brought by the AMA.

Sixteen positions are requested for our nonlitigation workload in the following areas:

Pre-award review of some of the Department's 40,000 grants and 20,000 contracts awarded annually. At present, only a handful receive pre-award clearance by the Office of General Counsel.

The drafting of 14 sets of regulations for professional standards review organizations and 13 sets of regulations for the National Health Planning and Resources Development Act of 1974 (Public Law 93-641), titles XV and XVI of the Public Health Services Act.

An increase of 138 percent in regulation writing and clearing activity for human resources programs. Sixty-three sets of regulations were published in fiscal year 1974 and it is estimated that 150 will be published in fiscal year 1976.

GRANT, CONTRACT AND MATERIEL MANAGEMENT REQUESTS

Mr. MICHEL. Your opening statement says that 39 positions are for strengthening your grant, contract, and materiel procurement management. What problems have you had and how would you solve them with these new positions?

Mr. YOUNG. The Department awards well over 60,000 grants and contracts annually through its several agencies and many programs. It has become apparent that numerous problems exist in the award process. One major problem is a lack of uniform application of grant, contract, and materiel procurement regulations and procedures. At present, we do not have the capability to evaluate Agency performance and to enforce existing rules. Another set of problems involves the adequacy of our regulations and procedures themselves. This is especially true in the areas of competitive bidding, contract closeouts, grant award and administrative procedures, and procurement of common use items. In addition we have no comprehensive data system to tell us precisely what is being awarded. Finally, we have no pre-award review of grants and contracts to determine their compliance with regulations and programmatic requirements.

It is the role of the Secretary's staff to guarantee that proper regulations are uniformly administered in HEW's constituent agencies. This cannot be done without sufficient staff, and the request for 39 new positions would provide this staff. Of the 39, 14 would provide periodic evaluation of the performance of Agency grant and contract administrators. The evaluation would insure maximum adherence to regulations and would provide information critical to revision of regulations to attain maximum economy and minimum potential for abuse in the awarding and administration process. Two positions would permit development of data systems to inventory all grants and contracts. This would not only allow accurate reporting of information but also would facilitate detection of problem areas in the award and administration process. Nine new positions would promote more efficient materiel procurement and property management in the Agencies. Thirteen positions in the General Counsel's office would provide pre-award random sample review before award of 13 percent of all grants and contracts for adherence to regulations and programmatic goals. The remaining position would accelerate efforts to increase the percentage of share of the Department's procurement dollars obtained by minority-owned firms.

1976 INCREASES

Mr. MICHEL. We cut your budget in 1975 and you lived within it pretty well as far as I can tell. How come you're back up again with big increases?

Mr. YOUNG. We lived within the fiscal year 1975 appropriation by taking the cuts in travel, equipment, and other than full time, permanent employment, and we will continue tight control in these areas. We do need additional full-time positions to perform major workload increases resulting from agency program operations. We have little control over growth in these workloads, and they cannot be performed without additional personnel. The new responsibility of enforcing medicaid regulations in 9,500 intermediate care facilities is inescapable, as in the increase of social security litigation from 2,300 cases in 1973 to an estimated 7,600 cases in 1976. Additional positions are needed to maintain the integrity of the Department's programs through better audit coverage, better management of the 60,000 grants and contracts awarded annually, and prompt investigation of allegations of fraud and abuse.

I might add that the cuts taken in the 1975 base have enabled us to ask for these increases without major increases over the level appropriated in fiscal year 1974. The 2-year increase for general departmental management is $11.2 million excluding space costs. This $11.2 million includes $7.6 million for built-in cost increases such as pay raises and other costs of doing business, $7.2 million for new resources, and a reduction of $3.6 million as required in the fiscal year 1975 appropriation. Therefore, while we are asking for a fiscal year 1976 increase of $7.2 million primarily for new workload, it is in effect a net increase of only $3.6 million over the fiscal year 1974 level.

PRESIDENT'S COMMISSION ON OLYMPIC SPORTS

Mr. MICHEL. Tell us a little about this Commission on Olympic Sports. How long will it last and how did HEW get into this area of endeavor?

Mr. YOUNG. The President's Commission on Olympic Sports will evaluate the organization and activities of the United States Olympic Committee and former membership groups as they relate to international sport competitions. The President will review the recommendations of the Commission and make his recommendations to the Olympic Committee, its membership groups, and, if appropriate, to Congress, to assure that the United States fields its best amateur sport teams. The Commission is patterned exactly after Congressman Kemp's bill.

HEW was selected to house the Commission because the related President's Council on Physical Fitness and Sports is a part of this Department. The new Commission on Olympic Sports is expected to be in existence for 12 months.

STATUS OF DHEW INVESTIGATIONS

Mr. MICHEL. We keep hearing a great deal about fraudulent use of Department money. I understand another committee of the House recently held a hearing on this subject and was critical of the lack of staff you are devoting to investigations. Where are we now on this?

Mr. YOUNG. The Intergovernmental Relations and Human Resources Subcommittee, House Committee on Government Operations, is holding a hearing on HEW's efforts in the prevention, detection, and investigation of fraud and the adequacy of investigative resources. Two days of testimony have been completed with several more days to be scheduled. The questions asked during the hearing indicate that the subcommittee is critical of the HEW resources assigned to this responsibility.

Mr. MICHEL. Where are we in regard to your recent reprograming request?

Mr. YOUNG. The reprograming request was approved by the House Appropriations Subcommittee. The Senate Appropriations Subcommittee deferred action on the request pending justification during the fiscal year 1976 budget hearings.

Mr. MICHEL. How much is in the 1976 budget for this function?

Mr. YOUNG. The fiscal year 1976 budget requests an increase of 12 positions for the Division of Investigations. This would be in addition to the 10 positions available in fiscal year 1975. If our reprograming request for 10 positions is granted, a total of 32 positions will be available.

Mr. MICHEL. Thank you.

Mr. FLOOD. Mr. Conte.

SIXTY POSITIONS FOR LEGAL SERVICES

Mr. CONTE. You are requesting 60 new positions for processing an expected increase in SSI court cases. Why do you expect such a large increase? Isn't the Social Security Administration also requesting additional positions to deal with these cases?

Mr. YOUNG. We are requesting 60 new positions for the 7,640 social security cases anticipated in fiscal year 1976. Three thousand of these are supplemental security income cases, 4,370 are title II cases and 270 are title XVIII cases. In addition, we expect another 3,000 cases in the black lung area in fiscal year 1976, bringing the total to 10,640.

Our litigation workload expected in fiscal year 1976 was derived by taking the actual caseload for fiscal year 1973 and fiscal year 1974 and extrapolating caseload for fiscal year 1975 and fiscal year 1976. The number of cases filed for each of these fiscal years is as follows: 2,300 cases in fiscal year 1973; 3,200 cases in fiscal year 1974; 4,500 cases expected in fiscal year 1975; and 7,640 cases expected in fiscal year 1976. These are our projections for fiscal year 1976:

New title II disability court cases will continue to increase by at least 25 percent. The number of cases filed in fiscal year 1974 represented a 33-percent increase over those filed in fiscal year 1973.

We expect that title II, retirement and survivors insurance cases, and title XVIII, health insurance cases, will continue to remain relatively constant, amounting to approximately 230 cases and 270 cases, respectively, in fiscal year 1976.

Because of the newness of the program, the supplemental security income caseload expected in fiscal year 1976 is based on the projection made by the Bureau of Hearings and Appeals that 3,000 new court cases will be filed in fiscal year 1976. Approxi-

mately 70,000 to 80,000 SSI hearings are expected to be held in fiscal year 1975 and fiscal year 1976. Assuming a 52-percent affirmance rate and a 10-percent appellate rate to the courts, we expect that there will be approximately 3,000 new SSI court cases in fiscal year 1976.

The Social Security Administration request does not include any positions for the General Counsel's Office for these cases. The SSA request does, however, have 81 positions for black lung litigation.

AUDIT AGENCY STAFF

Mr. CONTE. How many positions are currently authorized for the audit agency?

Mr. YOUNG. We are authorized 834 positions under the regular appropriation and 50 positions to be financed by performing reimbursable audits for other Federal agencies. Of the total 884 authorized, 874 were filled as of April 26.

SEVENTY-NINE NEW POSITIONS FOR DEPARTMENTAL DIRECTION

Mr. CONTE. Would you provide a listing of the 79 new positions for increased managerial workload, along with their job titles and salary ratings?

Mr. YOUNG. Yes, Mr. Conte. We would be happy to provide that information.

[The information follows:]

	Grade	Number	Annual Salary
Departmental Direction			
A. Executive Direction			
Assistant Secretary for Legislation:			
Secretary	GS-5	1	$ 8,500
Special Messenger	WG-5	1	9,450
Subtotal		2	$ 17,950
Assistant Secretary for Planning and Evaluation:			
Economist	GS-14	1	$ 25,581
Program Analyst	GS-14	1	25,581
Program Analyst	GS-13	2	43,632
Subtotal		4	$ 94,794
Subtotal, Executive Direction		6	$112,744
B. Administrative Management			
Deputy Assistant Secretary for Management Planning and Technology:			
Director	GS-15	1	$ 29,818
Management Analyst	GS-13	1	21,816
Research Analyst	GS-13	1	21,816
Research Analyst	GS-9	1	12,841
Secretary	GS-8	1	11,640
Subtotal		5	$ 97,931
Deputy Assistant Secretary for Grants and Procurement Management:			
Procurement Analyst	GS-13	2	$ 43,632
Grants Policy Specialist	GS-13	2	43,632
Supply Specialist	GS-13	1	21,816
Procurement Analyst	GS-12	1	18,463
Supply Specialist	GS-12	1	18,463
Procurement Analyst	GS-11	2	30,962
Grants Analyst	GS-11	1	15,481
Systems Analyst	GS-11	1	15,481
Procurement Analyst	GS-9	1	12,841
Grants Analyst	GS-9	1	12,841
Systems Analyst	GS-9	1	12,841

	Grade	Number	Annual Salary
Supply Specialist.....	GS-9	1	$ 12,841
Procurement Analyst.....	GS-7	1	10,520
Grants Analyst.....	GS-7	2	21,040
Management/Systems Analyst.....	GS-7	1	10,520
Secretary.....	GS-6	1	9,473
Grants Analyst.....	GS-5	2	17,000
Secretary.....	GS-5	1	8,500
Clerk-Typist.....	GS-5	1	8,500
Clerk-Typist.....	GS-4	1	7,596
Clerk-Typist.....	GS-3	1	6,764
Subtotal.....		26	$359,207
Investigations and Security:			
Criminal Investigator.....	GS-14	5	$127,905
Criminal Investigator.....	GS-13	4	87,264
Criminal Investigator.....	GS-12	1	18,463
Secretary.....	GS-6	2	18,946
Subtotal.....		12	$252,578
Subtotal, Administrative Management		43	$709,716
C. General Counsel:			
Attorney.....	GS-15	2	$ 69,214
Attorney.....	GS-14	5	127,905
Attorney.....	GS-13	5	109,080
Attorney.....	GS-12	3	55,389
Attorney.....	GS-11	1	15,481
Paralegal.....	GS-9	2	25,682
Paralegal.....	GS-7	2	21,040
Secretary.....	GS-7	1	10,520
Secretary.....	GS-6	5	47,365
Secretary.....	GS-5	4	34,000
Subtotal.....		30	$515,676
Total, Departmental Direction		79	$1,338,136

Mr. CONTE. I see that you are requesting 39 positions for grant and contract management. Of those 60,000 grants and contracts awarded annually, can you provide an accounting of the number awarded by each office and agency within HEW?

Mr. YOUNG. We will provide a listing of contracts and grants awarded by each of the major components of the department in fiscal year 1974 for the record.

[The information follows:]

Organization	Contracts [1]	Grants [2]
SSA	3,436	
NIE	284	129
H-FDA	722	119
H-CDC	412	221
H-NIH	3,056	16,062
H-HRA	513	12,969
H-HSA	3,442	1,556
H-ADAMHA	643	6,018
HD		3,319
OS	707	832
RO's	137	2,890
SRS	255	344
OE	540	8,396
Total	14,147	52,855

[1] The above figures are inclusive of funding increments and renewals and extensions involving obligation of funds. They exclude most small purchases (12,500 and under).

[2] The above figures cover direct discretionary grants. They exclude nondiscretionary grants such as formula grants to State under State plan programs.

Mr. CONTE. Don't these different agencies and offices have their own grant management system?

Mr. YOUNG. The operating components of the Department do have grant management systems, though they vary in completeness and capacity. The primary purpose of these systems is the making and administration of grants. To a greater or lesser extent they also include mechanisms for procedural policy development and implementation. The grants management capacity of the Office of the Secretary, located in the Office of Grants and Procurement Management, serves a different primary purpose. OGPM is one of the Secretary's agents for oversight and control of the operating components. The area of its responsibility for such oversight and control is grants management, but its function in this area, unlike those of the operating components, is that of Department-level supervision and direction.

Mr. CONTE. Aren't you duplicating activities in this area?

Mr. YOUNG. We have not lost sight of the fact that the dividing line between what OS should do and what the operating components have done or should do in this function is judgmental and variable. Where an operating component has successfully covered most of the ground, as in the case of the NIH research grant peer-review system, we try to work around what exists and structure Departmentwide standards and requirements to accommodate what is in place. The activities of OGPM in the development of procedural policy and standards are nonetheless distinctively for the purpose of Department-level management and cannot, by their nature, be duplicated by the operating components.

ENFORCEMENT OF DEPARTMENTAL REGULATIONS

Mr. CONTE. You said that you are going to enforce departmental regulations with these extra positions. Have you given any consideration to tightening your regulations, particularly on contract awards?

Mr. YOUNG. In the contracts area, among the problems on which we have task force recommendations is the fundamentally important one of limiting the use of noncompetitive awards of new contracts or extensions to those cases where it is entirely proper.

Regulations affecting contract award that we propose to develop or tighten include the following:

The Department regulation on negotiation of small purchases. The upper limit on small purchases that may be informally negotiated under part 1–3.6 of the Federal Procurement Regulations was recently increased by GSA, pursuant to statute, from $2,500 to $10,000. With the increase in maximum amount, we see a need for stricter Department controls;

A new regulation to insure that contract awards in situations that indicate the possibility of conflict of interests will not be made without scrutiny of that aspect. The regulation has been published under notice of proposed rulemaking and is in revision preparatory to a determination about final publication;

Department standards for determining when the funding of projects must be done by contract rather than by grant. We consider this standard fundamental to the subject to which your question relates, since use of grants to fund projects that should be funded only by contract defeats all requirements pertaining to contract award;

New or tightened regulations covering the use of service contracts with particular emphasis on consultant services, procedures with respect to contractor selection, and standardization of contract general provisions.

Mr. CONTE. Will any of these positions be used for such work?

Mr. YOUNG. We plan to use 18 of the new positions for procurement policy and regulations development, a significant part of which is concerned with contract award procedures and implementation of the Commission on Government Procurement recommendations.

NEW POSITIONS FOR OFFICE OF LEGISLATION

Mr. CONTE. Exactly what will the new positions in the Office of the Assistant Secretary for Legislation be doing? At what pay grade?

Mr. YOUNG. One position would provide clerical support for the Deputy Assistant Secretary for Education Legislation in the development of new education legislation. The position would be filled at a GS–5 starting at $8,500 per annum. The second position would provide a special messenger for prompt delivery of correspondence, testimony, and other materials to Members of Congress and executive branch offices. This position would be filled at a wage grade 5 starting at $9,450 per annum.

PRESIDENT'S COMMISSION ON OLYMPIC SPORTS

Mr. CONTE. Would you tell me about the work of the President's Commission on Olympic Sports? What will we get for our $407,000?

Mr. YOUNG. Established by Executive order, the Commission will evaluate the organization and activities of the U.S. Olympic Committee and former membership groups as they relate to international sport competitions. The President will personally review the recommendations of the Commission and make his recommendations to the Olympic Committee, its membership groups, and, if appropriate, to Congress, to assure that the United States fields its best amateur sport teams. Such an analysis has never been undertaken. Amateur sport organizations in this country have conflicted with one another for over 50 years, and it is likely that legislative proposals to correct this situation will emanate from the Commission's work. In the last Congress, there were numerous attempts to bring an end to the conflicts. The Commission will tailor its proposals to do the job with the least possible involvement of the Federal Government.

EXECUTIVE DEVELOPMENT PROGRAM

Mr. CONTE. What is the purpose of the Executive Development Program?

Mr. YOUNG. The original impetus for our program is The Government Employees Training Act. This act stipulated that programs should be designed to improve public service through the building and retention of skilled and efficient career executives. In recent years there have been a number of Civil Service Commission, Office of Management and Budget, and General Accounting Office initiatives emphasizing more systematic efforts in both executive and career development. The purpose of the program is to insure the Department's having a sufficient number of mid and top-level executives highly skilled in modern management methods for achieving effective management of HEW's programs.

Mr. CONTE. Can you tell me what it has accomplished to date?

Mr. YOUNG. Generally speaking, there are two phases to the executive development program. The first consists of establishing the administrative process by which needs are identified and participants are selected and the second phase includes delivering and evaluating the required training. Since the executive development program was formally initiated in June 1973, progress has been achieved in the area of administrative processes and controls. Departmental oversight of agency career development programs has been strengthened. We are more effective in relating such programs as the Federal Executive Institute, Congressional Operations Fellowship, the President's Personnel Interchange, and long-term academic training, to Department-wide needs. An automated system has been implemented to allow centralized monotoring of program participation. Formal plans have been prepared for the Department, several agencies, and the regional offices. The plans stress the creation of a systematic process for determining needs, identifying participants, and selecting training resources.

At this stage of the program we have established administrative controls for achieving consistency and effectiveness in the use of development resources throughout the Department. The next stage is to provide the training identified as most serving the Department's managerial needs.

INCREASE IN LITIGATION

Mr. CONTE. To what do you attribute the tremendous increase in litigation in our human resource and education programs?

Mr. YOUNG. The 92 cases we anticipate in fiscal year 1976 in our education programs represent new areas of administrative litigation caused by title I, Elementary and Secondary Education Act audit disputes, the revitalization of enforcement under the guaranteed student loan program, the set aside of funds to service private schoolchildren directly under the bypass provisions applied to title I and IV, ESEA by Public Law 93–380, termination of all Office of Education funds to educational institutions which fail to conform voluntarily to the student privacy requirements of the Family Educational Rights and Privacy Act of 1974 (section 438 of the General Education Provisions Act), and appeals to the Commissioner by applicants or recipients aggrieved by action of State educational agencies in State-administered programs under section 425, GEPA added by Public Law 93–380.

Quality control and medicaid cases are responsible for the increase in litigation in our human resource programs. Quality control is a secretarial initiative to reduce the incidence of erroneous welfare (aid to families with dependent children) payments to persons not eligible for those funds. Regulations to disallow expenditures based on the quality control system became effective in fiscal year 1975. As a result, a total of 15 States and one county welfare department have already brought suit against the Department.

During fiscal year 1974 and fiscal year 1975 there was a strong Secretarial initiative to enforce long term care standards. As a result, HEW has already brought suit against one State for failure to abide by its medicare and medicaid commitments. The Department has also been sued by six nursing homes and two intermediate care facilities that were being terminated from the medicaid program.

The Department has formulated new utilization review requirements designed to save the public the cost of unnecessary care. The American Medical Association has already brought suit against the Department challenging the constitutionality of these requirements. Implementation of new statutory requirements regarding disclosure of information concerning providers has resulted in litigation with two nursing facilities to date.

These two areas, quality control and medicaid, are expected to result in 17 additional court cases in fiscal year 1976.

PERSONAL PROPERTY TRACKING SYSTEM

Mr. CONTE. Why do you need a tracking system for personal property?

Mr. YOUNG. An automated tracking system is necessary to account for and control the estimated $2 million in departmental management personal property.

Mr. CONTE. What kind of personal property are you talking about?

Mr. YOUNG. The property consists of office furniture, furnishings and equipment, printing and reproduction equipment and automated data processing equipment. Equipment loaned to contractors and grantees is also tracked under this system.

Mr. CONTE. Can't you keep track of it now?

Mr. YOUNG. The present system is a manual card posting type operation established when the Departmental Management appropriation had a personnel strength of 300 to 400. Recent surveys proved this system to be inadequate to meet current Department needs.

DEPARTMENTAL PUBLICATIONS MONITORING

Mr. CONTE. Are you still monitoring the number of departmental publications in your Public Information Office. How many did you put out this year? How does this compare to previous years? What about 1976?

Mr. YOUNG. Yes, we continue to monitor the number of publications produced and distributed by the Department through our Departmental Publications Management Information System (DPMIS) which is a computer tracking system. In addition, we also receive information about planned publications by means of our system of evaluating publications at the concept stage.

During this current fiscal year, 1975, and the coming fiscal year, 1976, we expect to publish about 1,000 publications. A comparison for previous years is listed below:

Fiscal year:	
1972	1,537
1973	1,574
1974	988

FREEDOM OF INFORMATION

Mr. CONTE. Why has the caseload of the Office of Public Affairs increased as a result of the Freedom of Information Act?

Mr. YOUNG. The increased caseload, of course, is not limited to the Office of Public Affairs but is a problem we share with the rest of Government.

At first we experienced a not unexpected continuing rate of increase in the numbers of formal requests. During our first 4 years of administration of the Act we handled a total of 368 formal requests and the caseload had been increasing steadily during that period.

By 1974 this had increased to over 1,300 cases.

During the first 3 months of this year our Food and Drug Administration alone handled 1,165 requests. They have assigned 5 full-time and 2 part-time personnel to handle the caseload.

We attribute the explosion of requests primarily to publicity, particularly recent publicity, about the Act.

There has been the publicity surrounding the more than 200 court cases that have now been decided and reported in the news media. Some of these cases reached the Supreme Court and were reported nationally.

There was the publicity given the House and Senate hearings on Government's performance in administering the Act and the proposals for amending it and the ensuing legislative action.

Organizations such as Ralph Nader's Freedom of Information Clearinghouse have made broad distribution of manuals like "The Freedom of Information Act: What It Is and How To Use It" or the American Civil Liberties Union's "Your Right to Government In-

formation—How To Use the FOIA." Many of these groups also offer consultation services, often at no cost.

Many of these organizations have joined in explaining the FOIA and the amendments through public seminars. In fact, we have briefed nearly 5,000 HEW employees and other Government employees about the Act. Another factor in this increase has been the climate of our times since most of this publicity has taken place during a time when the public has been concerned about credibility and secrecy in Government.

Yet another factor is the nature and mission of the Department. Our more than 350 programs touch the lives of every American and there is, quite naturally, a great deal of interest in how we administer these.

And, finally, the provisions in the amendments establishing stringent time limits, sanctions against Government employees who "arbitrarily or capriciously" withhold information, and payment of attorneys' fees and court costs have encouraged more requests which are more forcefully pursued.

This is not to say that this Department does not fully subscribe to the intent of the Freedom of Information Act and strive to administer it effectively. We have, as a matter of fact, been cited by Congressmen John E. Moss and William S. Moorhead, both of whom served as chairmen of the Subcommittee on Foreign Relations and Government Information, as well as others, as a model for other Federal agencies in administering the Act.

Mr. CONTE. What sort of cases are these?

Mr. YOUNG. Requests made of us under the Freedom of Information Act are as broad and varied as the Department's programs.

Some reporters, but more particularly freelance writers and special-interest press representatives with more freedom to pursue indepth stories, use the Act.

Many requests come from the public-interest-oriented organizations or special-interest groups asking for studies or evaluations we've made, audit reports on contractor performance, nursing home survey reports, regulations or proposed regulations, applications for grants or contracts, manual materials and the like.

We also receive requests from attorneys representing food, drug, and cosmetic manufacturers or processors; clients who have been injured or adversely affected by contaminated products, fraudulent devices, and so forth; unsuccessful contract bidders.

Requests come from employees or clients of institutions found not to be in compliance with the Civil Rights Act; from our own employees involved in grievances or adverse actions; or from individuals asking for information about our employees and officials.

Lately, because of publicity about the Privacy Act of 1974, we've received a substantial volume of requests from individuals asking for copies of all information maintained about them.

Mr. CONTE. What did you previously hide that now has to be released?

Mr. YOUNG. Nothing. The fact is that we simply weren't being asked. The Department has been described as "a vast storehouse of knowledge" and it has sometimes been said that if HEW has a product, it is information.

Both of these are true. Our main problem is not withholding information but getting information out to those who need to know about the benefits and services available to them from the Department.

DEPARTMENTAL OUTLAY FORECASTING

Mr. CONTE. In the Comptroller's office, how do you intend to improve departmental outlay forecasting?

Mr. YOUNG. A year ago, we assembled a task group composed of staff drawn from the Office of Finance, HEW audit, HEW operating agencies, GSA, Treasury, and OMB. The group was charged with examining problems associated with outlay forecasting and with recommending improvements for estimating and tracking outlays by HEW agency. The task group has issued a draft report and is now completing its final report. The report will be distributed to heads of principal HEW operating components, who will be held responsible for implementing the task force recommendations, under the leadership of the Deputy Assistant Secretary, Finance.

EMPLOYMENT OF WOMEN AND MINORITIES

Mr. CONTE. Can you tell me about your efforts in the employment of women and minorities in positions of responsibility during the past year?

Mr. YOUNG. From December 1972 through December 1974 the total number of positions in grade 13–15 increased by 2,055. The total number of minorities increased from 9.7 percent to 11.5 percent, an increase of 668 positions. The total number of women increased from 14.4 percent to 15.3 percent, an increase of 421 positions. All categories increased in percentage except for nonminority men since December 1972.

EMPLOYMENT OF VIETNAM VETERANS

Mr. CONTE. I'm glad to see that a special emphasis will be placed on the employment of Vietnam veterans this year. Can you tell me how this will be done?

Mr. YOUNG. In the next few days, Secretary Weinberger will issue a statement to key Department managers calling attention to the new legislation regarding the employment of disabled veterans, expressing his strong support for the program to hire Vietnam veterans, and stating his expectation that Department officials will make special efforts to recruit qualified veterans.

Mr. CONTE. Do you have a Vietnam veteran employment target number?

Mr. YOUNG. We have not set target numbers for the various components of the Department, since employment opportunities will vary widely from agency to agency. We are, however, setting up a system for monitoring progress, and reports to management officials will be made on a regular basis to reflect the status of the Vietnam veterans hiring progam. These reports will emphasize progress in various organizational components, and will point up areas where improvement is needed. I shall watch these reports to make sure the Secretary's expectations are met.

RESCISSIONS AND DEFERRALS

Mr. CONTE. Mr. Young, can you tell me how many man-years have been expended this year on rescissions and deferrals?

Mr. YOUNG. There has not been a record kept of the time spent on rescissions and deferrals, but a good estimate is approximately 5 man-years.

INCREASES BY CENTRAL/REGIONAL OFFICE

Mr. CONTE. Of the 310 new positions you are requesting, how many are for your central office and how many for regional offices?

Mr. YOUNG. Of the 310 new positions requested for fiscal year 1976, 96 are for headquarters and and 214 will be located in the regions.

Mr. CONTE. Can you break down the $12 million increase the same way—by central and regional offices?

Mr. YOUNG. We estimate that approximately $4.4 million would be obligated at headquarters with $7.5 million in the regions. Of the $7.5 million, $4.1 million would support the 214 new regional positions.

WAIVER OF FEDERAL NURSING HOME STANDARDS

Mr. CONTE. Your justification says that termination actions or State requests for waiver of Federal standards will involve approximately one-third of the 9,500 intermediate care facility nursing homes in the medicaid program. Why is this number so high? Under what circumstances are Federal standards waived?

Mr. FRANKLIN. The Department estimates that termination actions and waiver requests may involve up to one-third of the 9,500 intermediate care facilities (ICF's) in the medicaid program. We expect the number of actions to be significant for several reasons. First, many of the ICF's had been skilled nursing homes (SNF's) and had changed their status to avoid meeting the SNF requirements. Now that ICF's are to be regulated and must meet many of the same requirements as SNF's, we anticipate a number of waiver requests and terminations from this source. Second, the advent of regulation for ICF's that have never been SNF's means that a number of facilities which at best operated under a State licensure program must for the first time meet extensive life safety, health, and social service standards. Third, many ICF's are old facilities physically with a number using older residences converted to ICF use. It will be difficult and in a number of cases impossible for a number of these facilities to comply with even minimum standards.

Federal standards are only to be waived when the facet of life safety and health, an individual standard is designed to insure, may be met in an alternative fashion. For example the requirement for a sprinkler system may be waived if the building is judged to meet construction standards that would render the building as safe as if it were sprinkled. The philosophy is that there may be alternative approaches to achieving the goals on which Federal standards are based and the waiver process allows necessary administrative flexibility.

Mr. CONTE. Thank you.

Mr. FLOOD. Thank you, gentlemen.

Mr. YOUNG. Thank you, Mr. Chairman.

Justification of the Budget Estimates

21.

Appropriation Estimate

General DEPARTMENTAL MANAGEMENT[1]

For expenses, not otherwise provided, necessary for Departmental Management, including hire of six medium sedans, [and for carrying out, to the extent not otherwise provided, section 1110 of the Social Security Act, $82,722,000][2] *$93,035,000* together with not to exceed [$8,226,000] *$12,751,000* to be transferred and expended as authorized by section 201(g)(1) of the Social Security Act from any one or all of the trust funds referred to therein[; and not to exceed $29,000 to be transferred from "Revolving fund for certification and other services," Food and Drug Administration].[3]

For "General Departmental Managment" for the period July 1, 1976, through September 30, 1976, $24,106,000, including hire of six medium sedans: Provided, That in addition, not to exceed $3,284,000 may be transferred and expended as authorized by section 201(g)(1) of the Social Security Act, from any one or all of the trust funds referred to therein.

Explanation of Language Changes

1. The FY 1976 appropriation title "General Departmental Management" represents a change from the FY 1975 title "Departmental Management". The term "Departmental Management" now refers to three appropriations: Office for Civil Rights, General Departmental Management and Policy Research.

2. Lanaguage allowing expenditure of funds for Policy Research under section 1110 of the Social Security Act and section 232 of the Community Services Act of 1974 has been separated from the General Departmental Management appropriation language and is shown as a separate Policy Research appropriation in the FY 1976 budget.

3. Language allowing transfer of $29,000 from the Food and Drug Administration has been deleted.

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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

DEPARTMENTAL MANAGEMENT

General Departmental Management

Amounts Available for Obligation

	1975 Revised	1976
Appropriation	$82,722,000	$93,035,000
Continuing Resolution (Policy Research)	18,810,000	---
Proposed Supplementals	4,551,000 1/	---
Subtotal, adjusted appropriation	106,083,000	93,035,000
Comparative transfers to:		
Departmental Management, "Policy Research", for all policy research studies	-29,260,000	---
Comparative transfers from:		
Social Security Administration, "Limitation on Salaries and Expenses", for Long-term Care functions; Supplemental security income and disability insurance program overhead functions; Consolidated regional public affairs functions; Employee grievance function; and public affairs information system	4,527,000	---
Social and Rehabilitation Service, "Limitation on Salaries and Expenses", for long-term care function; Public affairs information system; and Region X Director's Office support	1,860,000	---
Office of Education, "Salaries and Expenses", for guaranteed student loan legal function, and public affairs information system	59,000	---
National Institute of Education for public affairs information system	1,000	---
Assistant Secretary for Health for project start coordination	14,000	---
National Institutes of Health, "Office of the Director", for public affairs information system	7,000	---
Food and Drug Administration, "Salaries and Expenses", for appropriated legal functions and public affairs information system	202,000	---
Health Resources for long-term care function; Consolidated regional public affairs function, and public affairs information system	161,000	---
Alcohol, Drug Abuse, and Mental Health for Consolidated regional public affairs functions, and public affairs information system	30,000	---
Health Services for long-term care function, Consolidated regional public affairs function; and public affairs information system	1,623,000	---
Center for Disease Control, "Preventive Health Services", for consolidated regional public affairs	28,000	---
Subtotal, comparative transfers from	8,512,000	---
Subtotal, Budget authority	85,335,000	93,035,000
Receipts and reimbursements from:		
Federal funds	29,000	---
Trust funds	8,226,000	12,751,000
Total obligations 1/ 2/	93,590,000	105,786,000

1/ Includes: $2,000,000 requested in addition to the $18,810,000 Continuing Resolution level for Policy Research; $87,000 for health insurance required by P.L. 93-246; and $2,464,000 for pay raises.

2/ Excludes the following amounts for reimburseable activities carried out by this account: 1975 - $11,701,000; 1976 - $5,832,000.

Summary of Changes

1975 estimated obligations	$91,039,000
PLUS: 1975 proposed supplementals	2,551,000
1975 revised obligations	93,590,000
1976 estimated obligations	105,786,000
Net change	+12,196,000

	1975 Base Pos.	1975 Base Amount	Change from Base Pos.	Change from Base Amount
Increases				
A. Built-in:				
1. Annualization of October 1974 pay raise and of the Health Benefits increase (P.L. 93.246)	---	---	---	$+1,113,000
2. Extra day's pay	---	---	---	+263,000
3. Reimbursement to the Working Capital Fund and other increased administrative costs	---	---	---	+810,000
4. Anticipated increases in charges for space and building management services by the GSA	---	---	---	+2,232,000
5. President's Commission on Olympic Sports	---	---	---	+270,000
Subtotal	---	---	---	+4,688,000
B. Program:				
1. New FY 1976 Positions:				
A. Departmental Direction	1,435	38,717,000	+79	+1,449,000
B. Departmental Operations	1,595	54,873,000	+246	+4,510,000
Subtotal, new positions	3,030	93,590,000	+325	+5,959,000
2. Other Increases:				
A. South Portal Building	---	---	---	+800,000
B. Executive Development Program	---	---	---	+907,000
C. Facilities Engineering Management System	---	---	---	+125,000
D. Restoration of audit lapse	---	---	---	+800,000
E. Other special requests	---	---	---	+292,000
Subtotal, other funds	---	---	---	+2,924,000
Total, increases	xxx	xxx	+325	+13,571,000
Decreases:				
B. Program:				
1. Positions	---	---	-15	-275,000
2. Other funds - audit contracts	---	---	---	-1,100,000
Total, decreases	---	---	-15	-1,375,000
Total, net change	---	---	+310	+12,196,000

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Explanation of Changes

Increases:

A. Built-in:

1. Annualization of the October 1974 pay raise, $1,113,000. This is included in the subactivities as follows: Executive Direction, $118,000; Public Information, $14,000; Financial Management, $61,000; Administrative Management, $185,000; Field Management, $87,000; General Counsel, $75,000; Audit Agency, $290,000; Facilities Engineering, $138,000; Long-Term Care, $80,000; Legal Services, $65,000.

2. One more working day than in FY 1975, $263,000. This is included in the subactivities as follows: Executive Direction, $23,000; Public Information, $3,000; Financial Management, $13,000; Administrative Management, $41,000; Field Management, $24,000; General Counsel, $20,000; Audit Agency, $69,000; Facilities Engineering, $31,000; Long-term care, $22,000; Legal Services, $17,000.

3. Reimbursement to the Department's Working Capital Fund for General Departmental Management's share of increased administrative costs composed of: 1) increased charges for annualized new FY 1975 WCF positions; and 2) charges for increased FY 1976 WCF services. Also reflects increased costs for other administrative expenses including FTS, commercial telephones, and postage, $810,000.

   This is included in the subsactivities as follows: Executive Direction, $79,000; Public Information, $9,000; Financial Management, $45,000; Administrative Management, $128,000; Field Management, $45,000; General Counsel, $50,000; Audit Agency, $222,000; Facilities Engineering, $96,000; Long-term Care, $43,000; Legal Services, $93,000.

4. Anticipated increases in charges for space and building management services by the General Services Administration as required by the Public Buildings Amendments of 1972 (P.L. 92-313), $2,232,000. Funds requested for space are placed in the Facilities Engineering sub-activity. Of the $2,232,000 requested, $434,000 is related to the 310 new positions requested for General Departmental Management.

5. President's Commission on Olympic Sports, $270,000. FY 1975 costs for the Commission were covered by a reprogramming of funds from Policy Research. Policy Research in FY 1976 is requested as a separate appropriation. The increase of $270,000 would permit continued operation of the Commission in the General Departmental Management appropriation at the FY 1975 level.

B. Program:

1. New FY 1976 Positions

   A. Departmental Direction

   An increase of 79 new positions and $1,449,000 is requested. These positions are requested for the following activities, which support the Secretary in his role as the Department's principal policy officer and general manager.

a. Executive Direction - Two positions for the Assistant Secretary for Legislation would provide increased clerical support. Four positions for the Assistant Secretary for Planning and Evaluation would conduct analyses of Federal education research and experiments pertinent to reform of current disability and long-term care systems.

b. Administrative Management - An increase of 43 positions is requested. Twenty-six would improve the grant and procurement activities of the Agencies. The request would permit careful review and evaluation of the Department's grant and contract awarding organizations; development of improved regulations; improved supply procurement and property management; and automated systems to provide comprehensive data on the Department's 60,000 grants and contracts.

An increase of twelve positions is requested for the Investigations staff. The additional staff would permit timely investigation of allegations of program fraud especially in the areas of Medicaid payments and the Guaranteed Student Loan program.

Five new positions would strengthen the Fair Information Practice staff whose mission is to implement the Privacy Act of 1974. The staff will implement guidelines for safeguarding the privacy of personal data stored in the Department's various data systems.

c. General Counsel - Thirty new positions are requested. Thirteen would permit a partial legal review (13% sample) of the 60,000 grants and contracts awarded annually by the Department. This review, on a preaward basis, would help solve legal problems before they arise and would prevent abuses such as postdating of contracts.

Seventeen positions would be allocated to the headquarters program divisions for increased legal services. The Public Health Division (+6) must provide services for new programs for health resource planning, health maintenance organizations, and professional standards review organizations. At least 27 sets of regulations, 65 adversary actions, 20 law suits and 50 hearings will result from these new programs. The Human Resources Division (+5) faces a 37% increase in its litigation workload in the areas of quality control and Medicaid. The Education Division (+6) must meet increased litigation workloads related to education programs. Eighty two new court cases are anticipated under the Guaranteed Student Loan Program; the General Education Provisions Act; and Titles I and IV of the Elementary and Secondary Education Act.

B. Departmental Operations

An increase of 240 positions and $4,510,000 is requested. The positions are requested for the following activities, which provide specialized services on a central basis to the operating agencies.

a. Long-Term Care - One hundred and twenty six (126) new positions would enforce new Federal standards in the approximately 9,500 Intermediate Care Facility nursing homes which participate in the Medicaid program. These facilities are subject to Federal regulations for the first time in 1976.

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b. Facilities Engineering - Twenty three new positions would provide 20 additional professional engineers to validate State fire authority surveys of the approximately 9,500 Intermediate Care Facilities which receive Medicaid funds and which are subject to new Federal regulations for the first time in 1976. Three positions would support a facilities planning process essential to implementation of the Public Buildings Amendments (P.L. 92-313).

c. Legal Services - Sixty new positions are requested to handle increased Social Security litigation. Estimated new court cases to be filed in FY 1976 are 7,640, a 230% increase from the FY 1973 level of 2,300.

d. Audit Agency - Thirty seven new positions would increase internal reviews of DHEW management practices especially as these affect grant awards (+15); provide greater audit coverage of providers, particularly nursing homes, participating in Medicare and Medicaid (+15); and increase audits of 4,000 non-profit organizations doing business with the Department(+7).

2. Other Increases

a. South Portal Building, Facilities Engineering - $800,000 - The South Portal Building was designed according to the open office concept with large open interior space. Adjustable area dividers permit maximum flexibility and efficiency of space use. The request would permit purchase of the necessary visual and acoustic screening in addition to health unit and communications equipment. Although a limited amount of furniture will be purchased with $353,000, more than 80% of the working space will be furnished with existing equipment accompanying transferred employees.

b. Executive Development Program, Administrative Management - $907,000- These funds would support formal training and developmental mobility assignments for approximately 1,835 selected department-wide executives in the GS-13 to GS-18 grade range. The request would support training activities provided by the CSC, Brookings Institute, Federal Executive Institute, in-house seminars and temporary change of duty station for on-the-job training.

c. Facilities Engineering Automated Management System (FEAMS), Facilities Engineering - $125,000 - FEAMS will provide a complete inventory of the Department's 25,000,000 feet of space at 2,800 locations. This is important to successful budgeting and financing of space under the Public Buildings Amendments (P.L. 92-313).

d. Restoration of Audit Lapse, Audit Agency - $800,000 - This request would provide full funding for all positions currently authorized for the HEW Audit Agency. This increase will allow the Audit Agency to overcome past underfinancing to fill all positions currently authorized.

e. Other Special Requests, Administrative Management - $292,000 - The increase would permit the Assistant Secretary for Administration and Management to perform a variety of jobs important to efficient program management. $43,000 would permit development of a Contract Information System and a Grant Information System. A comprehensive inventory of the 60,000 grants and contracts awarded annually is essential to implementation of an integrated Agency grant, procure-

ment and materiel system. $80,000 would establish a central control system for tracking Departmental Management personal property; $63,000 would move headquarters employees located in other S.W. buildings into the HEW North Building to replace employees moved to the South Portal Building; $106,000 would fund analysis of methods to make DHEW management information systems accessible to all potential users and to consolidate approximately 30 data collection networks -- e.g. Center for Disease Control epidemiological data -- into 3 high speed networks. Utility cost savings are anticipated.

Decreases:

B. Program:

1. Positions - A decrease of 15 positions and $275,000 is included in the Field Management activity.

2. Other funds - Funds were previously transferred to Audit from the Social Security trust funds to permit contracts for audits of Medicare direct dealing providers. Audit will no longer require these funds because the contracting will be handled directly by the Social Security Administration, -$1,100,000.

28.

Obligations by Activity

	1975 Enacted	1975 Revised	1976 Estimate	Increase or Decrease
1. Departmental Direction:				
Executive Direction:				
Secretary and Under Secretary	$ 2,162,000	$ 2,224,000	$ 2,278,000	+$54,000
Positions	80	80	80	--
Assistant Secretary for Legislation	925,000	958,000	1,025,000	+67,000
Positions	42	42	44	+2
Assistant Secretary for Planning and Evaluation	4,006,000	4,178,000	4,387,000	+209,000
Positions	167	167	171	+4
Subtotal	$ 7,093,000	$ 7,360,000	$ 7,690,000	+330,000
Positions	289	289	295	+6
Public Information	$ 1,385,000	$ 1,417,000	$ 1,443,000	+$26,000
Positions	30	30	30	--
Financial Management	4,580,000	4,718,000	4,837,000	+119,000
Positions	164	164	164	---
Administrative Management	11,231,000	11,643,000	13,984,000	+2,341,000
Positions	458	458	501	+43
Field Management	8,237,000	8,622,000	8,503,000	-119,000
Positions	294	294	279	-15
General Counsel	4,786,000	4,957,000	5,652,000	+695,000
Positions	200	200	230	+30
President's Commission on Olympic Sports	(270,000) 1/	(270,000) 1/	270,000	+270,000
Subtotal, Departmental Direction	$37,312,000	$38,717,000	$42,379,000	+$3,662,000
Positions	1,435	1,435	1,499	+64
2. Departmental Operations:				
Audit Agency	$22,684,000	$23,353,000	$24,312,000	+$959,000
Positions	834	934	871	+37
Facilities Engineering:				
Facilities Engineering	8,910,000	9,238,000	10,850,000	+1,612,000
Positions	372	372	395	+23
SLUC (GSA Space Rent)	11,522,000	11,522,000	13,754,000	+2,232,000
Long-Term Care	4,725,000	4,725,000	7,180,000	+2,455,000
Positions	199	199	325	+126
Legal Services	5,886,000	6,035,000	7,311,000	+1,276,000
Positions	190	190	250	+60
Subtotal, Departmental Operations	$53,727,000	$54,873,000	$63,407,000	+$8,534,000
Positions	1,595	1,595	1,841	+246
Total Obligations	$91,039,000	$93,590,000	$105,786,000	+$12,196,000
Positions	3,030	3,030	3,340	+310

1/ FY 1975 costs for the Commission were covered by a reprogramming of funds from Policy Research. Policy Research in FY 1976 is requested as a separate appropriation. The increase of $270,000 for FY 1976 would permit continued operation of the Commission in the General Departmental Management appropriation at the FY 1975 level.

Obligations by Object

	1975 Enacted	1975 Revised	1976 Estimate	Increase Decrease
Total number of permanent positions	3,030	3,030	3,340	+310
Full-time equivalent of all other positions	170	170	182	--
Average number of all employees	3,039	3,039	3,268	+229
Personnel compensation:				
Permanent positions	56,325,000	58,542,000	64,775,000	+6,233,000
Positions other than permanent	2,403,000	2,465,000	2,657,000	+192,000
Other personnel compensation	228,000	228,000	228,000	---
Military personnel	410,000	410,000	417,000	+7,000
Total, personnel compensation	59,366,000	61,645,000	68,077,000	+6,432,000
Personnel benefits:				
Civilian personnel	4,661,000	4,933,000	5,520,000	+587,000
Military personnel	74,000	74,000	75,000	+1,000
Travel and transportation of persons	3,156,000	3,156,000	3,675,000	+519,000
Transportation of things	238,000	238,000	254,000	+16,000
Rents, communications, and utilities	13,929,000	13,929,000	16,571,000	+2,642,000
Printing and reproduction	754,000	754,000	816,000	+62,000
Other services	8,230,000	8,230,000	10,116,000	+1,886,000
Supplies and materials	421,000	421,000	458,000	+37,000
Equipment	210,000	210,000	224,000	+14,000
Total, Obligations by object	91,039,000	93,590,000	105,786,000	+12,196,000

30.

Significant Items in House and Senate Appropriations Committee Reports

ITEM	Action taken
1975 Senate Report	
DEPARTMENTAL MANAGEMENT	
1. Requirement to finance 17 additional auditors with funds from other activities (page 97)	A total of 17 positions and $295,000 have been reprogrammed from Planning and Evaluation (1 position); Field Management (3 positions); General Counsel (3 positions); Administrative Management (8 positions) and Other Financial Management (2 positions) into the Audit Agency.

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
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
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:				
Appropriation	$49,084,000	$47,114,000	$47,114,000	$47,114,000
SSA transfer	5,788,000	5,696,000	5,696,000	5,696,000
BFCU transfer	38,000	---	---	---
FDA transfer	29,000	29,000	29,000	29,000
1972:				
Appropriation	$49,086,000	$49,086,000	$49,086,000	$49,086,000
SSA transfer	5,926,000	5,926,000	5,926,000	5,926,000
FDA transfer	29,000	29,000	29,000	29,000
1973:				
Appropriation	$59,956,000	$60,648,000	$60,648,000	$60,648,000
SSA transfer	9,324,000	9,546,000	9,546,000	9,546,000
FDA transfer	29,000	29,000	29,000	29,000
1974:				
Appropriation	$72,247,000	$70,247,000	$65,947,000	$65,947,000
SSA transfer	11,211,000	11,211,000	11,211,000	11,211,000
FDA transfer	29,000	29,000	29,000	29,000
1975:				
Considered	$92,301,000	$88,341,000	$73,125,000	$77,093,000
Proposed supplemental	2,551,000	2,551,000	2,551,000	2,551,000
SSA transfer	13,917,000	13,917,000	13,917,000	13,917,000
FDA transfer	29,000	29,000	29,000	29,000
1976:				
Appropriation	$93,035,000			
SSA transfer	12,751,000			

1/ $13,917,000 is a comparable figure and represents $8,226,000 actually appropriated in FY 1975 and $5,691,000 for comparative transfers related to Long-term Care and Supplemental Security Income.

32.

NARRATIVE JUSTIFICATION

	1975 Enacted	1975 Revised	1976	Increase or Decrease
Personnel compensation and benefits	$64,101,000	$66,652,000	$73,672,000	+$ 7,020,000
Positions	3,030	3,030	3,340	+310
Other expenses	26,938,000	26,938,000	32,114,000	+ 5,176,000
Total	$91,039,000	$93,590,000	$105,786,000	+$12,196,000
Positions	3,030	3,030	3,340	+310
Activities:				
Departmental Direction	$37,312,000	$38,717,000	$42,379,000	+$ 3,662,000
Positions	1,435	1,435	1,499	+64
Departmental Operations	53,727,000	54,873,000	63,407,000	+ 8,534,000
Positions	1,595	1,595	1,841	+246
Total	$91,039,000	$93,590,000	$105,786,000	+$12,196,000
Positions	3,030	3,030	3,340	+310

General Statement

The General Departmental Management appropriation supports two basic categories of activities: 1) those closely associated with the Secretary's roles as policy officer and general departmental manager, and 2) specialized staff services which are performed for the operating Agencies on a central basis to achieve economy of scale and eliminate duplication of effort.

The FY 1976 budget request is $105,786,000 and 3,340 positions, an increase of $12,196,000 and 310 positions over the FY 1975 level. The "Departmental Operations" portion of this total is $63,407,000 and 1,841 positions. This represents 60% of total dollars and 55% of total positions requested for FY 1976. Of the requested increase $8,534,000 (71%) and 246 (79%) positions are for "Departmental Operations".

Departmental Direction - The policy and general management role of the Secretary is reflected in the "Departmental Direction" portion of the budget which includes $42,379,000 and 1,499 positions in FY 1976. This portion encompasses activities which involve departmental policy and activities directly related to the general management of the Department. Although some activities include considerable operational components, these components are not sufficiently distinct to warrant inclusion in "Departmental Operations" activities which are listed as follows:

-- Executive Direction encompasses the immediate office of the Secretary and Under Secretary; staff to develop the Department's legislative program; and staff to coordinate program planning and evaluation;

-- The Public Information activity provides the public with information concerning the Department's programs and policies;

-- Financial Management includes oversight of the Department's budget and financial operations;

-- The Administrative Management activity provides direction to all non-financial, administrative operations of the Department. These operations include personnel, training and career development; grants and procurement; equal employment opportunity; environmental policy; investigations and security; safety and printing management; and Agency data systems management;

-- Field Management includes the staff of the 10 Regional Directors who provide general management of the Department's regional programs;

-- The General Counsel provides legal services related to the Department's programs with the exception of the Food and Drug and Social Security Administrations. Services related to general management problems and to development of legislative proposals are also provided.

Departmental Operations - The service role of the Secretary is reflected in the "Departmental Operations" portion of the budget request which includes $63,407,000 and 1,841 positions in FY 1976. This portion includes the four Secretarial activities which perform service workloads generated by Agency program operations. These activities are listed below:

-- The Audit Agency assures that the Department's programs are conducted with maximum efficiency and integrity by both its own employees and the 50,000 entities which execute 250 programs;

-- Facilities Engineering and Property Management directs all facilities operations within the Department; guides construction by organizations receiving Federal funds; and conducts a program to channel U.S. Government surplus property into health, education and welfare related purposes;

-- The Long-term Care activity directly benefits the public through enforcement of Federal regulations governing standards of care in the nation's nursing homes;

-- The Legal Services activity, conducted by the Department's General Counsel, performs the legal workloads, primarily litigation, of the Social Security Administration and Food and Drug Administration.

34. Executive Direction

	1975 Enacted	1976 Revised	1976	Increase or Decrease
Personnel compensation and benefits	$5,717,000	$5,984,000	$6,215,000	+$231,000
Positions	289	289	295	+6
Other expenses	$1,376,000	$1,376,000	$1,475,000	+$ 99,000
Total	$7,093,000	$7,360,000	$7,690,000	+$330,000
Positions	289	289	295	+6
Subactivities:				
Secretary and Under Secretary	$2,162,000	$2,224,000	$2,278,000	+$ 54,000
Positions	80	80	80	---
Assistant Secretary for Legislation	925,000	958,000	1,025,000	+ 67,000
Positions	42	42	44	+2
Assistant Secretary for Planning and Evaluation	4,006,000	4,178,000	4,387,000	+ 209,000
Positions	167	167	171	+4
Total	$7,093,000	$7,360,000	$7,690,000	+$330,000
Positions	289	289	295	+6

General Statement

The staff offices supported by this activity assist the Secretary in policy formulation and direction for the operating programs of the Department. In addition to direct staff for the Secretary and Under Secretary, the activity supports development of the Department's legislative program, liaison with Congress and program planning and evaluation. The Assistant Secretary for Planning and Evaluation also manages the Policy Research program, which is a separate appropriation request in FY 1976.

Office of the Assistant Secretary for Legislation

The Assistant Secretary for Legislation with a FY 1975 staff of 42 positions, assists in the development of the Department's legislative program. He coordinates these proposals with the agencies of HEW, the Office of Management and Budget, the White House, the Congress, and other interested parties. This office provides information to the staffs and Members of Congress concerning HEW activities. This office participated in the development or revision of approximately 30 different pieces of legislation during FY 1975 and expects to work on 45 different pieces of Legislation before the end of FY 1976. The Congressional Liaison office handled approximately 20,000 letters received in FY 1974 from Members of Congress, and responded to between 300 and 400 telephone inquiries a day from Congressional offices.

An increase of two clerical positions is requested in FY 1976. One position would provide clerical support for development of new education legislation, and the other position would provide a special messenger for prompt delivery of correspondence, testimony and other materials to Members of Congress, the Executive Branch, and other affected offices.

Office of the Assistant Secretary for Planning and Evaluation

The Assistant Secretary for Planning and Evaluation is the principal advisor to the Secretary on health, education, and welfare policy planning and program evaluation. He also performs an advocacy role for women and minority groups. The FY 1975 staff level is 167 positions. Four new positions are requested for FY 1976.

The Assistant Secretary also administers the Policy Research activity included in FY 1975 as part of the Departmental Management appropriation. Because this research activity is essentially a program function, a separate FY 1976 appropriation for Policy Research has been requested. The Assistant Secretary will continue to administer Policy Research.

FY 1975 Accomplishments:

-- Education Policy was reviewed in the following areas: ESEA Title I allocation formulas, categorical Federal support of education, new delivery systems for postsecondary student grants and loans, change agents in the education of disadvantaged students, and Federal programs for the handicapped;

-- Major research was initiated in the areas of Disability and Long-Term Care to define and understand disabilities, to examine alternatives to institutional care, and determine the appropriate roles of private and public providers of service;

-- The Special Concerns office conducted research into the Educational Needs of Puerto Ricans, barriers to women in health professions schools, changes necessary in social security to establish equality on the basis of sex, and human resource programs as they relate to Black Americans;

-- The Gary Income Maintenance Experiment, funded under Policy Research, conducted field operations and the Office began a year of final analysis of the experimental data. The Health Insurance experiment, also funded under Policy Research, became fully operational in its first site with the successful enrollment of 500 experimental and 300 control families;

-- Work continued in designing the Administration's Comprehensive Health Insurance Plan. With the end of the Economic Stabilization Act on April 30, 1974, the Department stepped up implementation of its existing cost control authorities.

Program Plans - FY 1976

Four new positions are requested for FY 1976. One position would be utilized for analyzing the needs of educationally disadvantaged citizens and the current status of Federal education research. Two positions would permit a variety of experiments required to develop a major reform of disability and long-term care systems. One position would analyze the extent and causes of under-utilization of DHEW services by Asian Americans. Additional FY 1976 plans are to:

-- Provide greater Regional Office and State and local governmental involvement in development of DHEW policy;

-- Develop an income survey to supplement current census data;

-- Continue development of health insurance policy, and provide guidance in controlling the steadily inflating costs of medical care.

36.

Public Information

	1975 Enacted	1975 Revised	1976	Increase or Decrease
Personnel Compensation and benefits	$1,116,000	$1,148,000	$1,165,000	+$17,000
Positions	30	30	30	---
Other expenses	$ 269,000	$ 269,000	$ 278,000	+$ 9,000
Total	$1,385,000	$1,417,000	$1,443,000	+$26,000
Positions	30	30	30	---

General Statement

The Office of the Assistant Secretary for Public Affairs coordinates the Department's public affairs efforts and administers the Freedom of Information Act. No additional positions are requested for FY 1976.

Accomplishments FY 1976

-- Revisions to the Department's Freedom of Information Regulations helped reduce the response time on FOI requests from 54 to 16 days. The office also participated in the development of regulations to implement the Federal Advisory Committee Act to ensure greater public participation in advisory committee activities.

-- Feature stories and news releases of special interest to the Black, Spanish, and Indian-oriented press and broadcast news media were processed by the office.

-- OASPA conducted a series of news seminars through the nation to develop Public understanding of HEW's programs. Ten regional news seminars were held to describe departmental programs in general. To maximize understanding of the proposed regulations implementing Title IX of the Education Amendments of 1972 (anti-sex discrimination), press briefings were held in 12 major cities. To develop a better understanding of the Department's Health and Education programs, two-day seminars for Health and Education writers were held in the Washington area.

-- During the first six months of FY 75, the office reviewed 296 agency publications. On a projected basis this is substantially lower than the rate for FY 74 when 976 publications were produced by HEW (down from 1,555 in FY 73). 122 audio-visual products were reviewed, of which 106 were approved. The office instituted a system for the review and tracking of public affairs services contracts during 1975.

Program Plans - FY 1976

-- OASPA will develop the capabilities to enable the Department to fulfill the philosophy and intent as well as the letter of the 1974 amendments to the Freedom of Information Act. As the Freedom of Information Act has become more widely known and used, caseload has increased dramatically. This has been especially true because of the publicity generated by passage of the 1974 amendments and from recent Supreme Court decisions.

-- The Office will implement the Privacy Act of 1974 which requires the Department to use personal data in its files only for legitimate program purposes such as issuance of Social Security payments.

37.

Financial Management

	1975 Enacted	1975 Revised	1976	Increase or Decrease
Personnel compensation and benefits	$3,703,000	$3,841,000	$3,912,000	+$71,000
Positions	164	164	164	---
Other expenses	$877,000	$877,000	$925,000	+$48,000
Total	$4,580,000	$4,718,000	$4,837,000	+$119,000
Positions	164	164	164	---
Subactivities:				
Immediate Office	$ 195,000	$ 201,000	$ 207,000	+$ 6,000
Positions	7	7	7	---
Deputy Assistant Secretary, Comptroller	279,000	288,000	296,000	+8,000
Positions	10	10	10	---
Deputy Assistant Secretary, Finance	2,709,000	2,791,000	2,860,000	+69,000
Positions	97	97	97	---
Deputy Assistant Secretary, Budget	1,173,000	1,208,000	1,238,000	+30,000
Positions	42	42	42	---
Financial Management Standards and Procedures	224,000	230,000	236,000	+6,000
Positions	8	8	8	---
Total	$4,580,000	$4,718,000	$4,837,000	+$119,000
Positions	164	164	164	---

General Statement

The Office of the Assistant Secretary, Comptroller assists the Secretary in financial management of the Department. The Office has two activities: "Financial Management" and "Audit." The latter provides direct Audit coverage of the Department's operating programs and is included in the Departmental Operations portion of the budget. "Financial Management" covers those activities which are of a policy nature and provide overall guidance to Departmental programs. These activities include supervision of the Department's financial and budget processes.

Accomplishments FY 1975

-- A standard, uniform Regional Accounting System was installed in July 1974 to provide timely financial reports required for effective control of program funds by regional Agency staffs.

-- A Central Registry System was implemented in July 1974. It is a library of standard codes to identify entities receiving funds from or doing business with HEW. It makes possible the exchange and integration of data from different systems.

38.

-- A redesigned Departmental Grants Payment System was set up to speed the flow of cash to grantees and to simplify administrative requirements made of them.

-- Sections of the Department's Grants Administration Manual on reimbursement of costs have been revised to clarify and improve policies in this area.

-- Policies on costing, e.g., of salaries and wages, depreciation, pension plans, audit-negotiation coordination, have been issued or are being developed.

Program Plans - FY 1976 No new positions are requested for FY 1976.

-- Emphasis will be placed on simplifying financial systems to achieve more accurate and timely reporting.

-- Improvements will be made in departmental outlay forecasting which is a key element in Federal fiscal planning.

-- Guidelines will be developed for Department-wide implementation and use of operating budgets for program management.

Administrative Management

	1975 Enacted	1975 Revised	1976	Increase or Decrease
Personnel compensation and benefits	$9,052,000	$9,464,000	$10,350,000	+$ 886,000
Positions	458	458	501	+43
Other expenses	$2,179,000	$2,179,000	$ 3,634,000	+$1,455,000
Total	$11,231,000	$11,643,000	$13,984,000	+$2,341,000
Positions	458	458	501	+43

General Statement

The Assistant Secretary for Administration and Management provides direction to all administrative activities and services of the Department. The Assistant Secretary administers two sub-activities, "Administrative Management" and "Facilities Engineering". The latter consists entirely of engineering/architectural support of the Department's operations and of the Surplus Property program, and is included in the Departmental Operations portion of the budget. "Administrative Management" consists of those activities which are of a policy nature and which provide overall guidance to the operating agencies. These department-wide activities include: Equal Employment activities; Management Planning and Technology; Environmental Affairs; International Affairs Management; Grants and Procurement Management; Investigations and Security; Personnel Administration; Training and Career Development; and Administrative Support including safety, property management and printing. An increase of 43 positions is requested for these activities in FY 1976.

Grants and Procurement Management - FY 1975 Accomplishments

The Office of Grants and Procurement Management, with a current staff of 50 positions, provides overall guidance for the Department's grant, contract and procurement administration. The office reviewed procurement and grant management practices in major elements of the Office of Education, National Institute of Education, Office of Human Development, and the Social Security Administration and made a complete revision of the Department's manual establishing grant administration policies for HEW programs.

-- In addition, a training program for providing technical assistance was extended to the 111 contracting and procurement offices in DHEW.

-- Minority enterprise performance was increased by 26 percent over FY 1974. Minority-owned firms received $19,600,000 in 8 (a) contracts, $22,100,000 in non 8 (a) contracts, and $180,000 in software contracts through grant programs. Minority-owned banks received $7,500,000 in average daily deposits. A target of 22 percent of total HEW procurement for prime contract awards to small business has been established.

40.

Program Plans - FY 1976

Regulations governing Agency administration of the grant, contract, and procurement functions are prepared by the Office of the Secretary. The intent of these regulations is to reduce the cost of awarding the Department's grants and contracts (60,000 awarded annually by over 200 programs), to procure as cheaply as possible material used in program operations, and to guarantee a minimum of abuse by both DHEW program managers and fund recipients. Cost economy and program accountability are assured by:

-- uniform award practices designed to reduce paper work and award processing time;

-- guidelines for planning the award process to avoid costly bottlenecks;

-- strict rules for maximizing competitive bidding;

-- diligent application of rules governing proper expenditure of funds by awardees and post-award oversight of awardee performance;

-- effective pre-award review to detect potential future problems;

-- economical materiel procurement.

The present staff of 50 is insufficient to oversee implementation of these regulations by the Agencies. An increase of 26 positions and $43,000 is requested to ensure implementation. These positions would be allocated as follows:

-- Uniform Application of Grant and Contract Regulations. Sixteen new positions would provide a periodic and in-depth evaluation of the performance of Agency grant and contract administrators in the awarding agencies having the heaviest dollar volume. Ten regions and 30 Agency headquarters units would be evaluated once every 3 years. Results of these evaluations will ensure maximum adherence to regulations and will provide the knowledge required to improve these regulations. Two of these positions and $43,000 would operate the Contracts Information System and permit design of a Grants Information System. The two systems will inventory all DHEW grants and contracts to provide information necessary for departmental reporting requirements and for pinpointing problem areas in the award process.

-- Economical Procurement and Materiel Utilization. Nine new positions would work to consolidate agency procurements of common use items to take advantage of quantity discounts and improved purchasing techniques. Automated property management systems would be developed for regional and headquarters program components.

-- Minority Enterprise. One position would accelerate efforts to attain at least 5% of the Department's procurement dollars for minority-owned firms.

Office of Investigations and Security - Fiscal Year 1975 Accomplishments

The office investigates fraud and corruption in the management of programs and utilization of Federal assistance funds provided by the Department. It also insures that personnel, document, and building security is provided for the Department.

The Office of Investigations and Security is currently staffed with 25 positions, of which 10 are in the Division of Investigations. In addition to the current investigative staff of 10, the Secretary has requested a reprogramming from the House and Senate Appropriations subcommittees of an additional 10 positions into the investigations activity.

-- The Division of Investigations issued 34 reports in FY 1975 and has a backlog of 90 cases under or awaiting investigation. Completed investigations involve fraud, embezzlement of grant funds, mismanagement, and other criminal violations. Uninvestigated cases contain allegations of fraud and mismanagement involving amounts in excess of $25,000,000. The Department of Justice has evidenced prosecutive interest in nine cases submitted during FY 1975.

-- In addition, the Division is currently working directly with the U.S. Attorney and a Federal Grand Jury on a case involving a complex, multimillion dollar Medicaid fraud.

Program Plans - FY 1976

The 12 new positions are requested primarily to conduct field investigations of allegations of program fraud received from Congress, the news media, private citizens, and HEW program managers. The additional staff will permit the timely investigation of allegations and recommendations for changes in program management to preclude illegal practices by recipients of HEW funds.

-- The current and projected caseload for the remainder of FY 1975 represents 40 professional investigative staff years.

-- This projection does not take into consideration increased investigative requests regarding Medicaid fraud. This type investigation is complex. One example involves from $2,000,000 to $5,000,000, over a hundred doctors, a number of medical facilities, and numerous drug stores. Thousands of invoices must be sorted, hundreds of witnesses contacted and detailed summaries prepared for twice weekly presentations to a Federal Grand Jury.

-- The Guranteed Student Loan Program presents a major fraud oversight problem. The Division is currently reviewing information supplied by program officials regarding 40 individual student loan cases and four proprietary (vocational) schools. One particular proprietary school case involves numerous banks and a correspondence school.

Management Planning and Technology - FY 1975 Accomplishments

-- The office strengthened the Department's Management by Objectives Program in three areas: Regional office objectives, DHEW objectives monitored by the President, and objectives involving coordination among two or more HEW components.

42.

-- The Management Information System effort included a comprehensive analysis of data files of major agency data systems and the identification of common data elements to retrieve desired management information.

Program Plans - FY 1976

-- An increase of 5 positions is requested for the Fair Information Practice Staff. The staff will implement the provisions of the Privacy Act of 1974 by developing safeguard requirements for use of personal data recorded by the Department.

-- $106,000 is requested to refine a department-wide Management Information System (MIS) and to consolidate telecommunications within the Department. The MIS effort would ensure that all major data systems within DHEW -- eg. Personnel Data, Payroll, Facilities Management, Long Term Care Management Information -- would be accessible to all potential users within the Department. The telecommunications effort would consolidate approximately 30 telephone line networks used by departmental programs to accumulate data -- eg. epidemiological data in the Center for Disease Control, NIH grant and contract results, personnel data transmitted to central payroll from all over the country. The request would permit planning toward channeling these disparate program data streams into three major high speed telephone lines. This will result in reduction of utility costs and more efficient data collection.

Other Administrative Functions - FY 1975 Accomplishments

-- The Office of Environmental Affairs, with a staff of 5 positions, developed criteria to determine the conditions under which departmental programs must prepare National Environmental Policy Act (NEPA) documentation.

-- The Equal Employment Opportunity staff has issued decisions on eighty formal complaints; secured approval of the Department's affirmative action plan for FY 1975 by the Civil Service Commission; and evaluated affirmative action plans for every agency and region.

-- Since the implementation of the Spanish Speaking program in December 1971, the Spanish Speaking employment has increased from approximately 1,500 employees to approximately 3,300, a 120% increase. In the same time period the Department has grown approximately 30 percent.

-- The Office of Personnel and Training began development of new Department classification and pay instructions in response to Presidential emphasis on integrity in the Civil Service. The Department's regulations on adverse actions, appeals, and employee grievances were revised.

-- The Employment Information Office responded to 2,153 employment inquiries which generated 5,951 items of correspondence, and established an affirmative action program for employment of the handicapped.

Program Plans, FY 1976 - An increase of $1,050,000 is requested for FY 1976.

-- $907,000 would implement an executive development program for career executives. These funds will be utilized for formal training and developmental mobility assignments for departmental personnel (GS-13 thru GS-18) in headquarters and the

regions. This level of funding will provide an approximate average per capita expenditure of $274 for 1,835 selected employees in the GS-13 through GS-18 range. Funds will support training activities provided by the Commission's Executive Seminar Center, Brookings Institute, Federal Executive Institute short courses, and in-house programs to meet the unique needs of the sponsoring organization.

-- $80,000 would provide an automated system for management and inventory control of personal property in the Office of the Secretary.

-- $63,000 would be used for expenses of moving Office of the Secretary employees transferred from the Donohoe and Reporters buildings to the HEW North Building. These employees will fill space vacated by the move to the South Portal Building.

Other anticipated FY 1976 accomplishments are:

-- The Spanish Speaking program will stress promotion and training for Spanish Speaking employees. A national network of coordinators will be developed. The FY 1976 goal is to increase the Department's Spanish Speaking employment from 2.6% to 3.6% of total employment.

-- To comply with the Vietnam Era Veteran's Readjustment Assistance Act of 1974, special emphasis will be placed on employment of Vietnam veterans.

44.

Field Management

	1975 Enacted	1975 Revised	1976	Increase or Decrease
Personnel compensation and benefits	$6,639,000	$7,024,000	$6,911,000	-$113,000
Positions	294	294	279	-15
Other expenses	$1,598,000	$1,598,000	$1,592,000	-$ 6,000
Total	$8,2 ,000	$8,622,000	$8,503,000	-$119,000
Positions	294	294	279	-15

General Statement

The Field Management activity consists of the HEW Regional Directors' staffs. Activities administered by the Regional Directors include planning and evaluation, intergovernmental relations, and environmental policy. Administrative functions performed for the Agencies include personnel, financial management and office services supported through the Department's Working Capital Fund.

Accomplishments FY 1975

-- With the passage of the Social Security Amendments of 1972, the State welfare programs for the aged, blind and disabled were transferred to the Federal government. Liaison between Federal and State government during this transfer was provided by the Intergovernmental Affairs office of each Region.

-- On January 29, 1975, the Secretary issued a departmental policy statement on capacity-building to assist chief executives of State and local general purpose governments to improve their capacity to plan and manage human service programs. The regional offices will coordinate the Department's response to capacity-building efforts of State and local governments; provide technical assistance to these governments; and generally undertake a supportive role in responding to State and local needs.

-- Regional Directors and their Equal Employment Opportunity staffs became responsible for implementing an integrated, Region-wide, annual affirmative action plan. Agency efforts are coordinated and, for Departmental Management components, EEO complaints are investigated and adjudicated in the Regions.

Program Plans - FY 1975

No new positions are requested in FY 1976. With increased Departmental emphasis on long-term care standards enforcement, the FY 1975 level of the Field Management activity has been reduced by 15 positions which are included in the long-term care request of 126 new positions. These positions will be absorbed within current resources. Continuing emphasis will include:

-- The NEPA function which involves review and approval of all Federal environmental impact statements having a potential effect on human environment and possibly causing an increase in the requirement for health services and other responsibilities of DHEW;

-- Strengthening recruiting and other internal affirmative action measures concerning the Spanish-speaking and continuing efforts to ensure that all Department programs are responsive to the needs of Spanish-speaking citizens;

-- Increasing capacity-building efforts to State and local governments by providing technical assistance in developing pilot services integration grants;

-- Strengthening management capabilities and systems in areas such as automatic data processing, Regional Director reviews of proposed grants, and management analysis.

46. General Counsel

	1975 Enacted	1975 Revised	1976	Increase or Decrease
Personnel compensation and benefits	$3,858,000	$4,029,000	$4,572,000	+$543,000
Positions	200	200	230	+30
Other expenses	$ 928,000	$ 928,000	$1,080,000	+$152,000
Total	$4,786,000	$4,957,000	$5,652,000	+$695,000
Positions	200	200	230	+30
Subactivities:				
Supervisory and eneral legal services	$1,507,000	$1,561,000	$1,844,000	+$283,000
Positions	63	63	76	+13
Departmental program services	1,748,000	1,810,000	2,174,000	+ 364,000
Positions	73	73	90	+17
Regional services	1,531,000	1,586,000	1,634,000	+ 48,000
Positions	64	64	64	---
Total	$4,786,000	$4,957,000	$5,652,000	+$695,000
Positions	200	200	230	+30

General Statement

The Office of the General Counsel provides legal services for the Secretary, the Department's operating agencies, and the staff of the regional offices. The General Counsel is comprised of two major subactivities entitled "General Counsel" and "Legal Services." The latter encompasses legal workload entirely related to operation of the Food and Drug and Social Security Administrations and is included in the Departmental Operations portion of the budget. "General Counsel" encompasses legal workloads which are not entirely generated by the operational requirements of Departmental programs. This sub-activity includes Supervisory and General Legal Services, regional staff not allocated to Social Security, and headquarters program divisions other than those supporting the Social Security and Food and Drug Administrations.

Supervisory and General Legal Services

This activity is comprised of the Immediate Office of the General Counsel, the Business and Administrative Law Division, and the Legislation Division. The focus of these Divisions is Department-wide. Business and Administrative Law provides legal advice and services to the Department on general administrative matters, and the Legislation Division participates in development of the Department's legislative program.

Accomplishments FY 1975

-- The Business and Administrative Law Division prepared regulations designed to implement the 1974 amendments to the Freedom of Information Act and reviewed 220 advisory committee charters which had to be renewed by January 5, 1974, in accordance with P.L. 92-463.

-- The Division also pré-reviewed approximately fifty (50) Public Health Service contracts where it was determined that the dollar amounts and complexity of legal issues involved warranted such pre-review. This office anticipates initiation of an extensive pre-award review of contracts and grants in Fiscal Year 1976.

-- The Legislation Division was responsible for overseeing the preparation of the Department's reports to the Congress and the Office of Management and Budget on proposed and pending legislation. Nearly 400 such reports were prepared during the first half of this fiscal year.

Program Plans - FY 1976

An increase of 13 positions is requested for the Business and Administrative Law Division for a program of pre-award review of contracts and grants which the Department plans to implement in 1976. Although the Department annually awards approximately 40,000 grants and 20,000 contracts, there is no legal review prior to award. This situation involves a potential for abuse or inadequate award preparation. For example, it is likely that such pre-award review would have caught recent post dating of contracts. The 13 positions requested here would provide a "paper" review of approximately 13% of the grants and contracts and a full legal review of approximately seven percent.

Departmental Program Divisions - Accomplishments FY 1975

-- New demands were made on the Public Health Division as a result of new laws concerning Indian Self-Determination and Education Assistance; Health Services Research, Health Statistics, and Medical Libraries; Cancer research; Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation; Health Maintenance Organizations; Emergency Medical Services Systems; and Lead-Based Paint Poisoning Prevention. The Division worked on over 100 sets of regulations.

-- The Human Resources Division participated in several cases before the Supreme Court involving issues important to the operation of Federal-state welfare programs such as the eligibility of the unborn for AFDC benefits, the state-imposed requirement that parents cooperate in establishing paternity and obtaining child support in order to qualify for assistance, and the federally established condition for assistance that unemployed fathers exhaust their unemployment compensation benefits before becoming eligible for AFDC. Regulations were drafted to implement statutory utilization review requirements, the Runaway Youth Act, the Child Abuse and Neglect Reporting Law, the proposed WIN II redesign program, Section 303 of the Rehabilitation Act of 1973 which authorized mortgage insurance for rehabilitation facilities, and standards for skilled nursing facilities and intermediate care facilities participating in Medicaid.

-- The Education Division assisted in the drafting of 207 Federal Register documents in FY 1974, including 35 proposed regulations, 38 final regulations, and 39 program funding criteria notices. The Division was involved in 30 court cases in FY 1971, including Barrera v. Wheller, a Supreme Court case challenging the constitutionality of Title I ESEA provisions requiring services for private school children; and Huntsville Alabama v. Brown, a constitutional challenge to statutory floor provisions for the allocation of Title I ESEA funds.

Program Plans - FY 1976

Seventeen new positions are requested for the program divisions including 6 for Public Health, 5 for Human Resources, and 6 for Education.

-- An increase of six positions for the Public Health Division would provide legal services for programs created by recent legislation -- Health Maintenance

48.

Act (P.L. 93-222), Professional Standards Review Organizations (P.L. 92-603), and Health Resource Planning (P.L. 93-641). The legal workload expected to result from these new programs in 1976 is detailed below:

Activity	Volume
Litigation	
Sec. 1310 Public Health Service Act (HMO)	30-40 adversary actions
Sec. 1311 " " "	Five lawsuits
Sec. 1312 " " "	50-60 hearings
Sec. 1160 Social Security Act (PSRO)	35 adversary actions
Sec. 1167 " "	15-20 lawsuits
Regulation Drafting and Reviewing	
Professional Standards Review Organization	14 sets
Title XV-Public Health Service Act	7 sets
Title XVI - Public Health Service Act	6 sets

-- An increase of five positions for the Human Resources Division would handle increases in litigation and regulation writing and clearing activity and for legal services relating to new programs. Two newly developing areas -- Quality Control and Medicaid are expected to increase the number of new court cases to 63 -- 37% over the present 46. An increase of 138% is expected in regulation writing and clearing activity. Sixty-three sets of regulations were published in FY 1974 and it is estimated that 150 will be published in FY 1976.

-- An increase of six positions for the Education Division would handle increased workloads generated by administrative litigation as follows:

Administrative Litigation

Additional Functions	Number of cases	Attorney hours per case
Guaranteed Student Loan Program	20 cases	120
Title I, ESEA and other Audit Board proceedings	20 cases	200
Title I and IV, ESEA By-pass hearings	12 cases	200
Adjudication of SEA - LEA disputes, Sec. 425(b) of GEPA	10 cases	120
Enforcement proceedings, Sec. 438 of GEPA	20 cases	120

President's Commission On Olympic Sports

	1975 Enacted	1975 Revised	1976	Increase or Decrease	
Personnel compensation and benefits	($151,000)	($151,000)	+$151,000	+$151,000	
Other expenses	(119,000)	(119,000)	+ 119,000	+ 119,000	
Total	(270,000)	(270,000)	+$270,000	+$270,000	1/

The Commission, recently established by Executive Order, will evaluate the organization and activities of the United States Olympic Committee and its membership groups as they relate to international olympic sport competitions. The President will personally review the recommendations of the Commission and make his recommendations to the Olympic Committee, its membership groups, and if appropriate to the Congress, to assure that the United States fields its best amateur sport teams. The study will be conducted over a period of approximately twelve months.

The President is currently reviewing the overall scope of the project and it is expected that the FY 1975 costs will be approximately $270,000. These FY 1975 funds have been reprogrammed with permission of Congress, from the Policy Research activity of the Departmental Management appropriation. The FY 1976 costs for the remainder of the study are expected to be at the same level. Because Policy Research in FY 1976 is requested as a separate appropriation, funding for the Commission is included in the General Departmental Management FY 1976 budget. In the event FY 1976 costs exceed these estimates we will seek additional authorization from the committee.

1/ FY 1975 costs for the Commission were covered by a reprogramming of funds from the Policy Research activity. Policy Research in FY 1976 is requested as a separate appropriation. The increase of $270,000 for FY 1976 would permit continued operation of the Commission in the General Departmental Management appropriation at the FY 1975 level.

50.

Audit Agency

	1975 Enacted	1975 Revised	1976	Increase or Decrease
Personnel compensation and benefits	$18,283,000	$18,952,000	$20,663,000	+$1,711,000
Positions	834	834	834	+37
Other expenses	$ 4,401,000	$ 4,401,000	$ 3,649,000	$ -752,000
Total	$22,684,000	$23,353,000	$24,312,000	+$ 959,000
Positions	834	834	871	+37

General Statement

The HEW Audit Agency's mission is to assure that the Department's programs are conducted in as efficient, effective, and economical manner as possible. The Agency is responsible for (i) the Department's internal operations and (ii) approximately 50,000 entities which administer and execute the Department's 250 programs.

Accomplishments FY 1975

The Audit Agency issued 7,134 reports during FY 1974, 5,339 of them covered DHEW activities involving expenditures of about $11.8 billion. The remainder were audits performed for other Federal agencies under the OMB system of audit cognizance. Questions were raised on the propriety of about $163 million expended by DHEW and actions were taken to recover some $92 million as of June 30, 1974. During the first six months of FY 1975, recoveries amounted to about $46 million. Distribution of these funds follows:

Agency	Recoveries FY 1974	Recoveries 7/1-12/31/74
	(In thousands of dollars)	
Office of Education	$ 1,420	$ 1,479
Social & Rehabilitation Service	83,959	38,067
Health Agencies	3,107	1,134
Social Security Administration	2,381	3,689
Departmental Management	1,226	1,748
Totals	$92,093	$46,117

Besides identifying improper expenditures, reports included findings and recommendations of significance to program management. Illustrative of these are:

-- observations related to the child care services program. They have shown a need for significant improvements in (i) measuring program effectiveness, (ii) controlling payments to providers under contracts, and (iii) upgrading compliance with Federal, State and local service standards and health and safety requirements.

-- ongoing reviews of the recently implemented Supplementary Security Income Program. Significant discrepancies have been disclosed in State adjustment payment levels (the amount that determines State liability). Correction of such errors in one State alone will reduce Federal expenditures by about $15 million per year.

During FY 1975, the Audit Agency worked to maximize utilization of its resources and services. The following specific actions were taken:

-- A productivity study was initiated to measure audit performance and to identify factors which affect audit quantity and quality. The goal of the study is to increase overall audit production.

-- A computer audit system was developed by Audit Agency staff for application to computer-stored data of entities being audited. It produces rapid summarization and analyses of volumes of detail necessary for audit coverage with substantial savings in audit manpower.

-- A procedure was initiated for providing Department management with timely information on the business management capabilities of potential high-risk grantees. Involved are quick assessment reviews of grantee capability to manage Federal funds.

Program Plans FY 1976

The Department's total identified audit workload requires as a minimum, 3,558 years of audit effort. Supplementing in-house audit capability with the work of outside auditors has reduced Audit Agency manpower requirements by 2,178 man-years. There remains, however, a workload of 1,380 man-years compared to authorized audit resources equivalent to 834 man-years.

Thirty-seven positions are requested to close the gap between audit resources and workload in the highest priority areas:

-- Fifteen positions for increased reviews of stewardship and accountability of the Department's internal operations. Only areas identified as extremely critical currently get audit attention; the balance receive little or no audit coverage. Additional resources will facilitate follow-up on problems noted in grantee audits which have their source in program management procedures.

-- Fifteen positions for more timely and in-depth audit coverage of the Medicare-Medicaid area. The substantial amount of Federal dollars involved together with previously disclosed deficiencies in program operations--particularly nursing homes--makes this need imperative. Priority attention will also include the emerging Health Maintenance Organizations where early audit attention is necessary to evaluate operations and ensure proper accountability of Federal funds.

-- Seven positions for increased audits of roughly 4,000 nonprofit organizations doing business with the Department. Past audit experience indicates many such organizations are inexperienced in financial management. Timely audit monitoring is essential to ensure proper stewardship of Federal funds.

52.

-- An additional $800,000 is requested to provide full funding for all positions currently authorized for the HEW Audit Agency.

Benefits realized from a timely and responsive audit service far exceed the costs involved. Illustrative of this--during FY '74 each man-year of direct audit effort resulted in recoveries in excess of $125 thousand as well as numerous actions designed to strengthen administration of Department programs. Assuming this trend will continue, the 37 positions requested should result in identification and recovery of an additional $4.6 million in improper grantee/ contractor expenditures.

53.

Facilities Engineering and Property Management

	1975 Enacted	1975 Revised	1976	Increase or Decrease
Personnel compensation and benefits	$7,181,000	$7,509,000	$8,022,000	+$513,000
Positions	372	372	395	+23
Other expenses	$13,251,000	$13,251,000	$16,582,000	+$3,331,000
Total	$20,432,000	$20,760,000	$24,604,000	+$3,844,000
Positions	372	372	395	+23
Subactivities:				
Administrative Management	$8,910,000	$9,238,000	$10,850,000	+$1,612,000
Positions	372	372	395	+23
S.L.U.C. (GSA Space costs)	$11,522,000	$11,522,000	$13,754,000	+$2,232,000
Total	$20,432,000	$20,760,000	$24,604,000	+$3,844,000
Positions	372	372	395	+23

General Statement

The Assistant Secretary for Administration and Management administers the Office of Facilities Engineering and Property Management (OFEPM). OFEPM provides architectural/engineering services to construction projects supported through HEW programs and manages HEW-owned or operated real property. The Office promotes maximum utilization of all Federal surplus property and allocates this property to State agencies for distribution to eligible applicants in the health, education, and welfare area. The Office has a current staff of 372 positions, 270 of which are located in the regions.

Accomplishments FY 1975

-- Long-Term Care Standards Enforcement Engineers in the Department's 10 regional offices enforced life-safety code regulations in Skilled Nursing Facilities (SNF's). As one condition of receiving payments under Medicare, SNF's must meet the provisions of the Life-Safety Code of the National Fire Protection Association or other suitable State standards. The engineers provided technical analysis of State Fire Authority surveys of 7,786 SNF's.

-- OFEPM continued its Value Management Program which provides advice to administrators of Federally-assisted programs on advance design and construction technology. This program will result in cost avoidance of approximately $60,000,000 for an estimated total of $510,000,000 since 1970. In addition to providing advice to Federally assisted programs, the Office supervised the design and construction of 150 projects directly funded by the Department.

-- Design of the Facilities Engineering Automated Management System (FEAMS) was completed. This system will provide a complete inventory of the Department's facilities.

54.

Program Plans - FY 1976

Increases of 23 positions and $925,000 for the South Portal Building and the Facilities Engineering Automated Management System are requested.

-- Long-Term Care Standards Enforcement. An increase of 20 positions is requested for additional professional engineers to expand the Department's program to identify life safety code deficiencies in nursing homes receiving Federal payments. The 20 positions will be assigned to validate State fire authority survey findings in the approximately 9,500 Intermediate Care Facilities (ICF's) which receive payments under Medicaid. These ICF's will be subject to Federal regulations for the first time in FY 1976.

-- Public Buildings Amendment. An increase of 3 positions and $125,000 is requested. The 3 positions would support a facilities planning process essential to budgeting and accounting for the Department's space under the Public Buildings Amendment (P.L. 92-313 required payment of Standard Level Use Charges or SLUC to GSA). This law requires that the Department pay GSA for space and related services at its 2,800 locations. This includes approximately 25,000,000 square feet of space. Related to the 3 positions is a request for $125,000 to operate the Facilities Engineering Automated Management System (FEAMS). Designed in FY 1975, FEAMS will provide data necessary for facility cost accounting, quarters management, equipment replacement, and environmental requirements.

-- South Portal Building. An increase of $800,000 is requested for the South Portal Building which will house 2,100 headquarters employees. The interior of the South Portal Building is being constructed in accordance with the open office planning concept. This concept was adopted to provide maximum flexibility and the most efficient use of space. Two main elements, acoustical and visual privacy, must be satisfied to successfully implement this system. The increase of $800,000 would provide for the minimum purchase of special equipment (privacy screens) to fulfill the open office concept; cost of moving employees to the new building; specialized health unit furnishings; furnishings for specially planned areas to which furnishings presently on-hand are not adaptable; and installation of communications equipment and systems. These items are considered bare essentials to provide minimum office atmosphere for the majority of 2,100 employees scheduled to occupy this building and to make the building functional. The major portion of the building will be furnished with existing equipment that will be transferred with the offices moving to the building. The purchase of new equipment is not intended to replace existing useable furniture, but rather to make the most efficient use of the space.

-- Surplus Property. Personal property with an original acquisition cost of $425,000,000 was located in FY 1975, and property allocation to State agencies for distribution to eligible donees is estimated at approximately $420,000,000. Federal surplus real property for health and educational purposes is transferred to applicants who demonstrate that they can put the property to best use. It is estimated that real property having an acquisition cost of $60,000,000 will be transferred for health and educational purposes in FY 1975. In FY 1976 an estimated $350,000,000 in personal property will be donated through State Agencies for Surplus Property and $45,000,000 in real property will be transferred to eligible health and educational organizations.

Long-Term Care

	1975 Enacted	1975 Revised	1976	Increase or Decrease
Personnel compensation and benefits	$3,808,000	$3,808,000	$5,790,000	+$1,982,000
Positions	199	199	325	+126
Other expenses	$ 917,000	$ 917,000	$1,390,000	+$ 473,000
Total	$4,725,000	$4,725,000	$7,180,000	+$2,455,000
Positions	199	199	325	+126

General Statement

The Regional Long-Term Care offices, under the direction of the HEW Regional Directors, were established on July 1, 1974. Their initial staffing was provided through transfer of 199 positions formerly in the Social Security Administration, Social Rehabilitation Service, and Public Health Service. The decision to consolidate survey and certification functions under the Regional Directors was made after thorough analysis of many alternatives for strengthening the Department's Nursing Home Standards enforcement work. The goal of this effort is to ensure that Long-Term Care patients whose care is reimbursed through Medicare and Medicaid receive quality care in a safe environment. This goal can be achieved through the enforcement of Federal standards for skilled nursing facilities (SNF) and Intermediate Care Facilities (ICF) which participate in the Medicare and Medicaid programs.

Accomplishments FY 1975

Since the establishment of the Long-Term Care offices on July 1, 1974, their efforts have been directed towards approximately 7900 skilled nursing facilities which participate in the Medicare program. The activities include:

1) Review and approval of Title 18 (Medicare) time limited agreements (for a period of 12 months or less);

2) Review of State Survey reports and approval of corrective action plans for deficiencies and Life Safety Code waivers;

3) Conduct of direct Federal surveys of nursing homes to validate State certification procedures;

4) Monitoring and evaluation of State nursing home standards enforcement systems, procedures and performance;

5) Review of budgets of State survey agencies;

6) Coordination with other HEW agencies, Federal Departments, State and local officials, and provider organizations;

7) Granting of waivers for certain standards;

8) Termination of provider agreements;

9) Appeals and Hearings;

10) Training and technical assistance to LTC provider personnel and State agencies;

11) Implementation of the regional long term care management information system which is a computerized system to provide complete statistical information on the long term care facilities;

12) Monitoring life safety code surveys for skilled nursing facilities. Although the field work involved in this function is performed by fire safety engineers in the Office of Facilities Engineering Property Management, handling the results of the field reviews is an integral part of the nursing home standard enforcement responsibility of the Regional Directors.

Program Plans - FY 1976

One hundred and twenty-six new positions are requested to meet major new responsibilities in long-term care standards enforcement. Beginning in FY 1976 the regional offices must enforce new standards of participation in the approximately 9,500 Intermediate Care Facility nursing homes participating in the Medicaid program. Until FY 1976, these ICF's have been subject to only such standards enforcement attention as the individual States choose to devote to them. The new regulations apply the same life safety code standards as are applied to skilled nursing facilities participating in the Medicaid program.

The implementation of these regulations will require the same level of monitoring as for skilled nursing facilities. The added workload engendered by full coverage of 9500 intermediate care facilities cannot be estimated as yet, due to the lack of precise data on the extent to which they will entail requests from the States for waivers of established standards. It is believed, however, that up to one-third of the facilities may involve either waivers or termination actions. The top priority during FY 1976 will be on the processing of these types of actions. If one-third of the 9500 facilities require this type of review during FY 1976 as anticipated, over 60-person years will be required in these activities alone. In addition, HEW staff must make file reviews of cases in which States do not recommend decertification or consider waivers necessary. Finally, at least 5% of the intermediate care facilities will be subjected to direct field validation reviews by HEW personnel. Each such field validation review involves at least three people. Based on this, a 5% field validation survey goal would require approximately 35 person years. These data indicate that the 126 new positions will equip the Regional Offices to provide a minimally acceptable coverage of essential Federal functions associated with Intermediate Care Facilities during FY '76.

Legal Services 57.

	1975 Enacted	1975 Revised	1976	Increase or Decrease
Personnel compensation and benefits	$4,744,000	$4,893,000	$5,921,000	+$1,028,000
Positions	190	190	250	+60
Other expenses	$1,142,000	$1,142,000	$1,390,000	+$ 248,000
Total	$5,886,000	$6,035,000	$7,311,000	+$1,276,000
Positions	190	190	250	+60
Subactivities:				
Social Security Division	$4,681,000	$4,788,000	$5,978,000	+$1,190,000
Positions	137	137	197	+60
Food and Drug Division	1,205,000	1,247,000	$1,333,000	+$ 86,000
Positions	53	53	53	---
Total	$5,886,000	$6,035,000	$7,311,000	+$1,276,000
Positions	190	190	250	+60

General Statement

This portion of the Department's General Counsel's Office handles the legal workloads of the Social Security Administration and the Food and Drug Administration. Sixty new positions are requested to handle the rapid growth of Social Security litigation.

Accomplishments FY 1975

-- The Social Security Division and the regional attorneys' offices filed 2,367 court briefs involving Social Security issues in CY 1974, an increase of 32% over the CY 1973 level of 1,793.

-- The establishment of the Supplemental Security Income Program as well as major changes affected by the Social Security Amendments of 1972 resulted in an unusually large number of new regulation and policy statements handled by the Division.

-- The Food and Drug Division devoted considerable resources to complex, protracted, and important court proceedings concerning food composition and labeling, methadone distribution, revocation of drug licenses, and food contamination and sanitation.

Program Plans - FY 1976

-- An increase of 60 new positions is requested for the Social Security Division and the regional attorneys' offices to handle Social Security litigation which is estimated to triple from 2,300 court cases in FY 1973 to 7,640 in FY 1976. As the following table indicates, the trial court phase will require the bulk of the manpower.

58.

Type of Case	Trial Court Cases
Disability	
Title II	4,140
SSI	2,500
Title XVIII	200
Non-Disability	
Title II	230
SSI	500
Title XVIII	70
	7,640

The additional positions would also perform workload subsequent to the initial court trial. These are needed to handle appeals and other post trial work and to perform supervisory tasks related to both the trial and appellate workloads.

The requested increase would provide 175 positions for litigation related tasks -- 109 in the regional attorneys' offices and 66 in the Social Security Division. There are at present 115 positions used in this work. Included in these figures are 45 positions included in the FY 1975 Social Security Administration Limitation on Salaries and Expenses supplemental. An additional 59 other than permanent, full-time positions were also included in the transfer for Social Security legal workload.

-- The Food and Drug Division expects increased demands in every area of the Division's work including: On-going product review programs concerning the safety and effectiveness of drugs; safety of food ingredients; standards for medical devices and diagnostic products; and the composition and labeling of certain food products. A large, comprehensive project involving revision of the procedural regulations of the Food and Drug Administration will be completed. No additional positions are requested for FY 1976.

DEPARTMENTAL MANAGEMENT

Program Purpose and Accomplishments

Activity: Executive Direction

1975 Enacted		1975 Revised		1976		
					Budget Estimate	
Pos.	Amount	Pos.	Amount	Authorization	Pos.	Amount
289	$7,093,000	289	$7,360,000	---	295	$7,690,000

Purpose: To assist the Secretary in formulating broad policy direction to the principal operating components of the Department, including development of the Department's legislative program and leadership and coordination in the area of program planning and evaluation. In addition, the Assistant Secretary for Planning and Evaluation conducts the Policy Research activity transferred from the Office of Economic Opportunity in FY 1974. Policy Research is requested as a separate appropriation in FY 1976.

Explanation: To provide salaries and expenses for the Immediate Office of the Secretary and Under Secretary, and the Offices of the Assistant Secretary for Legislation and Assistant Secretary for Planning and Evaluation.

Accomplishments in FY 1975:

-- The Assistant Secretary for Legislation coordinated and participated in the development of 30 different pieces of legislation, handled 20,000 letters from Members of Congress, and received 300-400 telephone inquiries a day from Congressional offices.

-- Program planning and evaluation activities centered on health, education, and social services programs with emphasis on a comprehensive and systematic examination of the Department's programmatic activities. In addition, the Assistant Secretary for Planning and Evaluation continued to support planning and evaluation activities related to the special concerns of the Department's minority constituents.

Objectives for FY 1976:

-- Six new positions are requested for this activity. Two of these would be assigned to the Assistant Secretary for Legislation to meet increasing clerical workload. Four positions would be utilized by the Assistant Secretary for Planning and Evaluation to undertake new analyses in the education area (+1); to undertake a variety of experiments in the area of Disability and Long-Term Care (+2); and to provide assistance in the final analysis and dissemination of the Asian American Field Study (+1).

-- Legislative initiatives will be undertaken in such areas as Medicare, Medicaid, Telecommunications, Impact Aid, SSI/Food Stamp legislation, Cost Reduction, and a host of expiring legislative authorities.

-- The Assistant Secretary for Planning and Evaluation will continue program evaluation and policy development in the Department's program areas; continue analysis and research in the area of Disability and Long-Term Care; complete a study of the effect of inflation on the poor; and continue to provide evaluation and planning guidance on matters related to the Department's minority constituents.

60.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Departmental Management

Program Purpose and Accomplishments

Activity: Public Information

1975 Enacted		1975 Revised		1976		
					Budget Estimate	
Pos.	Amount	Pos.	Amount	Authorization	Pos.	Amount
30	$1,385,000	30	$1,417,000	---	30	$1,443,000

Purpose: The Office of the Assistant Secretary for Public Affairs directs and coordinates activities to increase the public's knowledge and understanding of Department services.

Explanation: To provide funding of salaries and program expenses for the Office of Public Affairs.

Accomplishments in FY 1975: To further the Department's objective of developing thorough Public understanding of HEW's programs, the Office conducted 10 general information regional seminars; 12 briefingsin major cities on the effect of Title IX of the Education Amendments which bans sex discrimination in Federally assisted education institutions; and seminars on health and education programs.

In FY 1975, the Office arranged press conferences, interviews, press availabilities and luncheons; wrote, edited, and cleared agency press releases; reviewed agency publications and audiovisual products; and responded to requests from Congress, the media and the public regarding departmental activities and policies. The office assisted in developing further revisions to the Department's Freedom of Information regulations which reduced the response time on FOI requests from 54 to 16 days.

Objectives for FY 1976: Working with the Assistant Secretary for Administration and Management, OASPA will develop the capacity of the Department to fulfill the philosophy and intent as well as the letter of the 1974 amendments to the Freedom of Information Act. The Office will provide expanded planning advice to Agency and regional programs.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

GENERAL DEPARTMENTAL MANAGEMENT

Program Purpose and Accomplishments

Activity: Departmental Direction/Financial Management

1975 Enacted		1975 Revised		1976		
					Budget Estimate	
Pos.	Amount	Pos.	Amount	Authorization	Pos.	Amount
164	$4,580,000	164	$4,718,000	---	164	$4,837,000

Purpose: To formulate Department policy on budget formulation, presentation and execution and to oversee the financial management of the Department.

Explanation: To fund salaries and expenses for the financial management activity of the Office of the Assistant Secretary, Comptroller.

Accomplishments in FY 1975: A Regional Accounting System was installed, and the Departmental Grants Payment System was redesigned.

An analysis of the cash flow of DHEW programs was undertaken to improve the Department's ability to estimate and monitor outlays.

Negotiation of cost rate agreements has been regionalized.

Revised cost policy brochures are being published for

-- Colleges and universities
-- Nonprofit institutions
-- Hospitals

Objectives for FY 1976: Simplifying financial systems and achieving more accurate and timely reporting.

Improving outlay forecasting and variance analysis capabilities.

Improving use of the operating budget as a program management tool.

Developing cost control policies for selected high cost areas of grantee/ contractor operations.

62.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

General Departmental Management

Program Purpose and Accomplishments

Activity: Administrative Management

1975 Enacted		1975 Revised		1976		
					Budget Estimate	
Pos.	Amount	Pos.	Amount	Authorization	Pos.	Amount
458	$11,231,000	458	$11,643,000	---	501	$13,984,000

Purpose: To provide leadership and overall direction to all non-financial management activities and services of the Department.

Explanation: To provide funding of salaries and expenses for administrative management activities of the Department.

Accomplishments in FY 1975:

-- A complete revision of the Department's manual establishing grant administration policies for HEW programs has been completed. Minority enterprise performance was increased by 26 percent over FY 1974.

-- The Office of Investigations and Security issued 34 reports of allegations of fraud, mismanagement and other criminal violations.

-- The Office of Environmental Affairs prepared interim NEPA regulations during the second half of FY 1975 and monitored the Department's compliance procedures issued in FY 1974.

-- The Equal Employment Opportunity Office has issued decisions on eighty formal complaints; evaluated affirmative action plans for every agency and region; prepared material for supervisory training seminars; and since the implementation of the Spanish Speaking program in December 1971, the Spanish Speaking employment has increased from approximately 1,500 employees to approximately 3,300.

-- The Department's regulations on adverse actions, appeals, and employee grievances were revised by the Office of Personnel and Training. In addition, OPT established an affirmative action program for employment of the handicapped.

Objectives for FY 1976: An increase of 43 positions is requested for administrative management activities for FY 1976.

-- Twenty-six positions are requested to expand central oversight of the grant and procurement function.

-- Twelve positions would be assigned primarily to the field to conduct investigations of allegations of program fraud.

-- Five positions are requested to implement and assure compliance with the provisions of the Privacy Act of 1974.

-- An increase of $1,199,000 for special purposes would provide funds for: $43,000 for implementation of the Contract Information System; $106,000 for refinement of a department-wide Management Information System; $907,000 to implement an executive development program of career executives; $80,000 to establish a management and inventory control of personal property in the Office of the Secretary; and allow $63,000 for moving DM employees from other S.W. area offices into the HEW North Building to replace those DM employees moving to the South Portal Building.

64. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

GENERAL DEPARTMENTAL MANAGEMENT

Program Purpose and Accomplishments

Activity: Field Management

1975 Estimate		1975 Revised		1976		
					Budget Estimate	
Pos.	Amount	Pos.	Amount	Authorization	Pos.	Amount
294	$8,237,000	294	$8,622,000	---	279	$8,503,000

Purpose: This activity provides management of the Department's programs on a regional basis and supports the staffs of the Regional Directors and a small headquarters unit which provides liaison within the Department.

Explanation: To provide funding of salaries and expenses for field management activities.

Accomplishments in FY 1975: The role of the Regional Directors in departmental program management was strengthened with the addition of new responsibilities including:

1) Having a lead role in developing and implementing the Department's capacity-building strategy for State and local governments for management of human resources programs.

2) Providing Public Affairs services to all regional agencies;

3) Establishing coordinated Equal Employment Opportunity effort, while improving management systems, control, and manpower utilization.

Objectives for FY 1976 - No new positions are requested in FY 1976. With increased emphasis on long-term care standards enforcement, the FY 1975 level of the Field Management activity has been reduced by 15 positions which are included in the long-term care request of 126 new positions. Emphasis will be placed on Environmental Affairs, capacity-building and minority recruitment.

65.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

General Departmental Management

Program Purpose and Accomplishments

Activity: Departmental Direction/General Counsel

1975 Enacted		1975 Revised		1976		
					Budget Estimate	
Pos.	Amount	Pos.	Amount	Authorization	Pos.	Amount
200	$4,786,000	200	$4,957,000	---	230	$5,652,000

Purpose: The Office of the General Counsel acts as legal advisor to, and provides legal services for the Secretary, the operating agencies of the Department and the staffs of the regional offices.

Explanation: To provide funding of salaries and expenses for the Office of the General Counsel.

Accomplishments in FY 1975:

-- Assistance in the formulation and drafting of comprehensive regulations was provided for a large number of programs such as Health Maintenance Organizations, Professional Standards Review Organizations, Skilled Nursing Facilities and for amendments to the Freedom of Information Act;

-- The Office of Education General Provisions Regulations were published in final, consolidating more than 300 separate existing sections of regulations;

-- With respect to court litigation, the Office was involved in an increasing number of cases involving issues important to the operation of Departmental programs such as Barrera v. Wheller, a Supreme Court case challenging the constitutionality of the Title I, Elementary and Secondary Education Act provisions requiring services for private school children, and cases involving Federal-state welfare program conditions for assistance.

Objectives for FY 1976: An additional 30 positions are requested in FY 1976.

-- Thirteen positions would be assigned to the Business and Administrative Law Division for pre-award review of grants and contracts which the Department plans to initiate in FY 1976.

-- Six positions would be placed in the Public Health Division to provide legal services for programs created by recent legislation -- Health Resource Planning, Health Maintenance Act, Professional Standards Review Organizations and National Health Planning and Resources Development Act of 1974.

-- Five positions would be assigned to the Human Resources Division to handle increases in litigation due to newly developing areas -- Quality Control and Medicaid, increases in regulations activity and for legal services relating to several titles of the Head Start, Economic Opportunity Act and Community Partnership Act of 1974 and the Social Security Amendments of 1974.

-- Six positions would be placed in the Education Division for increased workloads generated by administrative litigation.

66.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

GENERAL DEPARTMENTAL MANAGEMENT

Program Purpose and Accomplishments

Activity: Departmental Operations/Audit Agency

1975 Enacted		1975 Revised		1976		
					Budget Estimate	
Pos.	Amount	Pos.	Amount	Authorization	Pos.	Amount
834	$22,684,000	834	$23,353,000	---	871	$24,312,000

Purpose: To develop and execute a comprehensive audit program for the Department and the operating agencies.

Explanation: To fund salaries and expenses of the HEW Audit Agency.

Accomplishments in FY 1975: As of December 31, 1974, over $46 million in improper expenditures had been recovered on the basis of audit reports. The reports also contained recommendations for program management improvements in such areas as child care services and the Supplemental Security Income Program. Substantial savings can be anticipated through carrying out these recommendations. In addition, the Audit Agency

-- initiated a study on audit productivity,
-- implemented a computer audit system, and
-- began assessing grantee management capability.

Objectives for FY 1976: Thirty-seven positions are requested to provide for highest priority areas of the audit workload.

-- Fifteen positions will be used for increased internal reviews of DHEW administrative and management practices.
-- Fifteen positions will provide coverage--more timely and in greater depth--for vital Medicare - Medicaid areas such as nursing home operations, Health Maintenance Organizations and administrative procedures of carriers, intermediaries and State agencies.
-- Seven positions will be assigned to increase audits of the roughly 4,000 nonprofit organizations doing business with the Department.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

GENERAL DEPARTMENTAL MANAGEMENT

Program Purpose and Accomplishments

Activity: Departmental Operations/Facilities Engineering

1975 Enacted		1975 Revised		1976		
					Budget Estimate	
Pos.	Amount	Pos.	Amount	Authorization	Pos.	Amount
372	$20,432,000	372	$20,760,000	---	395	$24,604,000

Purpose: Under the direct supervision of the Assistant Secretary for Administration and Management, the Office of Facilities Engineering and Property Management (OFEPM) provides architectural/engineering policy, direction, and services for both direct Federal and federally-assisted construction activity and conducts the Surplus Property Program.

Explanation: To provide funding of salaries and program expenses for facilities engineering activities of the Department.

Accomplishments in FY 1975:

-- Engineers in the Department's 10 regional offices provided technical analysis of State Fire Authority survey findings of life/safety code deficiencies in 7,786 skilled nursing facilities.

-- OFEPM advised administrators of Federally assisted programs on advance design and construction technology and supervised the design and construction of 150 projects directly funded by the Department. OFEPM also published architectural standards for the physically handicapped.

-- The Office of Surplus Property located personal property with an original acquisition cost of $425,000,000. Property allocation to State agencies for distribution to eligible donees is estimated at approximately $420,000,000. Real property having an acquisition cost of $60,000,000 will be transferred for health and educational purposes.

Objectives for 1976: Increases of 23 positions and $925,000 for the South Portal Building and the Facilities Engineering Automated Management System are requested.

-- Twenty positions would expand the Department's program to identify life/safety code deficiencies in nursing homes receiving Federal payments. These positions would validate State fire authority survey findings in the approximately 9,500 Intermediate Care Facilities (ICF's) which receive payments under Medicaid.

-- Three positions would support a facilities planning process essential to accuracy in budgeting and accounting for the Department's space under the Public Buildings Amendment (P.L. 92-313 required payment of Standard Level User Charges or SLUC to GSA).

-- $125,000 is requested to operate the Facilities Engineering Automated Management System (FEAMS) which will inventory the Department's 25,000,000 square feet of space in 2,800 locations and facilitate budget and finance operations required by the Public Buildings Amendment (P.L. 92-313).

68.

-- An increase of $800,000 is requested for the South Portal Building which will house 2,100 headquarters employees. The increase would provide for the minimum purchase of special equipment (privacy screens) to fulfill the open office concept; cost of moving employees to the new building; specialized health unit furnishings; furnishings for specially planned areas to which furnishings presently on-hand are not adaptable; and installation of communications equipment and systems. The major portion of the building will be furnished with existing equipment that will be transferred with the offices moving to the building.

-- The Office of Surplus Property estimates that $350,000,000 (acquisition cost) in personal property will be donated through State Agencies for surplus and $45,000,000 in real property will be transferred to eligible health and educational organizations.

69.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

GENERAL DEPARTMENTAL MANAGEMENT

Program Purpose and Accomplishments

Activity: Long Term Care

1975 Estimate		1975 Revised		1976		
					Budget Estimate	
Pos.	Amount	Pos.	Amount	Authorization	Pos.	Amount
199	$4,725,000	199	$4,725,000	---	325	$7,180,000

Purpose: This activity ensures that Federal Standards for skilled nursing facilities and intermediate care facilities are enforced.

Explanation: To provide funding of salaries and expenses for Regional Long Term Care offices.

Accomplishments in FY 1975 - These offices were established on July 1, 1974 and directed their efforts toward approximately 7900 skilled nursing facilities which participate in the Medicare/Medicaid programs. The 199 positions transferred to the Regional Directors performed the following:

1. Review and approval of Title 18 time limited agreements.

2. Review of State survey reports and approval of corrective action plans for deficiencies and Life Safety Code waivers.

3. Conduct of direct Federal validation surveys of limited numbers of nursing homes.

4. Monitoring and evaluation of State nursing home standards enforcement systems, procedures and performance.

5. Termination of provider agreements.

6. Appeals and hearings.

7. Training and technical assistance to LTC provider personnel.

8. Implemented a computerized management information system to provide statistical information in all long-term care facilities.

Objectives for FY 1976

One hundred and twenty-six new positions are requested for 1976 for ensuring that new Federal standards are enforced at 9500 Intermediate Care facilities. These facilities participate only in the Medicaid program and, until FY 1976, have been subject to only such standards enforcement attention as the individual States choose to devote to them.

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70. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

General Departmental Management

Program Purpose and Accomplishments

Activity: Departmental Operations/Legal Services

1975 Enacted		1975 Revised		1976		
					Budget Estimate	
Pos.	Amount	Pos.	Amount	Authorization	Pos.	Amount
190	$5,886,000	190	$6,035,000	---	250	$7,325,000

Purpose: To provide legal services for the Social Security Administration and the Food and Drug Administration. This activity is administered by the Department's General Counsel.

Explanation: To provide funding of salaries and expenses for the provision of legal services.

Accomplishments in FY 1975: The Social Security Division and the regional attorneys' offices succeeded in significantly reducing a large backlog of court cases awaiting briefing, despite a 63% increase in workload. Extensive legal assistance was provided by the Social Security Division in the establishment of the Supplemental Security Income Program and in the drafting of regulations to implement the Social Security Amendments of 1972. The Food and Drug Division continued to conduct complex, protracted and important court proceedings and provided extensive legal assistance in drafting and reviewing Federal Register documents which resulted in a better understanding of Food and Drug Administration decisions by providing the justification and rationale for making regulatory decisions.

Objectives in FY 1976: An additional 60 positions are requested for the Social Security Division and the regional attorneys' offices of the Office of the General Counsel to handle increased Social Security litigation. In FY 1976 7,640 new Social Security cases will be filed, as compared with 4,500 in FY 1975, 3,200 in FY 1974, and 2,300 in FY 1973. The dramatic increase in Social Security litigation amounts to more than a tripling in total new court cases in FY 1976 over the 1973 level. The Food and Drug Division expects increased demands for legal assistance in the on-going product review programs, court challenges to these programs, numerous administrative hearings and the revision of the procedural regulations of the Food and Drug Administration.

New Positions Requested
Fiscal Year 1976

	Grade	Number	Annual Salary
I. Departmental Direction			
A. Executive Direction			
Assistant Secretary for Legislation:			
Secretary	GS-5	1	$ 8,500
Special Messenger	WG-5	1	9,450
Subtotal		2	$ 17,950
Assistant Secretary for Planning and Evaluation:			
Economist	GS-14	1	$ 25,581
Program Analyst	GS-14	1	25,581
Program Analyst	GS-13	2	43,632
Subtotal		4	$ 94,794
Subtotal, Executive Direction		6	$112,744
B. Administrative Management			
Deputy Assistant Secretary for Management Planning and Technology:			
Director	GS-15	1	$ 29,818
Management Analyst	GS-13	1	21,816
Research Analyst	GS-13	1	21,816
Research Analyst	GS-9	1	12,841
Secretary	GS-8	1	11,640
Subtotal		5	$ 97,931
Deputy Assistant Secretary for Grants and Procurement Management:			
Procurement Analyst	GS-13	2	$ 43,632
Grants Policy Specialist	GS-13	2	43,632
Supply Specialist	GS-13	1	21,816
Procurement Analyst	GS-12	1	18,463
Supply Specialist	GS-12	1	18,463
Procurement Analyst	GS-11	2	30,962
Grants Analyst	GS-11	1	15,481
Systems Analyst	GS-11	1	15,481
Procurement Analyst	GS-9	1	12,841
Grants Analyst	GS-9	1	12,841
Systems Analyst	GS-9	1	12,841

72.

	Grade	Number	Annual Salary
Supply Specialist	GS-9	1	$ 12,841
Procurement Analyst	GS-7	1	10,520
Grants Analyst	GS-7	2	21,040
Management/Systems Analyst	GS-7	1	10,520
Secretary	GS-6	1	9,473
Grants Analyst	GS-5	2	17,000
Secretary	GS-5	1	8,500
Clerk-Typist	GS-5	1	8,500
Clerk-Typist	GS-4	1	7,596
Clerk-Typist	GS-3	1	6,764
Subtotal		26	$359,207
Investigations and Security:			
Criminal Investigator	GS-14	5	$127,905
Criminal Investigator	GS-13	4	87,264
Criminal Investigator	GS-12	1	18,463
Secretary	GS-6	2	18,946
Subtotal		12	$252,578
Subtotal, Administrative Management		43	$709,716
C. General Counsel:			
Attorney	GS-15	2	$ 69,214
Attorney	GS-14	5	127,905
Attorney	GS-13	5	109,080
Attorney	GS-12	3	55,389
Attorney	GS-11	1	15,481
Paralegal	GS-9	2	25,682
Paralegal	GS-7	2	21,040
Secretary	GS-7	1	10,520
Secretary	GS-6	5	47,365
Secretary	GS-5	4	34,000
Subtotal		30	$515,676
Subtotal, Departmental Direction		79	$1,338,136
II. Departmental Operations			
A. Audit:			
Supervisory Auditor	GS-13	12	$ 261,792
Auditor	GS-12	12	221,556
Auditor	GS-11	10	154,810
Auditor	GS-9	3	38,523
Subtotal		37	$ 676,681

	Grade	Number	Annual Salary
B. Facilities Engineering and Property Management:			
Real Property Specialist.....	GS-13	1	$ 21,816
General Engineer.....	GS-13	10	218,160
Real Property Specialist.....	GS-12	2	36,926
General Engineer.....	GS-12	10	184,630
Subtotal.....		23	$ 461,532
C. Long-Term Care:			
Management Information Specialist.....	GS-14	10	$ 255,810
Certification Specialist.....	GS-13	20	436,320
Nursing Consultant.....	GS-13	10	218,160
Medical Records Librarian.....	GS-13	10	218,160
Program Specialist.....	GS-12	15	276,945
Nutritional Consultant.....	GS-12	10	184,630
Pharmaceutical Consultant.....	GS-12	10	184,630
Certification Specialist.....	GS-9	10	128,410
Program Specialist.....	GS-9	10	128,410
Clerk-Stenographer.....	GS-5	21	178,500
Subtotal.....		126	$2,209,975
D. Legal Services:			
Attorney.....	GS-15	5	$ 149,090
Attorney.....	GS-14	9	230,229
Attorney.....	GS-13	12	261,792
Attorney.....	GS-12	4	73,852
Attorney.....	GS-11	5	77,405
Paralegal.....	GS-7	10	105,200
Secretary.....	GS-7	2	21,040
Secretary.....	GS-6	7	66,311
Secretary.....	GS-5	5	42,500
Secretary.....	GS-4	1	7,596
Subtotal.....		60	$1,035,015
Subtotal, Departmental Operations		246	$4,383,203
Total, Departmental Management.....		325	$5,721,339

74.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

DEPARTMENTAL MANAGEMENT

General Departmental Management

Amounts Available for Obligation

	1976 Estimate	Interim Estimate
Appropriation	$93,035,000	$24,106,000
Receipts and reimbursements from:		
Federal funds	12,751,000	3,284,000
Total obligations	$105,786,000	$27,390,000

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Obligations by Activity

	1976 Estimate		Interim Estimate	
	Pos.	Amount	Pos.	Amount
1. Departmental Direction:				
Executive Direction:				
Secretary and Under Secretary	82	$2,288,000	82	$579,000
Assistant Secretary for Legislation	45	1,033,000	45	267,000
Assistant Secretary for Planning and Evaluation	174	4,422,000	174	1,126,000
Subtotal	301	7,743,000	301	1,972,000
Public Information	30	1,452,000	30	366,000
Financial Management	181	4,846,000	181	1,226,000
Administrative Management	530	14,028,000	530	3,641,000
Field Management	317	8,555,000	317	2,153,000
General Counsel	238	5,668,000	238	1,498,000
Subtotal, Departmental Direction	1,597	42,292,000	1,597	10,856,000
2. Departmental Operations:				
Audit Agency	920	24,358,000	920	6,238,000
Facilities Engineering:				
Facilities Engineering	395	10,882,000	395	2,801,000
SLUC (GSA Space Rent)	---	13,754,000	---	3,438,000
Long-Term Care	325	7,175,000	325	2,082,000
Legal Services	253	7,325,000	253	1,975,000
Subtotal, Departmental Operations	1,893	63,494,000	1,893	16,534,000
Total Obligations	3,490	$105,786,000	3,490	$27,390,000

76.

Obligations by Object

	1976 Estimate	Interim Estimate
Total number of permanent positions.....	3,340	3,340
Full-time equivalent of all other positions..	170	43
Average number of all employees.....	3,246	837
Personnel compensation:		
Permanent positions.....	64,775,000	16,728,000
Positions other than permanent.....	2,742,000	686,000
Other personnel compensation.....	228,000	57,000
Military personnel.....	417,000	104,000
Total, personnel compensation.....	68,162,000	17,575,000
Personnel benefits:		
Civilian personnel.....	5,501,000	1,419,000
Military personnel.....	75,000	19,000
Travel and transportation of persons.....	3,615,000	931,000
Transportation of things.....	254,000	66,000
Rents, communications, and utilities.....	16,551,000	4,231,000
Printing and reproduction.....	806,000	206,000
Other services.....	10,031,000	2,740,000
Supplies and materials.....	567,000	145,000
Equipment.....	224,000	58,000
Total, Obligations by object.....	105,786,000	27,390,000

General Departmental Management

Narrative Justification

The interim budget request of $27,390,000 contains two increases to permit the General Departmental Management appropriation to continue during the interim period at the FY 1976 operational level. These increases are:

1. Annualization for 310 new positions requested in the FY 1976 budget, $710,000. These funds are one quarter of the amount required to fully annualize these new positions.

2. Anticipated administrative cost increases, $233,000. These increases involve reimbursement to the Department's Working Capital Fund for General Departmental Management's share of annualizing new WCF positions. They also reflect anticipated increases in other administrative costs.

TUESDAY, APRIL 29, 1975.

POLICY RESEARCH

WITNESSES

WILLIAM A. MORRILL, ASSISTANT SECRETARY FOR PLANNING AND EVALUATION
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, COMPTROLLER
CHARLES F. KEARNEY, DIRECTOR, DIVISION OF OS BUDGET SERVICES
DR. LARRY ORR, DIRECTOR, OFFICE OF INCOME SECURITY POLICY RESEARCH, OFFICE OF THE ASSISTANT SECRETARY FOR PLANNING AND EVALUATION

INTRODUCTION

Mr. NATCHER. The subcommittee will come to order.

At this time we take up policy research, departmental management of the Department of Health, Education, and Welfare.

We have before the committee Mr. Morrill, Assistant Secretary for Planning and Evaluation.

We will be glad to hear from you at this time.

[Biographical sketch follows:]

Name: William A. Morrill.

Position: Assistant Secretary for Planning and Evaluation, Department of Health, Education, and Welfare.

Birth, date, and place: April 23, 1930; Bronxville, N.Y.

Education: BA (government), Wesleyan University, 1952; MPA (public administration), Syracuse University, 1953.

Experience: Assistant Secretary for Planning and Evaluation, Department of Health, Education, and Welfare, April 1973 to present. Assistant Director, Office of Management and Budget (special responsibilities for natural resources and economic, science and technology programs), May 1972 to April 1973. Deputy county executive, Fairfax County, Va., 1971–72. Deputy director for programing, National Security Programs Division, Bureau of the Budget, 1969–71. Assistant division director, Air Force (strategic forces/research and development), National Security Programs Division, Bureau of the Budget, 1967–69. Assistant division chief, Air Force (strategic forces/research and development), Military Division, Bureau of the Budget, 1965–67. Military Division—AEC Unit, Bureau of the Budget, 1962–65. Management analyst, Acting Chief, Plans and Policy, Directorate of Manpower and Organization, U.S. Air Force, 1953–62.

Awards: William A. Jump Memorial Foundation Meritorious Award, 1966.

Mr. MORRILL. Thank you, Mr. Chairman.

I have with me at the table Charlie Miller from the Comptroller's office and Dr. Larry Orr, who is on my staff concerned with the programs in this area.

GENERAL STATEMENT

Mr. Chairman, my associates and I are here to present the Department's fiscal year 1976 request for policy research activities currently authorized under section 232 of the Community Services Act of 1974 and section 1110 of the Social Security Act. This request covers funding previously appropriated under these two budget authorities which will allow us to continue those OEO section 232 activities which clearly related to the the Department's mission, dealing with income maintenance, employment, health insurance, statistical data and a variety of economic, manpower, welfare, and social service projects and which were transferred to HEW.

Since I recently appeared and the committee subsequently issued its report concerning fiscal year 1975 funds for this program, I would like to concentrate my remarks on the issues raised in the committee's report. These questions include the usefulness of policy research in general and the health insurance experiment in particular, and the problem of overlap and duplication with the research activities elsewhere within HEW and other departments.

USEFULNESS OF POLICY RESEARCH

The objective of the policy research activity is to obtain information of direct concern to HEW about the basic causes of and methods for preventing and eliminating poverty and dependency, and about improved methods for delivering human resource services. Such information is obtained through the conduct of basic and applied research, statistical analyses, demonstrations, and evaluations.

The policy research activity is distinguished from the other research programs of the Department by its concentration on activities which cut across specific program lines within the Department, which form linkages among other more specifically focused departmental research programs, and which relate to broad policy issues.

A key consideration in the choice of specific research projects is the potential impact which the acquisition of new knowledge can have on the formulation or modification of major departmental policies and programs. Let me cite several examples of the program's usefulness in this regard.

In the health insurance experiment alone we have already obtained a national survey of physicians with much first-time information on patient loads, physical facility prices, and so on, which is valuable to health manpower planning. We have also gained firsthand experience with the administrative requirements for health insurance plans, whose price is tied to the income levels of the insured family.

Within 18 months, data will be available from analyses comparing use of health care utilization to health insurance coverage.

Within 2 to 3 years, we will be able to do preliminary analysis of the effects of cost sharing in the use of health care, the choice of provider, and the quality of care. It is this critical information that would subsequently permit us to tailor cost sharing in Federal health insur-

ance plans based on the scientific results of the experiment. The potential dollar savings in knowing these interrelationships through an experiment rather than waiting for, say, 5 years of running a full-blown national health insurance program and then finding out is, to say the least, sizable.

One of the outcomes of the income maintenance experiments is the observation that current reporting and accounting procedures in welfare programs often result in overpayments to temporarily eligible recipients, leaving much poorer recipients with fewer benefits. Several States have already implemented improved reporting and accounting procedures. We are considering ways to implement such changes elsewhere and expect the resulting savings and retargeting of benefits to be substantial.

Another area of current concern in the Congress as well as in the executive branch is the quality and cost of care in nursing homes. We have begun to explore alternatives for care and reimbursement of costs both within and outside the nursing home care structure. Again, how much this research will pay off in terms of dollars saved or quality of care is difficult to say, but I'm confident that the benefits will be real.

The basic research component of this program does not always direct program end products, but also includes models and data bases developed to provide important information used in assessing new proposals or approaches to departmental programs.

We have developed a complex transfer income model which we call TRIM. This model can simulate the effects of income transfers under current or any number of different proposals. Not only have we made extensive use of TRIM in the analysis of welfare and tax proposals, but have made known its value to others. Users outside the Department include the Treasury, HUD, the Library of Congress, Congressional Reference Service, and the staff of the Joint Economic Committee.

The first comprehensive national surveys of day care facilities, food stamp recipients, and the facilities and practices of physicians were conducted under this program. Finally, most of what we know about the detailed characteristics of this country's poverty population is maintained and updated under this program.

There are many other uses and benefits attributable to this program. I hope the examples I have cited sufficiently illustrate my point. We do not pursue research questions for the sake of satisfying our curiosity on interesting social research questions. We try to address pertinent policy-related issues, and we generally find that the results are used at least within and often outside HEW.

AVOIDING OVERLAP AND DUPLICATION

This brings me to a second issue which I did not address sufficiently before this committee 6 weeks ago. The House committee quite appropriately expressed concern in its report that the activities of this program may overlap with "the research efforts of other organizational units within HEW and the Department of Labor." I wish to assure this committee quite emphatically that we are consciously in the business of avoiding duplication of research effort rather than creating it. There are a number of factors underlying this claim that

are best explained by a brief description of what we do and how we do it.

The key to avoiding duplication and overlap in the Department's research is through the review and coordination of project proposals and dissemination of program information. As part of the Department's forward planning process, my office calls for research plans from all major agencies and components on an annual basis. Through review of these plans, we avoid duplicating proposed projects and help keep agencies from duplicating each other's work. In turn, all of our major projects are reviewed and coordinated with counterparts in the substantive agencies.

A major vehicle for our coordination of research efforts with other agencies and departments is the use of interagency task forces, topical working groups, and interagency agreements. We currently chair or participate in at least 14 task forces and working groups relating to projects in this request.

Typically, these groups are established before projects begin, and their initial task is to define the effort to be undertaken in terms of what each agency's requirements are, which agency can best handle the project, and any related research already conducted. In many cases, each agency contributes funds for that aspect of the project pertinent to their purpose and expertise. For example, we contribute to the research and evaluation components of two projects physically located at DOL, jointly funded by several agencies, and monitored jointly by a task force composed of members from each participating agency. Thus, we feel our relationship with DOL in this regard is deliberately cooperative and the antithesis of duplication.

Finally, I feel that the importance we place on dissemination of research information helps prevent two or more studies occurring on the same subject. We circulate an annual digest of the work in process out of my office to other HEW components, other Government agencies, and the Library of Congress, Congressional Reference Services. Synopses of the results of all program contracts are published in the Federal Register. Also procedures have now been established to enter information about inprocess studies into the Smithsonian Science Information Exchange, Inc. and information about completed studies into the National Technical Information Service.

APPROPRIATION REQUEST

I should point out to the committee that the final amount available for policy research activities in fiscal year 1975 was $26,300,000 or approximately $3 million below the $29,260,000 shown in our fiscal year 1976 budget justification and the $29,755,000 actually obligated in fiscal year 1974. Because the final decision on the 1975 level was determined so late in the fiscal year, we deferred obligations on some activities, particularly the health insurance experiment, to live within appropriated amounts. We cannot expect to continue this practice in fiscal year 1976 if the health insurance experiment is to proceed. The funds requested for fiscal year 1976 are the minimum necessary to continue those major projects which we have already underway and perform the studies and analyses critical to the major issues facing the Department.

SUMMARY

In summary, Mr. Chairman, this request before the committee is to continue policy oriented research into a variety of poverty problems, in effect at the previous year's level. This will allow us to pursue policy relevant experiments and studies in areas of concern to the Department, the Congress, and the public.

RATIONALE FOR SEPARATE POLICY RESEARCH APPROPRIATION

Mr. NATCHER. Why was it decided to request a separate appropriation for the policy research program?

Mr. MORRILL. That seemed to be a sufficiently separate set of activities involving an amount that was identifiable and we felt it was useful to ask for it on its own feet rather than keep it merged within the departmental management appropriation.

Mr. MILLER. I think both within the executive branch and Congress we have watched increases in overhead awfully carefully, and we had policy research in an overhead appropriation where it doesn't belong. Clearly this is not an overhead activity; it is a program in and unto itself.

Mr. NATCHER. The budget for the Assistant Secretary of Education includes support of policy research centers. Does your office have any connection with the work of these centers?

Mr. MORRILL. Not a direct connection. We are aware of those centers and the work they are performing.

We have no direct supervisory responsibility with respect to them but, as I noted in my statement, we do, on an annual basis, undertake to review work such as would be conducted in those centers and make sure that it is integrated with other efforts in the education field including the small amount that we have had involved in that area.

Mr. NATCHER. Mr. Morrill, you are requesting $29,260,000 for fiscal year 1976. As you point out in your statement, this would be an increase of about $3 million over the amount approved for 1975. You touch on this in your statement, but I would like for you to explain, if you will, why it is impossible to get by with the same amount as you had for the previous fiscal year.

Mr. MORRILL. Mr. Chairman, the program operating level had been in fiscal year 1974, and indeed for some prior years, running at about $29.5 million, give or take a bit, and that had been an ongoing, continuing level. The 1975 appropriation, which is just now being made final is indeed a reduction relative to the past experience in this program.

We feel that the efforts we have been conducting under this program are valid and what we are asking for, in effect, is a continuation of what has been the past year levels. Indeed, most of the work that is being conducted and would be conducted under the 1976 request reflects continuations of past year efforts, rather than brand new undertakings.

Mr. NATCHER. How much of the $29,260,000 is required to meet commitments for continuing existing projects?

Mr. MERRILL. Essentially the $29,260,000 if we project past year efforts into 1976 and beyond, we actually reach a number somewhat

larger than this request by a few hundred thousand dollars, so those efforts will be continuing efforts, rather than brand new projects.

Indeed, were I to find some area of research that came up unanticipated as we get into fiscal year 1976, I would have to reduce the continuing level of program in order to accommodate it.

USE OF GRANTS AND CONTRACTS

Mr. NATCHER. Are those projects funded by both grants and contract arrangements?

Mr. MORRILL. Yes, sir.

Mr. NATCHER. How many grants are there for this year? Can you give me some idea as to the number?

Mr. MORRILL, I think it is approximately 30 projects, Mr. Chairman, that are handled by grants. I will supply it for the record.

Mr. NATCHER. Now, for fiscal year 1974, in the justifications you show grants totaling about 48. You will have a fewer number for the new fiscal year?

Mr. MORRILL. I believe so, but I would like to confirm that in the record.

Mr. NATCHER. Can you give me any idea as to the number of contracts you anticipate for fiscal year 1976?

Mr. MORRILL. I do not have, sir, I am sorry to say, the current number on a contract. I will supply that.

Mr. NATCHER. About the same number we had in fiscal year 1974?

Mr. MORRILL. I think approximately——

Mr. NATCHER. You had 27 for fiscal year 1974.

Mr. MORRILL. It should be about in that range. I am unaware of any sharp change.

Mr. NATCHER. Submit for the record the exact number.

Mr. MORRILL. And I will include, if the Chair would like, the dollar levels associated with the split between the grants from the contracts.

[The information follows:]

Policy research grants and contracts

Number in fiscal year 1975:	*Thousands*
Grants 40	$10,192
Contracts 30	15,126

EVALUATIONS VERSUS RESEARCH

Mr. NATCHER. Do you consider any of these projects to be evaluations, as opposed to research?

Mr. MORRILL. That is a difficult question, Mr. Chairman, for the following reason, that there is probably no completely accepted definition between what is evaluation and what is research.

Mr. NATCHER. Would you give us an example of an evaluation project?

Mr. MORRILL. Evaluation, more often than not, deals with the performance of an existing program to determine what its performance has been, what effect it has had, with a view toward either improving or changing, if that be the finding, that particular program. There are occasions where evaluation may move to somewhat broader assess-

ment of a problem area and in that sense may come quite close to what some people would call research. But the evaluation is typically more oriented to results of ongoing efforts while research is looking at new possibilities or new areas.

Mr. NATCHER. Have you direct access to funds in the budgets of other HEW agencies?

Mr. MORRILL. In the evaluation activities of the Department, which are generally provided for as a 1 percent authorized amount that can be used from program funds, we do make use of some of those funds for work conducted by my office. Similar to what I said about the research planning, there is an effort within the departments each year to plan an evaluation program in which the agencies will be doing some activities; we will be doing a selected few activities and, again, an effort is made to coordinate the overall effort so that when we get answers to questions that are important then we don't duplicate each others' work.

OTHER GRANTS AND CONTRACTS IN DEPARTMENTAL MANAGEMENT

Mr. NATCHER. The staff for your office is budgeted under the "Departmental management appropriation." does that budget include any grants or contracts made by your office?

Mr. MORRILL. No, sir.

DYNAMIC MICROSIMULATION PROJECT

Mr. NATCHER. One of the projects you supported was called dynamic microsimulation models. How much has this cost and what are the results, Mr. Morrill?

Mr. MORRILL. We spent on that about $300,000 in 1974 and a smaller amount in 1975.

I will ask Dr. Orr to say a word about the substance of that project.

Dr. ORR. Sir, that project is an attempt to develop a model that would allow projections and simulations of the effect of a variety of different kinds of programs on people at the family level. It affects some things like education, participation in the labor force, earnings, and so on.

Up to this year a fair amount of the work funded on that project has been modeling, developmental work. This year we are beginning to support applications of that model to analyze policy questions in several areas, the most important of which, I think, will be in the social security area, looking at the effects of different benefit formulas and looking at the long run outcomes of the system, both on the tax side and on the benefit side, looking at the distribution of benefits.

INVESTIGATIVE REPORT ON HEW EVALUATIONS

Mr. NATCHER. Recently the surveys and investigations staff of this committee issued a report on the evaluation programs of Health, Education, and Welfare. Since you are the official in charge of the HEW evaluation program, we have some questions about the findings contained in this report.

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RELATIONSHIP OF EVALUATION TO PROGRAM DECISIONMAKING

Mr. NATCHER. The purpose of evaluation studies should generally be to answer questions pertinent to program decisionmaking. What actions does HEW plan to take, if any, to involve the decisionmakers (agency heads and program managers) to a greater degree in the evaluation of their programs?

Mr. MORRILL. The Secretary has emphasized that our current system of evaluation planning and project development should rely primarily on the input of agency heads and their immediate staffs.

Mr. NATCHER. How does HEW plan to provide more incentive to program managers so they will give greater priority to evaluation planning?

Mr. MORRILL. We expect to sharpen the planning requirements on an agency-by-agency basis to better clarify precise requirements, which should assist the agencies in producing better plans with available staff input. Consequently, we hope that evaluation planning would be made more useful for program managers.

ADEQUATE EVALUATION STAFF

Mr. NATCHER. What plans or suggestions does HEW have to solve the lack of adequate evaluation staffs?

Mr. MORRILL. Lack of evaluation staff is a serious problem in several agencies. Under current personnel ceilings and related budget constraints there is little leeway to allocate more personnel to handle evaluation. Since we do not believe that "1 percent" evaluation funds should be used for permanent staff, we do not expect to be able to allocate significantly more staff to evaluation. What we are focusing on, however, is making more effective use of existing staff resources, contractor support, and temporary hires. Additionally, as noted in my opening statement we make heavy use of the interagency agreement which brings to bear the expertise of other departments on specific problems.

Mr. NATCHER. Why can't consideration be given by the HEW agencies and departments to the allocation of more personnel from their total manpower resources to handle evaluation activities?

Mr. MORRILL. As the Secretary indicated in his response to Mr. Flood concerning the report on the Department's evaluation program, we feel that the resources that are available offer us adequate flexibility to perform our evaluation activities.

TRANSFER OF PROGRAMS TO OFFICE OF THE SECRETARY

Mr. NATCHER. Recent legislation enacted by the Congress—December 10, 1974—authorized the transfer of the developmental disabilities and vocational rehabilitation programs in the Social and Rehabilitation Service to the Office of the Secretary of HEW. What is the present status regarding the transfer of these two programs to the Office of Human Development in HEW?

Mr. MORRILL. The developmental disabilities and vocational rehabilitation programs which are both administered within the Rehabilitation Services Administration were officially transferred to the Office of the Assistant Secretary for Human Development on February 2, 1975. Two hundred and thirty-eight positions were transferred in both

the central office and regional offices. In addition, 201 positions from the Social and Rehabilitation Services were transferred on March 2, 1975, as support staff. Forty-five new positions were also established within the Office of Human Development to accommodate the addition of RSA.

The Department has made every effort to assure that rehabilitation and developmental disability services have been continuously provided to the respective target groups during the transition period. The transfer has apparently transpired with a minimum of disturbance to the involved programs.

Mr. NATCHER. What is the present status of the transfer of the youth service systems program to the LEAA and the future of the Office of Youth Development and its personnel?

Mr. MORRILL. In 1975, 40 project grants for local youth services systems were awared under authorization of the Juvenile Delinquency Prevention Act which expires on June 30, 1975.

A series of meetings have been held in Washington and the regions for the purpose of insuring a smooth phase out of HEW funded YSS and for the transfer of certain functions from HEW to Justice. In this connection HEW has agreed to transfer the responsibility for preparation of periodic statistical reports on juvenile court cases.

The Administrator of LEAA and the HEW Assistant Secretary for Human Development agreed that HEW would transfer to LEAA the files and data relating to the juvenile court reporting system and that HEW would assist LEAA on this project for the remainder of the 1975 fiscal year.

In order to insure an orderly phase out of the YSS program under HEW auspices technical assistance is being provided under contract to the 10 regional HEW offices and to the YSS grantees. In this connection, those YSS which will continue to operate beyond the June 30 deadline under other funding auspices have been advised that technical assistance and consultation will terminate in 1975.

To date no serious problems have developed in the phase out of OYD–YSS. It appears that perhaps 40 to 50 YSS will continue to operate in fiscal year 1976 without HEW–OYD funding.

As to current and future plans, OYD is the programmatic office for title III The Runaway Youth Act, of the Juvenile Justice and Delinquency Prevention Act of 1974. This act enables OYD to fund runaway houses, and provide them technical assistance; conduct evaluations on the effectiveness of these houses; and conduct a comprehensive statistical study on the incidence of running away—and other related concerns. This legislation expires at the end of fiscal year 1977.

A new OYD staffing plan, approved by the Assistant Secretary for Human Development, phases out the Division of Youth Service Systems and establishes a Division of Runaway Youth. OYD/OHD is making every possible attempt to assure that staff affected by the phaseout will have positions elsewhere in OHD. In addition, each regional office will have an OYD Director specializing in runaway youth.

POOLING OF HEALTH EVALUATION FUNDS

Mr. NATCHER. Does ASPE agree with the restrictive view taken by the Comptroller that each evaluation fund source is to be used for the specific purpose for which it was appropriated?

Mr. MORRILL. Section 513 of the Public Health Act added a broad new evaluation section replacing the list of individual statutes and providing that "such portion as the Secretary may determine, but not more than 1 percent for any fiscal year beginning after June 30, 1970, shall be available for evaluation—directly, or by grants or contracts—of any program authorized by this act or any of such other acts." We believe this language allows us to perform both long range program-specific analyses and the variety of short-term evaluation which very well may cut across program boundaries. The procedures we are now following are consistent with this position and are administered jointly with both my and the Comptroller's staff so in practice I must say that we both are in agreement.

Mr. NATCHER. Concerning the "clarification" within ASPE of the responsibility for the accounting for the expenditure of evaluation funds in the consolidated working fund in fiscal 1975, will this also include charging each appropriate fund source for ASPE expenditures of the 25 percent funds?

Mr. MORRILL. Yes; the system does charge each appropriate source for ASPE expenditures up to the 25 percent of funds available for evaluation purposes.

ACCOUNTING FOR EVALUATION FUNDS

Mr. NATCHER. Who in ASPE will have responsibility for the accounting for the expenditures of evaluation funds from the consolidated working fund in fiscal year 1975, and what procedures and/or systems have been established to (1) prevent the lapse of agency funds, (2) to identify the slippage in planned evaluation projects, and (3) to assure the return of unused agency funds by April 1?

Mr. MORRILL. I have placed responsibility for the accounting of the expenditures of evaluation funds from the consolidated working fund in my immediate office with my administrative officer. We have indeed established a system which allows us at any time to know the status of obligations and commitments so as to make timely decisions on the use of evaluation funds. This system has allowed us to return to agency accounts funds not projected for use this fiscal year as early as March 10. The system consists of three elements: (1) an overall plan reduced to a project listing of fiscal year evaluation activities; (2) account ledgers organized by program office and by agency appropriation sources; and (3) periodic update reports of the status of actions in process. By continually posting updates to these accounts and close liaison with program offices, the procurement activities and the budget and accounting offices, we can and are insuring timely and effective use of evaluation funds.

Mr. NATCHER. In view of the fact that there are many fuzzy areas that have not been clearly interpreted concerning the proper use of 1 percent funds by the Comptroller's office, would it not be appropriate for the Comptroller's office to issue guidance and/or instructions to ASPE and the HEW agencies as to the proper use of 1 percent funds for support costs?

Mr. MORRILL. We have relied on the advice of our Office of General Counsel as to the proper use of the 1 percent funds. The provision of section 513, for example, that "not more than 1 percent shall be available for evaluation (directly, or by grant or contracts) when viewed in

light of the testimony of hearings held prior to the enactment of that section clearly contemplated use of 1 percent funds for in-house evaluation activities. Should any specific expenditure be of a questionable nature you may be sure that my staff or the Comptroller's will seek the advice of counsel in that regard. Contrary to the report's findings, no fiscal year 1974 1 percent funds were used for permanent employee travel expenditures.

Mr. NATCHER. What procedures or system will be used to follow the expenditure of regional funds?

Mr. MORRILL. After the close of the fiscal year, regions will be required to render an accounting of the uses of these funds to the Office of the Secretary.

Mr. NATCHER. What guidelines and controls will be established by ASPE and/or the Comptroller's office to insure that the funds are utilized for their intended purposes?

Mr. MORRILL. Regions are already required to follow existing guidelines and controls. Whether or not additional guidelines or other changes are required will depend on the experience of this trial year.

Mr. NATCHER. Why can't the ASPE evaluation planning guidance be issued earlier in the fiscal year?

Mr. MORRILL. The evaluation planning guidance can and will be issued earlier—for fiscal year 1976 prior to the start of the fiscal year. Preliminary guidance for agency evaluation plans has already been provided—March 20, 1975—in the departmental planning guidance memorandum.

Mr. NATCHER. Why hasn't ASPE been able to establish adequate policies and procedures for evaluation planning which would eliminate changing the guidance from year to year?

Mr. MORRILL. We have yet to develop a fully workable approach to evaluation planning, and therefore attempt to improve the guidance each year. In addition, circumstances change somewhat each year and this requires changes.

Mr. NATCHER. What objections do ASPE and HEW have against a multiyear evaluation plan with an updating of the plan when necessary and annual validation of continuing contracts?

Mr. MORRILL. We have no objections to such a multiyear evaluation plan and have encouraged agencies to proceed on such a basis.

ROLE OF REGIONAL OFFICES IN EVALUATION

Mr. NATCHER. Has Region V submitted to ASPE its paper on the regional role in evaluation?

Mr. MORRILL. The paper on the regional role in evaluation has not yet been completed by Region V.

Mr. NATCHER. What does ASPE foresee or project as the regional office role in evaluation programs?

Mr. MORRILL. We expect that the regional role will continue to focus on the efficiency and effectiveness of program implementation at the regional, State, and local levels.

EVALUATION OF COMPENSATORY EDUCATION PROGRAMS

Mr. NATCHER. What procedure or liaison effort will be maintained between the Office of Education and NIE to assure there will be no

duplication of effort in the evaluation of compensatory education programs?

Mr. MORRILL. To assure that there will be no duplication of effort in the evaluation of compensatory education programs, the following efforts have been made: (1) NIE and OE staff have critically reviewed each others' plans, work statements, and procurement actions; (2) ASE and ASPE staff have also reviewed critically the plans and work statements for the compensatory education studies; and (3) regularly scheduled meetings have been—and will continue to be—held with HEW, ASE, OE, and NIE to maintain coordination and eliminate problems, and any duplication. In addition, HEW's research, evaluation, and statistical planning system will provide a formal procedure in fiscal year 1976 for reviewing and exchanging information about OE and NIE evaluation projects. It should be pointed out, however, that Public Law 93-380 included provisions that direct the Commissioner of OE (section 151) to perform major title I evaluations and the Director of NIE (section 821) to conduct a major study of compensatory education.

REDESIGN OF EVALUATION PROCESS IN HEALTH AGENCIES

Mr. NATCHER. When will the study and redesign of health evaluation activities be completed?

Mr. MORRILL. We expect to complete the policy statement by early June 1975.

Mr. NATCHER. Will a more precise definition of evaluation result from this study?

Mr. MORRILL. To help clarify operating procedures, the tentative draft of the policy statement includes a specific list of criteria for determining evaluation activities and criteria for funding.

Mr. NATCHER. What department-wide application is expected to result from this study?

Mr. MORRILL. We believe that some flexibility in evaluation practices among different agencies and distinct program areas is necessary and desirable. For example, the size and organizational structure of the health activities of the Department differ from that for education. Nevertheless, we believe that some of the conclusions reached in the health evaluation study may prove useful in other areas. For example, the concept of a specific program evaluation plan may be applicable to social service activities.

NIH EVALUATION EXPENDITURES

Mr. NATCHER. NIH obligated only about $2.3 million in fiscal year 1973 and $3.3 million in fiscal year 1974 from 1 percent funding; are they expected to utilize the approximately $10 million available to them for fiscal year 1975?

Mr. MORRILL. We believe that within the total sum available for health evaluation, the amount to be obligated should be determined by the issues that are pertinent at the time, the resources required to apply sound methodology, and the availability of staff to monitor projects effectively. We do not believe that for NIH or any other agency the target for obligation should be the total 1 percent funding available. It seems unlikely now that we could usefully and effectively spend $10

million in fiscal year 1975 for evaluation of NIH activities. The anticipated obligation is probably about $6 million. The balance of funds will be returned for program use.

MULTIYEAR FUNDING FOR EVALUATION CONTRACTS

Mr. NATCHER. Is multiyear funding of evaluation contracts a common practice in HEW?

Mr. MORRILL. Although we would agree with both the Senate Appropriations Committee and Comptroller's position with respect to the multiyear funding of grants this practice should not apply to the procurement of evaluation requirements. While the project period system for funding grants of multiyear duration may offer the opportunity for annual review and indeed reflects proper management oversight of assistance programs, our evaluation contracts involve the delivery of hard products required for our own use. The time necessary for completion of these products depends entirely on the specific need involved. Although we have, in fact, made awards of up to 24 months in duration, those must be considered as exceptions and not illustrative of our general requirements. Indeed, almost all of our awards reflect time periods from 6–12 months.

Mr. NATCHER. Does HEW consider that the restriction against multiyear funding of grants recently expressed by the Senate Appropriations Committee and the HEW Comptroller also applies to evaluation contracts?

Mr. MORRILL. In discussing this issue with the HEW Comptroller, it appears that the restriction against multiyear funding of grants does not apply to contracts on an across-HEW basis. It is our position that with certain exceptions, for example, requirements for recurring services, funds appropriated in a single fiscal year may be used to pay for a specific need of that fiscal year even though contract performance may be of multiple year duration. This view is shared by our legal staff and the General Accounting Office as well.

AUDIT WORK RELATING TO EVALUATION

Mr. NATCHER. What work has been initiated or completed by the HEW Audit Agency in fiscal year 1975 regarding evaluation contracts?

Mr. MORRILL. It is my understanding that the 2 man-years projected in the fiscal year 1975 audit work plan will not be expended on reviewing a sample of agency evaluation contracts because of other more pressing priorities. I might add, however, that periodic reviews conducted by the Office of the Deputy Assistant Secretary for Grants and Procurement Management examine the processes utilized in the award and administration of Departmental contracts including those for evaluation. Additionally, my office has developed and issued in conjunction with that office a "Handbook on Management and Evaluation of Evaluation Contracts."

Mr. NATCHER. What future plans does the audit agency have for increasing their involvement in evaluation activities?

Mr. MORRILL. The agency's mission is to determine whether the Department's operations are being conducted economically and effi-

ciently, and to provide a reasonable degree of assurance that Federal funds are being expended properly and for the purpose for which appropriated. These activities thus play a supportive role in the Department's evaluation activities as its efforts are focused on financial and management evaluations. I know of no plans to increase its involvement in the area, only thru the mutual participation of our respective staffs in the forward planning process can we make most effective our use of existing resources.

AGENCY EVALUATION PLANS

Mr. NATCHER. There have been complaints of delays in the review and approval of evaluation plans and projects. When were the agencies' fiscal year 1975 evaluation plans approved?

Mr. MORRILL. For all agencies which submitted plans prior to the beginning of the calendar year, the basic plan was approved by February. Of course, the Health agencies were not required to submit a plan this year.

Mr. NATCHER. What action will be taken in order to achieve approval of plans earlier in the fiscal year?

Mr. MORRILL. For 1976 the guidance will be earlier, prior to the beginning of the fiscal year, and greater efforts will be made to complete agency plans in the fall. To the extent that plans can be made multiyear, the delay problems should be considerably reduced.

CONTINUATION OF EVALUATION PROJECTS

Mr. NATCHER. Of the 232 evaluation contracts which were funded in fiscal year 1974, 71 were continuations, or contracts which were funded in previous years and continued into fiscal year 1974. How thorough is the review of continuation contracts contained in the annual evaluation plans before they are approved for funding? At what point is consideration given to possible discontinuance of these contracts if progress has not been satisfactory?

Mr. MORRILL. The review of continuations is initially an agency responsibility, and a thorough review is an essential part of good project management. Should a contractor's progress be unsatisfactory, continuation funds would be denied. The OASPE does review continuations along with new starts.

IN-HOUSE EVALUATION ACTIVITIES

Mr. NATCHER. What control is maintained in HEW over in-house evaluation activities?

Mr. MORRILL. We have generally not attempted to exercise the same control over in-house activities as over contract projects, in part because the in-house work is not associated with discrete funding and usually either does not involve separate projects or is management rather than evaluation. Where evaluation projects are identified for in-house performance they are subject to review.

Mr. NATCHER. Why doesn't ASPE enforce the requirement that the evaluation plan include in-house evaluation plans and in-house projects?

Mr. MORRILL. We do not believe that any consequential number of in-house projects are not included in evaluataion plans. Current staffing simply does not permit a large number of in-house projects.

Mr. NATCHER. There were four education evaluation contracts funded in fiscal year 1974 with $769,923 of section 232 funds under title II of the Economic Opportunity Act of 1964 as amended. Is the use of policy research (232) funds concerning the four contracts a proper use of such funds or an augmentation of evaluation funds appropriated to OE?

Mr. MORRILL. We believe the use of funds for the four projects in question was proper under the 232 authority. Two of the four studies in question were in fact conducted by ASPE not OE. The decisions to delegate responsibility to OE for the bilingual and the adult education studies was not made to augment funds but to take advantage of OE staff resources. Such delegation of responsibility clearly avoided duplication of efforts and maximized the use of present staff in both organizations.

Mr. NATCHER. Why were 3 of the 4 contracts issued on the day before the end of the fiscal year?

Mr. MORRILL. Three of the four studies contracts were issued at the end of the fiscal year because of the substantial workload in the procurement system in the last quarter of the fiscal year. In the bilingual study more time-consuming negotiations than usually required took place with the outside potential contractors.

Mr. NATCHER. As a result of this evaluation contract what was the situation regarding the discovery of multiple awards of grants to the same local education agencies? Also what were the implications of this study for national policy?

Mr. MORRILL. The report indicated that the school districts (LEA's) in region V frequently submit multiple applications for grants to the special project programs and may obtain several special project grants (SPG) awards. Of the study of 182 awards made in the 20 SPG programs, 34 LEA's of the 2,069 LEA's for which data was available received more than one SPG award. These multiple awards exist both as extensions to previous grants and as independent grants, but are rarely in the same SPG program. The report also indicated that since SPG's are generally intended to provide services that are directed to special types of students or needs, multiple awards to districts with these needs would not only be anticipated but beneficial in meeting the needs of this program.

The Regional Commissioner's staff is currently completing an analysis of the report and its implications for the Office of Education and will forward their analysis with the final report to OE, Washington. Since this analysis is not yet completed, the recommendations presented below are those of the contractor performing the study.

The study demonstrated that the language used in legislation to specify need or target population is too vague to permit the development of measures of need or measures of ability to support a demonstration project. This limits the extent to which the relationship between needs and awards can be analyzed. The study recommends that HEW devote attention to specifying measures of need and the data that would reflect the existence of need or ability to support special project grants. These measures should be sufficiently specific that they

could be utilized in determinations regarding individual grant applications.

The study indicated that an assessment of SPG distribution should recognize that many of the SPG applications are submitted by operational entities such as single schools, groups of schools from one or more school districts and ad hoc groupings construed to receive and implement grants. If individual schools have concentrations of needs or target populations, the concentrations, a crucial factor in any assessment of special projects grants distribution, average out when immersed in the broader picture of a school district. Furthermore, non-LEA's such as community action groups and higher education institutions often compete with LEA's for a grant. The target population served by an LEA might, therefore, be benefitting from an award to a non-LEA.

The report recommended that HEW should establish a system that can easily and efficiently provide most HEW available data on a particular applicant. Thus, an application for a specific special projects grants should trigger available documentation and information on the LEA so that the application review and awards committee can make its judgment with the full benefit of all HEW collected data. It was also suggested that HEW should consolidate and coordinate its applications and award files so data could readily be obtained concerning how many and which applicants had applied for and received awards for the special projects grants programs. The Office of Education is currently working on a system that will implement these recommendations.

The report recommended that HEW provide additional assistance to local authorities so that more potentially eligible LEA's are aware of special project grant programs and funds.

The report also recommended that HEW study the systematic effects of the grant process on grant distribution; that is, the effects of grantsmanship, and the actual uses of special project grants by grantees.

UTILIZATION OF EVALUATION RESULTS

Mr. NATCHER. What departmentwide plans, if any, does ASPE have to insure proper utilization of the results of evaluation projects and to record such utilization?

Mr. MORRILL. It is often the case that a single study should not be taken alone but assessed by many persons in the context of other evaluations, research, management knowledge, and the like. Such followup does occur routinely, varying with the study, but it is virtually impossible to document all the various uses and users of individual studies.

Mr. NATCHER. Have recommendations been made by the health task groups in this regard?

Mr. MORRILL. There is a specific recommendation for reporting on the uses of completed studies in the health task group report. The Office of Education prepared and disseminates summaries of selected, major studies to encourage their use in policymaking. Whether through such reports or through more concerned efforts to disseminate individual studies, we expect that both in health and other areas, utilization can and will be improved.

RESULTS FROM EVALUATION CONTRACT

Mr. NATCHER. What were the national policy implications of evaluation contract HEW–OS–74–249 and what actions will result from this study?

Mr. MORRILL. The report recommended that HEW increase Federal financial participation for EPSDT as an incentive to States for implementation. A specific recommendation was that 75 percent Federal funding be allowed for the outreach function as a social service reimbursement available to State welfare departments. A regulation accomplishing this has been published. In addition, the Office of Child Development is supporting EPSDT health coordinators in Head Start agencies to increase effective outreach and followup activities.

The report recommended that HEW provide incentives to States for training State staff of EPSDT, particularly for training in the outreach function. A HEW regulation allows for 75 percent Federal funding for training and supervision of paraprofessionals to perform health relocated supportive services, including outreach and followup as well as training for skilled medical personnel involved in EPSDT.

The report recommended that the EPSDT program put more emphasis on the health education aspects of preventive health care. The Department allows for 75 percent Federal funding for health education activities such as working with parents to explain the value of preventive health care and to advise them of what, where and when services are available to them.

The report found that EPSDT could be shown to be cost-effective in the short run and recommended that HEW present a cost analysis to each State which would demonstrate this. SRS is preparing an issue paper to document the shortrun cost effectiveness of EPSDT.

The report recommended that HEW prepare and share with States guidelines for improved program operations in the areas of outreach, scheduling, screening, treatment and followup. SRS has funded four EPSDT demonstration projects which should provide information helpful to States in the program operation areas listed above.

The report recommended that the Federal Regional EPSDT task force take a more active role in persuading the States to implement EPSDT and in supporting State efforts. This is being achieved by providing technical assistance to States by increased staff in SRS for EPSDT, and by an active leadership role assumed by the Regional Director.

The report recommended that the region help the States in undertaking an overall planning and program implementation effort with respect to their State EPSDT program, including the specification of concrete goals and objectives and a concrete implementation plan. The regional task force has scheduled meetings in May with staff from the State Health, Welfare and Education agencies in both Ohio and Wisconsin to review the State EPSDT program and to develop a joint State-Federal work plan to improve their programs. The findings in the evaluation report will be the basis for the agenda at the State meetings. Wisconsin has indicated that the report has stimulated the begin-

nings of an internal planning and evaluation function for EPSDT. Additionally, the report has been shared with the Governor's Offices in Ohio and Wisconsin in the hope of increasing their awareness of the problems and potentials of EPSDT implementation.

The report recommended that the Regional office initiate a much more active public affairs efforts to support EPSDT. The region's public affairs staff has launched a public information program on EPSDT and has been working much more closely with State public affairs staff to insure news stories and television spots about EPSDT.

Mr. NATCHER. Were additional grants awarded the projects criticized in contract HSM–42–72–106 after receipt of the contractor report? If so, how much?

Mr. MORRILL. One grant has subsequently been made. It is a grant to the multistate information system, Rockland State Hospital, Orangeburg, N.Y., effective May 1, 1974 through April 30, 1978, in the amount of $125,000 per year. The purpose of this grant is limited to system development and is not to be used to support the operation of the system. The users are required to support the operation.

Mr. NATCHER. What were the results of the final reassessment of this report?

Mr. MORRILL. The panel which was established to assess this report is due to complete its work by May 31, 1975.

Mr. NATCHER. Mr. Casey.

CANCELLATION OF FORMER OEO PROJECTS

Mr. CASEY. Mr. Morrill, does your Department have the evaluation responsibility on some of these programs you inherited from OEO?

Mr. MORRILL. My office inherited a part of what has been the planning, research, and evaluation activities of OEO. I was not the only one. Some went to Labor, some went to Housing and Urban Development. Some activities went to NIE and I picked up those largely having to do with the area of income maintenance and social service programs. I acquired those.

Mr. CASEY. Well, as you know, we often learn the hard way by reading in the papers about some of these programs that someone started, but about which no one was aware until the roof falls in on us.

I read in the paper the other day where you had canceled a program, started by OEO, of sending coupons to high school students for condoms, and so forth?

Mr. MORRILL. I read that myself, Mr. Casey, and I must confess that is the first I had heard of it. That particular program, apparently from the newspaper account, was one that was moved into the health area of HEW and it was clearly not one with which I was directly concerned. It sounded as though once the Department had done it it made the sensible decision with respect to it.

HEALTH RESEARCH

Mr. CASEY. You don't get into analysis of the policy of research programs in say the Health Department?

Mr. MORRILL. With respect to the health side there is, of course, just the massive programs at NIH and related agencies involving the hard biomedical sciences, and while we have an overall interest we

are not deeply involved, certainly not at any project level with those kinds of activities.

In the health area, the portion of those activities we are most concerned with are issues involving health financing, the activities in the real delivery system and how those might be made better. Current, for example, is the issue of how we might do better with HMO's but not the biomedical research side of it to any substantial degree at all.

USE OF CONGRESSIONAL STUDIES ON FOOD STAMPS

Mr. CASEY. I notice in your statement that you have done a study on food stamps.

Mr. MORRILL. Some of the work we have done, particularly with respect to gaining basic information, relates to the food stamp area and particularly how the food stamp program relates to our cash programs in public assistance.

Mr. CASEY. Are you familiar with the study made by the Joint Congressional Economic Committee that was headed up by Martha Griffiths?

Mr. MORRILL. Indeed I am.

Mr. CASEY. Have you read it?

Mr. MORRILL. I will be frank with you, sir, all 16 volumes. I haven't read every word of them, but I am familiar in general with their work. In the work we are doing within the Department, that effort by that committee was, we thought, very helpful and provided a lot of very useful information, not only to use, but we think to the Congress, and the public in general, about how the various income tested programs work and the kinds of results you can get, some of them planned and some of them, as I think we might agree, unintended.

Mr. CASEY. You say you find them helpful. Are they being used? Will there be any results? You see, we put a little money into that too. As a matter of fact, Mrs. Griffiths talked me into supporting additional money for a couple of years to finally get it fully reported. I want to find out who is using it.

Mr. MORRILL. Well, I think in terms of evidence of its use, I think there's two parts to that story. I think some of the findings from those studies and indeed, some of our own as we mentioned, lead to important changes in the welfare programs. I noted in my statement, for example, the concern about what we call the accounting period. That is, what period of income do you look at in determining people's benefits?

I think after we had done some experiments and have had some other experiences that we learned how important that was in terms of determining who gets what. We have used her material and some of our own and we are beginning to look at changes that make better sense, so the benefits go to those who are most in need and not to others who may have a purely temporary situation.

Beyond that there is a broader question which I think is raised by that committee's work and indeed by the debates that have gone on now for some years about what kinds of reforms does one want to look to in the welfare system, if you will, as a whole. The Department and the administration is looking at that set of issues now as to what proposals the President may wish to make in that area, and Mrs. Griffiths, herself, of course, set out her ideas as to how that problem ought to be

solved. There is both a short-range benefit in terms of improvements that you can make in the existing programs, and raising the questions of what we ought to do in the longer run with that whole set of welfare programs.

Mr. CASEY. Mrs. Griffiths' committee pointed out that an unmarried woman with four children, if she took advantage of everything that was offered to her, would have the equivalent to something like $11,000 a year without turning her hand.

Mr. MORRILL. That is right. I think what that pointed up—and indeed some of our own analyses deal with that as well—is the question of some fairly substantial inequities in the programs as we now have them. Some people get a great deal if they happen to live in a particular place and their circumstances happen to be of a certain kind. That is, say a female-headed family. Whereas, if they live somewhere else, where there is no public housing, for example, they are an intact family, they may get no benefits from anything.

I think that raises a fundamental question as to what kind of program design we really want to have in our welfare system.

Mr. CASEY. I chair another subcommittee which funded that study for Mrs. Griffiths and I was hoping they were being used by someone. We have so many studies that sometimes go on the shelf and no one looks at them for 20 years. An example is an energy study that was made by a commission about 20 years ago. Ed Murrow made a TV show on it and they reran it a while back.

No one paid any attention to that study, which was on our rapidly using up our natural resources. That Commission work sat on the shelf for 20 years and now people are saying, "Why didn't we pay attention to it?"

Mr. MORRILL. I guess I can only speak for my office. At least we are one user of that material.

Mr. CASEY. Good. I hope you are.

Also, even though you can't claim credit for knocking in the head a particular program inherited by HEW from the old OEO, I hope that you and the rest of the people in that department continue to look at some of these programs that come out of the woodwork and that we don't know about until the roof caves in on us, and stop some of them that are of doubtful moral value to say the least.

IMPORTANCE AND FUNCTION OF THE OFFICE OF THE ASSISTANT SECRETARY FOR PLANNING AND EVALUATION

Mr. MORRILL. We try our best, sir.

Mr. NATCHER. Mr. Roybal.

Mr. ROYBAL. I am new on this committee, so I am going to try to get a feeling for what your department really is and what it does.

Can you tell me why your department is so essential? Why it is needed so greatly?

Mr. MORRILL. Mr. Roybal, my office serves as a staff arm to the secretary, in which we provide some independent work and also comment on work performed by some of the particular agencies, constituted agencies within HEW. I think we play an important function in trying to assist the Secretary in coming to grips with the problems of coordination of policies and activities within the Department and

looking at some of the issues as he sees them rather than as they may be seen by individual components of the Department.

Having been at HEW now about 2 years, one of the strong impressions that I have is the interrelationship between our activities, between what goes on, say, in our health area, with what is done in social security about medicare or SRS about the medicaid program. Those are very important interrelationships and if we are to do our job as a department as a whole, they should be headed toward the same objectives and goals that are set out in law.

Mr. ROYBAL. They are not duplications?

Mr. MORRILL. No, sir. One has to keep working at that to make sure that is the case. That is part of the charter of what I am to do, too.

DEPARTMENTAL ORGANIZATION AND COORDINATION OF EFFORTS

Mr. ROYBAL. With respect to interrelationships, that you have just mentioned, is it possible that one or the other departments can be eliminated so that the remaining one could handle all the functions.

Mr. MORRILL. I think in any large organization with as many activities as the Department has, you are going to necessarily have some division of effort. That makes sense. With a group of 130,000 employees and I guess on the order of about 300 programs, we need some organizational structure to deal with that and follow out the statutes enacted by the Congress. In doing so, we need to do it in such a way that we are not stumbling over ourselves or working at cross purposes and that is what the overall departmental structure is designed to help the Secretary do, of which I am a part and which is one of my central worries.

Let me illustrate that in kind of a practical way. A great many of our programs involve what we call income testing the population. How much income have you got and what should the eligibility rules be? How many assets can you have and still be eligible, and each program—there are four or five programs that I can think of quickly offhand, that have those kinds of rules within them.

It makes some sense for the department to look at those rules in relationship to each other so if we are different in how we apply them, there is some reason for that. If they should be the same, they are the same. That is a deliberate decision and not a happenstance. If we don't do that, we come back to the committee work that Mr. Casey was referring to in which Martha Griffiths' work pointed out that by having so many departments well beyond HEW involved in means-tested programs, we have got a terribly confusing set of rules that nobody understands; they don't relate to each other and they often result in that curious unintended result where people in like circumstances get treated differently.

Mr. CASEY. I will tell you the ones that really understand it better than anybody else are the recipients. They learn the rules and regulations on how to apply and qualify better than anyone up on this Hill or even down in the executive branch.

Mr. ROYBAL. It seems to me if these recipients can actually sift this conglomerate, they are doing quite an excellent job. It is not easy to do.

Mr. MORRILL. I think some do, as Mr. Casey suggests, learn the system. I would contend there is another group that are unaware of it and are oblivious to what it is and do not make use of it.

For example, the participation rate in food stamps is well below the total eligible population.

Mr. ROYBAL The work that you do, however, is not duplicated by any other organization?

Mr. MORRILL. That is my assertion, sir, and we work very hard to make sure that we do not duplicate.

Mr. ROYBAL. I seem to have the feeling that you do, but I am not sure that that is the fact. You have cited several examples of the program's usefulness. You say that we have gained firsthand experience with the administrative requirements of health insurance plans, whose price is tied to the income levels of the insured families.

I am sure you are not the only agency involved in doing work in the field. Is that correct?

Mr. MORRILL. The two major public programs, Federal public programs that we now have is, of course, the medicare, and the medicaid programs. They have only nominal, if indeed any ongoing cost-sharing arrangements in which there is a requirement to look at how much you are earning to determine how much your health insurance or medical bills should be. In medicaid there is virtually no cost sharing. Once you are eligible for the program, the services you receive by and large do not cost anything.

Under the kinds of health insurance plans that have what is called coinsurance and deductibles in them—and this is a feature of health insurance plans that have been discussed in varying bills before the Congress, they all involve some sort of cost sharing. That is an administrative problem to contend with if we put such a program in place and what we are learning in this experiment is something about how to do that in a practical way.

Mr. ROYBAL. As you gain this experience, who actually benefits from it? You have learned a great deal about the subject matter. Now, how does it get down to the department levels where those people who administer the program can take advantage of the expertise?

Mr. MORRILL. In the first instance, the publication of the results, making that known, and in a general research sense backed up by work in my office, where there is an important point, where I might write a memo to some individual saying, "Look, here is something important we have learned that ought to be taken account of" or "bring it to the Secretary's attention." More than that, it helps us in developing within the Department plans and proposals the executive branch may consider for bringing forward to the Congress.

As the Congress considers these issues, these research results should and are, I think, made available to the relevant committees so they can take those results into account in fashioning the statutes that deal with these programs. All of that, I think, is exceedingly important business.

ACCOUNTING PERIODS FOR INCOME REPORTING PURPOSES

Mr. ROYBAL. In your statement you say one of the outcomes of these income-maintenance experiences is the observation that current reporting and accounting procedures and welfare programs often result in overpayments to temporarily eligible recipients.

It didn't take too much research to come to that conclusion, did it? Any accountant, I think, could give you that information within an hour's time.

Mr. MORRILL. Dr. Orr would like to make a comment on that one if he may.

Dr. ORR. I think what has been alluded to here is a little more complicated than the few words on paper indicate. I think it did take a fair amount of research and, more importantly, data gathering in the field to realize that the rather extreme degree of variation of income among those low-income families over time results in a situation where, if you measure your income over one period—say 6 months, as is currently done in the welfare programs—or a longer period, you get one average level of income which might make a family eligible for benefits.

If you measure it on a shorter time period—for example, over a month, that family would not be eligible for the same level of benefits and the longer redetermination period tends to favor people who have temporary dips in income.

The reason it took a research project to turn that fact up is that before there were virtually no really reliable sources of data on monthly income for the low-income population. The experience produced that data base and allowed us to analyze different kinds of income reporting and income accounting systems.

Mr. ROYBAL. It seems to me that any social worker working out in the field deals directly with the recipient. You should have compiled this information a long time ago.

Mr. MORRILL. Often in the number of checks the caseworker made with respect to income was not a frequent check but was maybe every 6 months. If indeed they got there that often to determine what the income was and so there was no real systematic way to say how much you have in terms of fluctuations in terms of low income people.

Individual caseworkers probably could say yes, two or three of my clients here do have that situation. There is no really reliable or usable data at the national level saying how big that population is or what it looks like. And no research efforts went after that to say how it looked. It turns out to be quite frequent.

Mr. ROYBAL. You have that information now. You probably have written a report and submitted it to the proper authorities. How does it actually benefit the programs?

UTILIZATION OF RESULTS

Mr. MORRILL. If we merely put the report on some shelf to gather dust we have not really done our job.

Mr. ROYBAL. That is what I fear could occur.

Mr. MORRILL. Because of my organizational location in the Office of the Secretary I do have the opportunity as contrasted from some separate research institute somewhere to take those results and say, yes, that applies in social security or SRS or human development, get those results to those agencies, call the importance to the head of the agency and to the Secretary and to stimulate the kind of action that ought to come out of the program saying here are some changes we ought to make because of what we learned.

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Mr. ROYBAL. But you do not have oversight capabilities to see to it that these changes are implemented, do you?

Mr. MORRILL. Well, sir, if I can persuade the Secretary that the results ought to be used, we do have an opportunity to make that effective.

Mr. ROYBAL. What good will it do you to research all of this, to gain all this knowledge, and then have the report, as Mr. Casey indicated, just lay on the shelf so that nobody will see it?

Mr. MORRILL. As I say, I think reporting to the Secretary gives me the opportunity, if my results are credible, to get them used, or indeed since so much of the Department is involved in legislation in terms of how its programs run, to bring those results forward in our testimony to the Congress, saying, "Here is something we found. Here is a program change we ought to make and try to use those results to persuade the Congress that the change ought to be made."

RESEARCH ON NURSING HOMES

Mr. ROYBAL. One more thing that I would like to get some information on: Have you done any work, any research or any work of any kind with regard to the problems of the aging, the senior citizens, including that of nursing homes?

Mr. MORRILL. We have been doing some selected work in the nursing home area. Again, as noted in my testimony, we are not the only ones involved in research in this area. The Commissioner on Aging and others are involved in particular aspects within their program area. We have been trying to explore, again looking to the longer range future, about how we might find alternatives to nursing home care, whether there are better solutions than institutionalizing elderly people and if there are, what kind of programs should be organized for that purpose. So that if they do not need to be in a nursing home, they do not end up there because it seems to be the only alternative for them.

Mr. ROYBAL. Isn't this something that is the prerogative of another agency?

Mr. MORRILL. There are other agencies within the Department, the Social Security Administration and the program on aging that are both concerned with that issue. Indeed, in terms of our research activity, as I noted earlier, we try to plan the work so that we have an overall approach to the problem and that what we in my office are doing is looking particularly at the areas of interaction between what the Office of Aging is doing and the Social Security Administration is doing to make sure we have a constant total and do not have gaps or problems that nobody looks at because they are not within a particular set of responsibilities.

DUPLICATION AMONG AGENCIES

Mr. ROYBAL. But you still contend that there is no duplication.

Mr. MORRILL. I surely do. It is because of the way in which we plan our research activities in which mutually amongst the agencies we go over the work to be done and agree about who is going to do what and through that process do what needs to be done and don't do it twice.

Mr. ROYBAL. You mean like assigning areas in which each one takes responsibility?

Mr. MORRILL. Yes, sir.

Mr. ROYBAL. In that case, then, you take your particular area and a different assignment is made to others.

Mr. MORRILL. That is right.

Mr. ROYBAL. You have that authority then?

Mr. MORRILL. Yes, sir, the authority, of course, is with the Secretary as part of the planning of the activities.

Mr. ROYBAL. So, these activities are carefully planned and you are responsible for that planning?

Mr. MORRILL. Yes, sir.

Mr. ROYBAL. Are you also responsible for consolidating these reports once they are made?

Mr. MORRILL. We try to do that, too, to make sure the results of one project that relate to another are understood and seen by people who are concerned with that so that the full results are taken advantage of.

I might add just another word: I think it has something to do with people, too, about what helps us in avoiding duplications. Good researchers by and large, Mr. Roybal, do not like to redo a project that somebody else has already done. It is not satisfying to them in a personal or professional way, to reinvent the wheel, if you will. To the extent that we can keep the information flowing and the coordination going, we have a very good chance of avoiding outright redoing the same project over and over again.

Mr. NATCHER. Mr. Michel?

APPROPRIATION REQUEST

Mr. MICHEL. What do you hope to accomplish with the $2,931,000 increase for policy research over the anticipated 1975 appropriation?

Mr. MORRILL. The program operating level in fiscal 1974 was $29.8 million and the current 1975 appropriation will in fact be a reduction. We are asking, in effect, for a continuation of activities at prior-year levels. Indeed, most of the work that is and would be conducted under the fiscal year 1976 request reflects continuations of past-year efforts rather than brandnew undertakings.

Mr. MICHEL. How much of your 1976 request will be used to continue costs of operations now in place? Will there be any funds for new projects?

Mr. MORRILL. Essentially the total request of $29,260,000 is needed to continue the past year's efforts into 1976. Were I to find some unanticipated area of research that came up in fiscal year 1976, I would have to reduce the continuing level of the program in order to accommodate it.

INCOME MAINTENANCE EXPERIMENTS

Mr. MICHEL. The income maintenance and health insurance experiments appear to be very costly for the results achieved. Can you describe for us some of the results to date and their effect on Department policy development in the areas of health and welfare.

Mr. MORRILL. Before addressing the issue of how these experiments have affected policy development, it is important to point out that

although the costs appear large, they are extremely modest expenditures compared to the size of the programs and to the issues they are studying and, equally important, are modest compared to the ultimate value of the research finding we expect from these projects. For example, our annual investment in the income maintenance experiments represents less than 0.1 percent of the annual Federal-State cost of the AFDC program alone. Adding in all other HEW income maintenance research costs to this would not significantly alter this percentage nor alter the basic fact that our research investment in this area is very modest compared to the magnitude of the problems and costs of the programs the research is addressing.

Similarly, the health insurance experiment, which is currently the Department's only major research project in the heatlh care financing area, comprises only a minute fraction of the Government's annual outlays for health care. Nor are the costs of these projects large compared to other large-scale data collection efforts, such as the periodic national surveys conducted by the Department and others. It should also be noted that a substantial fraction of the budgetary cost of these projects—about 40 to 50 percent—is devoted to direct provision of assistance payments and services to participating families. Most of the rest of the costs are for survey data collection and processing.

The primary rationale for the income maintenance experiments is that they will yield statistically reliable data on the behavioral response of individuals to various income maintenance policies or treatments so that we can predict in advance what the costs and societal effects are of making a variety of changes to our income maintenance systems. So far, of course, only the New Jersey experiment's behavioral results are available to policymakers. Even so, the fact that this experiment shows that no significant reduction in work effort on the part of male heads would result from the implementation of negative income tax programs of the type tested in New Jersey is an important finding. Since various negative income tax programs have been (e.g., the Family Assistance Plan proposal), and will continue to be, considered as major alternatives to the existing welfare system, this finding will be an important factor for policymakers to evaluate in deciding whether to propose such alternatives.

The other experiments will be providing additional important behavioral findings this summer and fall. We expect them to provide more definitive information on all of the issues addressed by the New Jersey experiment and extend this information to important populations groups not covered by that experiment. In addition, these experiments will provide findings on a number of significant additional issues such as on the interaction of manpower training and income maintenance, the demand for day care and other social services, food stamp participation, and the impact of unemployment insurance on job search activity.

It is inevitable that as time goes on, major structural changes in the basic welfare legislation will be proposed by this or subsequent administrations or by the Congress. Thus, the experiments primarily look to the future in the sense that they are designed to provide useful information relating to the impact of mandating and subsequently changing basic support levels, changing program marginal tax rates,

expanding program coverage, integration with other in-kind and cash programs, and so forth. For example, given the larger sample size and design of the Seattle/Denver experiments, we expect to be able to provide precise estimates of the effects of different program tax rates on costs, caseloads, and work incentives for a variety of income maintenance plans. This estimating capability is of great importance since alternative policy decisions about program tax rates will result in annual Federal expenditures that differ by hundreds of millions to several billion dollars per year. Obviously an estimation capability that will assist policymakers in determining the cost of alternatives of these magnitudes is of great importance.

While findings on individual behavioral response are the chief justification for the experiments, several other important lessons have already been learned in developing the designs and administrative structure for the experiments, and these lessons are being applied in HEW policy development for administrative, as well as structural, reform of the welfare system.

The most 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 AFDC and food stamp programs) in terms of cost, coverage, equity, and work incentives. An analysis of alternative accounting periods based on this preliminary finding was helpful to the Ways and Means Committee in their consideration of H.R. 1 (the FAP legislation) several years ago, and influenced the committee's choice of annual accounting period using a carryover technique for that legislative proposal. Although H.R. 1, as finally enacted, did not include any major structural reform, of the families-with-children program, it is anticipated that the annual accounting period concept will be an integral part of any future major legislative effort to reform this welfare program.

As a matter of fact, HEW policymakers have adopted the annual accounting period concept as a basic program parameter whenever we review and analyze alternative reform measures. The widespread use and acceptance of this very key experimental finding by order policymakers is indicated by the fact that the model welfare reform program developed last year by the Subcommittee on Fiscal Policy of the Joint Economic Committee included an annual accounting period concept. While the accounting period may sound like a small technical detail, the way in which it is defined can change program costs by billions of dollars and program coverage by millions of recipients.

Another major product of the experiments that will have a lasting impact on HEW policy development is the creation of a unique data base which has many important potential uses in the analysis of current and future welfare issues. All of the experiments have been run with monthly retrospective income reporting systems (as well as annual accounting periods), and thus provide data on monthly income flows of the poor and near poor. No other national or large-scale data base is available in this form, despite the fact that virtually all cash and

in-kind transfer programs determine eligibility and benefits on the basis of monthly (or at most quarterly) income. Since data from the experiments also show that the incomes of low and lower middle income families vary greatly from month to month, failure to account for such intrayear income flows severely limits the usefulness of all methods previously used for estimating income maintenance program costs and caseloads, and related impacts.

A second major administrative finding from the experiments which is having a direct and significant impact on HEW policy development can also be cited. With this new data base, the Government, for the first time, can analyze the effects of various accounting and reporting procedures that could be used to tighten up the administration of the current welfare program as well as the administration of other cash and in-kind transfer programs such as food stamps. As noted previously most low and lower middle income families have considerable fluctuation in their monthly incomes throughout the year. This implies that for purposes of both equity and responsiveness to need, welfare recipients should report their income monthly, and benefits should be adjusted promptly on the basis of such reports. Analysis of the experimental data also indicate that the introduction of such procedures should result in a considerable lessening of the rates of ineligibility and amount of overpayments in the current welfare system.

We have preliminary estimates that the use of mandatory monthly retrospective reporting in the AFDC program could save $400 million to 700 million in overpayments and ineligible payments each year. We are going to pilot test such a system in one or more state AFDC programs. We expect those pilot tests to confirm the early findings from the experiments and to indicate more precisely the cost savings that can be achieved. Mandating the use of this monthly reporting system for all state AFDC programs is of course the likely and result that would occur from the original research finding. Thus the experimental findings will not only have important future uses in HEW policy development, in terms of the analysis of major structural income maintenance reform, but already have had significant practical applications in the analysis of current welfare policies and issues to date.

HEALTH INSURANCE EXPERIMENTS

The health insurance experiment will provide a set of data on health insurance, the use of medical care, health status, and quality of care, which in terms of quality, reliability, and comprehensiveness will be unparalleled by virtually any other data base for years to come. The results will have important implications for policy with respect to cost-sharing in federally supported health financing plans, an area about which little is presently known. For example, the very preliminary results available from the experiment to data indicate that insurance coverage with no cost-sharing may generate as much as 45 percent more demand for physicians' services than insurance which includes substantial deductibles. If corroborated by the results from the full-scale experiment, this finding alone will have profound implications for national policy with respect to health financing and health manpower planning. The experiment will also produce the first reliable data on the effects of health insurance on the quality of care

received and the health status of individuals. These are, of course, the ultimate objectives of health policy.

The health insurance experiment has already produced a good deal of valuable information on the administrative requirements of insurance plans with income-related cost-sharing features—a type of plan that does not now exist, but which has been proposed in several national health insurance bills. The experiment has also made available for the first time national survey data on physicians' prices, workloads, scheduling wait times to appointment, and nonphysician staff and facilities. These data are currently being used by HEW and OMB staff in health manpower planning analyses.

More generally, however, I want to emphasize two points. First, it is still too early to expect the full value of these experiments for policy, or even a substantial portion of it, to have been realized. In only one of the experiments has a comprehensive final analysis been completed; several of the others are nearing completion, while the health insurance experiment is only beginning its field operations. Over the next several years, substantial amounts of data and analytical results will become available from these projects. I can assure you that these results and data will be used productively in our policy planning process, just as the results to date have been. Second, I want to emphasize the very broad utility of the data collected in these projects. Each is designed to produce survey data on a variety of aspects of household behavior and the effects of the experimental programs. These data will be useful for a wide variety of analyses, quite apart from the direct analysis of experimental outcomes. The data from the New Jersey experiment, the only one of the experiments completed to date, has been widely disseminated in the research community, and is being used for a wide range of income maintenance and poverty-related studies. The payoff from these projects, then, will continue long after the projects themselves have ended.

BASIC RESEARCH AND STATISTICAL DATA PROJECTS

Mr. MICHEL. Basic research and statistical data is listed in your request at $4,570,000 for 1976. What is achieved by this expenditure in terms of policy improvements?

Mr. MORRILL. The activities in this category are the source of much of the statistical data and analysis which are used directly in policy formulation within the Department. I mentioned earlier the Michigan longitudinal survey and the poverty statistics compiled from the current population surveys in this regard. These are virtually the only sources of national data on the low-income population available on a current basis between the decennial censuses. As such, they are our basic source of information on the universe of need for various programs, and for estimating the distributional effects of various income security policies. We have found them to be invaluable in our policy planning activities.

Also included in this category are a number of special-purpose statistical analyses and surveys. In the past, these have included special tabulations of the low-income population by county and high-poverty areas, from the 1970 census. These have been useful in analyzing the

geographic impacts of antipoverty efforts. Currently, this portion of the budget includes periodic supplements to the current population surveys to collect data on food stamp recipients. These supplements, begun in June 1973 and conducted every 4 months since August 1974, are the only existing source of data on the family characteristics, including income sources and work experience, of food stamp recipients. Since they cover the time period of the recent dramatic increases in the food stamp caseload, they are uniquely valuable for assessing that program's changing nature and its relationship to HEW assistance programs. Needless to say, these data are also useful to the Department of Agriculture, which participates jointly in their design and analysis.

We are also planning to sponsor a supplement to the Annual Housing Survey of the Department of Housing and Urban Development to measure the noncash income of the low-income population, particularly in rural areas, and to participate in a new food consumption survey being planned by the Department of Agriculture. Our interest in this latter survey will focus on the nutritional adequacy of the non-categorical poor—those low-income families who receive neither cash assistance nor food stamps—and comparisons of the food consumption of food stamp recipient and other poor families.

As I indicated earlier, we are deeply concerned with the multiplicity of programs and benefits which are available to the low-income population and, particularly, the inequities which result when a few families receive little or no assistance. These data collection activities are essential to understanding the distribution of benefits from the various assistance programs, in order to design new approaches to integrate, rationalize, and make more equitable the entire transfer system.

Also included in the basic research and statistical data component is the Institute for Research on Poverty at the University of Wisconsin. The poverty institute performs several functions which we have found to be extremely useful in policy development and planning. First, it provides a reservoir of top-quality academic talent, who are available for consultation on policy matters. Most of the staff members of the institute have been involved in poverty research for a number of years and have developed a high level of expertise in specific policy areas. We regularly call upon this staff for critique and comment on our own in-house policy analysis staff work. The institute also provides the capability for quick turnaround analyses which could not be done with our limited in-house staff. Finally, and more fundamentally, the institute has provided a focal point for poverty research in the private research community over the past ten years. Its work has stimulated a good deal of the poverty research which has been conducted at other universities and private research institutions, as well as making major contributions to the body of knowledge on poverty problems. For example, much of the work in the design and effects of the negative income tax has been done at the poverty institute; the institute has also made important methodological contributions, including the development of the technique of social experimentation.

The dynamic microsimulation model, included in this category, provides a vehicle for integrating the results of a wide range of research projects into a comprehensive simulation model of the changes in family characteristics and well-being over time. This model allows us to trace out the effects of demographic and economic trends, as well as

policy initiatives, over a period of many years. We are currently using this model to produce long-term projections of the course of the AFDC program under alternative demographic trends and policy assumptions, and to estimate the distribution of social security benefits under alternative benefit formulas. This latter exercise requires detailed lifetime earnings histories, which are unavailable from any other source.

Finally, this category includes computer support for our in-house research and policy analyses, which we feel are indispensable to our policy activities. These analyses currently include estimation of benefit distributions under alternative welfare reform and tax reform proposals; projections of short-term changes in AFDC caseloads for budgetary purposes; prediction of the effects of the recession on a variety of income transfer programs; and analysis of participation in the food stamp program.

OTHER HUMAN SERVICES

Mr. MICHEL. Your request lists $5,690,000 for 1976 under "Other Human Services." What are some of the major projects in this category and how do they impact on departmental policy?

Mr. MORRILL. The $5,690,000 figure would have covered most of the continuation costs for fiscal year 1976. However, we may expect to use $4.4 million of the $29.2 million requested for this continuation of projects subactivity. Major projects include: partnership program, survey of Institutionalized, incentive reimbursement for LTC, stochastic and costing model for structure and function of disability programs, and disability and worker's compensation.

Mr. MICHEL. Thank you.

Mr. NATCHER. Mr. Conte.

OTHER POVERTY RESEARCH WITHIN HEW

Mr. CONTE. On page 79 of your justification, the suggested appropriations language indicates that these funds will be used for research studies "to the extent not otherwise provided for." Can you tell me to what extent research studies are otherwise provided for? How much money is spent by your Department on Policy Research outside this specific appropriations request?

Mr. MORRILL. There are no other moneys being spent by the Department for the purposes that I have described in this request. To the best of my knowledge, this is the only program now focused on poverty research in all of the Government. Of course, related social science research which may touch on poverty issues does take place within the Department. Our estimate of obligations of that kind of research in fiscal year 1976 for the whole Department is approximately $530 million. As I mentioned earlier, our relationship to this research involves looking at the areas of interaction, covering gaps, and researching questions which cut across more than one area.

NONGOVERNMENTAL POVERTY RESEARCH

Mr. CONTE. Mr. Morrill, do you have an estimate of the amount of money which is spent by nongovernmental sources on the types of research for which you are making this request?

Mr. MORRILL. We know of no estimates on that kind of a figure. There are no surveys for example, of universities, foundations, that indicate research efforts in the poverty area. The largest effort in that respect is the Institute for Research on Poverty at the University of Wisconsin, but their support comes entirely from this program. Our best guess is that there is probably not much focused poverty research going on around the country.

KNOWLEDGE ON CAUSES OF POVERTY

Mr. CONTE. According to your justification, policy research supports studies designed to explore the causes of poverty. What have you found out so far about what causes poverty? What remains to be found?

Mr. MORRILL. The research conducted under this program at HEW, and earlier at OEO, has shed a great deal of light on the causes of poverty and the nature of the poverty population itself. Needless to say, a good deal remains to be learned, but I believe we have made substantial progress.

As might be expected, the underlying causes of poverty vary greatly, because the poverty population itself is a very heterogeneous group. I might note that most of what we know about the detailed characteristics and demographic composition of the poverty population has been gained from data generated by this research program; these data include the "Survey of Economic Opportunity," the "Panel Study of Income Dynamics," and the annual poverty statistics compiled from the "Current Population Surveys."

Analysis of these data has shown that there is high turnover in the poverty population; every year, about one-third of all poor families escape poverty, and are replaced by a slightly smaller number of formerly nonpoor families. This means that poverty is a temporary or sporadic condition for most low-income families. Over a 6-year period, only about one-fifth of the poverty population is poor continuously, year after year. It also means that the fraction of the total population which falls into poverty at some time during a period of several years is quite large—as much as one-fourth of the U.S. population over a period of 6 years.

The poverty population, and those families "at risk" of being poor, are characterized by a variety of disadvantageous characteristics: low education, old age, minority status, large family size, and lack of male family head, among others. The actual point at which a family enters or leaves poverty very often coincides with a sudden change in family circumstances, many of which are a normal part of the family life cycle: the death, divorce, or desertion of a family head; the birth of an additional child; marriage or remarriage; loss of a job or retirement. Many of these events are outside the direct control or influence of policy, and some are outside the direct control of the individuals involved. Our research indicates that individual attitudes and motivation have very little influence on year-to-year changes in income and poverty status. Likewise, few families escape poverty through wage increases, longer hours of work, or promotions. Much more important is the loss or addition of secondary workers in the family.

In pursuing these proximate causes of poverty and the underlying characteristics which predispose families to poverty, our research has

taken a number of directions. One important area of policy research is the workings of the labor market and decisions of individuals and families with respect to labor force participation. There are a number of interrelated factors involved; in our research we have attempted to assess their relative importance. We have found that educational attainment has an important influence on both the earnings potential and the probability of unemployment of low-income workers. National economic conditions and employment opportunities are, of course, also important, as are race and sex discrimination. These same factors influence the labor force participation of secondary family members, which often spells the difference between poverty and escape from poverty. Family size and composition, including the presence of young children, also affect the likelihood of additional earners in the family. On the other hand, the receipt of public assistance does not appear to have a major disincentive effect on the labor force participation and work effort of family heads, although it has a moderate effect on the labor supply at secondary workers.

Another important area of research into the underlying causes of poverty has been the exploration of the determinants of "life-cycle" events, such as the age of entrance into the labor force and choice of occupation, age of first marriage, separation, divorce, remarriage, fertility, and retirement. These events are highly interrelated and are especially important in explaining the rapid growth of the number of female-headed families, who form the bulk of the welfare population. For example, the probability of marital breakup appears to be importantly influenced by age at first marriage and the employment difficulties experienced by the male head. The later are strongly influenced by educational attainment, occupational choice, and national economic conditions. The probability of marital breakup is also influenced by the alternative income sources available to the wife outside marriage, including the availability of welfare to female-headed families, but not to intact families.

These examples serve to illustrate our efforts to understand the causes of poverty, and some of our results. A complete catalog of findings is not possible in the short time available here.

These examples also serve to illustrate the complexity and interdependence of the causes of poverty. One of the important contributions of the policy research program has been the development of simulation models which allow integration of the numerous findings with respect to specific poverty-related factors, in a way which recognizes their interactions and allows tracing out their effects over time. Such models allow assessment of the relative importance of different factors in the context of all the other influences on the economic well-being of families. They also allow the researcher to project the effects of various types of policy changes and demographic trends on the size and composition of the poverty population.

For example, over the coming year, we will be using simulation techniques to examine the longrun distributional consequences of different social security benefit formulas, and to project the longrun effects of alternative demographic trends and policy options on the AFDC population.

While a good deal of progress has been made under this research program, a multitude of unanswered questions—and some outright contradictory results—remain. We plan to continue to pursue these

questions, while integrating the information we now have to form a more complete and consistent understanding of the causes of poverty.

APPLICATION OF DATA TO DEPARTMENTAL POVERTY PROGRAM

Mr. CONTE. Can you tell me how the data you have collected has been applied to the Department's poverty program?

Mr. MORRILL. Research data contributes to our policy development and planning in several major ways. First, by giving us an accurate picture of the poverty population and how it changes over time, and of the underlying causes of poverty, it allows a better understanding of the problems we are dealing with and development of policies that are appropriate to those problems. Second, these data allow analysis of how individuals and families are responding to existing policies, and prediction of responses to alternative policies. Third, they allow the development of long-range projections which enable us to anticipate future policy impacts and needs.

I have mentioned in my opening statement several examples of the use of such data. These include data from the social experiments we conduct, as well as other special-purpose studies and surveys, and simulation models developed under this program.

I might amplify a bit on that discussion by mentioning in particular two studies which have been especially pertinent to our work on welfare reform. The first of these, the New Jersey graduated income experiment, examined the likely labor supply response of able-bodied, prime age, male heads of families to negative income tax-type programs with various basic benefit levels and tax rates.

This as you know, is a matter of substantial policy significance in designing welfare reform alternatives. This study found that, in the aggregate, the reduction in work effort is quite modest—10 percent at the very worst. This experiment and its results have already raised the level of the policy debate surrounding work and welfare in general, and the work disincentive effects of income-tested transfer programs in particular, both within the Department and the administration. To the extent that the reluctance to cover intact families by a means-tested transfer program exists because of a fear of large reductions in work effort, this concern should be substantially lessened. I would point out that those results do not imply that a welfare reform strategy should not be accompanied by a strong work test in order to insure the integrity of the program. But it does have implications as to how we might structure such a test to minimize administrative costs while pursuing a strong work requirement. I would also point out that while the results of the New Jersey experiment have been of great value, they have always been used in conjunction with other complimentary evidence from other statistical studies and program evaluation.

Another study that has influenced the design of our welfare reform program is the University of Michigan panel study of income dynamics. This study has traced the economic fortunes of a sample of families over a period of 8 years in order to examine the extent of causes of change in the economic status of individuals and families. Two kinds of evidence emerged from this study. First, a description of the low-income population which shows it to be highly dynamic, and that for all but a small minority having a low income is a temporary

phenomenon; that is, for most welfare recipients, income support is a "cushion" and not a "way of life." Second, the survey provided some explanatory information which suggests that the factors most influential in affecting change in economic status, for the low income population are the same as those for other income groups—primarily alterations in the composition of families and entry or exist of members from the labor force, factors only partially within a family's control. This suggests that we must be particularly careful to minimize the adverse side effects of Government welfare policies in family decisions, but that it is unlikely (and would be unwise) that we can try to promote self-sufficiency by affecting these decisions.

Mr. CONTE. Did this data indicate that you should put a 5-percent ceiling on cost-of-living benefit increases this year?

Mr. MORRILL. Our research data did not indicate a 5-percent ceiling on cost-of-living increases in social security. This was a most difficult decision based, only in part, upon our need to keep the costs of the program down. I would point out that over the long run social security increases have more than kept up with price increases: in fact, during 1965–75 there was a real increase in benefits of 22.3 percent. Our decision was also based upon the fact that, as a consequence of the recession, the rate of growth in real wages over the past 2 years has slowed and we are trying to equalize in some measure the hardship the recession has imposed.

ALTERNATIVE SYSTEMS OF ASSISTANCE TO LOW-INCOME PERSONS

Mr. CONTE. Would you briefly outline the various alternative systems of providing assistance to low-income persons, along with some of the relative merits and disadvantages of each system?

Mr. MORRILL. It is, of course, difficult for me to respond briefly to this question which deals with the inherently complex nature of our income support system. Let me, therefore, just sketch the two components of today's income support system—the three forms in which benefits are delivered, and the conflicting goals against which any welfare system must be assessed and against which the present system stacks up poorly.

Today, we have a two-part public transfer system comprised of:

The social and private insurance system—social security unemployment insurance, et cetera—which provides income protection for workers and their families, primarily by replacing a portion of earnings that are discontinued due to unemployment, disability, retirement, or death. Ideally, workers and their families would be insured a standard of living not too far below that maintained before their earnings were disrupted. Social insurance programs are not means-tested and are not targeted on the poor. Nevertheless, to date they have had considerably more impact in reducing poverty than the welfare programs. Because of the inadequate coverage of welfare, many features have been introduced into the social insurance system that are not related to its earnings replacement function, but that serve more of a welfare purpose. These features produce a very inefficient system for providing help to the poor, principally because the social insurance system is not income-tested.

The welfare system consists of the income-tested cash and in-kind transfer programs—such as AFDC, SSI, food stamps, medicaid, and public housing—intended to provide some minimum standard of adequacy for those not receiving sufficient income from other sources.

In today's welfare "system," benefits are provided through a variety of programs and in three different forms: cash, as in AFDC; vouchers, food stamps, for example; or goods and services, such as public housing. Generally, cash is the most efficient transfer. It maximizes choice for the recipient, minimizes interference with his life, and invokes the lowest administrative costs. Vouchers can be used to provide a particular good or services at a level beyond what we think would occur if incomes were raised. Vouchers involve greater interference and administrative costs and, in fact, often do not restrict consumption patterns any more than an equivalent amount of cash. Many needs now met through vouchers can probably be better met through cash. Direct provision of goods and services controls consumption directly, but involves the greatest administrative costs.

What is wrong with the present system is not so much that it is a mixture—and often an inappropriate one—of forms and programs, but that this mixture grew up wthout consideration to what was happening as a whole. As a result, it scores badly on each of the following, now generally agreed upon goals for an income-tested transfer system:

Adequacy. An income-tested transfer system should be designed in tandem with the employment and social insurance systems so that people who can work and people who cannot have access to an income that provides some minimum level of adequacy.

Equity. People in similar circumstances should be treated similarly. Those who earn more should take home more; those who need more should receive relatively more.

Work incentives. Those who can work should find it strongly in their interests to do so.

Family stability incentives. Disincentives to family formation or incentives for family dissolution should be minimized.

Administrative efficiency. The system should be as simple and straightforward as possible; administrative costs, burdens on participants, and fraud and error should be minimized; objectives should be achieved at minimum cost.

Objectivity and understandability. People should know clearly their rights and obligations. Intrusion into personal lives should be minimized and dignity and self-sufficiency enhanced.

Coherency and control. The system, as a whole, should be understandable in its operation and effects, have the intended effects, and be subject to fiscal and policy control.

These are the goals against which alternative income support systems should be assessed. If not mutually exclusive, they are at the least difficult to achieve in combination. They involve some hard choices and tradeoffs.

I would emphasize again that the present system fails, not because it does not recognize these goals, but because it does not recognize their interrelationships. I would hope that as we look at the merits and disadvantages of alternatives for reform in the coming months and

years, we will be able to assign weights and priorities to each of these goals and be willing to make some difficult compromises in combining them into a reformed welfare system.

WELFARE REFORM LEGISLATION

Mr. CONTE. Your justification says that policy research is aiding in decisions on reform of the welfare system. What is the administration recommending for welfare reform? Where is the administration's welfare reform bill?

Mr. MORRILL. As you know, the Department has been engaged in an intensive effort exploring various options and alternatives to reform the system. While clearly improvements can be made in the management and structure of the existing program, it is my view that nothing short of a major overhaul of the present system is likely to correct its inequities, inadequacies, and inefficiencies. The so-called system is simply no longer subject to any kind of overall policy or fiscal control. It is replete with contradictions—both programs and goals at cross purposes.

The Administration does not now have a specific welfare reform bill and the President has yet to make decisions on his final recommendations. I think, however, he has already indicated his concern with this problem and the need for the Federal Government to address seriously the problems of the current structure, the objectives we seek, and the best way to find a coherent and reasonable system for the future.

STATUS OF THE HEALTH INSURANCE EXPERIMENT

Mr. CONTE. Can you tell me the results to date and the status of the health insurance experiment?

Mr. MORRILL. It is still too early to report any analytical results from the experiment, Mr. Congressman. The full sample of participants in the first site has only been enrolled for about 5 months. We have, however, had a small pilot sample of families enrolled for over a year. This group has produced a good deal of useful information for the operation of the experiment and some tentative indications of the results we may expect from the full sample. A primary objective of the pilot sample was to test the operational feasibility and effectiveness of the experimental administrative and data collection system. In general, the pilot experience has shown that these systems are working quite well, although a number of minor modifications and improvements have been made on the basis of the pilot sample experience. In particular, we are quite encouraged by the fact that over 90 percent of the families invited to participate, in both the pilot group and the full sample, have voluntarily accepted the experimental plan.

With respect to the effects of the experimental plans themselves, we have only preliminary results from the pilot sample. We have found, for example, that families whose plans provide full coverage of outpatient services are using about 45 percent more physicians' services than those who face outpatient deductibles. If this result is corroborated by the experience of the full sample, it will indicate that cost-sharing provisions—deductibles and coinsurance—can substantially influence the stress produced on the ambulatory care system by al-

ternative health insurance plans. We have also observed an inital surge of demand for medical supplies and appliances, such as eyeglasses and the hearing aids, among families whose plans cover them.

In addition to the claims data produced by the pilot sample, we have collected a set of baseline interview data on health insurance, health care utilization, and family characteristics for about 2,000 families, physical examination data for nearly 1,000 individuals, and have completed a telephone survey of a national probability sample of physicians. These data, which are being analyzed now, will be supplemented by additional interviews and physical examinations over the coming 18 months in subsequent sites. These data form a uniquely rich source for analysis of a variety of policy questions. If a national health insurance is enacted in the next few years, they will form an unparalleled set of baseline measures for analysis of the impact of national health insurance. The experiment itself will provide ongoing vehicle for evaluating any health insurance program enacted in the near future and for suggesting modifications and improvements.

HEALTH INSURANCE LEGISLATION

Mr. CONTE. There are a lot of people in this Congress itching to get a national health insurance bill out. How long is the administration going to wait before it submits its own proposals? Even if you are opposing HEW spending programs this year, wouldn't it make sense to have some input into the process now so that a satisfactory bill might come out next year?

Mr. MORRILL. We are going to submit a proposal early next year. The current economic situation makes it imprudent to enact legislation now. We definitely plan to provide input into the NHI debate this year. We have outlined our principles for national health insurance and continue to support a design conceptually patterned after our proposal of last year. We have responded to Chairman Rostenkowski's request for information to aid his health subcommittee of the House Ways and Means Committee in their deliberations, and fully expect to be involved in the broad range of congressional activity having a bearing on national health insurance.

GARY INCOME MAINTENANCE EXPERIMENT

Mr. CONTE. When do you expect the preliminary report on the Gary experiment to be available?

Mr. MORRILL. We are planning to release a preliminary report on that experiment this fall.

Mr. CONTE. Will you make sure that I receive a copy?

Mr. MORRILL. I will be glad to see that you get a copy, Mr. Congressman.

HEALTH INSURANCE EXPERIMENT ALTERNATIVES BEING TESTED

Mr. CONTE. If we could go back to the health insurance experiment again, can you tell me what alternative arrangements are being tested?

Mr. MORRILL. The major variations being tested in the experiment are different levels of cost-sharing. There are 11 experimental plans, ranging from full coverage of both inpatient and outpatient services

through coinsurance plans where the family pays 25 to 50 percent of medical expenses, up to an income-related limit, to plans with an initial deductible related to family income. All of the plans provide full coverage once the family's cost-sharing liability has reached a specified fraction of family income. Three different levels of this liability limit are being tested experimentally. In addition, the sample will include a control group of families who remain on their existing insurance plans and a group of families enrolled in a health maintenance organization.

All of the experimental plans include a comprehensive scope of medical services. However, the effects of excluding specific services can be estimated from the use of these services by the control group and by the experimental families who have not satisfied their deductible.

For all of the experimental plans, the experiment will focus on the effects of health insurance on the use of medical services and resultant effects on health status and the quality of care received. Particular attention will be paid to how these effects vary by family income level and other family characteristics.

Mr. CONTE. How big a population are you using for each of these experiments?

Mr. MORRILL. The experiment will include approximately 2,000 families receiving the experimental plans and 1,200 control families, in four geographically dispersed sites. Half the families will be enrolled for 3 years and half for 5. In all, then, the experimental data base will include about 45,000 person-years of information.

Mr. CONTE. How long will the experiment last?

Mr. MORRILL. Each site will be in operation for 5 years. Because the sites are being phased in sequentially, however, the overall experiment will last about 6½ years. During that period we plan to conduct interim analyses of the data as it accumulates—we are not in the position of waiting 6 years for results. In fact, about two-thirds of the total data base will be available after 3 years.

BILINGUAL EDUCATION STUDY

Mr. CONTE. Your justification indicates that you are conducting research on the improvement of bilingual educational programs. Aren't the bilingual education people working on their own improvements? Isn't this a duplication?

Mr. MORRILL. Section 232 funds have supported a bilingual education study designed to study the impact of the bilingual education program (ESEA VII). ASPE has delegated responsibility for the monitoring of this project to the Office of Education—to avoid a duplication of effort and to take advantage of OE's experienced staff.

YEAR-ROUND SCHOOL

Mr. CONTE. I understand that you are beginning work in the impact of year-round school. It seems to me that this was the rage 3 or 4 years ago, and every educational journal had an article or two about year-round school. Hasn't there already been a fair amount of study given to this, and if so, what are you going to do that's new? How much are you going to spend on this in 1976?

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Mr. MORRILL. In the 1972–73 school year 374,004 students in 18 States were enrolled in year-round schools (YRS). By the 1974–75 school year enrollment had increased to 1,977,944 students in 28 States. The various articles and studies are overwhelmingly either essays in favor or against YRS or very low level opinion polls asking teachers, parents and students whether YRS sounded like a good idea to them. Studies of an acceptable quality addressing the issues of YRS are all but nonexistent.

Based on these considerations, ASPE concluded that the YRS movement warranted examination to determine: the implications of YRS for educating the economically disadvantaged, an appropriate Federal role vis-a-vis YRS, and what additional research was necessary to assist local, State, and Federal decisionmakers in developing a rational approach to YRS. To accomplish these goals ASPE developed a systematic plan to determine: what was presently known about YRS, what current research was underway, what additional research was needed, as well as where within D/HEW such work should be conducted.

Mr. CONTE. How much will you be spending on Bilingual Education research this year?

Mr. MORRILL. We have no plans in my office for spending funds on bilingual education research in fiscal year 1976.

THE TRIM MODEL

Mr. CONTE. Would you tell me some more about your TRIM model?

Mr. MORRILL. The transfer income model is a large micro-simulation model developed to provide policymakers and other analysts with cost and caseload estimates both for a wide variety of proposed income transfer programs and for modifications in existing programs. The model is designed to answer the following types of questions concerning the tax and transfer system:

What are the tax revenue implications of a change in the level of the personal exemption in the Federal income tax?

What would be the costs of a new income-tested transfer program and how many people would be eligible?

How would the benefits of such a program be distributed by demographic characteristics (age, sex, race, region)?

How many families would be raised above the poverty level by the new program?

Mr. CONTE. Can you tell me some recent analyses which it has been used for?

Mr. MORRILL. TRIM has been used to examine a number of issues over the last year.

The Congressional Research Service funded a study using the TRIM model to estimate the population eligible for the food stamp program.

My office has recently used the TRIM model to examine the effects of modifications in the Internal Revenue Code on the low-income population. Further, my office is involved in a continuing project to examine various welfare reform proposals.

Mr. CONTE. Can it be used by a congressional office? For example, could I find out the effect of a particular welfare reform proposal that I was considering for introduction?

Mr. MORRILL. TRIM has the capability of estimating the costs of many welfare reform proposals. My office has made and will continue to make estimates using TRIM when they are needed by Congress. The model, however, is complex and the simulation of even a relatively simple plan may require the intensive utilization of skilled programers and expensive computer facilities. My office is limited in its capacity to handle such requests. TRIM estimates are also available from several private contractors in the Washington area.

POLICY RESEARCH AND POLICY EVALUATION

Mr. CONTE. Would you explain the difference between policy research and policy evaluation which comprises about 10 percent of your office's mission?

Mr. MORRILL. The basic difference is that evaluation focuses on the effectiveness of existing programs, while policy research focuses on either the basic problem or alternative solutions. For example, while policy research addresses the causes and possible cures of poverty, evaluation projects often focus on the result oriented effects of specific social programs.

OBLIGATION OF EVALUATION FUNDS

Mr. CONTE. This committee's investigative staff report on evaluation programs showed that only about 50 percent of the funds available for program evaluation were obligated, for a variety of reasons. Do you have any suggestions for either obligating more of these funds, or making less money available for obligation?

Mr. MORRILL. This problem exists only in the health area. We would hope that greater evaluative use of these funds can be made. However, even if this is not possible, there is no reason to reduce the amount available for evaluation since the amounts not used for evaluation are automatically available for program operations.

GUIDANCE ON USE OF FUNDS

Mr. CONTE. The investigative report indicated a need for more definitive guidance from your office to insure the consistent and proper utilization of evaluation funds. Have you done anything in response to this recommendation?

Mr. MORRILL. We do not believe that the investigative report showed any serious abuses, but instead some confusion and an occasional minor mistake at staff levels. We have issued a Handbook on the Management of Evaluation Contracts to all HEW staff involved in evaluation and expect that this will reduce the possibility of error. In addition, we are now alerted to the specific problems identified by the report and expect to prevent their reoccurrence through current planning and review activities.

UTILIZATION OF EVALUATION PROJECT RESULTS

Mr. CONTE. The investigative report also criticized the lack of utilization of evaluation project results. Do you have any response to this criticism, and any suggestions for dealing with this?

Mr. MORRILL. We do utilize evaluation project results and I am providing some examples of how we do that. I would like to add, however, that often results from a single study are not applicable by themselves. They may require assessment by many persons in the context of other evaluations, research, management knowledge, and the like. Such followup does occur routinely, varying with the study, but it is virtually impossible to document all the various uses and users of individual studies. In spite of this difficulty, there are numerous examples of utilization which I am providing for the record.

[The information follows:]

RESULTS OF EVALUATION STUDIES

1. Dissemination of information about compensatory education projects—e.g. the AIR studies widely cited in the literature—became the basis for brochures disseminated by title I office and 5 packages disseminated by the right to read program. These are probably the best source of evidence that some things work and are among the strongest evidence cited in the HEW White Paper on compensatory education.

2. The findings of an evaluation of the community-based right-to-read program conducted by Pacific Training and Technical Assistance Corp., Berkeley, Calif. made significant contributions to the guidelines for the establishment of reading academies for adult illiterates. Legislative provision for such academies is found in section 723, title VII, Public Law 93-380. Following are some of the findings which are reflected in the guidelines:

(*a*) Adult illiterates need intensive and consistent instruction over time on a one-to-one basis rather than by means of group instruction.

(*b*) Adult illiterate reading programs must provide supportive services to facilitate consistent attendance at scheduled reading sessions. Such supportive services are transportation, child care, and referral to welfare agencies for financial aid and health care.

(*c*) Mechanism must provide for obtaining greater male participation in the program. Males were definitely underrepresented in the evaluated projects. It was found that participating males improved their reading performance as much as did female participants.

3. This study found that two major problem areas in bilingual education are a severe shortage of trained teachers and a perceived lack at the project level of adequate bilingual curricular materials. These findings have had a major impact on the "capacity building" strategy in the Federal bilingual program through increased emphasis on staff development and training and on development of curricular materials. The proposed budgets in bilingual education reflect this thrust in the increased allocations for these two categories of activities.

4. A legislatively mandated study of the title I migrant education program emphasized problems in the current fund-allocation formula and procedure, further spurring the conversion to data in the migrant student record transfer system as the basis for full allocation. That conversion, authorized by Public Law 93-380, has recently been approved by OE.

5. The project information packages ("PIP") study was the basis for a new experimental program approved by the Congress beginning in fiscal year 1975. The "packing" program, with $1.4 million allocated for fiscal year 1975, will continue the cycle of identifying effective projects in compensatory education, "packaging" these projects as guidance for replication by school personnel elsewhere, and field testing the packages for improvements prior to dissemination. Part of the funds this year will support evaluation of the second-year field test of the packages developed in the first PIP study.

6. The several title I "evaluations" (Belmont, AIR, et cetera) have injected some degree of realism into the thinking about the compensatory education field. Were it not for these evaluations we would probably still be assuming everything was fine and there would be less concern about improving the program. These evaluations have been part of the rationale for the decision to move to more concentration on basic skills.

7. NBS study of title I formula—This study forced consideration of the hard tradeoff involved in changing the formula or leaving it alone. Many alternative computations were provided congressional committees in their considerations

of Public Law 93-380 and the study did have a strong influence on the final legislation.

8. ESAP-II evaluation by NORC—This study established beyond a reasonable doubt (thanks to experimental design) that the program had an effect on student achievement for one segment of the target population. The findings about successful programs (especially human relations activities) were used to provide guidance to program officers (via program bulletin to regional offices) for the fiscal year 1974 grant application review.

9. In-house analysis of Coleman data (Mayeske et al.)—The analysis techniques developed are increasingly being used by social scientists as a way of drawing conclusions from large-scale data banks. Some of the results were used by Moynihan in early conceptions of the family assistance plan and also as a rationale for establishing NIE and in developing its research agenda. The study results also influenced the initiation of the ESAP program.

10. Abt & Associates, Cambridge, Mass., made a study of innovation and change strategies of 13 selected projects supported by 8 different programs of NCIES. The results provided criteria for assessing the optimal conditions that must be operative in a given site in order that innovation and change can take place. Teacher Corps is currently incorporating many of these criteria in new guidelines in anticipation of new Teacher Corps legislation proposed by Congressmen Quie and Brademas (H.R. 11775 and H.R. 11982, respectively).

11. Study of the cost of college—November 1972—at a time when all evidence suggested that colleges and universities were near financial disaster through no fault of their own, the cost of college study identified the components of increasing costs as equally divided between inflation and lower productivity on the part of the faculty. Since faculty costs account for over half the cost of education, a substantial part of the increase in the cost of education could have been prevented. The study influenced the departmental position to allocate available resources primarily to finance students instead of institutions. Also, while it is not known for sure how much of an impact the study had upon Congress, the higher education amendments calling for a Study Commission on the Financing of Post-Secondary Education indicates that it provided a counter to the totally negative claim about finances reported in other studies.

12. A study of special services for disadvantaged students (December 1974)—While the full impact of the study has yet to be felt, USOE program staff has already revised program regulations to strengthen the evaluation component for individual projects. Further, suggestions for improved program operating procedures have also been included in the program guidelines.

13. Development of a model to study alternative student aid programs—This work and other work by small subcontractors contributed to the development of the OPBE enrollment student aid model which was used by the administration and Congress to project costs of the basic grant program during the hearings for the Higher Education Amendment of 1972.

14. An interest subsidy and default projection model (September 1974)—This study was composed of two parts, a historical analysis of program operations and development of the projection model. Impact of the study to date has been considerable. These include:

(*a*) Identification of the magnitude of the default problems within the Agency influenced changes in program operations, management, and staffing.

(*b*) Budget officers now use the subject projection model for interest subsidy and default projections.

(*c*) Characteristics of the default experience by institutions, lenders, and borrowers identified problem areas. Appropriate operational and legislative changes are included in the proposed regulations for limitation suspension and termination of lenders in GSLP.

15. A study of the developing institutions program—From this study and a series of smaller related efforts, the concept of the advanced institutional development program was developed. Study results were also used as the program moved toward implementation. Among other efforts, the elements of a planning and management system were defined along with the methodology for selecting institutions for the advanced program.

16. Evaluations of performance contracting and the use of incentives in elementary education—These studies had generally negative findings (with a few exceptions) in the sense of demonstrating educationally insignificant gains in student achievement resulting from these approaches. The findings were widely publicized and served to dampen a growing but unwarranted enthusiasm in the

educational community for these approaches. It is highly probable that without these studies many school systems would have initiated performance contracting and/or incentive projects.

17. Analysis of relationships between achievement gains and per pupil expenditures—This study failed to find evidence for the fairly wide-held notion that a "critical mass" ($300 per pupil) of compensatory education funds is necessary for significant education achievement gains among disadvantaged students. A memo was sent to the Secretary's office suggesting that administration officials do not espouse the critical mass position any further.

18. A study of accreditation and institutional eligibility—Study findings have been made available to the Federal Trade Commission and several congressional committees. This has aided in understanding the process establishing institutional eligibility for Federal programs and the limitations of using that process. New FTC regulations relating to proprietary institutions were developed in part with the use of findings from this study. Also proposed legislation to perform a similar study was apparently withdrawn in light of the depth of findings in this study. How study findings will be used by Congress is unclear, but it can be such that understanding of the subject has been enlarged as the contractor has testified before at least three congressional committees.

19. The national planning model—While funded only as a feasibility study at the national level, results have been so promising and the application so suitable for States, that four State planning bodies are in the process of adapting and field testing the model for State use (Maryland, Florida, Massachusetts, and Colorado).

HEALTH EVALUATION STUDY RESULTS

A good number of the evaluation efforts in the health agencies have been successful.

For example, HRA supported a study that developed a cost finding methodology for neighborhood health centers to permit both the Federal program managers and individual project directors to review their costs of operations to determine relative levels of efficiency. This cost finding system was transferred to DHEW for use in its programs and has been recommended by HEW for use by HMO's. It forms a basic cost finding mechanism for all ambulatory care programs and has been replicated for family planning and drug addiction programs as well.

HRA also supported a study of RN's designed to find a better measure of distribution and to ascertain whether any single incentive or combination of incentives are likely to motivate nurses to work in underserved areas.

Preliminary results from this study indicate the apparent limitations of using incentives to get nurses to work in underserved areas. The Division of Nursing, therefore, has begun to redirect their emphasis toward specific local, targeted projects that can achieve results. Results from the study show great variability in inducement among nurses. This finding has led us to structure our effort to improve the geographic distribution at a micro rather than a macro level.

The National Center for Health Statistics has conducted a number of studies whose results have been used to improve the quality, relevance and cost effectiveness of their data collection efforts. Included here are studies that resulted in improved quality of national birth statistics, improved quality hospital discharge surveys, and a more cost-effective health interview survey.

Among the successful studies conducted by ADAMHA are NIAAA studies of the alcohol treatment centers and an NIDA study of methadone labeling. Al-

coholism treatment centers funded by NIAAA through 8-year staffing grants provide comprehensive alcoholism services to communities. Through monitoring and evaluation of this program it was found that comprehensive treatment was not being provided and no more of these projects are being funded. Three year projects which better utilize the services available within the community are replacing the ATC program.

NIDA wanted to chemically label the methadone dispensed from federally funded clinics so that it could be traced upon secondary recovery by urinalysis or upon chemical assay from street samples. The findings indicated that our procedures regarding the dispensing of methadone were effective against diversions and that very little methadone was being illegally diverted from our programs. A significant spinoff of this evaluation effort was the development of a pharmacologically safe means of chemically labeling the methadone.

We also feel that the HSA project to support tribal evaluation efforts should be considered successful. In this project HSA has let a number of small contracts to Indian tribes to develop management projects of interest to both HSA and the individual tribes. The Alaskan project is a particularly good example. The projects are designed to develop evaluation capabilities within the tribes themselves and focus on resource utilization, cultural aspects of working with Indians, and other management issues.

Among other studies supported by HSA is a useful study of the HMO projects. It was found that overall project accomplishments were determined by marketing, financial, administrative, and medical organization factors. The study made specific program management, marketing, staffing and environmental context recommendations. Criteria developed in this study are used in the funding of current HMO's and for the development of standards for future grantees.

Mr. NATCHER. Thank you very much.

VOLUNTEER EFFORTS FOR DAY CARE CENTERS

Mr. PATTEN. May I ask one question, Mr. Chairman? About our New Jersey architects who render their service free helping to fix up day care centers and all that, would that come under your appropiation? Somebody apparently left it out.

Mr. MORRILL. No, sir.

That is not a project with which I am familiar and not one that comes under my jurisdiction.

Mr. PATTEN. They said they rendered service on 77 projects like day care centers free under OEO.

Mr. MORRILL. That I think comes from a part of the OEO program that was not transferred to me and for which I had no responsibility.

Mr. PATTEN. There is no money in the budget this year.

Mr. NATCHER. Thank you. This completes the hearings with the HEW witnesses on the 1976 budget.

Justification of the Budget Estimates

79-80.

Appropriation Estimate

POLICY RESEARCH

For carrying out, to the extent not otherwise provided, research studies under section 232 of the Community Services Act of 1974 and section 1110 of the Social Security Act, $29,260,000.[1]

For "Policy Research" for the period July 1, 1976, through September 30, 1976, $7,315,000.

Explanation of Language Changes

1. The FY 1976 budget request includes a separate appropriation for Policy Research. Accordingly, language authorizing expenditure of funds for Policy Research has been separated from the General Departmental Management appropriation language within which it was included in the FY 1975 budget request.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

DEPARTMENTAL MANAGEMENT

Policy Research

Amounts Available for Obligation

	1975 Revised	1976
Appropriation	---	$29,260,000
Comparative transfers from:		
Departmental Management, "General Departmental Management", for all policy research studies	$29,260,000	---
Total Budget Authority	$29,260,000	$29,260,000

Summary of Changes

1975 Estimated Obligations	$8,450,000
PLUS: Proposed Supplemental	20,810,000
1975 Revised Obligations	29,260,000
1976 Estimated Obligations	29,260,000
Net Change	---

Explanation of Changes

No increases over the requested FY 1975 level are requested.

Obligations by Activity

	1975 Enacted	1975 Revised	1976 Estimate	Increase or Decrease
Policy Research	$8,450,000	$29,260,000	$29,260,000	---

Obligations by Object

	1975 Enacted	1975 Revised	1976 Estimate	Increase or Decrease
Other services (contract funds)	$8,450,000	$17,660,000	$15,660,000	$-2,000,000
Grants, subsidies, and contributions	---	11,600,000	13,660,000	+2,000,000
Total obligations by object	$8,450,000	$29,260,000	$29,260,000	---

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Authorizing Legislation

Policy Research

Legislation	1976 Authorized	1976 Appropriation Requested
Community Services Act of 1974, Section 232, and Social Security Act, Section 1110.	Not more than 15% of amounts appropriated for Title II of the CSA can be authorized for section 232. The amount authorized under Section 1110 is indefinite.	$29,260,000

POLICY RESEARCH

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1974:				
Appropriation.....	$29,810,000	$29,810,000	$29,810,000	$29,810,000
1975:				
Considered.....	$11,000,000	$11,000,000	$10,450,000	$8,450,000
Pending.....	20,810,000			
1976:				
Appropriation.....	29,260,000			

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Policy Research

	1975 Enacted	1975 Revised	1976	Increase or Decrease
Personnel compensation and benefits	---	---	---	---
Other expenses	$8,450,000	$29,260,000	$29,260,000	---
Total	$8,450,000	$29,260,000	$29,260,000	---
Subactivities:				
a. Income Maintenance and Employment	$8,450,000	$14,250,000	$12,250,000	-$2,000,000
b. Health	---	4,750,000	6,750,000	+$2,000,000
c. Other Human Services	---	5,900,000	5,690,000	-210,000
d. Basic Research and Statistical Data	---	4,360,000	4,570,000	+210,000
Total	$8,450,000	$29,260,000	$29,260,000	---

General Statement

The Policy Research activity is administered by the Assistant Secretary for Planning and Evaluation. The activity was transferred to DHEW in FY 1974 from the Office of Economic Opportunity and was funded by the now expired Section 232 of the Economic Opportunity Act. This section has been renewed as Section 232 of the Community Services Act of 1974. In FY 1975 the Income Maintenance Experiments, conducted under Section 1110 of the Social Security Act, were transferred from the Social and Rehabilitation Services and combined with Policy Research.

Until FY 1976, Policy Research was requested and conducted as an activity within the Departmental Management appropriation. Because the activity is a research program in an otherwise salaries and expenses account, a separate FY 1976 appropriation for Policy Research is requested. The Assistant Secretary for Planning and Evaluation will continue to administer the program.

Policy Research supports studies designed to explore the causes and cures of poverty. The resulting data continue to find practical application in development of the Department's program policy. The Section 232 authority supports a major health insurance experiment; the development of better means to enable the poor to become self-sufficient; improving the systems by which State and local governments provide social, health, and educational services to the poor; measuring the social, health and educational services to the poor; and measuring the social and economic effects of alternative systems of providing assistance to low-income persons. The Section 1110 authority supports development

of new knowledge about the effects of alternative approaches to income supplementation, particularly work incentive effects, to aid in decisions on reform of the nation's welfare system.

This request would continue Policy Research at the FY 1975 level of $29,260,000. However, the internal program level will change by shifting $2,000,000 from the income maintenance and employment activity to restore funding of the health insurance experiment to the FY 1974 level.

Income Maintenance and Employment - Accomplishments in 1975

The operational phase of the Gary Income Maintenance Experiment was completed. A preliminary analysis of the results of this experiment will be carried out during this fiscal year. The operational phases of the other long-term income maintenance experiments in Seattle and Denver continue. When completed, these experiments should provide considerable information on the interaction of income maintenance programs with manpower and day care programs, as well as more general data on work incentives. Design work continued on a major field test of the feasibility, cost, and desirability of administering a guaranteed jobs program as a major component of the welfare system. A number of smaller studies were carried out to analyze the results of the previous income maintenance experiments, such as the effect of varying periods for computation of benefits, and improving the data base on the low-income population for use in analysis of welfare reform, and the effects of the welfare system on family stability.

Program Plans for 1976 - A preliminary report on the final results of the Gary Experiment will become available early in 1976 while more detailed research studies leading to a conclusive report on this experiment will be carried out throughout the year. The other major experiments in Seattle and Denver will continue in 1975. An interim report of findings from these experiments will also be completed. In addition, the smaller research projects will continue at the same level of effort.

The FY 1976 level of $12,250,000 represents a decrease of $2,000,000 from FY 1975. This $2,000,000 will restore that portion of the health insurance experiment funds which were deferred in FY 1975 to fully fund the Section 1110 income maintenance experiments.

Health - Accomplishments in 1975

Research in the health area has been primarily devoted to the support of the Health Insurance Experiment which is a major multi-site experiment designed to measure the impact of alternative cost-sharing arrangements on the utilization of medical care and the resultant change in health status of families, and on the quality of care received. In FY 75 activities included the selection of an eligible sample and enrollment of participants at the first two sites, full-scale operational activities at these sites, and the selection of the third site.

Other research in the health area included non-experimental research on related health insurance questions, and research on the organization and delivery of care and health education of low-income populations and on the effects of health utilization on labor supply.

Program Plans for 1976 - Enrollment in all four sites of the Health Insurance Experiment and some preliminary analysis will be completed. The request of $6,750,000 includes full funding of these health insurance experiment activities. Other health policy activities will continue at the ongoing level of effort.

Other Human Services - Accomplishments in 1975 87.

Research in this area is intended to provide linkages among a variety of programs which affect the disadvantaged, including programs in the area of education, social services and State and local government capacity building. In FY 75 accomplishments in the social services projects included the completion of a proposal for an incentive reimbursement system for long-term care financing, a design for large scale experiments of long-term care alternatives to institutional care of the elderly, and an estimate of the cost burden for care to the disabled through the year 1990 across all short and long-term care disability programs in the public and the private sector. Research in education area focused on the improvement of bilingual educational programs, the development of knowledge concerning the effects of educational programs for juvenile delinquents and beginning work on the impact of year-round school.

Program Plans for 1976 - In 1976 the main focus of this subactivity will be the continuation of projects mentioned above. Offsetting the phase out of the bilingual project will be a study assessing the impact of year round school on the poor, and work to update the 1968 census survey of institutionalized adults.

Basic Research and Statistical Data - Accomplishments in 1975

Basic Research and Statistical Data activities focus on the basic determinants of poverty, improvements in the collection of data and the development of models related to poverty, and the provision of statistical and computational support to research and analysis related to income maintenance and health insurance reform. The University of Wisconsin Institute for Research on Poverty performs basic research on issues related to poverty and, in addition, some work directly related to current policy issues. Other research includes the collection of longitudinal data on family income dynamics.

Program Plans for 1976 - The existing focus on these activities will continue. The 1976 program includes a continuation of ongoing work with some expansion of efforts to develop improved simulation and modeling techniques for use with Census and other survey data in the calculation of detailed cost and coverage estimates for alternative human resource programs, especially in the fields of income maintenance and health insurance. A new initiative will be the development of a new income survey.

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Program Purpose and Accomplishments

Activity: Policy Research

1975 Enacted	1975 Revised	1976 Authorization	1976 Budget Estimate
$8,450,000	$29,260,000	1/	$29,260,000

Purpose: The Policy Research activity supports research into the causes and cures of poverty. The activity is conducted by the Assistant Secretary for Planning and Evaluation.

Explanation: To provide funding for poverty research grants and contracts.

Accomplishments in FY 1975: Policy Research funded projects concerning a variety of poverty's aspects. The University of Wisconsin Poverty Institute was supported in conducting basic research on poverty; major studies were continued on the impact of alternative health insurance plans on medical services utilization by low and moderate income groups; experiments with alternative income maintenance systems were continued; and other studies to understand the determinants of family income and economic status were supported.

Objectives for 1976: The 1976 budget request for Policy Research includes $29.2 million the same as the FY 75 level. Of this $12.2 million will continue research -- primarily major experiments --into effects of income maintenance systems; $6.7 million will continue health insurance studies which will provide data useful in understanding the effects of health services systems; $5.7 million will continue studies dealing with other human resources problems; and $4.6 million will continue research on the basic causes of poverty, the start up of an improved income surevy, and the improvement of statistical data on poverty.

1/ Section 232 of the Community Services Act of 1974, as well as Section 1110 of the Social Security Act.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

DEPARTMENTAL MANAGEMENT

Policy Research

Amounts Available for Obligation

	1976 Estimate	Interim Estimate
Appropriation	$29,260,000	$7,315,000
Total obligations	$29,260,000	$7,315,000

Obligations by Activity

	1976 Estimate	Interim Estimate
Policy Research	$29,260,000	$7,315,000

Obligations by Object

	1976 Estimate	Interim Estimate
Other services (contract funds)	$15,660,000	$3,915,000
Grants, subsidies, and contributions	13,600,000	3,400,000
Total obligations by object	$29,260,000	$7,315,000

Policy Research

Narrative Justification

The interim budget request of $7,315,000 on an annual basis represents no increase over the FY 1976 level of $29,260,000. The funds are requested solely for grant and contract purposes, and therefore, there are no increases required for annualized new positions and administrative cost increases associated with salaries and expenses costs.

OFFICE OF HUMAN DEVELOPMENT

WITNESSES

STANLEY B. THOMAS, ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT
SAUL R. ROSOFF, ACTING DIRECTOR, OFFICE OF CHILD DEVELOPMENT
JAMES A. HART, COMMISSIONER, OFFICE OF YOUTH DEVELOPMENT
ARTHUR S. FLEMMING, COMMISSIONER, ADMINISTRATION ON AGING
GEORGE BLUE SPRUCE, DIRECTOR, OFFICE OF NATIVE AMERICAN PROGRAMS
ANDREW S. ADAMS, COMMISSIONER, REHABILITATION SERVICES ADMINISTRATION
JOHN A. LAVAN, ASSISTANT COMMISSIONER, FINANCIAL OPERATIONS, REHABILITATION SERVICES ADMINISTRATION
JERRY SUTTON, DIRECTOR, OFFICE OF ADMINISTRATION AND MANAGEMENT
GEORGE THOMAS FRIEDKIN, DIRECTOR, BUDGET AND FINANCIAL MANAGEMENT, OAM
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, COMPTROLLER

Mr. FLOOD. We now take up "Human Development." The testimony will be provided by Stanley B. Thomas, Assistant Secretary for Human Development. We have your biographical sketch which we will place in the record at this point.

BIOGRAPHICAL SKETCH

Name: Stanley B. Thomas, Jr.
Position: Assistant Secretary for Human Development.
Birthplace and date: New York, N.Y., April 28, 1942.
Education: B.A. Yale University, New Haven, Conn. 1960–64.
Experience: Present—Assistant Secretary for Human Development; 1969–73—Deputy Assistant Secretary, Office of Community and Field Services; 1968–69—Manager, personnel relations, Phillip Morris, Inc.; 1966–68—Manager, College Bureau, Time, Inc; 1966—Secretary, New York Anti-Poverty Operations Board; 1965–66—Assistant to the vice president and secretary, Time, Inc.; 1964–65—Publishing trainee, Time, Inc.
Honors and awards: 1973—Recipient of the Secretary's Special Citation; 1972—Recipient of Department Superior Service Award; Elected trustee, Horace Mann School, Bronx, N.Y.; 1971—Nominee to Yale University Corporation.

INTRODUCTION OF ASSOCIATES

Mr. THOMAS. I will be delighted to introduce the witnesses accompanying me, Mr. Chairman.

On my far left I would like to introduce the Commissioner of the Office of Youth Development, Mr. James Hart. Right next to me is Mr. Jerry Sutton, who is the Director of the Office of Administration and Management for the Office of Human Development; Mr. Saul Rosoff, Acting Director of the Office of Child Development; Commissioner Arthur Flemming, Commissioner of the Administration on Aging; and the Director of our Office of Native American Programs, Dr. George Blue Spruce.

Opening Statement

Mr. Chairman and members of the committee, it is, as always, a pleasure to appear before you to discuss the fiscal year 1976 budget request for the programs of the Office of Human Development.

The Office of Human Development is now operating a wide range of programs to serve special populations. In support of these programs a number of management tools are in place. A long-range planning process is now in its second year of operation. Each program office is monitored regularly for its achievement of a number of management objectives to be met each year.

In the past year, the Rehabilitation Services Administration (RSA) was transferred from the Social and Rehabilitation Service to the Office of Human Development. This action expanded the number and scope of programs in OHD designed to meet the special needs of vulnerable populations. Our 1976 request of $1,529,593,000 will support programs for these groups including individuals with both physical and mental handicaps; preschool children, especially those of low-income families; children who are abused, neglected, living in institutions or in need of foster or adoptive homes; youths who have become separated from their families; older Americans; Native Americans; and rural Americans. Thus, the Office of Human Development has become the primary operating component within the Department responsible for the development and delivery of programs and services for special target populations.

HIGHLIGHTS OF THE 1976 BUDGET REQUEST

Mr. Chairman, now I would like to highlight some of our program activities in the 1976 budget request.

OFFICE OF CHILD DEVELOPMENT

As the committee is aware, our Head Start program has been given a mandate to reserve at least 10 percent of its enrollment opportunities for substantially and severely handicapped children. To insure that we can continue to meet the special needs of all handicapped children enrolled in Head Start, our budget request includes an increase of $20 million over the fiscal year 1975 program level.

Our studies indicate that it costs substantially more to serve a handicapped child than a nonhandicapped child. These additional funds will be made available to Head Start grantees to offset some of the costs of special training and related services. This represents the first request to Congress for funds for this purpose.

OFFICE OF YOUTH DEVELOPMENT

In an area of youth development, we are requesting $5 million to support activities focused on the problem of runaway youth. Our runaway youth program, which was initiated in fiscal year 1975, provides support to States, localities, and private nonprofit agencies to establish or strengthen existing or proposed runaway facilities.

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ADMINISTRATION ON AGING

An appropriation of $203,100,000 is requested for conducting programs fort he aging. The fiscal year 1976 request assumes an extension of the Older Americans Act since the authorization for all programs except title VII, nutrition programs for the elderly, expires on June 30, 1975.

This budget request for aging will enable us to continue to move in the direction of an effective, efficient network of local service agencies for the elderly. Further, this request will enable us to continue to support 56 State agencies on aging and a minimum of 412 area agencies on aging to promote the development of coordinated comprehensive service systems designed to marshall social services resources to help older persons. This request will also help to support the provision of approximately 220,000 meals a day, 5 days a week to older persons participating in 665 nutrition projects located throughout the country.

REHABILITATION SERVICES ADMINISTRATION

We are requesting $735,600,000 for the rehabilitation programs authorized under the Rehabilitation Act of 1973 as amended. Our request includes funds to annualize rehabilitation training at the $28,800,000 levels.

The objective for these programs is to prepare handicapped persons for gainful employment. The overall program goal for fiscal year 1976 is to serve 1,660,000 handicapped persons and to rehabilitate approximately 332,000.

Of the $735,600,000 requested, $680 million is for the basic State grant program. As mandated by the Congress in the Rehabilitation Act of 1973, priority services will continue to be concentrated on those persons with the most severe handicaps. Priority attention will also be given to serving public assistance recipients. Even though the cost serving handicapped persons has increased, our initiatives in these directions will not be at the sacrifice of the remainder of the rehabilitation program.

We are requesting $53,625,000 for the developmental disabilities program which carries on support programs designed to assist in providing services needed in the care and treatment of the develop-

mentally disabled including the mentally retarded and those afflicted with cerebral palsy and epilepsy.

SPECIAL PROGRAMS FOR NATIVE AMERICANS

We are requesting $32 million for the special programs for native Americans. This program develops innovative approaches for dealing with the special needs of American Indians, native Hawaiians, and Alaskan Natives and provides technical and financial assistance to enable them to move toward economic self-sufficiency.

SALARIES AND EXPENSES

For salaries and expenses we are requesting $31,340,000 to provide funds and staff for the Office of Human Development programs. This amount does not include funds to support RSA staff transferred to OHD in 1975. These funds are included in the Social and Rehabilitation Services salaries and expenses.

SUMMARY

In summary, for fiscal year 1976 we are requesting $1,529,593,000.

Mr. THOMAS. Mr. Chairman, this concludes my prepared statement. I and my colleagues will be delighted to answer any questions the committee may have.

FISCAL YEAR 1976 AUTHORIZATIONS

Mr. FLOOD. All right. The budget for this office is $1.5 billion. That is for 1976.

How much of that budget is not authorized at the present time?

Mr. THOMAS. Mr. Chairman, of the programs for the aging, only the nutrition program, title VII, is authorized at the present time for fiscal year 1976.

Mr. FLOOD. Suppose you put in the record the information showing the programs and the amount budgeted.

Mr. THOMAS. We will be glad to.

[The information follows:]

Activities Requiring New Authorizing Legislation for FY 1976

Activity	President's Budget Request
Programs for the Aging - Older Americans Act of 1965 as Amended:	
(a) Federal Council on Aging, Title II - Section 206(c).....	$ 500,000
(b) State and Community Programs - Title III,	
(1) State Agency - Section 303(a).....	15,000,000
(2) Area Planning and Social Services - Section 303(a).....	76,000,000
(3) Model Projects - Section 308(b).....	5,000,000
(c) Research, Demonstration and Manpower, Title IV, Research and Demonstration - Section 431.....	7,000,000
Grants for the Developmentally Disabled:	
(a) State Grants - Developmentally Disabled Service and Facilities Act - Section 131.....	30,875,000
(b) Service Projects	
(1) Hospital Improvement Public Health Service Act - Section 303.....	6,000,000
(2) Rehabilitation Service Projects Rehabilitation Act of 1923 - Section 304.....	12,500,000
(c) University Affiliated Facilities - Developmentally Disabled Services and Facilities Act - Section 122.....	4,250,000
	157,125,000

EFFECT OF FISCAL YEAR 1975 SUPPLEMENTAL

Mr. FLOOD. As you know, the House recently passed the second supplemental appropriation bill for 1975. That included $430 million for the Head Start program. What effect is that going to have on this budget for 1976?

Mr. THOMAS. Mr. Chairman, as I understand it, the House action on the second supplemental for fiscal year 1975 included $15.7 million above the President's budget request for Head Start. I cannot tell at this point in time what the implications of that would be in terms of the 1976 budget. We are, in the 1976 budget, requesting an additional $20 million for services to handicapped children. The President requested an additional $22.2 million in fiscal year 1975 for Head Start.

Mr. FLOOD. Can you do this for the record? Take a look at page 18 of your justifications and you will find the charts there.

Now revise those charts you have on page 18.

Mr. THOMAS. In terms of 1975?

Mr. FLOOD. For the purpose of reflecting the House action on the 1975 funds.

Also include the 1975 figures on page 19 of the justifications.

[The information follows:]

Budget Data	FY 1975	FY 1976	Increase
Subactivities:			
a. Full-year and summer....	$395,592,000	$399,892,000	+$4,300,000
b. Experimental program....	6,000,000	6,000,000	---
c. Career development and technical assistance..	19,150,000	19,150,000	---
d. Evaluation.....	3,000,000	3,000,000	---
e. Parent and Child Centers	6,258,000	6,258,000	---
Total.....	$430,000,000	$434,300,000	+$4,300,000

The following tables reflect Head Start's program data and characteristics:

Program Data	FY 1975 Number of Children	FY 1975 Average Cost per Child	FY 1976 Number of Children	FY 1976 Average Cost per Child
Full-Year Head Start.....	288,000	$1,330	288,000	$1,345
Summer Head Start.....	46,000	267	46,000	270
Experimental.....	11,000	---	11,000	---
Parent and Child Centers..	4,000	$1,564	4,000	$1,564
Total Children Served	349,000		349,000	

Note: Since the additional money is clearly earmarked for cost-of-living increases and the handicapped, there is no change in the participant level. Therefore, the figures on p. 19 of the justification will not change.

COST-OF-LIVING INCREASES

Mr. FLOOD. In the original 1975 budget for Head Start, part of that requested increase there related to increased cost of wages, utilities, transportation and what not?

Mr. THOMAS. Yes, sir.

Mr. FLOOD. Is the increase in the 1975 budget to compensate for inflation?

Mr. THOMAS. In the 1976 budget we have not requested additional amounts for cost-of-living increases. We have requested the $20 million for the handicapped children. There are a number of considerations relative to that. Obviously, in a Department like ours if every program got cost-of-living increases, it would be prohibitive in terms of cost.

Mr. FLOOD. In your 1976 budget do you have an increase for inflation?

Mr. THOMAS. We do not.

Mr. MILLER. But if, as seems likely, Congress appropriates more money in the second supplemental than we requested for Head Start it may be possible to use some of those funds to cover cost of living in 1976.

NUMBER OF HEAD START CHILDREN

Mr. FLOOD. For several years you have had a magic number down there, 379,000. That is the number of kids you have been serving by the Head Start program. All of a sudden in the 1976 justification you reduce that to 349,000. Something happened to the old sacred number. Why do you estimate you will serve 30,000 fewer, when in all these prior years you used this other number?

Mr. THOMAS. There are a number of reasons for that, Mr. Chairman. Over the past 5 years we have been encouraging Head Start programs to become full-year programs. The number of youngsters who were previously involved in summer programs has been reduced and the number of full year Head Start participants has been increased.

The result of that is obviously an increased cost. The increased cost has had a consequence in terms of total number of children we serve.

I would also add that we estimate that the number of hours that are spent serving children is remaining relatively constant.

We also recognize that as we have increased the quality of the services that has had some impact.

As we have moved to meet the 10-percent mandate on handicapped children, that has had impact. As we have improved our processes of accounting for those children, that has had an impact. So the combination of the factors has led us to believe that the 349,000 children is the figure we will serve in 1976.

Mr. FLOOD. We have always been suspicious of these sacred numbers you have down there. I've seen that before.

SERVICES TO HANDICAPPED CHILDREN

On page 17 you indicate $20 million will be needed for services to severely handicapped children in both full year and summer Head Start programs.

How did you calculate that figure?

Mr. THOMAS. I am sorry, would you repeat the last part of that question?

Mr. FLOOD. You have $20 million in the budget which you say is needed for services to the severely handicapped children in a full year and also for the Summer Head Start program. How did you calculate that one?

Mr. THOMAS. We looked at the various needs we would have to meet, Mr. Chairman, in terms of providing services to the handicapped child.

We have come to the conclusion that there are a number of things we need to do. We, for example, need to improve our recruitment and screening activities and the diagnostic activities. We recognize that on occasion it may be necessary for the grantees to purchase special kinds of services. We recognize that there are increased costs for training people, costs of additional full-time and part-time existing Head Start staff, special equipment needs, modification of existing facilities.

We are very interested in insuring that all our facilities are accessible. We want to make sure they have 10-percent handicapped children in Summer Head Start, too. It is the combination of all those needs we have to meet that results in this.

Mr. FLOOD. What is your estimate of any additional costs of providing services to children with severe and substantial handicaps?

Mr. THOMAS. We have had some estimates as to the cost per child for working with severely handicapped youngsters. We recognize that those estimates, while they are not fixed because each child is an individual, will to some extent be met by our proposed increase for cost of living plus what we have already done in previous years.

ENROLLMENT OPPORTUNITIES FOR HANDICAPPED CHILDREN

Mr. FLOOD. What steps now have you taken to assure that 10 percent of the enrollment opportunities in each State will be available to the handicapped children?

Mr. THOMAS. There are a number of things that we have done, Mr. Chairman.

Mr. FLOOD. Not 7½ but 10 percent. There it is. What about that? I am talking about each of the States?

Mr. THOMAS. We have had a mandate of 10 percent nationally through the end of this fiscal year.

Our new legislation requires 10 percent per State starting is fiscal year 1976. Until this time, our efforts have been focused on meeting that national mandate. With the 1976 request we will be working with 20 or so States which we believe have not reached the 10 percent level. Nationally we are at 10 percent now. The reason we know that is that we are required annually to submit to the Congress a report on the enrollment.

Mr. FLOOD. That is why I am asking you.

Mr. THOMAS. Mr. Rosoff and his office have made a number of different inventories. In addition we have had the regional offices monitor the programs. The programs are well aware of the mandate of 10 percent and the regional offices can monitor them.

Mr. Rosoff and his staff have visited projects. In addition we are letting a contract to look at our whole handicapped effort in fiscal 1976 in terms of numbers and quality.

Mr. FLOOD. Mr. Thomas, Why wouldn't the total enrollment projections increase to reflect the additional number of handicapped children to be served in 1976?

Mr. THOMAS. Mr. Chairman, the mandate is that 10 percent of the total number of children in Head Start be handicapped. We anticipate in 1976 there will be more than 10 percent of the youngsters who will be handicapped.

SUMMER HEAD START PROGRAM

Mr. FLOOD. Last year you estimated 69,000 children will be enrolled in the summer Head Start program. This was going to be it. In this budget you have 46,000 children enrolled in the summer program for 1975. What accounts for the difference of 23,000 in the summer figure? What happened?

Mr. THOMAS. The difference, as I said before, is that we have been placing increased emphasis on full-year Head Start programs. The costs for a full-year program, which lasts 10 months of the year, is far in excess of summer Head Start, a 2-month program.

The result of that is that as we had reduced the number in the summer. We are very interested in maintaining the level in a full year. The statistics also reflect the fact that there are increased costs which is why we have asked for the $22.2 million in 1975.

PARENT-CHILD CENTERS

Mr. FLOOD. We are breathing down your neck. Last year you estimated 8,300 kids would be enrolled in the parent-child centers in 1975 and the average cost was going to be $754. Now that was it. I asked about it four times, $754.

In this budget you now show 4,000 kids participating in the parent-child program in 1975. The average cost is $1,564. Why are the enrollment costs and the estimates so far off the mark on this one?

Mr. SUTTON. The estimates reflected in the appropriation request included the siblings of the children actually participating in the parent and child centers.

The figures we are presenting this year reflect only the children actively participating in the centers, not the siblings.

Mr. THOMAS. If I might elaborate on that, we have seen the parent and child center program as one which works with the youngest in the family, and also the brothers and sisters. In terms of a more accurate picture to you and the members of the committee we are only counting children enrolled. But, we still do estimate that there will be a number of siblings who receive services as a consequence of the parent and child centers. There will be only 4,000 children actually enrolled.

DEVELOPMENTAL CONTINUITY COMPARED TO FOLLOW THROUGH

Mr. FLOOD. In your justifications again you used the phrase developmental continuity. That is a beauty. What in the world is that? And how does that differ from the Follow Through program?

Mr. THOMAS. The developmental continuity program attempts to assure that the benefits which have accrued to the Head Start young-

sters in the preschool years are carried through to the elementary school years.

Mr. FLOOD. We never get across from the table with us the characters who gave birth to these phrases.

Mr. THOMAS. I have to admit thare are a couple of phrases that even astonish me. This may be one of them.

Mr. FLOOD. We never get a shot at these jokers. What is the difference between this program and the Follow Through program.

Mr. THOMAS. There are a number, Mr. Chairman.

Mr. FLOOD. What is developmental continuity?

Mr. THOMAS. Developmental continuity is a program designed primarily to improve links between preschool educational and other health and social service programs and the elementary school. We have found that many of the benefits that accrued to the youngster in Head Start were lost to them as they moved into elementary school.

Mr. FLOOD. How does it differ from Follow Through?

Mr. THOMAS. It has several different elements. We have put a great deal of emphasis in developmental continuity in the participation of the community in the development of curriculum, parent involvement, et cetera. It is a community-run project. The Follow Through program is exclusively operated by the school board. Second, Follow Through developed a number of standardized curriculum models for the student. We felt there had been little involvement of the community in developing that curriculum.

Follow Through was related to certain classrooms in a school where as all the chi'dren in the Head Start centers will participate in the project developmental continuity. We are looking to the first to third grade and involving all the youngsters. We are interested in two different institutions that would be working with these children. One would be where we are working in a school, where we are working with the teachers, classroom administrators, and other people. Then there is another where we will also be working in a separate entity or institution which will include the elementary schoolteachers and the Head Start people.

Another thing about Follow Through: Head Start people, parents, teachers, and others were not involved in Follow Through. They will be integrally involved in this project developmental continuity.

INTERAGENCY DAY CARE REQUIREMENTS

Mr. FLOOD. There were recent amendments to the Social Security Act creating title XX, the social services program. This new law requires the Secretary of Health, Education, and Welfare to evaluate the Federal interagency day care requirements.

Mr. THOMAS. Yes, sir.

Mr. FLOOD. Do you remember that title?

Mr. THOMAS. Yes, sir.

Mr. FLOOD. Funds are requested for 1976 in the Social and Rehabilitation Services budget to undertake that effort. Will the Office of Child Development participate in developing these new standards for Federal day care programs?

Mr. THOMAS. Yes, sir. As a matter of fact, there have been a number of discussions around this particular issue.

While budget authority is requested by the Social and Rehabilitation Services, it has been a joint effort involving the Director of Child Development, and the Office of Planning and Evaluation.

Mr. Rosoff might want to expand on his involvement there.

Mr. FLOOD. How do you coordinate your activities with SRS?

Mr. ROSOFF. There is a group starting to meet together on a regular basis including SRS, ourselves, and members of the Office of Planning and Evaluation in the Department. We will be laying out a process to see how we can comply with the congressional directive on this matter and we will be working together and meeting regularly.

Mr. THOMAS. As a matter of fact, they change offices. One time they meet in SRS, the next in Child Development and the next in the Office of Planning and Evaluation so there will be equitable involvement.

CHILD ABUSE PREVENTION AND NEGLECT

Mr. FLOOD. You have a reduction of $286,000 in, of all places, child abuse prevention and treatment. Are you in favor of child abuse?

Mr. THOMAS. That's not actually a reduction in the amount of service we will be providing.

Mr. FLOOD. It is not?

Mr. THOMAS. No, sir.

We have requested to the Congress that we use those resources for salaries and expenses to pay for the recruitment of people to work in the Office of Child Development on child abuse related activities. This year we are including the amount of $286,000 for the child abuse within the salaries and expenses budget. So it is not a reduction in program level at all. It is merely that we are transferring those resources into our salaries and expenses account.

REDUCTION IN AGING REQUEST

Mr. FLOOD. On the aging now, Congress appropriated $105 million for the State and county community programs for fiscal 1975. What effect, then, will this request for $96 million have on the programs for 1976? This will cut back services for the aged, won't it? What do you use for money, rubber bands or cigar store coupons or what? Isn't that a cutback in services for the aged?

Mr. THOMAS. As you know, the President has been very interested in insuring that we maintain the budget at reasonable levels.

In every instance in our accounts where the Congress appropriated moneys above the amount——

Mr. FLOOD. Thereby hangs the tale as to what is a reasonable level. That is debatable, you know, if I can understate it.

Mr. THOMAS. In respect to the President's budget in every instance he has asked for that level minus the amounts he had proposed for rescission.

Mr. FLOOD. The budget request of $96 million is going to cut back services for the aged, isn't it?

Mr. THOMAS. Mr. Chairman, it is true that we could anticipate that in fiscal 1976 as a result of not including the rescission amounts there will be less resources available than we obligated in fiscal year 1975. This will mean that services will be affected in some way. I cannot give you an exact figure as to what extent, though.

AREA AGENCIES ON AGING

Mr. FLOOD. I know you are in a tough spot. But this same budget shows that there will be fewer area agencies on the aging designated in 1976 than were designated in 1975. Why is that so? What's going to happen to the programs of the area agencies?

Mr. THOMAS. Two things I might note: One is that we do not expect that the States will be inclined to reduce the number of planning and services areas or area agencies.

Mr. FLOOD. There are going to be fewer in 1976 than in 1975.

Mr. THOMAS. We expect them to—within the resources available—to maintain them, but be more stringent.

Mr. FLOOD. There are going to be fewer.

Mr. THOMAS. We do not know that for a fact. We know that each individual agency may not have the same amount of money available as was available in 1975.

Mr. FLOOD. Look at page 28 of your justifications. You are talking about accomplishments from 1974 to 1975. In 1975 you show designated area agencies. That is the second item on your list. In 1975 you have 437–462. In 1976 you have 412.

Mr. THOMAS. The 1975 numbers were estimates. We do get some reading that the States may either close down a designated area agency or try to use existing resources and stretch them farther.

Mr. FLOOD. Well, it is a 10 to 7 bet there are going to be fewer agencies. How about even money?

Mr. THOMAS. I am not a betting man, Mr. Chairman.

Mr. FLOOD. As of now.

AGING TRAINING

Now title IV–A, of the Older Americans Act, requires the Commission on the Aging to appraise existing and future personnel needs in the field of aging, and the adequacy of the Nation's effort to meet those conditions. Well, now, all those things being true, why are training funds for the aging being cut off prior to the study?

Mr. THOMAS. As a matter of fact, the consequences of the study could change our requests dramatically.

Mr. FLOOD. Obviously. This reduction is before the study starts.

Mr. THOMAS. You could say, Mr. Chairman——

Mr. FLOOD. I mean before the study starts.

Mr. THOMAS. No.

Mr. FLOOD. The training funds for the aging are being cut off prior to the study.

Mr. THOMAS. The study is being undertaken now.

The issue is the results of the study and how we might utilize them.

Two other points I might mention here—as you know, the Department and administration have been interested in trying to utilize other resources in areas for training. More importantly, and I think this is an issue that Mr. Miller may want to comment on, the rescission request is consistent.

Mr. FLOOD. He would not comment unless you twist his arm, you can be sure of that.

Mr. THOMAS. Well, I will ask him. The President has consistently asked the departments and agencies not to request amounts above the 1975 budget request and in this particular instance this was a rescission request.

I do not think we would take the position that there are no needs to train people. I think the results of the study will help us in our deliberations internally, relative to the efficacy of the necessity for funds.

Mr. MILLER. I think you were both talking about it from different points of view. I think you are both right.

On the one hand, Mr. Chairman, you are saying we are funding the study and before we get the results we are cutting back the training. I think you are right and I think it is a valid point.

I think Mr. Thomas has given the answer from another point of view. It is the strict budgetary policy and the policy of not providing for specialized postgraduate training in the budget.

NUTRITION PROGRAM LEVEL

Mr. FLOOD. On the conference report for the fiscal 1975 supplemental appropriation bill, let me quote us for a change. This is in English. "It is the intent of the conferees that the Department of Health, Education, and Welfare utilize carryover funds to build the program operating level for the nutrition program authorized by title VII of the Older Americans Act to at least $150 million for fiscal year 1975."

That is certainly not complicated. When was the 1975 appropriation of $125 million released to the States by HEW for the nutrition program?

Mr. THOMAS. For fiscal 1975, we have released $25 million——

Mr. FLOOD. When was that released?

Mr. THOMAS. It was released on March 17.

Mr. FLOOD. Well, that is a good day.

What level then do you expect the nutrition program to reach this fiscal year?

Mr. THOMAS. This fiscal year we expect the nutrition programs to reach the $125 million level.

Mr. FLOOD. Do you plan to ignore the intent of Congress as clearly expressed in that conference report?

Mr. THOMAS. Not at all.

Mr. FLOOD. That is a leading question.

Mr. THOMAS. In order to address the subject the Secretary has forwarded to the President a memorandum asking for the President's guidance on this issue because, as you know, we have the appropriated amount of $125 million and the expressed intent of the Congress that we allocate resources at the level of $150 million annually.

The Secretary has asked the President for guidance. That guidance has not been received yet, at least to my knowledge. But I can give you every assurance we are trying to find ways within the $125 million appropriation to reach the congressional intent of reaching the $150 million program level.

Mr. FLOOD. You are not flying in the face of the gods anyhow, right?

Mr. THOMAS. We are certainly not flying in the face of the Congress, Mr. Chairman.

NUTRITION FUNDING FROM PUBLIC SOURCES

Mr. FLOOD. As another way of offsetting increased costs in the nutrition program, you state you are going to obtain funds from other public and private sources. In last year's budget justification you stated that you had planned to draw on funds provided for the adult social services. You were going to get that under title VI of the Social Security Act. To what extent have you been able to use these social service funds for the nutrition program?

Mr. THOMAS. I would defer to Commissioner Flemming, Mr. Chairman.

Mr. FLOOD. The dollars will do.

Mr. FLEMMING. Mr. Chairman, based on State reports to carry us through February, a total of $9,900,000 has been utilized by title VII nutrition projects from sources other than the Older Americans Act for the period beginning July 1975, and ending February 28, 1975.

Mr. FLOOD. Would you repeat the dollar figure?

Mr. FLEMMING. Yes, sir. It is $9,900,000. We feel that some progress has been made and we are keeping the pressure on.

NUTRITION PROGRAM IMPROVEMENTS

Mr. FLOOD. I understand. Now you also predicted, and you mentioned it earlier in your affirmative statement, that 200,000 meals would be served daily with the same amount of money as in 1974. Your justification states that you can offset any cost increases, in part that is, by management improvements.

Well, that is great. This will be an example for somebody. Can you explain to us what your management improvements are? This we would like to hear.

Mr. THOMAS. First, Mr. Chairman, as you can appreciate, the initial years of the title VII program did involve the establishment and development of sites.

We do expect that the programs themselves will be individually improved. I would not, however, and I think it is important to be perfectly candid, I do not anticipate that we will be able to serve the same number of meals in fiscal 1976 as we will be able to serve in fiscal 1975 as a consequence of a difference of $25 million.

We are not totally aware of the exact numbers that we will end up with but I do not think it is realistic to assume we can pick up $25 million.

Mr. FLOOD. Your big weapon is management improvements. What do you mean by management improvements?

What are they?

Mr. THOMAS. As the individual projects become more cognizant of raw food purchases, as they streamline their administrative structures, as they are able, also, to develop other funding sources, they will be able to serve meals at a lower cost. In addition our management information systems give us an opportunity to compare what one State is spending per meal as contrasted with another. Then we can work with the one that is higher on how they can improve.

1976 REDUCTION IN MEALS SERVED

Mr. FLOOD. What is going to happen to those 45,000 older people who are now getting regular meals, but they are no longer going to be served under your 1976 budget. That is 45,000 of them.

Mr. THOMAS. We do not think the number will be 45,000.

Mr. FLOOD. Well, 44,896. Here is what you have on page 30 of your justifications. You show meals per day, 5 days a week, in 1975, 245,000. In 1976, 200,000.

Now, if that is not a 45,000 difference, I am the Prince of Wales.

Mr. THOMAS. I think in fiscal 1976 the 200,000 figure is low. We estimate that it will be something between 200,000 and 220,000.

Now there is no question, Mr. Chairman, that with a reduction as requested, a decrease of $25 million that we will be able to serve the same number of people. I think the difference will be somewhere in the neighborhood of 20,000 to 30,000.

Mr. FLOOD. Did something funny happen on the way to the forum since you got up here?

Mr. THOMAS. No, sir, I do not think that. We were serving in the neighborhood of 220,000 meals with our existing resources. There will be somewhere in the neighborhood of 20,000 to 30,000 that we will not be able to serve.

AVERAGE COST PER MEAL

Mr. FLOOD. What is the average cost of the meal served in the nutrition program for the elderly? That excludes the cost of the supplementary social service.

Mr. FLEMMING. Approximately $1.87.

Mr. FLOOD. What's the range among the States? You were talking about the difference between the States on cost. What is the range among the States on the cost of the congregate meal?

Mr. FLEMMING. The national average is $1.87. We can provide you with an insert showing the State by State costs.

[The information follows:]

Average cost per meal, title VII (fiscal year 1974)

Overall average	$1.87
Region I	2.13
Connecticut	1.90
Maine	1.52
Massachusetts	2.43
New Hampshire	1.91
Rhode Island	2.12
Vermont	2.22
Region II	2.02
New Jersey	2.54
New York	1.95
Puerto Rico	1.13
Virgin Islands	
Region III	1.84
Delaware	1.81
District of Columbia	1.91
Maryland	1.65
Pennsylvania	1.93
Virginia	2.08
West Virginia	1.37
Region IV	1.74
Alabama	1.71
Florida	1.90
Georgia	1.63
Kentucky	1.65
Mississippi	1.79
North Carolina	1.55
South Carolina	2.22
Tennessee	1.57
Region V	1.94
Illinois	2.39
Indiana	1.82
Michigan	1.62
Minnesota	1.85
Ohio	$2.16
Wisconsin	1.58
Region VI	1.57
Arkansas	1.79
Louisiana	1.90
New Mexico	1.12
Oklahoma	1.65
Texas	1.49
Region VII	1.84
Iowa	1.70
Kansas	1.48
Missouri	2.16
Nebraska	1.81
Region VIII	1.91
Colorado	1.74
Montana	2.73
North Dakota	2.04
South Dakota	2.04
Utah	1.46
Wyoming	2.19
Region IX	1.78
American Samoa	
Arizona	1.57
California	1.83
Guam	1.49
Hawaii	1.48
Nevada	1.72
Trust Territory	
Region X	2.53
Alaska	4.12
Idaho	1.89
Oregon	2.31
Washington	2.82

Mr. FLOOD. Now why is this national average cost you tell us about—and you nailed that right down as the national average cost—why is that double the meals that are served in the school lunch program? It is the same town, same street, but across the street it is double. Here is one building serving the school kids and across the street with your programs it is doubled.

Mr. THOMAS. I am not too familiar with the school lunch program.

Mr. FLOOD. Can't you find out? Wouldn't that interest you?

Mr. THOMAS. One thing I can say and one of the reasons I hope we will be able to serve as many meals or more within existing resources, is that we have been working with schools to utilize the school facility in order to provide meals to older persons.

Obviously one of the costs you do not add into the school lunch program is the cost of the facility itself. Of course, we have to be concerned with that when we are dealing with programs for older persons in the nutrition projects. We are trying to affect those costs by utilizing the existing facilities.

Mr. FLOOD. Obviously you are surprised by the question. The record better show an answer to that one.

Mr. FLEMMING. Mr. Chairman, I would like to add to what Secretary Thomas has said by stating that we recognize the desirability of relating wherever we can the programs for older persons to the school lunch program.

We have entered into a formal agreement with the Office of Education designed to facilitate that.

Of the sites being used for nutrition programs, churches lead the list. Senior citizen centers come next and then school facilities.

But we do see an opportunity to reduce the average cost by working with the school lunch people. For example, their menu, of course, will be different from the ideal menu for an older person. We all recognize that. But it is conceivable that in certain situations our project people can go in and enter into an agreement under which the base for the program for older persons might be the menu being provided for the children and then there would be some slight additions in order to make it a more acceptable menu for older persons.

But we really see the opportunities and possibilities for pooling our resources here and we are working on it.

Mr. FLOOD. So do we.

Mr. FLEMMING. We are in agreement there. I would like to furnish additional information for the record.

[The information follows:]

The school lunch programs have had the advantage of 30 years experience in the development of management systems and staff designed to maintain relatively modest costs for meals. Administrative costs of the school lunch program, as well as costs for capital equipment and depreciation, are prorated over a far greater number of meals. The use of centralized purchasing agencies and contracts available to the school system reduces the cost of raw food to the school lunch program compared to costs to projects that purchase raw food on a small scale from local merchants. Title VII projects provide a range of social services not required in the school lunch program. And finally, school lunch programs are reimbursed for meals at a fixed rate.

All of these factors combine to permit the school lunch program to provide meals at a lower cost than title VII.

BASIC STATE GRANTS

Mr. FLOOD. On the rehabilitation programs, the Rehabilitation Act requires the full amount of the authorization to be allotted to the States. That same act also requires that whenever an amount is not needed within the State's allotment it must be reallotted to other States in the grant program.

Now the authorization for the State grant program is $720 million.

There it is. How do you justify the request for $680 million?

Mr. THOMAS. Mr. Chairman, the $680 million request is based on our discussions with the States in which we are given to believe they will only be able to request $680 million from the Federal Government and the Department.

In the event, Mr. Chairman, that the States were in a position based on the formula to request more than $680 million——

Mr. FLOOD. Do you mean that the State rehabilitation programs cannot use more than $680 million?

Mr. THOMAS. No, sir. I am saying that the States may not be able to, based on the information presently available. Actually we do not have the final estimates and will not have them until late May.

Mr. FLOOD. Now you asked for this one. If that is so, if the States can use more than the $680 million, then aren't you violating the law if you attempt to spend $40 million less than the authorization? Or are you asking us again to change the authorization legislation through appropriation language?

Mr. THOMAS. No.

Mr. FLOOD. Mr. Miller is shaking his head off.

Mr. MILLER. Mr. Chairman, this is a program where in previous years, not last year, but in previous years we told you what the need was, and you did frame such language and it was accepted by the Congress. But we are asking you to amend the law through appropriation language.

I agree with you.

SEVERELY HANDICAPPED VERSUS NONSEVERELY HANDICAPPED

Mr. FLOOD. Do you have any comparative data any place on the cost of rehabilitation of the severely handicaped versus the cost to rehabilitate the nonseverely handicapped?

Mr. THOMAS. Yes, we do. I would be delighted to submit that for the record with a caveat that that is preliminary.

Mr. FLOOD. Fine. I would like to see those figures.

Mr. THOMAS. The data we do have estimates that the costs are something over $5,000 for the severely handicapped and $1,800 or so for nonseverely handicapped.

[The information follows:]

COMPARISON OF COSTS—SEVERELY DISABLED VERSUS NONSEVERELY DISABLED

	Fiscal year—	
	1975	1976
Average cost per rehabilitation:		
Severely disabled	$5,100	$5,100
Nonseverely disabled	1,800	1,800
Number of rehabilitations:		
Severely disabled	115,000	128,000
Nonseverely disabled	223,000	204,000

INCREASED SERVICES TO THE SEVERELY HANDICAPPED

Mr. FLOOD. Have the States made any progress in serving the severely handicapped as required by the Rehabilitation Act of 1973? Do you have any examples of what the States are doing in this area?

Mr. THOMAS. Yes, sir. The States are emphasizing rehabilitation of the severely disabled.

Mr. FLOOD. I thought it might be too early to show how that law is working.

Mr. THOMAS. We believe we can tell clearly that it is. From personal experience I was able to sit down 2 weeks ago with rehabilitation counselors in the State of Texas and discuss with them how they were able to provide services to the severely disabled.

We estimated in fiscal 1976 that we will rehabilitate 120,000 severely handicapped persons.

Mr. FLOOD. Are the less severely handicapped being left out of the benefits of this program?

Mr. THOMAS. Yes, some of the less severely handicapped are being left out because of the clear increase in the number of more severely handicapped we are serving.

TRAINING SERVICES AND FACILITY IMPROVEMENT PROJECTS

Mr. FLOOD. Talking about the vocational training services, you cite the number of projects funded in 1975. You have 54 vocational training projects and 110 facility improvement grants supported. How many will you be supporting in 1976 at the reduced level requested in the budget?

Mr. THOMAS. Perhaps Dr. Adams could speak to that.

Mr. FLOOD. You can supply that for the record.

[The information follows:]

TRAINING SERVICES AND FACILITY IMPROVEMENT PROJECTS, NUMBER OF PROJECTS AND PEOPLE TRAINED, FISCAL YEAR 1976 ESTIMATED

	Number of projects	People trained	Amount
Training services	48	3,900	$4,240,000
Facility improvement	100		2,660,000
Total training services and facility improvement projects	148	3,900	6,900,000

COMPARISON OF ONAP TO BIA

Mr. FLOOD. You talked about native Americans in your opening statement. In what ways, if there are any, do these native American programs relate to the efforts of the Bureau of Indian Affairs?

Mr. THOMAS. Mr. Chairman, there are two very important distinctions. First, we will be emphasizing in fiscal year 1976 our interest in improving the planning and management capability of Indian tribes. As the Federal Government, both from our department as well as the Bureau of Indian Affairs, gives added responsibility to Indians consistent with the President's interest in self-determination. We feel that it is necessary to provide them with the training and information needed to enable them to plan and manage their affairs more effectively.

Neither the Bureau of Indian Affairs or other elements of our department are as involved in that.

There are a couple of other things I might mention. First of all we provide services not only to reservation Indians, but also to urban Indians.

Second, we are involved in various human resource fields, manpower training, and other things.

We are not limited, as the BIA is, to dealing with federally recognized tribes.

Mr. FLOOD. I want you to show in the record very clearly those distinctions with the Bureau of Indian Affairs.

[The information follows:]

THE OFFICE OF NATIVE AMERICAN PROGRAMS AND THE BUREAU OF INDIAN AFFAIRS

Perhaps the most salient of the differences between the Office of Native American Programs (ONAP) and the Bureau of Indian Affairs (BIA) is the overall approach to programs and funding, based largely on the statutory authorities of the two agencies.

To adequately respond to this question, however, I believe it is necessary to provide a brief history of ONAP and its predecessor, the Indian Division of OEO.

The OEO Indian Division, now ONAP, was established with the passage of the Economic Opportunity Act of 1964. This Division provided Indian tribes for the first time with direct and flexible funding for Community Action programs. The programs were designed, planned, and operated by Indian people to meet their own identified needs.

It is critical to note that this direct and flexible funding to Indian tribes set a precedent which has subsequently been followed by the Department of Health, Education, and Welfare, Economic Development Administration/Department of Commerce, Housing and Urban Development, the Treasury Department, the Bureau of Indian Affairs and more recently by the Department of Labor.

As a direct result of this approach Indian tribes, groups, and organizations are now planning and administering a large number of service programs. These programs vary considerably in nature and scope; for example, Head Start, aging, nutrition, alcoholism, and employment programs. There are also a number of tribal economic development projects such as fish hatcheries, furniture factories, and energy resource utilization projects. In addition, Indians are now involved in determining the quality of education, health, and housing on reservations by virtue of having their own committees and boards to formally provide input to agencies providing funds in these areas.

In other words, the approach taken almost 11 years ago by the Indian Division of OEO, and continued and expanded upon to date, has enabled large numbers of Indian people to gain, through experience, both the expertise and confidence to design, plan, manage, and evaluate programs and institutions which affect their daily lives. Essentially, Indians have been offered the opportunity to shape their future. ONAP's approach to dealing with its Indian constituents is, in fact, the model on which the policy of self-determination was based. This flexible approach is in direct contrast to the approach of the BIA. The BIA, by and large, administers program packages already put together whereas ONAP, allows tribes to put the packages together.

Another major difference between the two agencies is that ONAP has as its service population all Indians, Eskimos, Aleuts, and Alaskan Natives and most recently the Native Hawaiians. ONAP provides funds to large federally recognized tribes, consortia of small tribes, State tribes, and rural Indian consortia. Additionally, by virtue of the President's 1970 Indian message, the Indian Division was mandated to take the lead with respect to addressing the needs of the urban Indian populations. The Bureau on the other hand, serves almost exclusively federally recognized Indian tribes.

Another major difference between ONAP and the BIA is location within their respective departments. ONAP, situated in the largest Federal Government agency (DHEW), has a dual role; namely, programmatic and advisory. ONAP is situated in the Office of the Secretary with responsibilities as the primary advisor to the Secretary and the Department on all matters related to Indian affairs. In such a position, ONAP has the potential of increasing accessibility for all Indians to the general programs and services of DHEW. One of ONAP's major objectives is to coordinate all DHEW programs with respect to efforts on behalf of Indian people. One way by which ONAP hopes to achieve this is by working through the newly created Intra-Departmental Council on Indian Affairs. ONAP's other advisory functions include such activities as reviewing and making recommendations relative to legislative matters and advising the Secretary relative to current and/or pending administrative decisions having an impact on any segment of the Indian community.

Finally, by virtue of our new authorizing legislation, title VIII of the Community Services Act, ONAP has the responsibility of affecting coordination with other Federal agencies for building complementary and cooperative programs for Indian people.

ONAP by virtue of the extensiveness of its service population and programmatic scope must have a multiagency interfact; the BIA, dealing almost exclusively with federally recognized tribes and for specific purposes, need not have such an all-encompassing Federal approach.

AFTERNOON SESSION

Mr. FLOOD. The committee will be in order.

We were talking about the native Americans. The Native Americans Act now covers Hawaiians. What specific problems and needs does that group have?

NATIVE HAWAIIANS

Mr. THOMAS. Mr. Chairman, several weeks ago Dr. Blue Spruce went to Hawaii to meet with the Native Hawaiians.

Mr. FLOOD. That is a nice place to go.

Mr. THOMAS. He, in consultation with our regional office, has been involved in discussing with Hawaiian officials some of the activities we could undertake with Native Hawaiians. We had not been involved with them prior to the new legislation.

Mr. FLOOD. Just testify as to the specific problems. This is not generally known.

Mr. THOMAS. I would like to ask Dr. Blue Spruce to make some comments about that. One thing I can say; we don't feel, based on our lack of involvement with this group heretofore, that we should embark on major program activities until we do a betten analysis of what their needs are and what we ought to be doing.

Mr. FLOOD. You don't want to make the same mistake with the Hawaiians as you did with the Indians. I don't mean you, I mean everybody.

Mr. THOMAS. We want to know what their needs are. However, we are going to give some planning assistance to the native Hawaiians.

Mr. FLOOD. Do they differ substantially from the needs of the American Indians?

Dr. BLUE SPRUCE. That is my first comment. I was amazed at the striking resemblance between the problems of the native Hawaiians and the American Indians. On just about every scale of measurement whether it be health, education, employment, or income, the native Hawaiian appeared to be ranked at the bottom. They are a population of approximately 150,000 people; 8,000 of whom are referred to as pure Hawaiians.

Mr. FLOOD. On all the Islands?

Dr. BLUE SPRUCE. Yes, sir.

Mr. FLOOD. You are not forgetting about the other islands? That is not just Oahu. You are talking about the whole groups.

Dr. BLUE SPRUCE. Yes. But approximately 70 percent of them live on the island of Oahu with a large percentage of them living in the ghettos of Honolulu.

CONGRESSIONAL INTEREST IN NATIVE HAWAIIANS

Mr. FLOOD. Why do you think they have been singled out as a group?

Mr. THOMAS. Mr. Chairman, the first interest in this came from the Congress itself in terms of the passage of the new legislation. In our

proposals to the Congress we had not focused on native Hawaiians. That could be our misfortune. In any event, the interest in them emanated initially from the Congress. I would suspect that native Hawaiians have made their needs known to their Representatives who in turn have discussed these kinds of issues with the appropriate committees which resulted in the passage of the legislation.

SPECIFIC PROBLEMS OF NATIVE HAWAIIANS

Mr. FLOOD. I still didn't pick up specific problems peculiar to the Hawaiians. You said they are analogous to the American Indians. What are their specific problems?

Dr. BLUE SPRUCE. Basically they are income, employment, health, and education. In terms of specific needs they are similar to the urban Indian of this country in that they are not able to gain entry into the resources that are available for them through State resources from the Governor's office. As a result of this, they have pretty much congregated into a ghetto type of environment and exist primarily through welfare; because they lack, as a result of poor education, the marketable skills whereby they can gain employment.

Mr. FLOOD. Why should they lack an education?

Dr. BLUE SPRUCE. They are just not flowing through the school systems.

Mr. FLOOD. Why not? The schools are there. There is certainly no racial problem in Hawaii unless it has been revealed recently.

Dr. BLUE SPRUCE. If you could hear the Hawaiians themselves state it, they say there definitely is a problem.

Mr. FLOOD. I can't imagine that.

Mr. THOMAS. It is similar to what we find in urban Indian areas where sometimes the primary service providers are not aware of the cultural problems involved. They don't recruit or expect to recruit urban Indians, or, in this case, native Hawaiians. Sometimes we find it necessary to help facilitate better communications between those groups so the services are provided. I think the bulk of our interest in this program will be to insure that the primary service providers provide the services to this group.

NATIVE ALASKANS

Mr. FLOOD. What efforts are being made to do the same kind of thing for the Native Alaskans?

Mr. THOMAS. We are already fairly involved in activities with Alaskan Natives. Dr. Blue Spruce, you might want to expand on that.

Dr. BLUE SPRUCE. What we are doing in Alaska, specifically in Anchorage, Fairbanks, and Metlakatla, is providing training and technical assistance to improve their management capability so that Alaskan Natives can receive resources and manage their own affairs. In those urban communities, in addition to these training and technical assistance resources, we are also promoting economic development projects so that they can attain social and economic self-sufficiency. In addition, we also are treating them as we treat our American Indian urban centers; that is, giving them the managerial capability to provide for the Indians in those respective areas.

Mr. FLOOD. What is your ethnic origin?

Dr. BLUE SPRUCE. I am a fullblooded Pueblo Indian from New Mexico.

Mr. FLOOD. I wanted to be sure about that. You are no amateur. You know of what you speak.

SALARIES AND EXPENSES

Your salaries and expenses budget includes not only the traditional line items but you have included several program offices such as the Office for Rural Development, the Office for the Handicapped, the Office of Manpower, Veterans, Volunteer Programs, et cetera, et cetera. Since those offices for all intents and purposes are buried in these S. & E. accounts, it is difficult to know how much is being spent for each one of them. For the record, will you provide a breakdown showing what is being spent on these programs.

Mr. THOMAS. We will be delighted, Mr. Chairman.

[The information follows:]

OFFICE OF HUMAN DEVELOPMENT
1975 Estimates for Salaries and Expenses, by Office 1/
(in thousands of dollars)

Office	Salaries, etc.	Contracts	Total
Immediate Office of the Assistant Secretary	$811	2/	$811
Office of Planning and Evaluation	193	2/	193
Special programs:			
Office of Manpower	1,156	($675) 3/	1,156
Office of Veterans Affairs	55	---	55
Office of Volunteer Development	30	---	30
Office of Administration and Management	1,708 4/	4/	1,708
Office for Handicapped Individuals	443	200	643
President's Committee on Mental Retardation	695	2/	695
Office of Rural Development	139	2/	139
Architectural and Transporation Barriers Compliance Board	5/	300	300
Other OHD office, including regional support	22,404	2/	22,404
Total, Salaries and Expenses, OHD	27,634	500	28,134

1/ Excludes amounts for the Rehabilitation Services Administration transferred to the Office of Human Development. These amounts are included in the Social and Rehabilitation Service "Salaries and Expenses" account.

2/ Some contract efforts, however, no money is specifically earmarked for contract activities.

3/ In 1975, these amounts were funded as follows: $325,000 from the Office of Education; $350,000 from the Department of Labor.

4/ Excludes overhead costs such as SLUC, etc.

5/ Funds to support staff in 1975 are transferred to OHD from 6 other Federal agencies.

Mr. FLOOD. Mr. Patten?

NUTRITION AND REHABILITATION PROGRAMS IN NEW JERSEY

Mr. PATTEN. I would like first to direct attention to the fact that under the programs for the aged, the nutrition grants by State, on page 65 it would indicate New Jersey would receive $744,000 less in fiscal 1976 than they did in fiscal 1975. Our State treasurer and his entourage had breakfast with us last week and tried to impress us with what the results are going to be at the State level in a number of these areas. Of course, he included highway money and he included Federal revenue sharing. But when he came down to a few of these programs he pinpointed not only the nutrition but on your program for the aged. If you take basic support under section 110 of the Rehabilitation Act, last year New Jersey received $16,120,000. This year we will get $15 million. We will have $1 million less. So he had all the figures on impacted aid, the milk program, the lunch program. Of course, when you listen to them, they feel they are in a deficit State budget and all these things and to the hurt.

Mr. THOMAS. Mr. Patten, I suspect when they are talking about the rehabilitation program they are talking about the fact that we have not requested $23 million for innovation and expansion grants. As you may recall, the President requested a rescission of that $23 million from the 1975 budget.

Again, consistent with policy, we have submitted a 1976 budget which reflects the fact that the President is not asking for the amount for which he requested rescissions. This is the exact same situation as with the aging nutrition, where the Congress appropriated resources above the 1975 budget request and the Department and the administration have not requested that those rescission amounts be asked for in the 1976 budget.

Mr. PATTEN. I didn't bring the whole sheet with me but for many of the items this would be the right group to ask questions so I could tell the State officials how they will end up because they are under great pressures.

Speaking of your nutrition program, we have some programs on a voluntary basis to feed the elderly who have no help at all. Take South Brunswick, I have been there in the schools. They tell me that the county or State don't give them any help. We have a daily lunch at the YWCA and at the Hungarian Club at New Brunswick. I visited the Dr. Lunch in Perth Amboy. In an effort to try to find out what we can cut out I have been taking a good look. It is hard for me to take the stance here that we ought to cut out these programs. They tell me in Perth Amboy that they cook the meals at the hospital. Most of the help are volunteers including a minister and the wife of a prominent businessman. They are the ones I see working. They receive no pay. Some use their automobiles. I understand there is no reimbursement. So what is done for some of these people really costs more than the $1.87 but it is because of good people wanting to help.

Mr. FLEMMING. Congressman Patten, your experience in New Jersey is similar to the experience over the country. The nutrition programs have literally been magnets for volunteers. A good many of the sites are churches. The churches do accept responsibility for these persons

and volunteers come in and do work that otherwise we would have to pay for. It is a very significant contribution. We estimate that there may be as many as 50,000 volunteers participating in these nutrition projects through the country. That is a source of real strength.

HEAD START VOLUNTEERS

Mr. PATTEN. Well, I will just say this, Mr. Chairman: looking through our programs that total over $1.5 billion, that actually these programs are closeto us, especially the head start program.

On the head start program are there volunteer teachers?

Mr. THOMAS. Volunteers play a significant role in the head start program, too, Mr. Patten.

Mr. PATTEN. They are wonderful people. We even have graduation. They put caps and gowns on the young ones. Parents like it. So, instead of a child entering school in September and carrying and running home, they are anxious to get to school because it has been a lovely experience. It is something for them to do and they are not strange to it any longer. I don't know anyone who doesn't approve of the head start program as we have it. So that the other programs that are relatively new are looking for financing.

SERVICES FOR THE HANDICAPPED

Taking care of the handicapped, that is certainly an enormous problem. We are talking about many things here. We have the deaf mutes, the blind, the hard of hearing. You are talking about those who are physically unable, who ride in wheelchairs.

Mr. THOMAS. Mr. Patten, in the rehabilitation program we do expect to rehabilitate over 330,000 people. We do expect that over 1.6 million people will be provided services. It is a very well-established and well received program. I think its record is incomparable in terms of its mission and role. All I can say is that under Commissioner Adams' leadership and as a part of our substantial involvement with the States who play a partnership role in this program, we feel it has clearly established an excellent record. We hope to continue to provide quality services to handicapped people.

Mr. PATTEN. But when you say 307,000, we have to start somewhere. You couldn't do it all at once. The money problem is a hard one.

Mr. THOMAS. The rehabilitation program is primarily concerned with rehabilitating adults who can then go into jobs. When we call a case closed we mean that that person has been rehabilitated and can now go to work and become self-sustaining. There is a little difference when we are talking about services to children where a vocational goal is not the goal but providing services to those children is the goal. Commissioner Adams and Mr. Rosoff compare and consult with each other as well as with other agencies in the Department concerned with providing services to handicapped children.

COUNCIL ON THE AGING

Mr. PATTEN. We passed a bill for this Council on the Aging. We are asking $500,000. I will be threescore and ten in August myself. The most marvelous people I know are over 70. They are smart, in good

health, and have money. A lot of people I know over 70 or 75 have the best years of their lives. I would say the vast majority of my senior citizens don't lack for a dollar. But with the supplement that social security gives them and a little pension from the plant plus other assets, plus the family, I would say most of my senior citizens are a happy lot. Now you are going to make a study of this Council. I think that is a positive side to it, a good positive side. I think there are a lot of misimpressions. Some people think everybody over 65 is ready for the grave. That is far from the truth.

Mr. THOMAS. Arthur Fleming reminds me of that every day, sir.

Mr. PATTEN. On your Council for the Aging I would hope you come up with some good results.

Mr. FLEMMING. Congressman Patten, the Congress, in passing the amendments to the Older Americans Act in 1973, provided for the appointment of this Council by the President and they are confirmed by the Senate. They really, under the mandate from the Congress, have an oversight responsibility in this area. The Chairman of the Council is a woman who served as Under Secretary of HEW when I was Secretary, Bertha Adkins. She is doing a fine job in getting the Council's activities underway. I have a perspective similar to yours because I also was born in 1905. So you and I are in the same age classification.

BETTER COORDINATION OF SPECIAL PROGRAMS

Mr. FLOOD. Commissioner Adams, did you want to say something?

Mr. ADAMS. Mr. Chairman, I wanted to say that I appreciated Congressman Patten's vision in seeing together elements of programs representing people with special needs; the handicapped, the disadvantaged children, native Americans, et cetera. I just wanted to say for the record, if I may, that we in rehabilitation services appreciate this and appreciate being transferred into Assistant Secretary Thomas' office so that we can better coordinate these programs in light of the visions that the Congressman mentioned. So we look for a better day each day.

ONAP ACTIVITIES IN FLORIDA

Mr. FLOOD. You always talk about the native Americans and you westerners talk about Navajos and Pueblos, et cetera. What about the Seminoles?

Dr. BLUE SPRUCE. We fund both tribes in Florida, the Miccosubees and the Seminoles and also the Southeastern tribes, known as USET, of which the Miccosubees and the Seminoles are members. We not only supply them with economic development resources but also training, technical assistance, and funds for research development. So I think we are providing them amply.

Mr. FLOOD. They were a very special breed even back in those days.

Dr. BLUE SPRUCE. I would like to say that the tribal leadership in Florida—namely Mr. Howard Tommie of the Seminoles and Mr. Buffalo Tiger of the Miccosubees are two of the stronger leaders we have today. They are very progressive.

Mr. FLOOD. In those days even they demanded a lot of respect.

Mr. PATTEN. I was with a Mohawk Indian last Saturday. We don't need you for him. He made $20,000 last year in the construction trades. The point about the senior citizens who made me think about this matter, he belongs to the Elks and fits right in. But my senior citizens are clean. They are mannerly. They are selfless in a way. It seems to me most of them are trying to help somebody else all the time. Many are helping their daughters by babysitting. Certainly when there is trouble in the family they are the first ones they want, grandmother.

So it seems to me that as we talk about the needs for senior citizens, I wonder how many people you are talking about out of 100. Most of the people I met over 65 are the strength but when it comes to my senior citizens' housing you can't find a match or cigarette butt. Everything is clean. There is no crime. They are proper. They are respectful to each other. We don't find this in the community generally. The quality of life with the senior citizens is the greatest in the community. They are not lazy either. They will do things to help each other and to help others. I sometimes wonder about some of these common characteristics which I find so lacking in other people like courtesy and some of the other things that make life worthwhile. My senior citizens are matured. They hold their tongue and they are good company. I think they are the best in the community as far as behavior goes.

Mr. FLOOD. You know, of course, up in my district for obvious historic reasons because of the economy, the average age in Luzerne County in my district is almost 15 years above the national average because within the decline of the anthracite coal industry we lost about 100,000 people in so many years, and many are down in Mr. Patten's district; the biggest export for years was high school graduates.

Mr. PATTEN. I don't know if the council in its work would get us in the right perspective. I think my older citizens are tremendous assets to the country. Certainly on the matters that concern me as a citizen they are the best. I made a survey. Do you know that over 50 percent of the people who voted in my primary 2 years ago were over 65? They have been through many wars, World War I, World War II, and so on. I get great consolation when I go home. Today we were supposed to vote on helping the refugee problem. My greatest comfort came from some older people I met. Some other people really shook me up with their provincial, narrow, selfish attitude. The senior citizens are more forebearing. Maybe they are more religious. Probably they have more love in them, I dont' know.

But in your work, we don't always have to place the emphasis on need. There is more to it than that. You know that better than I do.

Mr. FLEMMING. There is no question at all that the older persons are in a position to render a very significant service to society. Our society should take advantage of this more ofter than we do. We do, however, have to keep in mind the fact that there are between 18 and 20 percent of the older persons in this country whose annual income today is below the poverty threshold. That does present us with a very serious issue, taking the country as a whole. It is one to which we must address ourselves.

FEMALES AGAINST MALES OVER 65

Mr. FLOOD. Do you have any idea off the top of your head, and if you don't you can supply it for the record, what percentage of the so-called senior citizen population above age 65 is female and what percentage is male?

Mr. FLEMMING. We have a good many more women living beyond 65 than males. It is on a ratio of 3 to 2 as I recall it.

I will correct it for the record.

[The information follows:]

FEMALES VERSUS MALES OVER 65

As of July 1, 1974, the Bureau of Census estimated that there were 21,815,000 persons 65 years of age or older. Of these, about 59 percent, or 12,849,000, were female.

Mr. FLOOD. Thank you very much.

Mr. Conte.

DEFINITION OF SUBSTANTIALLY AND SEVERELY HANDICAPPED

Mr. CONTE. Can you tell me what portion of your Head Start enrollees are substantially or severely handicapped? How do you define "substantially and severely handicapped" in this context?

Mr. THOMAS. Children professionally diagnosed as handicapped account for at least 10.4 percent of all enrollment in full year Head Start programs in fiscal year 1975. Over one-half (57 percent) of the handicappd children in full year programs require "a fair amount" or "practically constant" special assistance. In addition, one out of every four handicapped children in full year programs has multiple handicaps.

Children are defined as handicapped when they have been professionally diagnosed as being mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, crippled or health impaired who require special education and related services. This definition only refers to children with substantial handicaps. Outside the scope of this definition are children with correctible conditions who do not need special services or who will not require altered or additional educational or support services.

Children with multiple handicaps and who need "a fair amount" to "practically constant" special assistance are considered to be severely handicapped children in Head Start programs.

COMPARISON OF COSTS FOR SERVING HANDICAPPED AND NONHANDICAPPED CHILDREN

Mr. CONTE. What is the average cost for serving a handicapped child in Head Start, compared to the average cost of serving a nonhandicapped child? How does this compare to last year's average cost for both groups?

Mr. THOMAS. The Office of Child Development estimates that the average cost of providing needed special services to handicapped children in Head Start full year programs amounts to approximately

$1,150 per child over and above the average base cost of $1,300 per child for the normal range of Head Start services provided to all children. Last year only $100 to $200 was actually expended on the average per handicapped child in Head Start.

SPECIAL SERVICES FOR THE HANDICAPPED

Mr. CONTE. Would you outline some of the special training and related services which are needed to provide Head Start for the handicapped. What portion of your $20-million increase in the Office of Child Development can be accounted for by the need for this special training?

Mr. THOMAS. Special services for handicapped children include diagnostic services, additional staff qualified to work with children with specific handicaps, purchase or lease of special equipment and materials, modifications of physical facilities. The major portion of additional moneys for the handicapped children's effort would be used to provide these types of special services. Approximately $1 to $2 million of the $20 million will be used for preservice and inservice training and the development of training materials.

TRAINING

Mr. CONTE. How much money is in this budget for training people in occupations associated with serving the handicapped? How does this compare to last year's level of support?

Mr. THOMAS. Part of the $20 million will be used to hire professionals and paraprofessionals with experience in working with handicapped children on a part-time or full-time basis in Head Start in order to better provide needed special services. Up to $2 million of the $20 million can be used for preservice and inservice training of these experienced personnel to be able to implement the mainstream approach to services to young handicapped children in a developmental environment. This is an additional level of support as compared to last year.

RUNAWAY YOUTH

Mr. CONTE. In the Office of Youth Develoment, you are requesting $5 million to support activities focused on the problem of runaway youth. How much will be spent on this program in 1975?

Mr. THOMAS. $5 million has been appropriated for this activity for fiscal year 1975.

Mr. CONTE. Recently the LEAA announced that it was accepting applications for support for runaway programs and facilities. How does your runaway program either complement or duplicate LEAA and Department of Justice activities in this field? Do you coordinate your work with these other agencies? How?

Mr. THOMAS. Title III of the Juvenile Justice and Delinquency Prevention Act places responsibility for funding of runaway program with the Department of Health, Education, and Welfare, although other parts of the act would not preclude the Department of Justice from supporting such programs. A few runaway programs may be supported with the use of LEAA funds by some States in which running away is a status offense. These, of course, would be related to

juvenile justice diversion activities and would not be duplicative of HEW efforts. We are especially sensitive to this issue. We are not only in close direct touch with LEAA on such maters, but also coordinate our efforts through the interdepartmental committee on Federal delinquency program and the newly formed Council which held its first meeting 2 weeks ago.

ELDERLY NUTRITION PROGRAM

Mr. CONTE. How much do you propose to spend on the title VII elderly nutrition program? How does that compare to last year's level or support?

Mr. FLEMMING. The proposed level or funding for title VII in fiscal year 1976 is $99.6 million. The fiscal year 1975 level or funding was $125 million.

Mr. CONTE. How many meals per day did you serve through this program through 1975? Will all of the funds which were proposed for rescission in this program be obligated in 1975? How many meals do you expect to serve in 1976?

Mr. FLEMMING. As of this date, we are serving 228,000 meals per day. We estimate that by the end of fiscal year 1975 we will be serving 250,000 meals per day. All funds proposed for rescission—$25.4 million—have been obligated for use in 1975. In 1976, we estimate at least 200,000 meals per day.

Mr. CONTE. How many people participate in the title VII program? Do you intend to expand the level of service in 1976? Why not?

Mr. FLEMMING. The States have reported that approximately 1.8 million elderly persons participated in the nutrition program in 1975. We do not intend to expand the level of service in 1976. The reason for this is that the President is very interested in insuring that the budget be maintained at reasonable levels.

Mr. CONTE. One complaint about the title VII program which I have heard is that many people who don't really need the program are taking advantage of it. Is there any needs test for eligibility for the program?

Mr. FLEMMING. Under the law, there is no means test for eligibility in the title VII nutrition program. All participants are given an opportunity to pay all or part of the cost of a meal, and on one is denied participation because of an inability to pay. States have been urged to locate nutrition sites in areas of concentration of low income and minority persons in order to insure that priority in service to these persons is achieved.

Mr. CONTE. Many title VII centers have waiting lists of participants. Do you have any estimate of the number of people who might have applied to participate in the program but were turned away, even though they were eligible?

Mr. FLEMMING. There is evidence that a number of people who have applied to participate in the program are turned away. Our proposed national evaluation of the program will enable us to better estimate the number of people who have been unable to participate.

Mr. CONTE. Another criticism of this program is that there is too much emphasis on social services in the program. Participants would

rather see more people able to participate than to have several social workers standing around. Do you have any comment on this?

Mr. FLEMMING. To my knowledge, there are no social workers standing around the project sites. However, a vital characteristic of the nutrition program is that it provides access to supportive services in addition to the nutrition services.

The Older Americans Act specifically requires the nutrition program to include, as a part of such project, recreational activities, informational, health and welfare counseling and referral services, where such services are not otherwise available.

Meals alone without access to these supportive services would meet neither the requirements of the Older Americans Act nor the needs of older Americans.

SERVING HANDICAPPED INDIVIDUALS

Mr. CONTE. You said that your 1976 goal was to serve about 1.7 million handicapped persons and rehabilitate about 332,000. Would you explain what you do to serve a handicapped individual without rehabilitation?

Mr. THOMAS. The term served includes cases closed out during the fiscal year and cases still open at the end of the fiscal year. Cases closed out are applicants who were not accepted for vocational rehabilitation services after receipt of diagnostic work-up; persons who were rehabilitated; and persons who could not be rehabilitated. Cases still open are applicant cases not yet processed and cases accepted but services not yet completed.

Some of the major types of services provided to vocational rehabilitation clients are diagnostic and evaluation, physical and mental restoration, training, maintenance, services to family members, counseling, and placement.

A service is therefore provided to all individuals seeking assistance whether they are eventually accepted for such service or not.

Mr. CONTE. How do these 1976 target figures compare to the levels of service and rehabilitation for 1975?

Mr. THOMAS. The total number estimated to be served in 1975 is 1,860,000. This is 200,000 more than the 1,660,000 estimated for 1976. The number estimated as rehabilitated is 338,000 in 1975 and 332,000 in 1976. This is only a difference of 6,000.

Mr. CONTE. Could you estimate about what portion of our handicapped population is receiving some sort of rehabilitation or other service through your programs? What do you think it would take, what level of resource allocation, to provide some level of service to all those who need it?

Mr. THOMAS. Data obtained in the 1970 Census indicates that there were 11,900,000 persons with significant vocational handicaps and disabilities between the ages of 16 and 64 not in institutions.

We estimate that half of these individuals are working. This would include those who have gone through rehabilitation programs. The remainder, approximately 6 million individuals, are either not working or substantially underemployed. Some two-thirds of these individuals, or approximately 4 million individuals, are eligible for and in need of vocational rehabilitation services.

The fiscal year 1976 budget includes an appropriation request of $735.6 million to provide vocational rehabilitation services to 1,660,000 handicapped individuals which is about 40 percent of the 4 million persons estimated to be eligible and in need of vocational rehabilitation services.

In order to provide services to all eligible individuals, a considerable period of lead time would be required together with a sizeable investment in both the public and private sectors in rehabilitation facilities; workshops; research into causes of and rehabilitation techniques for special disabling conditions; demonstrations of comprehensive service delivery systems; and manpower development and training of additional personnel in the various rehabilitation professions.

With the infrastructure in place, increased resources of from 2 to 2.5 times the current rate would be required to provide services to all those who need vocational rehabilitation.

Mr. CONTE. With regard to the 332,000 people you expect to rehabilitate during 1976, could more people be rehabilitated if you had more money? What is the average cost of rehabilitating a person under your program?

Mr. THOMAS. Yes, but it isn't a question of having more money, the administration feels that the funds requested are adequate to enable the States to provide for a stronger and improved balanced rehabilitation program, with greater attention being given to providing priority to the severely disabled, and in establishing effective systems to implement the new provisions of the Rehabilitation Act of 1973, as amended.

The estimated coverage cost of rehabilitating a person under the rehabilitation program for fiscal year 1976 is approximately $3,000—Federal-State funds.

PORTION OF RSA RECIPIENTS ON PUBLIC ASSISTANCE

Mr. CONTE. What portion of your RSA service recipients are on public assistance? How does this compare to previous years?

Mr. THOMAS. About 20 percent of RSA service recipients are on public assistance. This proportion is anticipated to remain constant for 1975 and 1976.

LISTING OF SEVERE HANDICAPS

Mr. CONTE. You mentioned that priority services will continue to be concentrated on those persons with the most severe handicaps. Just for the record, would you list the handicaps with which you deal, along with an indication of the ones which you consider the most severe from a priority standpoint?

Mr. THOMAS. We will be happy to submit the information for the record.

[The information follows:]

IDENTIFICATION OF DISABLING CONDITIONS

VISUAL IMPAIRMENTS

Blindness, both eyes, no light perception, due to:
- **cataract;**
- **glaucoma;**
- **general infectious, degenerative, and other specified diseases, including**

ocular and local infections;
congenital malformations;
accident, poisoning, exposure or injury, and
accident, poisoning, exposure or injury, and
ill-defined and unspecified causes.

Blindness, both eyes (with correction not more than 20/200 in better eye or limitation in field within 20°), due to:
cataract;
glaucoma;
general infectious, degenerative, and other specified diseases, including ocular and local infections;
congenital malformations;
accident, poisoning, exposure, or injury, and
ill-defined and unspecified causes.

Blindness, one eye, other eye defective (better eye with correction less than 20/60, but better than 20/200, or corresponding loss in visual field), due to:
cataract;
glaucoma;
general infectious, degenerative, and other specified diseases, including ocular and local infections;
congenital malformations;
accident, poisoning, exposure or injury, and
ill-defined and unspecified causes.

Blindess, one eye, other good, due to:
cataract;
glaucoma;
general infectious, degenerative, and other specified diseases, including ocular and local infections;
congenital malformations;
accident, poisoning, exposure or injury, and
ill-defined and unspecified causes.

Other visual impairments, due to:
Cataract;
Glaucoma;
General infectious, degenerative, and other specified diseases, including ocular and local infections;
Congenital malformations;
Accident, poisoning, exposure, or injury, and
Ill-defined and unspecified causes.

HEARING IMPAIRMENTS

Deafness, unable to talk, due to:
Degenerative and other noninfectious and specified diseases of ear;
Upper respiratory infections and other infectious diseases;
Congenital malformations;
Accident, poisoning, exposure, or injury, or injury; and
Ill-defined and unspecified causes.

Deafness, able to talk, due to:
Degenerative and other noninfectious and specified diseases of ear;
Upper respiratory infections and other infectious diseases;
Congenital malformations;
Accident, poisoning, exposure, or injury, or injury; and
Ill-defined and unspecified causes.

Other hearing impairments, due to:
Degenerative and other noninfectious and specified diseases of ear;
Upper respiratory infections and other infectious diseases;
Congenital malformations;
Accident, poisoning, exposure, or injury, or injury; and
Ill-defined and unspecified causes.

ORTHOPEDIC DEFORMITY OR FUNCTIONAL IMPAIRMENT, EXCEPT AMPUTATIONS

Impairment involving three or more limbs or entire body, due to:
Cerebral palsy;
Congenital malformations or other and ill-defined birth injury;

Other diseases, infectious and noninfectious, other infections (including local), and other neurological and mental diseases (excluding epilepsy);
Arthritis and rheumatism;
Intracranial hemorrhage, embolism, and thrombosis (stroke);
Poliomyelitis;
Muscular dystrophy;
Multiple sclerosis;
Parkinson's disease;
Accidents and injuries involving the spinal cord, and
All other accidents, injuries, and poisonings.

Impairment involving one upper and one lower limb (including side), due to:

Cerebral palsy;

Congenital malformations and ill-defined birth injury;

Other diseases, infections and non-infectious, other infections (including local), and other neurological and mental diseases (excluding epilepsy);
arthritis and rheumatism;
Intracranial hemorrhage, embolism, and thrombosis (stroke);
Poliomyelitis;
Muscular dystrophy;
Multiple sclerosis;
Parkinson's disease;
Accidents and injuries involving the spinal cord; and
All other accidents, injuries, and poisonings.

Impairment involving one or both upper limbs (including hands, fingers, and thumbs), due to:
Cerebral palsy;
Congenital malformations and ill-defined birth injury;
Other diseases, infectious and non-infectious, other infections (including local), and other neurological and mental diseases (excluding epilepsy);
Arthritis and rheumatism;
Intracranial hemorrhage, embolism, and thrombosis (stroke);
Poliomyelitis;
Muscular dystrophy;
Multiple sclerosis;
Parkinson's disease;
Accidents and injuries involving the spinal cord, and
All other accidents, injuries, and poisonings.

Impairment involving one or both lower limbs (including feet and toes) due to:
Cerebral palsy;
Congenital malformations and ill-defined birth injury;
Other diseases, infectious and noninfectious, other infections (including local), and other neurological and mental diseases (excluding epilepsy);
Arthritis and rheumatism;
Intracranial hemorrhage, embolism, and thrombosis (stroke);
Poliomyelitis;
Muscular dystrophy;
Multiple sclerosis;
Parkinson's disease;
Accidents and injuries involving the spinal cord, and all other accidents, injuries, and poisonings.

Other and ill-defined impairments (including trunk, back, and spine), due to:
Cerebral palsy;
Congenital malformations and ill-defined birth injury;
Other diseases, infectious and noninfectious, other infections (including local), and other neurological and mental diseases (excluding epilepsy);
Arthritis and rheumatism;
Intracranial hemorrhage, embolism, and thrombosis (stroke);
Poliomyelitis;
Muscular dystrophy;
Multiple sclerosis;
Parkinson's disease;
Accidents and injuries involving the spinal cord, and all other accidents, injuries, and poisonings.

ABSENCE OR AMPUTATION OF MAJOR AND MINOR MEMBERS

Loss of at least one upper and one lower major extremity (including hands, thumbs, and feet), due to:
Malignant neoplasms;
Congenital malformations;
Diseases, infectious and noninfectious (including peripheral vascular, diabetes, tuberculosis of bones and joints), and infections (including gangrene), and
Accidents, injuries, and poisonings.
Loss of both major upper extremities (including hands or thumbs), due to:
Malignant neoplasms;
Congenital malformations;
Diseases, infectious and noninfectious (including peripheral vascular, diabetes, tuberculosis of bones and joints), and infections (including gangrene), and
Accidents, injuries, and poisonings.
Loss of one major upper extremity (including hand or thumb), due to:
Malignant neoplasms;
Congenital malformations;
Diseases, infectious and noninfectious (including peripheral vascular, diabetes, tuberculosis of bones and joints), and infections (including gangrene), and
Accidents, injuries, and poisonings.
Loss of one or both major lower extremities (including feet), due to:
Malignant neoplasms;
Congenital malformations;
Diseases, infectious and noninfectious (including peripheral vascular, diabetes, tuberculosis of bones and joints), and infections (including gangrene), and
Accidents, injuries, and poisonings.
Loss of other and unspecified parts (including fingers and toes, but excluding thumbs), due to:
Malignant neoplasms;
Congenital malformations;
Diseases, infectious and noninfectious (including peripheral vascular, diabetes, tuberculosis of bones and joints), and infections (including gangrene), and
Accidents, injuries, and poisonings.

MENTAL, PSYCHONEUROTIC, AND PERSONALITY DISORDERS

Psychotic disorders.
Psychoneurotic disorders.
Other mental disorders:
Alcoholism;
Drug addiction, and
Other character, personality, and behavior disorders.
Mental retardation:
Mental retardation, mild;
Mental retardation, moderate, and
Mental retardation, severe.

OTHER DISABLING CONDITIONS FOR WHICH ETIOLOGY IS NOT KNOWN OR NOT APPROPRIATE

Other conditions resulting from neoplasms (not elsewhere classified):
Colostomies resulting from malignant neoplasms;
Laryngectomies resulting from malignant neoplasms;
Leukemia and aleukemia;
Other malignant neoplasms, and
Benign and unspecified neoplasms.
Allergic, endocrine system, metabolic and nutritional diseases:
Hay fever and asthma;
Other allergies;
Diabetes mellitus;
Other endocrine system disorders (except cystic fibrosis);

Cystic fibrosis, and
Avitaminoses and other metabolic diseases.
Diseases of the blood and blood-forming organs:
Hemophilia;
Sickle cell anemia, and
Other anemia and diseases of the blood and blood-forming organs (except leukemia and aleukemia).
Other specified disorders of the nervous system:
Epilepsy, and
Other disorders of the nervous system, not elsewhere classified.
Cardiac and circulatory system conditions:
Congenital heart disease;
Rheumatic fever and chronic rheumatic heart disease;
Arteriosclerotic and degenerative heart disease;
Other diseases or conditions of heart;
Hypertensive heart disease;
Other hypertensive disease;
Varicose veins and hemorrhoids, and
Other conditions of circulatory system.
Respiratory system conditions:
Tuberculosis of the respiratory system;
Emphysema;
Pneumoconiosis and asbestosis;
Bronchiectasis;
Chronic bronchitis and sinusitis; and
Other conditions of respiratory system.
Digestive system conditions:
Conditions of teeth and supporting structures;
Ulcer of stomach and duodenum;
Chronic enteritis and ulcerative colitis;
Hernia;
Colostomies (from other than malignant neoplasms); and
Other conditions of digestive system.
Genito-urinary system conditions:
Genito-urinary system conditions (except end-stage renal failure); and end-stage renal failure.
Speech impairments:
Cleft palate and harelip with speech imperfections;
Stammering and stuttering;
Laryngectomies (from other than malignant neoplasms);
Aphasia resulting from intracranial hemorrhage, embolism, or thrombosis (stroke); and
Other speech impairments (except aphasia resulting from stroke).
Disabling diseases and conditions, not elsewhere classified:
Diseases and conditions of the skin and cellular tissue; and
other disabling diseases and conditions.

IDENTIFICATION OF THE SEVERELY DISABLED

Blindness, both eyes.
Blindness one eye, other eye defective.
Other visual impairments—if, with correction, unable to obtain driver's license for visual reasons.
Deafness, able or unable to talk.
Other hearing impairments—if loss exceeds 70 decibels in better ear in conversational range with correction.
Orthopedic impairment involving three or more limbs.
Orthopedic impairment involving one upper and one lower limb (including side).
Orthopedic impairment involving one or both upper limbs (including hands, fingers, and thumbs)—if both, and assistance of another person or devices is needed for activities of daily living.
Orthopedic impairment involving one or both lower limbs (including feet and toes)—if locomotion is impaired to a degree that bilateral upper limb assistance devices are required, or individual is unable to utilize public buses or trains.
Muscular dystrophy.

Multiple sclerosis.

Accidents and injuries involving the spinal cord.

Loss of at least one upper and one lower extremity (including hands, thumbs, and feet).

Loss of both major upper extremities (including hands or thumbs).

Loss of one or both major lower extremities—if bilateral at the ankle or above, or if one at mid-thigh that requires bilateral upper limb assistance devices, or individual is unable to utilize public buses or trains.

Psychotic disorders: If now requiring institutional care in a mental hospital or psychiatric ward of a general hospital; or has history of being institutionalized for treatment for three months or more, or on multiple occasions; or meets the description for moderate or severe on the next page.

Mild.—Minor distortions of thinking with little or no disturbance in activities of daily living. With provision of rehabilitation services, can maintain independent living in the community and engage in competitive employment. Able to accept direction, maintain adequate interpersonal relations and concentrate sufficiently to perform job requirements. Only under occasional conditions of particular internal, social or economic stress, may require followup supervision, guidance or support. Includes one-time, short-term institutionalized discharges doing well on medication.

Moderate.—Definite disturbances of thinking with definite but mild disturbances in behavior. Includes hospital dischargees who require daily medication to avoid rehospitalization. With provision of rehabilitaton services, capable of maintaining themselves in the community and of engaging in low-stress competitive employment, but at least initially requiring continuing supervision, guidance, motivation and support. Misunderstanding of instructions, activity, self-isolation, or overreaction in gesture, speech or emotion may be displayed during the VR process and may cause concern to people in the work milieu.

Severe.—(*a*) Severe disturbances of thinking and behavior that entail potential harm to self or others; (*b*) or, in the extreme, severe disturbances of all components of daily living, requiring constant supervision and care. Persons in (*a*) with the provision of rehabilitation services may be capable of maintaining themselves in the community and to engage in limited or sporadic productive activity only under continuing supervision in sheltered or protective environment, including halfway houses. They are unable to communicate readily and have difficulty differentiating between their fantasies and reality. Their behavior is disruptive and often menacing to others, marked by shouting, vulgarity, carelessness of dress and excretory functions. These symptoms and possible suicidal attempts necessitate continuing observation, professional intervention and medication, especially during early stages of the rehabilitation process.

Psychoneurotic disorders: If now reqiuring institutional care in a mental hospital or psychiatric ward of a general hospital; or has history of being institutionalized for treatment for 3 months or more, or on multiple occasions; or meets the description of moderate or severe on the next page.

Mild.—Stress reactions to daily living without substantial loss of personal or social efficiency. With the provision of rehabilitation services, can maintain independent living in the community and engage in competitive employment. Can accept direction, maintain adequate interpersonal relations and concentrate sufficiently to perform job requirements. Only under occasional conditions of particular internal, social, or economic stress will require supervision, guidance and support after placement.

Moderate.—Stress reactions which modify patterns of daily living. Can maintain themselves in the community and perform adequately in low-stress competitive employment with the provision of rehabilitation services. May require medication and continuing supervision, motivaton and support at least during early postplacement. Their fears, indecision, loss of interest or occasional odd behavior will be evident during the rehabilitation process, and may moderately interfere with job performance and other workers' activities in employment when stressful situations arise.

Severe.—Stress reactions to daily living that result in continuing regression and tissue-organ pathology. Capable of productive work but only under sheltered, noncompetitive conditions in a highly structured or protective environment, at least initially. May require continuing medication. Bizarre and disruptive behavior, loss of interest in activities of daily living, problems with memory and concentration will be evident in the counseling process.

These symptoms and the client's interference with other workers necessitate continuing supervision, guidance, motivation and support by professional staff in the work situation. Conversion reactions, poor eating and cleanliness habits may create considerable health problems.

Mental retardation—moderate and severe.

Colostomies resulting from malignant neoplasms.

Laryngectomies resulting from malignant neoplasms.

Leukemia and aleukemia.

Cystic fibrosis.

Hemophilia.

Sickle-cell anemia.

Epilepsy—if not seizure-free for 2 years.

Heart conditions—if classified 2C or worse in the New York Heart Association Classification as adopted by the American Heart Association.

Respiratory system conditions—if maximum breath capacity is less than 55 percent of predicted or shortness of breath on climbing one flight of stairs or walking 100 yards on the level.

Colostomies (from other than malignant neoplasms).

End-stage renal failure.

Cleft palate and harelip with speech imperfections.

Laryngectomies (from other than malignant neopalsms).

Aphasia resulting from intracranial hemorrhage, embolism, or thrombosis (stroke).

Other individual cases with documented evidence of loss and limitation meeting the criteria of functional limitation factors.

In this grouping are those conditions, whether a single disability or a combination of disabilities, which when presented in terms of clinical description and functional limitations, the State agency (counselor/medical consultant) can determine:

A. There exists substantial loss of functional capacity and restriction of activity attributable to medical factors, such that the client:

(1) Is unable to make use of public bus or train, or

(2) Is unable to perform sustained work activity for 6 hours or more, or

(3) Has disfigurement or deformity so pronounced as to cause social rejection, or

(4) Speech is unintelligible to nonfamily members, or

(5) Is unable to climb one flight of stairs or walk 100 yards on the level without pause, or

(6) Has loss of manual dexterity or coordination sufficient that he is unable to button buttons, wind a watch or write intelligibly; and

B. The client will normally require multiple vocational rehabilitation services over an extended period of time.

DEVELOPMENTAL DISABILITIES PROGRAMS

Mr. CONTE. Would you summarize your programs in developmental disabilities? How does your budget compare to the level of support for such activities in previous years?

Mr. THOMAS. I would like to submit a tabular presentation for the record, as it will show more clearly the levels of support. The amounts shown on this table are actual obligation. The new budget authority for this program has been $53,625,000 in 1974, 1975, and estimated for 1976.

[The information follows:]

DEVELOPMENT DISABILITIES (OBLIGATIONS)

	1973	1974	1975	1976
State grants	$28,258,000	$34,748,000	$32,588,000	$30,875,000
Service Projects:				
Hospital improvement	6,000,000	6,000,000	6,000,000	6,000,000
Rehabilitation service projects	12,500,000	12,500,000	12,500,000	12,500,000
University affiliated facilities	4,464,000	4,335,000	4,723,000	4,250,000
Total	51,222,000	57,583,000	55,811,000	53,625,000

DAY CARE RESEARCH STUDIES

Mr. CONTE. When will your day care research studies be completed? Can you provide any preliminary findings? Would you expand upon the work being conducted in your ongoing studies?

Mr. THOMAS. The Office of Child Development is conducting two major research efforts expected to produce important day care policy information. They are the "National Day Care Cost-Effect Study" and the "National Day Care Consumer Survey."

The cost-effect study is designed to examine in depth two major cost-related policy issues in center-based day care—caregiver/child ratio and the level of caregiver professionalism. These areas will be systematically examined to determine what relationship exists when variations at different levels are measured against group process and child outcome variables. The study is being conducted over a 3-year period and consists of three integrated phases: The "tooling-up" period—July 1, 1974–June 30, 1975—involving experimental site selection, identification of sponsoring agencies, selection of day care centers within each site and development, and field testing of information and cost accounting systems, parent attitude survey, classroom assessment, and child outcome instruments. The period between July 1975 and June 1976 will comprise a programmatic research and evaluation phase during which center program variables, group process measures and pre-post child outcomes will be collected and analyzed as they exist naturally in the centers. The final period will consist of a "controlled experiment" in which the research design components become operational, all systems are implemented, and study objectives are evaluated. The study will be completed by July 1977.

The consumer survey is designed to assess consumer attitudes toward day care by identifying: (1) Parental values with regard to employment, child rearing, and use of day care services; (2) current employment patterns and patterns of day care consumption; (3) consumer preferences; (4) barriers to the use of day care services including attitudinal, practical, and economic considerations; and (5) the criteria parents use in selecting care for their children. The survey will consist of personal interviews with heads of households having one or more children within the day care age range. Results are expected to be available in December 1975.

Both studies are expected to provide, in addition, considerable information about the extent and nature of day care supply in the Nation as provided in day care centers, family day care homes, and in the child's own home.

HEAD START EVALUATIONS

Mr. CONTE. Your justification mentions evaluation activities in Head Start. What evaluative activities have been conducted during the past year, and with what results and conclusions? How have these conclusions been used in the continued development of the program?

Mr. THOMAS. One of the most important evaluation activities of last year was the evaluation of the home start experimental program. Home start uses a home-based approach which is intended to supplement existing Head Start center-based activities in certain situations, as for instance, in rural areas. This evaluation illustrates particularly well how findings can be used to improve a service program, to make

policy decisions about its continuance, and to help new communities start such a program.

The evaluation looked broadly at the home start program in 16 communities, obtaining data on costs, program staffing and management, services provided to families, and parent and child outcomes. It had a true experimental design with randomly assigned families who served as a control group for 1 year, and some additional Head Start families who served as a comparison group. Basically, the outcome results showed home start children to be significantly better than control children in the areas of school readiness, social-emotional development, and medical care, and showed home start mothers to have significantly better relationships with their children, to teach more school-related skills, and to provide more books and playthings in the home than control mothers. Head Start outcomes were similar to home start outcomes, making both programs look quite favorable.

Some findings from the Home Start evaluation were used to improve the program during the 3-year evaluation. In addition, Head Start projects across the country have been given the option to undertake home-based activities with existing Head Start funds, and over 200 have adopted the option already. Six Home Start training centers are being established to provide assistance to the new Head Start projects adopting the home-based option. Evaluation findings will be used in shaping the assistance provided at these training centers.

Another evaluation underway last year which is soon to complete its first findings illustrates a different way evaluation plays an important role in the agency. OCD launched the early and periodic screening, diagnosis, and treatment program (EPSDT) to assist in making medicaid EPSDT services available to eligible Head Start children. An integral evaluation is part of the project to find out how effective Head Start is in enrolling new children into EPSDT. The evaluation will indicate how many children were enrolled in EPSDT through Head Start, whether Head Start was effective in enrolling non-Head Start children, the most effective modes of outreach, and some effective model approaches. Based on these findings the program will be continued, altered, or discontinued, as considered best.

Several other major evaluations are under way at OCD, including evaluations of the developmental continuity project, of the child and family resource program, of the Head Start efforts to meet the needs of handicapped children, of Head Start children's transition into public school, and of parent involvement in Head Start. Each of these evaluations is intended to help in program development or in reaching OCD policy decisions in ways similar to those illustrated above.

FEDERAL COUNCIL ON THE AGING

Mr. CONTE. Can you tell me what the Federal Council on the Aging has done in the past year?

Dr. FLEMMING. The Federal Council on the Aging officially got underway in June 1974 with Senate confirmation of the nominees of the President. Bertha S. Adkins, former Under Secretary of the Department of Health, Education, and Welfare, serves as chairman of the Council with a Secretariat and necessary resources provided by HEW for this Presidential-level advisory body.

By law, the Council must transmit annually to the President its findings and recommendations on issues affecting older Americans. This Report to the President was issued March 31, 1975 and provides a full explanation of Council activities during its first year of operation.

To briefly sum up this period—a considerable amount of time had to be spent in determination of some of the priorities members should focus on within a very broad congressional mandate. Plans for carrying out the three mandated studies which were in the 1973 amendments to the Older Americans Act had to be developed. The study on State allotments for programs funded under that act was completed and sent to Congress on December 31.

Three standing committees and one task force on services to the frail elderly have been established. These subunits provide means of expediting the sizable workload of the members. There have been several meetings of these units and the full Council has held four sessions.

In its role of advocate for older persons and monitor of Federal programs for the aging, the Council has sent communications to the President, the Congress, the Secretary of Health, Education, and Welfare and the Commissioner on Aging on matters ranging from protests of the increase in the cost of food stamps for older persons to endorsement of the concept of a World Assembly on Aging.

CETA POSITIONS

Mr. CONTE. Can you explain why you are carrying 50 CETA positions under your salaries and expenses item?

Mr. SUTTON. Section 306 of the Comprehensive Employment and Training Act of 1973 requires that the Department of Labor coordinate and consult with the Secretary of HEW on all services related to HEW programs such as basic or general education, education programs conducted for offenders, institutional training, health care, child care, and other supportive services as well as new careers and job restructuring in the health, education, and welfare professions.

Forty-two of the fifty authorized positions in CETA are placed in the regional offices to coordinate with State and local prime sponsors all manpower planning and programs related to these activities. Eight positions in addition to the two aleady established within OHD are located in the central office to provide policy guidance and technical assistance to regional office staff or when necessary provide technical assistance and training to prime sponsors.

Overall, HEW CETA projects assure that HEW related manpower services are effectively and efficiently coordinated so that the underemployed or unemployed may be provided with the fullest opportunities for successful competition in the labor market.

Mr. CONTE. Thank you.

Mr. FLOOD. Mr. Roybal.

LONG-RANGE PLANNING PROCESS

Mr. ROYBAL In your statement, you indicate that you have a long-range planning process and your programs are monitored for achievement of certain management objectives. I assume that this is the same

management by objective as advocated by the Harvard Business School.

Would you take a program such as the Administration on Aging, and explain to us:

A. What your long-range planning process foresees for the program;

B. How you will attempt to achieve those ends;

C. How you set up management objectives; and

D. Are these management objectives ever rethought in light of changing Congressional legislation or emphasis?

Mr. THOMAS. I would be pleased to do so, Mr. Roybal. We have placed a high priority on planning in the Office of Human Development for the simple reason that in order to make the most effective use of Federal resources it is essential to outline clearly what we intend to achieve, how we should best go about it, and then to review regularly our progress in doing so. Therefore, last year, we endeavored to establish long-term goals for all of our programs and to determine strategies to achieve those goals over the next few years. We then developed annual objectives, commiting ourselves to specific accomplishments during the year which were the initial steps necessary to move toward achievement of the long-term goal. Each year we review our long-term goals on the basis of experience to see if modification is required, and also set new annual objectives to move us further along.

In keeping with its dual functions as Federal focal point for the elderly and as the agency responsible for the effective and efficient management of several grant programs, AoA has developed Federal goals for the elderly based on legislative goals of the Older Americans Act, and also two basic goals for the administration on Aging that are reflective of its role within the context of overall Federal goals.

A. The Federal goals for the elderly relate to such areas as an adequate income, the best possible health and nutritional care, systems of efficient community services that provide assistance in a comprehensive and coordinated manner, suitable housing, and so on.

AoA's own goals are aimed at achieving the intermediate steps necessary to effect the Federal goals. AoA's goals are:

(1) Increase State and area agency capacity to develop and implement annual operational plans which identify service needs of the elderly, especially the low-income and minority; to identify available resources and prioritize needs for action; to establish action programs to coordinate existing services including titles V and VII, and pool available but untapped resources; and to promote the development of access services such as I. & R. and transportation, and other social services defined in the Older Americans Act.

(2) Increase the capacity of the Federal sector to promote comprehensive coordinated services for older persons, through development of a national knowledge case on aging and interagency coordination of plans and programs which affect this segment of the population.

B. AoA is working to achieve these goals through assistance to the staffs of State agencies on aging and through them, staff of area agencies and nutrition projects, to develop and implement State plans and bring about effective delivery of services to the elderly population. As part of its annual objectives for this year, AoA has successfully developed and disseminated needed technical assistance tools, trained

staff, facilitated development of I. & R. and other information systems, promoted pooling of resources for nutrition and other services.

At the Federal level AoA is pursuing the interdepartmental and interagency support necessary for the development of a coordinated and integrated Federal strategy through interdepartmental and interagency agreements, joint policy statements, coordination of planning of aging-related programs, and cooperative evaluation projects.

In the intermediate term AoA's functions are to develop better planning and management of resources for the elderly at both the Federal and nonfederal levels, the ultimate aims of these efforts are to improve the condition of elderly people in the ways enunciated in the Federal goals.

C. The management by objective system used by OHD and DHEW outlines and tracks major priority program efforts (as opposed to other 'MBO' systems which address all ongoing program activities) during a given fiscal year. As I mentioned previously, in OHD these relate directly to long-term goals.

Once the program areas for development of objectives have been identified, the process calls for outlining specifically what will be accomplished by the end of the fiscal year, how it will be accomplished (in other words, what key activities must be carried out to achieve the objective), when these key activities must be completed, and what staff and funding resources will be required.

This process serves a number of useful purposes. It provides a basis for decisionmaking before the start of the program year by setting out in a standard format key information on program activities and resources. During the fiscal year, the format serves as a means for tracking progress and surfacing problems and issues to top management attention as they arise in order to determine means for resolution. Finally, at the end of the year, the objectives are assessed to determine whether, in fact, we accomplished what we set out to accomplish.

The Administration on Aging, as with all the OHD program agencies, participates in this process in order to focus on the basic program responsibilities contained in their legislation and to determine those program areas requiring priority attention.

D. Yes, management objectives are assessed on a continuing basis in light of changes in strategy or program direction, including new or modified legislation. Changes in the objectives can take the form of revising existing objectives or developing entirely new ones. Recent examples of the latter are the Runaway Youth Act and the Child Abuse Prevention and Treatment Act.

Management objectives dealing with the activities necessary for expediting implementation were developed shortly after these pieces of legislation became law. Objectives were developed this year and last by the Administration on Aging, first to implement program activities under titles III and VII of the Older Americans Act, and then to followup by outlining and carrying out those activities designed to assist the programs in reaching maximum effectiveness.

TRANSFER OF REHABILITATION SERVICES ADMINISTRATION

Mr. ROYBAL. The Rehabilitation Services Administration has just been transferred to your office.

A. What problems have you encountered in this transfer?

B. What problems have the people receiving these services encountered in the transfer?

C. How do you plan to remedy these problems?

D. How long do you estimate it will take for this particular administration to function smoothly?

Mr. THOMAS. Mr. Roybal, I am happy to say that we have encountered very few problems in the transfer. It was remarkably smooth. The staff of the Rehabilitation Services Adminstration were transferred en mass to OHD on February 2 and the support staff were transferred very shortly after that. Support funds have been transferred for the year and the progam has maintained continuous uninterrupted operation throughout the transfer. This has meant that there should be no reason for any problems in the field either. To the extent that we can report, there are no problems which recipients of the services have encountered. We are confident that the good relationships which have begun to be established will continue and the program will be able to go forward without any major interruptions.

NATIVE AMERICANS PROGRAM

Mr. ROYBAL. Finally, on special programs for native Americans, you indicate that you are developing new approaches to dealing with special needs of these people. Can you give me an example of one of these programs for each of the three groups you have mentioned (that is, American Indians, native Hawaiians, and Alaskan Natives)?

Dr. BLUE SPRUCE. The Office of Native American programs (ONAP) has recently articulated two new approaches to impact on the special needs of native Americans—American Indians, Alaskan Natives and native Hawaiians—and to promote the goal of economic and social self-sufficiency as mandated by title VIII of the Community Services Act of 1974.

One of ONAP's approaches is designed to narrow the gap between the current status of native Americans and the status of the general population. This approach provides support and training to develop the capacity of the various native American governing entities for planning, organizing, managing, and evaluating. Also it provides funding to these governing bodies to meet the social, economic and human development needs of the communities.

The emphasis of this approach is to develop basic planning and management capacities, an institutional framework, and services and programs that fill the most necessary and critical gaps at the local level.

I will insert for the record examples of ONAP funding to an American Indian tribe, the Standing Rock Reservation in the Dakotas, and the Alaskan Federation of Natives program.

[The information follows:]

STANDING ROCK SIOUX TRIBE

Standing Rock Sioux Indian Reservation, located in both North and South Dakota, receives $277,000 from the Office of Native American programs and administers about $625,000 from various funding sources. This reservation which stretches over 2.3 million acres, is divided up into seven districts and has a total population of about 4,892 with a per capita income of approximately $470.

This tribe has developed a model food cooperative in the district of Kenal which will serve approximately 250 people. It is anticipated that with success,

this program will expand to the six other districts in fiscal year 1976. Approximately 200 to 250 family home gardens will also be planted.

Home Improvement is another priority of the tribe. Six individuals are salaried and two maintenance trucks are maintained to increase the effectiveness of the BIA "Buy Indian Contract Program." It is planned that 175 homes will be given minor repairs—such as roofing, wiring, painting, and so forth—and 30 homes will be given emergency repairs due to freezing, broken windows, vandalism, and so forth. Also four new homes will be constructed in this program year.

This tribe has divided its grant award into district initiative minigrants and allowed the grassroot development of programs. Following is a list of the districts and the programs presently employed. The district of Fort Yates has initiated an irrigation project covering about 320 acres of irrigated alfalfa for approximately $19,000. The districts of Canon Ball, Porcupine and Bull Head each have developed recreation centers to serve people of all ages. Approximately 1,550 participated in various activities at these centers. The districts of Little Eage and Wakpala have developed neighborhood centers which provide a variety of services besides recreation.

In addition to these district programs, the tribal program provides technical assistance and training to each of the many programs on the reservation.

Other assistance goes to other tribal programs such as the administration of the Tribal Youth Ranch, the tribal adult education program in order for tribal members to obtain their GED and assisting the tribal planning office in obtaining a $102,000 grant award through the Community Development Act. This award will improve the sewer systems and the recreation program on the reservation.

Alaska Federation of Natives

ONAP supports new approaches to meet the special needs of the approximately 60,000 Alaskan Natives. This assistance is especially important in view of the enormous changes affecting Alaskan Natives resulting from the Alaska Native Claims Settlement Act and the construction of the oil pipeline.

For example, ONAP provides resources through the Alaska Federation of Natives that are available to the regional corporations, native villages, and native-owned businesses to improve their management and financial capabilities. Such assistance includes management consultation, feasibility studies, accounting and bookkeeping advice and training, and assistance in arranging financing. This helps them make better use of their claims settlement funds and business opportunities resulting from pipeline construction. AFN also assists the regional corporations and villages with program development.

Matching these efforts, the AFN, through ONAP funding, has been a significant force in the organization of training programs by local construction unions, building trade unions, manufacturers and State and local government agencies. One notable example is the AFN/technical assistance programs accomplishment of training 350 natives for employment on the Alaskan pipeline. Another estimated 200 natives will complete training by the end of 1975.

The second ONAP approach will address special Native American needs through intradepartmental and interdepartmental efforts which will focus on the changes necessary in legislation and regulations to provide an effective and consistent Federal policy for Native Americans based on identified needs.

With the passage of the Community Services Act, Native Hawaiians became a part of our service population. Their needs are similar to those of American Indians. My office has begun the implementation of a plan to serve this new group eligible for our services.

The programs will be similar to urban Indian programs in that the first year grants will be for planning, needs assessments, and program development to organizations serving this group of Native Americans.

Mr. Roybal. Thank you.

Mr. Flood. Mr. Michel.

Serving the Handicapped

Mr. Michel. In regard to the legislative mandate that 10 percent of the Head Start enrollment opportunities shall be for the handicapped, what is the cost of serving handicapped children?

Mr. THOMAS. The Office of Child Development estimates that the average cost of providing needed special services to handicapped children in Head Start full year programs amounts to $1,150 per child over and above the average base costs of the normal range of Head Start services provided to all children.

Mr. MICHEL. How does this compare with the cost of serving nonhandicapped children?

Mr. THOMAS. The average base cost per child in full year Head Start is approximately $1,300.

Mr. MICHEL. How many handicapped children will be served and is the amount budgeted an adequate amount to meet the special needs of handicapped children?

Mr. THOMAS. Approximately 35,000 handicapped children will be served in Head Start during fiscal year 1976. An increase of $20 million is requested in the Head Start budget for fiscal year 1976 in order to more fully provide legislatively mandated special services and to help programs in States reach a 10-percent level by State.

Mr. MICHEL. Since working with handicapped children sometimes requires special training, what problems are there with getting competent staff who are able to deal with these children in an integrated setting with the nonhandicapped?

Mr. THOMAS. Head Start training focuses on services to handicapped children to provide Head Start staff with certain of the skills necessary to work with handicapped children in a mainstream developmental environment. In addition, professionals who work with young handicapped children are used to provide technical assistance onsite in the classroom and in cooperation with other agencies.

Mr. MICHEL. You say that career development and technical assistance will be provided to local program staff in working with handicapped children. Could you expand on the types of activities which will be involved here?

Mr. THOMAS. Training and technical assistance activities include focus on techniques of screening and assessment of children with handicaps, attitudes and sensitivity of personnel working with handicapped children, techniques for including handicapped children in the regular classroom, and specific attention to how to meet the special educational needs of a child with a particular handicap through appropriate planning and use of materials.

COMMUNITY SERVICES ACT REQUIREMENTS

Mr. MICHEL. The Community Services Act requires that in fiscal year 1976 no State receive less Head Start money than it did in fiscal year 1975 and at the same time, it requires a proportionate distribution among all States. How do you intend to accomplish this within the budget request?

Mr. THOMAS. Moneys for Head Start services to handicapped children will be included in the Secretary's reserve. Therefore these funds will be allocated in accordance with funding guidance based on program need. This will take into account the requirement in the act that, beginning in fiscal year 1976, at least 10 percent of Head Start enrollment opportunities by State shall be made available for handicapped children and that special education and related services shall

be provided in response to identified special needs. Other Head Start funds, apart from the Secretary's reserve, will be utilized to assure that no State receives less money in fiscal year 1976 than its fiscal year 1975 base, and that an appropriate distribution of funds will be made by State in accordance with the legislative requirements.

CHILD ABUSE PROGRAM

Mr. MICHEL. Your child abuse program has gone from $4½ million in fiscal year 1974 to over $18 million in fiscal year 1976. That's a sizable increase. Is this rate of growth justified? Where is the money going?

Mr. THOMAS. The Child Abuse Prevention and Treatment Act was enacted in January of 1974. The first appropriation for this activity was included in the Second Supplemental Appropriation Act of 1974, enacted on June 7, 1974. Since this was late in the fiscal year to initiate a new program activity, the Congress provided extended authority in the appropriation bill to obligate the child abuse appropriation of $4.5 million in the first half of fiscal year 1975. That $4½ million was obligated in fiscal year 1975 together with the $14,714,000 appropriated in fiscal year 1975 for the child abuse and neglect program activity. Thus, the amount obligated in fiscal year 1975 will be the total of those two appropriations, or about $19.214 million. The fiscal year 1976 appropriation request is required to continue activities initiated in fiscal year 1975.

The child abuse and neglect program is funding a variety of activities mandated in the Child Abuse and Neglect Act. Specifically, by the end of fiscal year 1975 we will have funded 12 demonstration centers which provide comprehensive child abuse and neglect services; 17 resource projects which provide support to child abuse and neglect service providers; 8 innovative demonstration centers which will serve the needs of special target populations; 14 research projects directed toward the acquisition of new knowledge; the establishment of a national clearinghouse on child abuse and neglect programs and a summary of recently conducted research; the development of new curriculum materials; the provision of technical assistance in the immediate training of 1,700 service providers across the Nation, the development or improvement of State central registers, and the assessment of regional and State needs in order to develop regional technical assistance plans. Throughout this period we have worked closely with the regions and the States in providing technical assistance to assist States in qualifying for State grants under the act.

Mr. MICHEL. As the child abuse program began, several States were ineligible for State grants because they did not meet the reporting or other requirements in the law. How many are now eligible and what are the prospects for the rest?

Mr. THOMAS. Forty-five States and jurisdictions applied for State grants in fiscal year 1975; it now appears that approximately 15 States will be found eligible. Approximately 21 of those States applying have pending legislation before their State legislatures or assemblies awaiting action in order to bring these States into compliance with the requirements of Public Law 93–247. Obviously we cannot determine what action will be taken by these State assemblies.

We have provided technical assistance to many States since January 1975. We will continue to provide technical assistance to the States, in fiscal year 1976, with the objective of having the maximum number possible meet eligibility requirements when we award fiscal year 1976 State grants. It would appear that we might anticipate anywhere from 28 to 40 States and jurisdictions to be eligible at that time.

RUNAWAY YOUTH PROBLEM

Mr. MICHEL. What is the scope of the runaway youth problem? How many such youths do we estimate there are in the country today?

Mr. THOMAS. We do not yet have validated data on which to make a national estimate on the number of youth involved. The only official figure comes from the Federal Bureau of Investigation's Uniform Crime Reports, which projected approximately 265,000 youth arrested or detained for running away in 1973. Other estimates vary widely, the highest being from self-reported delinquency studies. These range from 500,000 to over 1 million youth, ages 10 through 17.

Mr. MICHEL. Is the problem increasing or decreasing?

Mr. THOMAS. Although the Federal Bureau of Investigation's Uniform Crime Reports indicate a leveling-off in 1973 of a number of youth projected as being arrested or detained for running away, there is no method to ascertain if this is indicative of a national trend. The statistical survey and other information-gathering mandated by Congress will for the first time provide us with baseline data against which information collected in future years may be measured to provide a valid answer to your question.

Mr. MICHEL. The Runaway Youth Act mandates a statistical survey on runaways. Has this been completed? If not, why not?

Mr. THOMAS. The comprehensive statistical survey on runaway youth has not been completed and we are formally requesting an extension of 1 year on the due date for the survey report, to June 30, 1976. Secretary Weinburger in a letter dated May 2, 1975, to Representative Carl Albert, Speaker of the House, suggested legislation to that effect. Due to virtually a complete lack of data collection sources, and a low projected incidence per household, this study requires interviewing a massive sample of households numbered in the thousands, across the Nation. It is a complex undertaking, posing numerous technical problems, similar in scope to the child abuse incidence survey and similar national studies which ordinarily are of 2-year duration. We will be able to shorten the time on this survey somewhat since at the time of the passage of the act, the Department had already undertaken a feasibility study for a national runaway incidence survey and can apply some of the knowledge gained.

Mr. MICHEL. When will we have a copy of the survey?

Mr. THOMAS. With the approval of Congress, on or before June 30, 1976.

Mr. MICHEL. What percentage of total runaways will you be able to reach through the runaway youth program this year.

Mr. THOMAS. I cannot answer that question at this time. However, each of the applicants for funding of the runaway youth programs this year is required to estimate the number of youth to be served by that particular project. Grant applications are currently being

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processed and, as soon as we are able to compile this data, we shall be very happy to make it available to you.

PERCENTAGE OF OLDER AMERICANS BEING SERVED

Mr. MICHEL. What percentage of the older American population in this country will you be serving through your 1976 programs?

Dr. FLEMMING. The title III and title VII programs will serve approximately 9.5 percent of the 60-plus population in fiscal year 1976.

AREA AGENCIES

Mr. MICHEL. Now that the initial costs for establishing Area Agencies have been met, and over 412 Area Agencies are in place, shouldn't the cost for maintaining them go down during fiscal year 1976? Do you have any figure in mind as a goal?

Mr. FLEMMING. We do not anticipate a decline in the costs associated with maintaining Area Agencies on Aging. The startup costs of the Area Agencies were not of the same type nor of the same size normally associated with the installation of new programs; that is, equipment and other costs which might be related to a services program were minimal as regards Area Agencies. The 15-percent ceiling on the planning and administration costs of Area gencies is directed primarily to staff costs. These staffs are necessary to carry out the advocacy, planning, administration, and technical assistance functions required under the law and the Federal regulations, As progress toward the development of comprehensive and coordinated services for older persons accelerates, and the number of agencies and individuals involved in the Area Plan on Aging increases, the current level of costs will need to be maintained. We are interested in a greater showing of financial support for the work of Area Agencies from State and local governments; however, we are not in a position to estimate what the extent of that support might be and whether it might result in an offset to Federal support requirements.

NUTRITION PROGRAM FOR THE ELDERLY

Mr. MICHEL. In the nutrition program for the elderly, I understand that commodities are donated from the Department of Agriculture to the nutrition projects. Doesn't this donation defray in part the cost of meals?

How many additional daily meals will be provided in fiscal year 1976 from these donated commodities?

Mr. FLEMMING. Donated foods available to the nutrition project do expand the numbers of meals that can be provided. For example, when commodities valued at 10 cents per participant meal are available, and average costs per meal are $1.87, this represen's approximately 5 percent of meal costs. It is estimated that this contribution, based on the number of meals currently being served nationally, will permit approximately 10,000 meals daily.

Mr. MICHEL. Are the nutrition projects for the elderly attracting funds from within the communities to augment current funding? It would seem that this would be an appropriate role for the localities to play.

Mr. FLEMMING. The States estimate that the nutrition program for the elderly has received approximately $9,900,000 during the first 8 months of fiscal year 1975 through February 1975, from local public and private resources. This does not include USDA donated foods nor contributions from participants.

Mr. MICHEL. In your justifications, you say that current Area Agencies cover 70 percent of the older population nationally. When do you anticipate you will be able to cover the entire older population?

Mr. FLEMMING. We cannot predict at this time when State Agencies on Aging will be in a position to establish area agencies in all planning and service areas so that the Nation's older population will be covered. Many States have covered their State's older population. The primary consideration here is the amount of resources available to reach this objective. We have urged States to do what they can in light of the funds available. We also hope to see an increase in State and local resources generated which may allow States to make shifts in funds, if feasible, so that the Nation's older population will be served as soon as possible by Area Agencies acting as advocates on their behalf.

Mr. MICHEL. You indicate that the 665 nutrition projects established throughout the country vary widely in size and scope of operations. Do you have any statistics on the range or variance in per capita costs from one project to another?

Mr. FLEMMING. The States report on the first year of operations that the costs for meals have a range from a low of $1.12 per meal in the State of New Mexico to a high of $2.82 in the State of Washington. Alaska has a meal cost of $4.12 per meal; however, because of its location, it is not felt that this is a realistic figure to use in determining range, hence the next highest figures, Washington, was used. The mean cost of a meal was $1.87.

Mr. MICHEL. In terms of the number of older citizens served and the number of meals served, could you supply the range or variance between the nutrition projects?

Mr. FLEMMING. The range of daily meals served varies from 32 at a Michigan State project to 9,000 at a New York State project.

COORDINATION WITH THE NEW NATIONAL INSTITUTE ON AGING

Mr. MICHEL. How do your efforts coordinate with the New National Institute on Aging?

Mr. FLEMMING. The Administration on Aging has established a close linkage with the National Institute on Aging from its very beginnings. For example, AoA senior staff participated actively in the Interagency Committee for the Implementation of the Research on Aging Act which was convened in September 1974, to assist in setting up the National Institute on Aging; AoA Director of Research serves as an ex-officio member of the National Advisory Council on Aging; the National Institute on Aging is a member of the Interdepartmental Task Force on Research in Aging which is chaired by the Administration on Aging; the Commissioner on Aging is a member of the Search Committee for the Director of the National Institute on Aging.

These multiple linkage provide the bases for a high degree of coordination between the Administration on Aging and the National Institute on Aging.

UNEXPENDED STATE REHABILITATION FUNDS

Mr. MICHEL. I understand that the States actually turned back over $10 million in the rehabilitation State grant program during fiscal year 1974. Can you explain why this has happened?

Mr. THOMAS. The $10 million unexpended in fiscal year 1974 is the adjustment to obligations in the liquidation or payment of commitments and represents less than 1.6 percent of the $650 million appropriated for the basic support program. The States provide services to over 1½ million individuals each year. Considering the complexities involved in accounting for the millions of dollars being handled, the services being purchased and rendered, the States have been doing an outstanding job in using the high percentage of dollars they do each fiscal year. The 1.6 percent of funds returned is not excessive.

DECREASE IN NUMBERS SERVED

Mr. MICHEL. Your justification shows that the numbers served and rehabilitated for all rehabilitation programs decrease from fiscal year 1975 to fiscal year 1976. What's the reason?

Mr. THOMAS. The reduced outputs for fiscal year 1976 is attributed to increased numbers of severely handicapped in the caseload, implementation of new provisions in the act, and increased costs for services. Costs for services alone have increased over the past few years by a rate of 10 to 15 percent annually. The States are serving more severely handicapped individuals than at any time in the history of the program. The new provisions in the act which lead to cost increases are the requirements for an in-depth individualized written rehabilitation program for each client; an affirmative action plan; postemployment services; periodic review of clients closed out as not rehabilitated and individuals located in sheltered workshops; establishment of a self-evaluation unit; and hearings for dissatisfied clients.

INNOVATION AND EXPANSION ACTIVITY

Mr. MICHEL. I see that you are phasing out the innovation and expansion actiivty in the rehabilitation program for fiscal year 1976. Can you describe the rationale for this phaseout?

Mr. THOMAS. Congress appropriated $23 million for innovation and expansion grants in fiscal year 1975. The President had proposed to Congress that these funds be rescinded. The $23 million was not rescinded and the funds were made available to the States for innovation and expension projects. However, because of the Government-wide attempt to hold down Federal spending in fiscal year 1976, funds for this program were not requested.

REHABILITATION TRAINING GRANTS

Mr. MICHEL. You have requested over $22 million for rehabilitation training grants. What do you estimate will be the total number of qualified rehabilitation personnel needed to meet the needs of the handicapped during FY 1976?

Do you have any figures available as to the number of personnel now available throughout the country? Haven't we closed the gap on rehabilitation manpower?

Mr. THOMAS. According to such sources as the Bureau of Labor Statistics, National Institutes of Health Resources Statistics, special studies, and surveys of professional associations, estimated additional manpower needs in selected rehabilitation professions by 1976 are estimated to be: Rehabilitation counseling, 4,000; rehabilitation medicine, 1,500; speech pathology and audiology, 7,500; physical therapy, 2,000; occupational therapy, 2,000; and prosthetics-orthotics, 2,000.

Current manpower supply in these professional fields is estimated to be: Rehabilitation counseling, 17,000; rehabilitation medicine, 1,800; speech pathology and audiology, 17,000; physical therapy, 17,000; occupational therapy, 8,500; and prosthetics-orthotics, 3,700.

Mr. MICHEL. Of those receiving training grants in fiscal year 1975, do you have any figures available on the number of trainees who are, themselves, handicapped? Is any effort being made to bring rehabilitated handicapped persons into the program?

Mr. THOMAS. Under the guidelines for the rehabilitation training program, priority in the awarding of traineeships is to be given to students with minority group backgrounds, and students who are handicapped. The exact number of handicapped persons enrolled in study programs in the different rehabilitation professions in fiscal year 1975 is not known. The traineeship is used extensively as an incentive to attract handicapped students into professional work in the rehabilitation of the physically and mentally disabled.

BASIC STATE GRANTS

Mr. MICHEL. Who is served by basic state grants in the developmental disabilities program? Isn't this program duplicative of the rehabilitation programs and other mental retardation programs in the Department?

Mr. THOMAS. The target population includes those persons, without reference to age or resources, with a disability attributable to mental retardation, cerebral palsy, epilepsy, or other neurological conditions related to mental retardation or requiring similar services. The disability must have originated before age 18, must be of indefinite duration, and constitute a substantial handicap to the individuals. These are the individuals who require a broad array of lifetime services designed to reduce dependency and achieve, to the extent feasible, their independent or semi-dependent life in the community via generic or specialized services as needed.

The main thrust of the DD program is to identify and fill gaps in other programs as needed through the coordination and integration of all resources as well as the initiation of new programs into a workable service delivery system for DD's, without unnecessary duplications or overlaps.

Although a number of programs exist in which handicapped persons may be served, restrictions related to age, income, or other conditions often exclude large segments of this population from services. The vocational rehabilitation program, for example, serves only those handicapped persons in the adult or young adult group who have vocational potential and can profit from the program within a specified time. This automatically excludes the developmentally disabled as defined in the DD program.

The Bureau of Education for the Handicapped in the Office of Education, as another example, represents a major program in comprehensive planning for the DD, and one of the primary services for the DD. BEH, however, is focused on (1) special education and training of the relatively nonsubstantially handicapped developmentally disabled population, and (2) a more restrictive age group within this population, that is, the children and adolescents who are educable and trainable.

SPECIAL PROJECTS LEGISLATIVE AUTHORITY

Mr. MICHEL. What legislative authority are you using in fiscal year 1976 for the service projects programs in the developmental disability programs? Will you continue the grants made in fiscal year 1975 under the authority of Section 304 of the Rehabilitation Act?

Mr. THOMAS. The current authority which is being used is Section 304(b) of the Rehabilitation Services Act of 1973 and Section 303 of the Public Health Service Act. In fiscal year 1976 we will continue to operate under these two authorities until such time as the proposed legislation is enacted.

STATUS OF IMPLEMENTATION OF STATE PLANS

Mr. MICHEL. Your primary objective for fiscal year 1976 is "to complete the systematic implementation of the State plans with respect to improving the quality of residential care and deinstitutionalization, with increasing emphasis on institutional reform." What is the current status of these efforts as of today?

Mr. THOMAS. An Accreditation Council for Facilities for the Mentally Retarded has been established as a component of the Joint Commission on Accreditation of Hospitals. The council was established to improve, through a national, voluntary program on accreditation, the quality of services provided to persons with mental retardation and other developmental disabilities by both residential and community agencies. A report on "standards for residential facilities for MR" and one on "standards for community agencies" have been produced which will serve as guides to State councils and State agencies in planning for adequate services.

Community alternatives and institutional reform planning projects, and CAIR implementation projects are efforts directly related to the deinstitutionalization goal. These planning projects have been funded for 47 States and the implementation projects for 14 States as demonstration projects for use by all States. These projects are in varying stages of completion.

A cursory survey of expenditures for 27 States over a 6 month period—July 1, 1974–December 31, 1974—revealed that 13 percent of the expenditures went directly to programs specifically identified as deinstitutionalization efforts as applied to institutions, 31 percent went for community programs as alternatives for deinstitutionalized individuals with developmental disabilities, or for the prevention of institutionalization, and 56 percent for a variety of other objectives most of which could be considered in some way related to the entire deinstitutional effort as well as otherwise serving the developmentally disabled cause.

STATE IMPLEMENTATION OF COMPREHENSIVE SERVICES

Mr. MICHEL. In your justifications, you say that "most States have begun implementation of comprehensive services." Which States have not and how long do you estimate it will be before they will have done so?

Mr. THOMAS. All States have already started on the implementation of comprehensive services to varying degrees of accomplishments. The variable factors which catalyze or retard the implementation of comprehensive services include: the availability of seed moneys and matching funds; the capacity of State planning and advisory councils to plan for comprehensives services; the ability of State agencies to implement the planning processes; and the availability of technical assistance to States in the planning and implementation stages.

Judging from past experiences, it takes roughly 3 years for a State to develop a workable comprehensive plan, and additional time to begin implementation of the plan, although both processes are mutually ongoing at the same time to some extent.

States are in the process of refining goals, objectives and overall planning processes in order to provide for comprehensive services.

INCREASE FOR COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

Mr. MICHEL. Your budget includes a substantial increase for the Comprehensive Employment and Training Act. What will this increase be used for?

Mr. SUTTON. Actually, this does not represent a major increase since in fiscal year 1975 these funds were transferred to OHD. In fiscal year 1976 we are asking for a direct appropriation. $725,000 will continue contract activities sponsored by the Office of Education and the Department of Labor in fiscal year 1975. $129,000 will cover the cost of the annualization of the 50 full-time permanent positions filled part-year in 1975; annualization of the fiscal year 1975 pay raise; and the increased costs for Federal health benefits also authorized in fiscal year 1975.

NEW PLANNING POSITIONS

Mr. MICHEL. I note you have requested eight new planners in the salaries and expenses activity. What do you consider the highest staffing priorities in human development?

Mr. THOMAS. We put a very high priority on good planning in the Office of Human Development. When the office was formed, we attempted to provide the necessary staff for all of the program and support functions. As we looked toward fiscal year 1976, we felt that the highest priority was to improve our planning and that is why we requested the eight planners.

ARCHITECTURAL AND TRANSPORTING BARRIERS COMPLIANCE BOARD

Mr. MICHEL. I am quite interested in the activities and programs of the Architectural and Transportation Barriers Compliance Board. As the designated chairman of the Board, could you briefly explain what activities of the Board have been over the past year and what you see as the program objectives for fiscal year 1976?

Mr. THOMAS. As you know, the Architectural and Transportation Barriers Compliance Board was established in September 1973. The Board consists of the Secretaries or their designees of the Departments of Transportation; Interior; Labor; Defense; Housing and Urban Development; U.S. Postal Service; Health, Education, and Welfare; General Services Administration; and the Veterans' Administration. The Board has devoted its primary attention over the last several months to addressing organizational and procedural requirements necessary for the Board to effectively and efficiently carry out its mandate. The Board has recently selected and appointed an executive director and has authorized the selection and appointment of additional professional and clerical staff to address our program objectives for fiscal year 1976. In this regard, we anticipate concentration in developing and implementing a comprehensive Federal compliance program in order to assure that all new construction or renovation assisted by Federal funds will provide for access and usability by the physically disabled.

REHABILITATION ACT AMENDMENTS OF 1974

Mr. MICHEL. I see that Congress has authorized, in the Rehabilitation Act Amendments of 1974, appropriations of $1.5 million for the board. Your budget request for this activity, as reflected in the administration bill, is for $300,000. Could you tell us for what purpose the $300,000 is being requested?

Mr. THOMAS. The $300,000 is being requested as grant and contract money to be used by the board for its research activities. This request is identical in amount to that the board requested in fiscal year 1974 and fiscal year 1975.

SALARIES AND EXPENSES

Mr. MICHEL. What amount are you requesting to cover ordinary and contingent salaries and expenses for fiscal year 1976?

Mr. THOMAS. We are presently preparing a budget amendment for fiscal year 1976 for this purpose, but the exact amount has not yet been determined.

COMPLIANCE BOARD

Mr. MICHEL. How are you currently staffing the Compliance Board in the absence of an appropriation?

Mr. THOMAS. The board is currently being staffed through the contribution of funds and by the transfer of one personnel slot by each member agency of this board. A memorandum of agreement has been signed by 7 of the member agencies authorizing 1 staff position and $25,000 for the purposes of staff support of the board.

Mr. MICHEL. What agencies have not contributed to the board?

Mr. THOMAS. The Department of Defense and the U.S. Postal Service have not at this time signed the memorandum of agreement.

Mr. MICHEL. As an administrator, Mr. Thomas, how do you feel about using this type of approach to provide staffing for a program? It would seem to me that if agencies have extra people to contribute to outside programs, maybe we better start reviewing staffing requests a little closer.

Mr. THOMAS. It is my feeling that this is not the best way to provide staffing for the A. & T.B.C.B. However, it should be noted that this approach was adopted not by design, but of necessity. Although the Rehabilitation Act of 1973 provided for a monetary authorization, it was not clear in the act that there was authorization for the hiring of permanent fulltime professional and clerical staff. This ambiguity was corrected in the Rehabilitation Act Amendments of 1974. However, at that time, we were in the last stages of our budget cycle and, therefore we felt the most expeditious way to assure that the board develop a full-time staff was in the manner of individual agency contributions only until such time as an appropriation and personnel allotment could be enacted by Congress.

Mr. MICHEL. Are seven staff persons sufficient to effectively undertake all of the objectives and responsibilities of the board?

Mr. THOMAS. No; seven staff persons are not sufficient. Preliminary estimates provided by the newly appointed executive direction indicate that in order to conduct the fiscal year 1976 preliminary planning and program implementation requirements necessary to comprehensively address the compliance and research responsibilities of the Board a structure of 19 full-time professionals and clerical staff will be required.

Mr. MICHEL. Thank you.

Mr. FLOOD. Thank you, Mr. Thomas.

Mr. THOMAS. Thank you, Mr. Chairman.

Justification of the Budget Estimates

1

Appropriation Estimate

HUMAN DEVELOPMENT

For carrying out, except as otherwise provided, section 426 of the Social Security Act, the Act of April 9, 1912 (42 U.S.C. 191), the Older Americans Act of 1965, [and][1] the Child Abuse Prevention and Treatment Act, [$177,950,000][1] *the Juvenile Justice and Delinquency Prevention Act of 1974, the Community Services Act of 1974, sections 106, 107, and 306 of the Comprehensive Employment and Training Act of 1973,* [2] *the Rehabilitation Act of 1973, the International Health Research Act of 1960, the Developmental Disabilities Services and Facilities Construction Act* [3] *and section 303(a)(2) of the Public Health Service Act, $1,529,593,000, of which $680,000,000 shall be for activities under section 110 of the Rehabilitation Act of 1973; $30,875,000 shall be for grants under part C of the Developmental Disabilities Services and Facilities Construction Act to remain available until September 30, 1978, except that grants made from these funds after September 30, 1978, will be for construction only as specified in section 132(a)(3) of such Act: Provided, That there may be transferred to this appropriation from the appropriation under the heading "Mental Health" an amount not to exceed the sum of the allotment adjustment made by the Secretary pursuant to section 202(c) of the Community Mental Health Centers Act; together with not to exceed $600,000 to be transferred from the Federal Disability Insurance Trust Fund and the Federal Old-Age and Survivors Insurance Trust Fund as provided by section 201(g)(1) of the Social Security Act.* [4]

[For carrying out, except as otherwise provided, Title VII of the Older Americans Act of 1965, as amended, and Titles III and IV of the Juvenile Justice and Delinquency Prevention Act of 1974 $135,000,000.] [5]

2 [For carrying out, except as otherwise provided, the Rehabilitation Act of 1973, section 303(a)(1) of the Public Health Service Act, and the International Health Research Act of 1960, $771,820,000; of which $680,000,000 shall be for activities under section 110 of the Rehabilitation Act of 1973; and of which $23,000,000 shall be for activities under sections 120 and 130 of the Rehabilitation Act of 1973.][6]

For "Human development" for the period July 1, 1976, through September 30, 1976, $379,278,000 , of which $170,000,000 shall be for activities under section 110 of the Rehabilitation Act of 1973; $7,719,000 shall be for grants under part C of the Developmental Disabilities Services and Facilities Construction Act, to remain available until September 30, 1978, except that grants made from funds after September 30, 1976, will be for construction only as specified in section 132(a)(3) of such Act: Provided, That there be transferred to this appropriation from the appropriation under the heading "Mental health" an amount not to exceed the sum of the allotment adjustment made by the Secretary pursuant to section 202(c) of the Community Mental Health Centers Act; together with not to exceed $150,000 to be transferred from the Federal Disability Insurance Trust Fund and the Federal Old-Age and Survivors Insurance Trust Fund, as provided in section 201(g)(1) of the Social Security Act.

Explanation of Language Changes 3

1. Editorial change

2. Language has been included to cover activities transferred to the Office of Human Development from the Department of Labor, Manpower Administration.

3. Additional authorizing legislation to be proposed for $41,125,000.

4. Language has been added to include activities formerly administered by the Social and Rehabilitation Service for the Rehabilitation Services and Facilities and the Developmental Disabilities programs, under the appropriation entitled "Rehabilitation Services." Language has also been added to effect the transfer of $600,000 from the Social Security Administration to the Human Development appropriation which was formerly included in the Social and Rehabilitation Service appropriation entitled "Salaries and Expenses" for the transferred activity.

5. Reference to these basic laws has been updated in the language above. Therefore, this language has been deleted.

6. The 1975 appropriation language for the rehabilitation programs has been deleted. The language above includes the relevant rehabilitation citations.

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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF HUMAN DEVELOPMENT

Human Development

Amounts Available for Obligation

	1975 Estimate	1976
Appropriation:		
Human Development		
Enacted appropriation	$ 312,950,000	$ 1,529,593,000
Proposed supplemental	446,300,000	---
Rehabilitation services		
Enacted appropriation	771,820,000	---
Pending request	41,125,000	---
Subtotal, adjusted appropriation.	1,572,195,000	1,529,593,000
Comparative transfer to:		
"Assistant Secretary for Health" for the President's Committee on Physical Fitness and Sports	-558,000	---
Comparative transfer from:		
"Program Administration" Manpower Administration, Department of Labor for comprehensive employment and training	+1,156,000	---
Subtotal, Budget authority	1,572,793,000	1,529,593,000
Unobligated balance, start of year	7,686,000	---
Receipts and reimbursements from:		
"Trust funds"	600,000	600,000
Total, obligations	1,581,079,000	1,530,193,000

Summary of Changes

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1975 Estimated obligations	1,134,779,000
Plus proposed supplemental	446,300,000
Subtotal, 1975 Revised Obligations	1,581,079,000
1976 Estimated obligations	1,530,193,000
Net change	-50,886,000

	1975 Base Pos.	1975 Base Amount	Change from Base Pos.	Change from Base Amount
Increases:				
A. Built-in:				
1. Extra working day in 1976	---	---	---	+ 83,000
2. Cost of statutory within grade increases	---	---	---	+ 536,000
3. Annualization of pay raise funded on a part year basis in 1975	---	---	---	+ 347,000
4. Annualization of positions funded on a part-year basis in 1975	---	---	---	+ 1,247,000
Subtotal	---	---	---	+ 2,213,000
B. Program:				
1. Child development - Head Start	---	414,300,000	---	+20,000,000
2. Salaries and Expenses	1,012	29,552,000	+ 8	+ 993,000
Subtotal			+ 8	+20,993,000
Total, increases			+ 8	+23,206,000
Decreases:				
A. Program:				
1. Child development-Child abuse, prevention and treatment	---	19,214,000	---	- 286,000
2. Youth development	---	10,000,000	---	- 5,000,000
3. Programs for the Aging:				
a. Community service	---	105,000,000	---	- 9,000,000
b. Nutrition	---	125,000,000	---	-25,400,000
c. Research, demonstration, and manpower	---	15,000,000	---	- 8,000,000
4. Rehabilitation services and facilities:				
a. Service projects	---	14,620,000	---	- 1,220,000
b. Innovation and expansion grants	---	23,000,000	---	-23,000,000
5. Grants for the developmentally disabled-State grants	---	32,588,000	---	- 1,713,000
6. Grants for the developmentally disabled-university affiliated facilities	---	4,723,000	---	- 473,000
Total, decreases			---	-74,092,000
Total, net change			+ 8	-50,886,000

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Explanation of Changes

Increases:

A. Built-in:

1. $83,000 is requested for one extra working day in fiscal year 1976.
2. This estimate includes $536,000 for statutory within grade increases.
3. Annualization of the October 1974 (fiscal year 1975) pay raise in fiscal year 1976 requires $347,000.
4. Annualization of the 28 new positions funded on a part-year basis in 1975 for child abuse prevention and treatment requires $429,000. Annualization of 46 man-years lapsed in 1975 which made possible the absorption of the pay raise requires $818,000.

B. Program:

1. Child development - The $20,000,000 increase for Head Start will provide funding for focusing on Head Start services to children with severe and substantial handicaps.

2. Salaries and expenses - The increase of $993,000 relates to: (1) $139,000 for the 8 new planning positions and (2) $854,000 for the support of Comprehensive Employment and Training Act (CETA) to provide technical assistance to improve comprehensive manpower planning at the State and local level.

Decreases:

A. Program:

1. Child development - The FY 1976 reduction of $286,000 will provide about the same program level for child abuse prevention and treatment as in fiscal year 1975 and provide support for the 28 positions funded on a part year basis in 1975.
2. Youth development - With the phase-out of the youth service system as mandated by the Juvenile Justice and Delinquency Prevention Act, Public Law 93-415, the funding requirements for this program are $5,000,000 less. This request maintains the FY 1975 program level for runaway youth.
3. Programs for the aging:
   a. Community service - Area planning and social service programs and model projects will be reduced $7,000,000 and $2,000,000 respectively. The 1976 request will continue these program at the 1974 program level.
   b. Nutrition - The 1976 request will continue the Nutrition program at the 1974 program level a reduction $25,400,000.
   c. Research, demonstration and manpower - The 1976 request is a reduction of $8,000,000 which reflects the phase-out of the training program.
4. **Rehabilitation services and facilities:**
   a. **Service projects - Service projects are reduced $1,220,000. This results primarily from the obligation of prior year appropriations in 1975.**
   b. **Innovation and expansion grants - No funds are requested for fiscal year 1976, hence, the $23,000,000 reduction.**
5. **Grants for the developmentally disabled - The $1,713,000 reduction in State grants is due to the availability in 1975 of funds appropriated in prior years.**
6. **Grants for the developmentally disabled - The $473,000 reduction in university affiliated facilities is due to the availability in 1975 of funds appropriated in prior years.**

Obligations by Activity

	1975 Estimate Amount (Positions)	1976 Estimate Amount (Positions)	Increase or Decrease Amount (Positions)
Child Development:			
a. Head Start.....	$414,300,000 1/	$434,300,000	+$ 20,000,000
b. Research and Demonstration.....	15,700,000	15,700,000	---
c. Child abuse, prevention and treatment	19,214,000	18,928,000	-286,000
Youth development.....	10,000,000	5,000,000	-5,000,000
Programs for the Aging:			
a. Community Service.	105,000,000	96,000,000	-9,000,000
b. Nutrition.....	125,000,000	99,600,000	-25,400,000
c. Research, demonstration, and manpower	15,000,000	7,000,000	-8,000,000
d. Federal Council on Aging.....	500,000	500,000	---
Rehabilitation services and facilities:			
a. Basic State grants	680,000,000	680,000,000	---
b. Innovation and expansion grants..	23,000,000	---	-23,000,000
c. Service projects..	14,620,000	13,400,000	-1,220,000
d. Research.....	20,000,000	20,000,000	---
e. Training.....	22,200,000	22,200,000	---
Grants for the developmentally disabled:			
a. State grants.....	32,588,000	30,875,000	-1,713,000
b. Service projects..	18,500,000	18,500,000	---
c. University affiliated facilities..	4,723,000	4,250,000	- 473,000
Special programs for native Americans.....	32,000,000 1/	32,000,000	---
Salaries and Expenses...	28,734,000	31,940,000	+3,206,000
Total obligations..... (Positions)	1,581,079,000 (1,012)	1,530,193,000 (1,020)	-50,886,000 (+8)

1/ Under the continuing resolution, $22,200,000 of the total shown for Head Start and $1,100,000 of the amount shown for Special Programs for Native Americans is not available for obligation.

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Obligations by Object

	1975 Estimate	1976 Estimate	Increase or Decrease
Total number of permanent positions	1,012	1,020	+8
Full-time equivalent of all other positions	118	118	---
Average number of all employees	1,007	1,077	+70
Personnel Compensation:			
Permanent positions	$17,772,000	$18,868,000	+$1,096,000
Positions other than permanent	1,975,000	2,000,000	+ 25,000
Other personnel compensation	158,000	200,000	+ 42,000
Special personnel service payments	104,000	150,000	+ 46,000
Subtotal, personnel compensation	20,009,000	21,218,000	+ 1,209,000
Personnel benefits	1,578,000	1,686,000	+ 108,000
Travel and transportation of persons	2,001,000	2,021,000	+ 20,000
Transportation of things	12,000	14,000	+ 2,000
Rent, communications and utilities	1,854,000	1,890,000	+ 36,000
Printing and reproduction	854,000	858,000	+ 4,000
Other services	3,000,000	3,000,000	---
Project contracts	28,005,000	29,000,000	+ 995,000
Supplies and materials	285,000	289,000	+ 4,000
Equipment	157,000	164,000	+ 7,000
Grants, subsidies and contributions	1,523,324,000	1,470,053,000	-53,271,000
Total obligations by object	1,581,079,000	1,530,193,000	-50,886,000

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Significant Items in House and Senate Appropriations Committee Reports

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Item	Action taken or to be taken
1975 Conference Report on Supplemental Appropriations (93-1503)	
Administration on Aging	
Title VII - Nutrition	
The House and the Senate conferees declared their intent that DHEW utilize carryover funds to build the program operating level for the Nutrition Programs as authorized by Title VII of the Older Americans Act to at least a $150,000,000 level for fiscal year 1975.	This directive is presently under consideration by the Department.
Rehabilitation Services and Facilities	
Title II - Training	
The House and Senate Reports directed that this program be restored to an annual level of $27,700,000.	The DHEW will provide a $26 million program level in academic year 1974-75. Due to the late availability of $6.628 million in Training funds proposed for rescission, the Department was unable to provide a $27.7 million level. However, the $6.628 million will be combined with the 1976 budget request to reach a $28.8 million program level in academic year 1975-76.

10 Authorizing Legislation

Legislation	1976 Authorization	1976 Appropriation Request
Title IV, Part B, Section 426 of the Social Security Act - Research, Training and Demonstration Projects..	Indefinite	$ 15,700,000
Act of April 9, 1912 - Children's Bureau.....	Indefinite	3,700,000
Child Abuse Prevention and Treatment Act.....	$25,000,000	18,928,000
Community Services Act of 1974, Title V, Part A, Head Start.....	Indefinite	434,300,000
Title VIII, Native American Programs.	Indefinite	32,000,000
Juvenile Justice and Delinquency Prevention Act of 1974.....	10,000,000	5,000,000
Older Americans Act of 1965 as amended:		
Title III, Grants for State and Community Programs.....	1/	96,000,000
Title IV (A & B), Research, Development and Training Projects..	1/	7,000,000
Title VII, Nutrition.....	200,000,000	99,600,000
Title II, Federal Council on Aging...	1/	500,000
Rehabilitation Services and Facilities:		
The Rehabilitation Act of 1973 as amended:		
Title I, Vocational Rehabilitation Services:		
Section 100 (b)(1) Basic State Grants	720,000,000	680,000,000
Section 100 (b)(2) Innovation and Expansion Grants.....	42,000,000	---
Title II, Research and Training		
Section 201 (a)(1) Research.....	32,000,000	19,900,000
Section 202 (a)(2) Training.....	32,000,000	22,200,000
Title III, Special Federal Responsibilities:		
Section 302, Training services.....	Indefinite	8,000,000
Section 304, Special projects.....	20,000,000	2,300,000
Section 305, National center for deaf-blind youth and adults.....	Indefinite	2,100,000
Title IV, Administration and Evaluation:		
Section 403, Evaluation.....	Indefinite	1,000,000
Section 405, Office for Handicapped Individuals.....	600,000	200,000
Title V, Miscellaneous:		
Section 502, Architectural and Transportation Barriers Compliance Board.....	1,500,000	300,000
International Health Research Act of 1960.....	Indefinite	100,000

Authorizing Legislation (Continued) 11

Grants for the Developmentally Disabled:		
Developmental Disabilities Services and Facilities Construction Act:		
Section 122, University affiliated facilities	1/	4,250,000
Section 131, Basic State Grants	1/	30,875,000
Public Health Services Act, Section 303, Hospital Improvement	Indefinite	6,000,000
Rehabilitation Act of 1973 Section 304	20,000,000	12,500,000
Comprehensive Employment and Training Act of 1973	Indefinite	2,010,000
(Other Salaries and Expenses)	Indefinite	25,730,000
Total		1,530,193,000

1/ New legislation pending

12 Human Development

Year	Budget Estimate to Congress	House Allowances	Senate Allowances	Appropriation
1972	$1,107,895,000	1,211,567,000	$1,235,459,000	$1,227,732,000
1973	1,402,548,000	1,416,377,000	1,551,852,000	1,994,739,000
1974	1,433,939,000	1,435,366,000	1,525,896,000	1,479,481,000
1975 Considered	1,518,923,000	1,064,728,000	1,099,668,000	1,085,368,000
Pending	41,125,000			
Proposed Supplemental	446,300,000			
1976	1,529,593,000			

Justification

Human Development

	1975 Estimate Amount (Positions)	1976 Estimate Amount (Positions)	Increase or Decrease Amount (Positions)
1. Child Development.....	$449,214,000	$468,928,000	$+19,714,000
2. Youth Development.....	10,000,000	5,000,000	-5,000,000
3. Programs for the Aging...	245,500,000	203,100,000	-42,400,000
4. Rehabilitation Services and Facilities.....	759,820,000	735,600,000	-24,220,000
5. Grants for the developmentally disabled.....	55,811,000	53,625,000	-2,186,000
6. Special Programs for Native Americans.....	32,000,000	32,000,000	---
7. Salaries and Expenses....	28,734,000	31,940,000	+3,206,000
Total Obligations (Positions)	1,581,079,000 (1,012)	1,530,193,000 (1,020)	-50,886,000 (+8)

General Statement

The Office of Human Development (OHD) is located in the Department of Health, Education, and Welfare, Office of the Secretary. It has grant-making authority to give assistance to individuals and families who are unable through various circumstances to reach their human potential. OHD deals with special populations served by the Department, including older Americans, children, youth, native Americans, the physically and mentally handicapped, developmentally disabled, and people living in rural areas.

Child development delivers services including education, nutrition, medical, dental, psychological, and social enrichment, and counseling to children and their families with emphasis on those children who, because of poverty or other handicaps, are unable to make normal adjustment to, and advance within, the society. Activities are undertaken at the Federal, State and local levels to prevent and treat child abuse and neglect.

Support is provided to projects assisting runaway youth through temporary shelter care and specialized services to alleviate the immediate emotional, psychological, physical and social problems of running away as well as to unite youth with their families through counseling and other services, and to help youth develop the ability to resolve their crisis situations and to decide on a future course of action.

The range of programs includes assistance to older Americans who are capable of self-care with appropriate supportive services. This enables them, while remaining in their home environment, to secure and maintain maximum independence and dignity, and to remove individual and social barriers to economic and personal independence. A wide range of services are provided to older Americans including nutrition, home health and shopping, and escort services.

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Provision is made for services to mentally and physically handicapped people to enable them to prepare for and engage in remunerative employment or employment in the home to the extent of their potential. Services include medical and physical restoration, vocational training, counseling and job placement.

Assistance is provided in developing a program of assistance for persons with mental retardation, epilepsy, cerebral palsy, and other neurological disabling conditions for their care, training, and rehabilitation.

Financial and technical assistance is provided to native American governing and administering bodies, both those on reservations and those in urban and other off-reservation locations. This assistance helps them to move toward economic self-sufficiency by strengthening tribal governments to more effectively utilize resources and providing or coordinating services to meet individual and family needs.

OHD promotes services to those in rural areas whose problems because of distance and isolation are more acute and more difficult than those in urban areas.

1. Child Development

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	1975 Estimate Amount (Positions)	1976 Amount (Positions)	Increase or Decrease Amount (Positions)
Head Start 1/	$414,300,000	$434,300,000	+$20,000,000
Research and Demonstration 2/	15,700,000	15,700,000	
Child Abuse 3/	19,214,000	18,928,000	-286,000 4/
Total Amount	449,214,000	468,928,000	19,714,000
(Positions)	(---)	(---)	(---)

1/ "Head Start-Follow Through Act" Title V, The Community Service Act of 1974, P.L. 93-644.
2/ Section 426, Social Security Act.
3/ The Child Abuse Prevention and Treatment Act, P.L. 93-247
4/ Required for Salaries and Expenses to annualize 28 positions funded part year in FY 1975.

General Statement

Child development efforts aim at improving child care delivery systems and designing programs to improve the quality of life for children and their families throughout the Nation. Major activities are focused on meeting the developmental needs of preschool-age children from low-income families and on improving services to particular populations of vulnerable children such as the abused and neglected, children in foster care, children in need of adoptive homes, and children in institutions. A variety of research and demonstration activities are also conducted. They are designed to improve the quality of children's programs, such as day care and emergency services, and to measure their impact on the children and families served. The three major child development programs are Head Start, Child Welfare Research and Demonstration, and the Child Abuse and Neglect Prevention and Treatment Program.

Head Start is a comprehensive preschool program which serves children and their families, primarily those who are poor. It encompasses a wide range of development activities in full year and summer programs with particular emphasis on parent involvement. A variety of training and technical assistance activities are provided to local program staff to enhance the quality and effectiveness of the services offered. Head Start also conducts experimental programs such as the Child and Family Resource Program which provides family-oriented child development services according to the assessed needs of individual children, and Developmental Continuity, a program to facilitate continuity of educational and social gains made in preschool programs into elementary school.

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Grants to carry out the Head Start program are awarded to public and private non-profit agencies. The agencies so funded must meet established criteria for receiving Federal funds. Grants to operated Head Start centers are based on an 80 percent Federal share and a 20 percent non-Federal share. Project grant activities are administered by the regional offices in accordance with national policies.

The Research and Demonstration program is funded under Section 426 of the Social Security Act. It provides financial support for special research and demonstration projects in the field of child welfare and development which are of regional or national significance.

Research or demonstration grants are made to public or other non-profit agencies and organizations engaged in research or child welfare activities. Grantees are required to provide at least five percent of total direct costs. Applications are reviewed by an independent panel of non-Federal experts in the fields of child development and child welfare who make recommendations to the Director of the Office of Child Development (OCD) regarding their technical and scientific merit.

The Child Abuse and Neglect Prevention and Treatment Program conducts activities under the Child Abuse Prevention and Treatment Act (P.L. 93-247). Operating through the National Center on Child Abuse and Neglect, the program supports demonstration programs and projects which are designed to prevent, identify, and treat child abuse and neglect. The program also supports research into the causes of child abuse and neglect. The Center serves as catalyst to improving child abuse and neglect prevention, identification, and treatment programs, by operating a program clearinghouse, developing and publishing an annual summary of research, developing and publishing training materials, and providing technical assistance and training. The program also provides grants to States to assist them in developing, strengthening and carrying out child abuse and neglect prevention and treatment programs.

HEAD START

Objectives for FY 1976

Full-Year and Summer - During FY 1976, attention will continue to be focused on the building on Head Start improvement and innovation efforts. Emphasis will also be placed on services to children with severe and substantial handicaps.

The $20,000,000 increase requested for full year and summer Head Start will provide funding focused on Head Start services to children with severe and substantial handicaps. This will provide for additional costs of serving handicapped children including diagnostic services; purchase of special equipment and materials; additional staff, including special education teachers and teacher aides; training; and modification of physical facilities.

For FY 1976 Head Start will assure that 10 percent of the enrollment opportunities in each State are available to handicapped children. This is in accordance with the legislative mandate contained in P.L. 93-644. Prior to FY 1976 Head Start had implemented a policy of making 10 percent of the enrollment opportunities nationwide available to handicapped children.

Career Development and Technical Assistance - Providing training and support of a technical nature to all Head Start grantees is essential to improving the delivery of services to children and families served by Head Start. Support will be provided to local program staff in working with handicapped children, in the implementation of Performance Standards, and in improving the management of the local Head Start programs.

Parent and Child Centers - The Parent and Child Centers will be continued. They were established with recognition of the importance of the very early years to the development of children and the importance of preventive action against the effects of poverty.

Experimental Programs - The following experimental efforts initiated in prior years will be continued in 1976: Developmental Continuity; Home Start; Child and Family Resources Program; new approaches to serving handicapped children; Head Start collaboration with the Medical Services Administration, Social and Rehabilitation Service and State Medicaid agencies to serve Medicaid-eligible children in the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program.

Evaluation - Evaluation efforts will focus on the following major areas during 1976: a careful analysis of Head Start services to children with substantial and severe handicaps; analysis of each of the experimental projects to determine effectiveness and prospects for replication; and initiation of a series of evaluation studies of the effects of Head Start experience on children's social competence.

Accomplishments in FY 1975

Full-Year and Summer - During 1975 progress continued to be made to assure that Head Start would be a more flexible system for delivering services to children. Emphasis was placed upon building and improving local capacity to plan and manage services to children. Program design options were made available to local Head Start grantees to provide flexible programming approaches that allow communities to tailor services to local needs and resources. Assessment instruments were developed to assist local programs to determine their needs, resources, and program performance characteristics. Additional efforts have focussed on enhancing the management capacity of the local programs.

Performance Standards - In order to further improve program quality, new Head Start performance standards were developed and published as regulations. These standards cover all Head Start program component areas, including Education, Parent Involvement, Health, Nutrition and Social Services. An intensive monitoring and technical assistance effort was undertaken by Regional Offices to ensure compliance by all grantees.

Handicapped Children - In accordance with the legislative mandate, the enrollment of handicapped children in Head Start was continued at 10 percent. Head Start now serves handicapped preschool children in an integrated setting with the non-handicapped and has established service delivery linkages with State and local agencies concerned with handicapped children. Handicapped children receive the full range of Head Start services.

Child and Family Resources Program - The CFRP is operating in eleven experimental sites for the purpose of exploring alternative approaches to providing individualized services to children from the prenatal period through age eight. CFRP seeks to evolve effective models for the delivery of family-oriented child development services utilizing linkages with other community agencies.

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Budget Data	FY 1975	FY 1976	Increase
Subactivities:			
a. Full-year and summer....	$379,892,000	$399,892,000	+$20,000,000
b. Experimental program....	6,000,000	6,000,000	---
c. Career development and technical assistance..	19,150,000	19,150,000	---
d. Evaluation.....	3,000,000	3,000,000	---
e. Parent and Child Centers	6,258,000	6,258,000	---
Total.....	$414,300,000	$434,300,000	+$20,000,000

The following tables reflect Head Start's program data and characteristics:

	FY 1975		FY 1976	
Program Data	Number of Children	Average Cost per Child	Number of Children	Average Cost per Child
Full-Year Head Start.....	288,000	$1,278	288,000	$1,345
Summer Head Start.....	46,000	257	46,000	270
Experimental.....	11,000	---	11,000	---
Parent and Child Centers..	4,000	1,564	4,000	1,564
Total Children Served...	349,000		349,000	

Program Characteristics

	1976 Estimate
Number of Grants:	
Full-year programs	1,122
Summer programs	200
Parent and child centers	33
Number of Clases:	
Full-year programs	15,920
Summer programs	2,389
Average number of children per class:	
Full-year programs	18
Summer programs	19
Number of professional staff:	
Full-year programs	21,367
Summer programs	3,452
Parent and child centers	430
Number of non-professional staff:	
Full-year programs	35,568
Summer programs	5,765
Parent and child centers	1,000
Number of volunteers:	
Full-year programs	85,000
Summer programs	9,500
Parent and child centers	957
Total adult/child ratio: 1/	
Full-year programs Summer programs Parent and child centers	Average 1 to 5

1/ Adult/child ratio is based on those staff and volunteers that interact directly with the child. Volunteers are calculated on a part-day, part-year intermittent basis.

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RESEARCH AND DEMONSTRATION

Objectives for 1976

A budget of $15,700,000 is requested for Fiscal Year 1976 for research and demonstration activity in child development, child welfare, and delivery of services to children and families. Special areas of concern will include day care, child development and family life, and children with special needs. This will provide the same funding level as FY 1975.

Child Development and Family Life - Two issues will be focussed on: (1) how families cope with major changes in social circumstances such as divorce, remarriage, maternal employment, and parental unemployment; and (2) how families interface with the schools and other social institutions in developing the child.

Foster Care, Adoptions, and Children with Special Needs - Primary emphasis during 1976 will be placed on:

- The development of a training program for residential child care staff who care for more than 400,000 children residing in custodial institutions serving dependent, disturbed, retarded, delinquent, neglected, and handicapped children. More than 70,000 child care workers who spend the most time with children in these institutions need training to meet the child's individual developmental needs. The initial effort will be directed to the development of a training curriculum for child care staff.

- A study will be undertaken to examine the impact of residential institutional experience on the development of children.

- A demonstration program will be initiated testing program models for the constructive deinstitutionalization of children.

- A systemmatic study of existing State patterns of delivering child welfare services, leading to the development of effective alternative models which result in improved services to children and families, will also be undertaken.

- A project identifying both the barriers and risks associated with the adoption of children will be undertaken.

Day Care - The objectives of day care research and development during Fiscal Year 1976 are to meet both the immediate needs of policy makers for information about day care and to meet the anticipated needs of different users of day care services for cost-effective day care program models. Emphasis will be placed on continuation of research studies initiated in Fiscal Year 1975 to address these objectives.

The continuing studies are: (1) an intensive investigation of two day care variables which have important cost implications and are generally believed to be key determinants of quality: staff/child ratio and level of staff professionalism; (2) a study of day care consumer preferences, and (3) a survey directed toward obtaining and analyzing information about day care supply to guide State and Federal planners in making effective use of available services and in developing new services which will be responsive to need.

In addition, day care research and demonstration activities will also be directed toward building upon the results and experience gained from the operation of Parent and Child Development Centers, by establishing and evaluating replications of the project models.

Accomplishments in 1975

During Fiscal Year 1975, research and demonstration efforts have focussed upon major activities having specific bearing upon the development and welfare of children. Particular attention has been given to questions concerning the most effective ways of delivering child development, child welfare, and family-oriented services, as follows:

- Foster family standards for public agencies were developed and disseminated to all State social service departments in cooperation with the American Public Welfare Association. Mutual assessment by State agency staff and Children's Bureau staff has been initiated in 6 States utilizing the foster family standards. It is anticipated that an additional 24 States will be similarly assisted in Fiscal Year 1976.

- Assistance in the development of comprehensive 24 hour emergency services programs for families and children in crises have been provided to 76 county, city, and State agencies, and 16 new 24-hour comprehensive emergency service programs were initiated. In addition, materials describing how such a program operates and can be initiated were distributed to more than 500 jurisdictions.

- As a result of Children's Bureau efforts, the number of States now belonging to the Interstate Compact for the Placement of Children has increased from 15 to 23 States. States that joined in Fiscal Year 1975 include Pennsylvania, California, Tennessee, South Dakota, Illinois, Minnesota, Oklahoma, and Florida.

- A model State adoption subsidy law and regulations to enable more families to adopt children who have special needs has been developed. It is intended that this law and regulations will be actively disseminated and its enactment by the several States encouraged.

Education for Parenthood - This program for educating junior high and high school students is in use in 556 schools, 44 colleges and 47 youth agencies, including seven national voluntary youth organizations. This represents more than a 140 percent increase since Fiscal Year 1974 in the utilization of the parenthood curriculum materials.

Day Care - During Fiscal Year 1975, the Office of Child Development completed Phase I of intensive investigation of the effects of variations in child/staff ratios and level of staff professionalism in day care on a wide range of possible short-term child development outcomes. This "tooling-up" period of the project included selection of study sites, identification of sponsoring agencies and day care centers within the sites, development of a data information and cost accounting system, and development and testing of classroom assessment instruments.

CHILD ABUSE AND NEGLECT

Objectives for FY 1976

During FY 1976, the National Center for Child Abuse and Neglect will continue to support the following activities funded during FY 1975:

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- 12 demonstration centers, conducting a wide range of activities necessary for the identification, prevention and treatment of child abuse and neglect. The staff of the demonstration centers will direct investigation of cases, provide treatment, referral and follow-up services to families and will also conduct public education on child abuse and neglect and operate 24-hour hotlines to receive reports and provide counseling in child abuse cases.

- 11 demonstration resources projects, providing a range of supportive activities to communities and human service agencies in order to promote more effective use of resources to increase the identification, prevention, and treatment of child abuse and neglect. Technical assistance will be provided by the projects to State and local agencies to help them establish or improve child abuse programs. They will also send teams of professionals to handle abuse problems in isolated rural areas.

- 15 research projects, investigating the causes of child abuse and neglect, the relationship, if any, between drug and alcohol abuse and child abuse and neglect, the different factors which result in the discontinuation or continuation of abusive parental behavior, and developing methods of assessing the effectiveness of child abuse and neglect treatment services.

- 8 innovative demonstration programs, focussed on the development of innovative service delivery mechanisms to address the needs of special target groups.

- Continued support of the program information and research information clearinghouse.

- The development and publication of training materials for personnel engaged in the prevention, identification, and treatment of child abuse and neglect.

- Technical assistance to public and non-profit private agencies and organizations in planning, improving, developing, and carrying out programs and activities related to the prevention, identification, and treatment of child abuse and neglect.

- Grants to eligible States for the purpose of assisting them in developing, strengthening, and carrying out programs for the prevention and treatment of child abuse and neglect. Section 4(b)(1) of the Child Abuse Act provides that not less than 5 percent or more than 20 percent of the funds appropriated under the Act may be used for this purpose. If all States are eligible in FY 1976, the Child Abuse Program plans to allocate the maximum amount of 20 percent or $3,785,000 to assist States in developing their child abuse prevention and treatment programs. In order to qualify for these grants, States must meet certain requirements contained in the Child Abuse Act. These requirements are concerned with such matters as immunity for persons reporting abuse, prompt investigations and action on cases, and confidentiality of records.

- The development and submission of a report to the President and to the Congress on the programs assisted under the Act, and the programs, projects, and activities related to child abuse and neglect administered or assisted by the Federal agencies who are members of the Advisory Board created by the Act.

- The development and dissemination of Federal standards for child abuse and neglect prevention and treatment programs and projects.

- The development of training programs for professional and paraprofessional personnel in the fields of medicine, law, education, social work, and other relevant fields who are engaged in the prevention, identification and treatment of child abuse and neglect.

Accomplishments in FY 1975

During FY 1975, the National Center on Child Abuse and Neglect was established. Regulations for implementing the Act were developed and published in the FEDERAL REGISTER. Specific activities that were initiated and funded include:

- The establishment of the Advisory Board as required under the Act.

- The funding of 12 demonstration centers to provide comprehensive services to abused children and their families.

- The funding of 11 resource projects offering technical assistance to professionals and agencies involved in combatting child abuse and neglect.

- The funding of evaluations to assess the effectiveness of service delivery systems used in the demonstration centers, the resource projects, and the the innovative projects.

- The creation of a computerized clearinghouse for information on significant programs relating to child abuse and neglect. The clearinghouse also compiles a summary of all research in the field.

- An effort to examine alternative methods for obtaining the first accurate data on the national incidence and severity of abuse and neglect.

- A project to develop training programs to train medical, law enforcement, education, and social services personnel in identification, reporting, and referral of child abuse and neglect cases.

- The awarding of 15 research grants investigating the causes of child abuse and neglect and the means of prevention, identification, and treatment of child abuse and neglect.

- The development and publication of federal regulations for the coordination of programs and activities related to child abuse and neglect administered or assisted under the Act with other such programs and activities administered or assisted by the Federal agencies who are members of the Advisory Board.

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2. Youth Development

	1975 Estimate Amount (Positions)	1976 Amount (Positions)	Increase or Decrease Amount (Positions)
Runaway Youth Program 1/.....	$5,000,000	$5,000,000	---
Youth Services Systems 2/.....	5,000,000	---	-$5,000,000
Total Amount.....	10,000,000	5,000,000	- 5,000,000
(Positions).....	(---)	(---)	(---)

1/ Title III, "Runaway Youth Act," Juvenile Justice and Delinquency Prevention Act of 1974 (P.L. 93-415).
2/ Title IV, "Juvenile Delinquency Prevention Act," Juvenile Justice and Delinquency Prevention Act of 1974 (P.L. 93-415).

General Statement

Under the authority of the Runaway Youth Act contained in Public Law 93-415, the Office of Youth Development awards grants to provide temporary shelter care and specialized services essential to meeting the immediate emotional, psychological, physical, and social needs of youth who run away. Runaway youth need immediate services to protect them during the act of running away. In the absence of these services, runaway youth either become police statistics or are left to cope with their problems on their own. The Office of Youth Development seeks to serve young people aged ten through seventeen who have run away.

The programs funded by the Office of Youth Development to assist runaways are designed to create safe and secure environments conducive to addressing the crisis situations which precipitated the act of running away. The services provided are designed to alleviate the immediate problems of running away, to reunite youth with their families by encouraging the resolution of intra-family problems through counseling and other services, and to help youth develop the ability to resolve their crisis situations and to decide upon a future course of action. All runaway houses are located in areas frequented by runaways or easily accessible to them. The projects operate apart from the law enforcement and juvenile justice systems. Along with grants for shelter care, technical assistance is furnished to assist in the development and implementation of runaway facilities and services.

Objectives for FY 1976

In 1976, $4,400,000 of the $5,000,000 requested will be awarded to localities and private non-profit agencies to establish or strengthen existing or proposed runaway houses, locally controlled facilities providing temporary shelter care and counseling services to those runaway youth and their families. About 45 of the approximately 50 grants to be awarded will be for continuations of those projects initiated in 1975. All grantees are funded to provide temporary shelter, either within the facility itself or through linkages established with other organizations in the community, and to provide counseling services to youth and their families. Liaison will be developed with local law enforcement agencies to assure that the proper referral and treatment of runaways is accomplished outside the law enforcement system. Follow-up programs will be established to encourage the reconciliation of youth with their families. Telephone hotlines, which have proven to be a valuable referral resource for runaways, will also continue to be funded.

A statistical survey was initiated in FY 1975. Results from this survey will become available during FY 1976. The survey will define major characteristics of the runaway youth population and the areas of the nation most affected. It will include data on age, sex, sociological background of runaway youth and related information.

Technical assistance will be provided to runaway houses to assist them to develop linkages with appropriate youth-serving agencies and organizations in the community. Technical assistance will: 1) provide support to public and private agencies in the development or expansion of effective community-based programs and services geared to the needs of runaway youth, including the provision of aftercare services to youth once they have returned home; 2) develop program models and other innovative techniques for the provision of effective services for runaway youth; and 3) provide vehicles for the mutual exchange of effective program ideas and techniques among runaway service providers in order to strengthen the delivery of services to runaway youth.

All projects funded in FY 1976 will be required to utilize standardized statistical reporting and evaluation criteria and methods. Standardized instruments will be developed to generate the uniform data required by the "Runaway Youth Act" for measuring the effectiveness of supported projects. Both the reporting and evaluation techniques will be designed to collect required data for reporting accountability and for assessing the services provided.

Accomplishments in FY 1975

In 1975, about 45 grants for $4,000,000 were awarded to localities and non-profit private agencies to establish or strengthen existing or proposed runaway houses, and to locally-controlled facilities providing temporary shelter care and counseling services to those runaway youth at the shelter facility. Technical assistance will be given to grantees and interested runaway programs for the implementation of effective projects, and to facilitate the exchange of appropriate techniques and methods for operating runaway programs.

A statistical survey was undertaken as mandated in the Act, to define the major characteristics of the runaway youth population and to determine the areas of the Nation most affected. The survey includes the age, sex, and socio-economic background of runaways, the places from which and to which they run, and the relationship between running away and illegal behavior, the seasonal variations, and recidivism rates.

In 1975, 40 project grants for local Youth Service Systems were awarded to phase-out the Youth Service System Program authorized by the Juvenile Delinquency Prevention Act, which expires June 30, 1975. Technical assistance, training, and information services necessary for the phasing-out of the entire program were also provided.

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3. Programs for the Aging

	1975 Estimate Amount (Positions)	1976 Amount (Positions)	Increase or Decrease Amount (Positions)
State Agency Activities 1/.....	$15,000,000	$15,000,000	---
Area Planning and Social Serv. Programs 1/...	83,000,000	76,000,000	-7,000,000
Model Projects 1/.....	7,000,000	5,000,000	-2,000,000
Research, Demonstration and Manpower 1/.....	15,000,000	7,000,000	-8,000,000
Nutrition.....	125,000,000	99,600,000	-25,400,000
Federal Council on Aging 1/.....	500,000	500,000	---
Total.....	245,500,000	203,100,000	-42,400,000
Positions.....	(---)	(---)	(---)

1/ Current authorizing legislation expires June 30, 1975.

General Statement

An appropriation of $203,100,000 is requested for FY 1976 for the purpose of conducting programs for the Aging under the Older Americans Act of 1965, as amended. The FY 1976 request assumes an extension to the Older Americans Act, since appropriation authorization for other than Title VII expires on June 30, 1975.

The FY 1976 Programs for the Aging continue to place emphasis on assisting State and Area Agencies to develop area comprehensive, coordinated service systems, tailored to the needs of specific geographic areas which will aim to secure and maintain independence and dignity in a home environment for older persons capable of self-care with appropriate supportive services; and remove individual and social barriers to economic and personal independence for older persons. Particular emphasis will be placed on encouraging the development and provision of services needed by the low income and minority elderly; the development of services which can prevent or delay institutionalization of the physically and mentally impaired non-institutionalized elderly; and the development of services to facilitate the return of the institutionalized elderly into a more independent and home-like environment.

Title III under the Older Americans Act authorizes the establishment of Area Agencies on Aging in planning and service areas designated by the States to provide leadership toward the development of coordinated and comprehensive service delivery systems directed toward helping the elderly overcome the numerous barriers to their mental and physical well-being. The need for services is nationwide, affecting urban and rural populations as well as poor and middle income elderly from various racial and ethnic groups.

Title VII - the Nutrition Program which has been authorized to fill a major service gap for older Americans, will operate within the same conceptual framework as Title III since the delivery of low cost meals in a congenial social setting and related services is one component of a comprehensive, coordinated services system.

STATE AGENCY ACTIVITIES

Federal resources are available through formula grants to each State with an approved State Plan on Aging under Title III and Title VII to pay up to 75 percent of the cost of the staffing and operation of its designated State Agency on Aging:

- to serve as State Focal points on Aging, providing leadership towards identifying the needs and problems of older people in the State, and mobilizing resources from other State and private agencies to resolve them. 27

- to provide leadership at the State level to Area Agencies on Aging in their development of comprehensive and coordinated service systems for the elderly, and

- to engage in a continuing process of reassesment of priorities and approaches in terms of progress toward established goals.

Objectives for FY 1976

The $15,000,000 requested for FY 1976 will provide Title III support for approximately 1,200 person years of effort to State Agency Staffs in their leadership and management role for approximately 412 area agencies and 665 Nutrition Projects.

In FY 1976 there will be continued effort:

- to establish procedures and mechanisms to assure the effective coordination of State public and private planning and service activities related to meeting the needs of older persons;

- to improve the State Agency's capabilities to develop, administer its own annual State plan to provide leadership to the development of area plans and to monitor, and evaluate Area Plans and coordinated comprehensive service systems, implemented under such plans; and

- to assure, in cooperation with Area Agencies on Aging, the availability of information and referral resources in sufficient numbers so that all older persons will have reasonably convenient access to such resources.

Accomplishments in FY 1974-1975

	74	75	76
Person Years of Title III support to State agency staffs...	950	1200	1200

The leadership role of State Agencies for the restructured Title III and the newly structured Title VII programs was initiated in FY 1974 for 300 new Area Agencies and 665 new Nutrition projects established under initially approved State plans. In FY 1975 the management capability of these State Agencies was developed and strengthened with added person year support provided for the intensified program effort and expanded leadership responsibilities resulting from the increase of Area Agencies to a minimum 412 and the transfer of responsibility for the administration of the Title VII Nutrition Program to this Title III activity that occurred in the second half of FY 1974.

AREA PLANNING AND SOCIAL SERVICES

Under the Older Americans Act's restructured Title III, each State has divided itself into planning and service areas. The State Agency on Aging designates Area Agencies on Aging in selected planning and service areas to develop and implement area plans on aging. These plans are submitted to the State Agency for approval annually. The major task of the Area Agency on Aging will be to serve as a focal point for aging in its area. The development and administration of the area plan on aging requires that the area agency set forth program objectives in keeping with State established goals and objectives,

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determine the need for social services with emphasis on the needs of low income and minority older persons, develop action programs for addressing the identified needs, establish the financial commitments and joint funding arrangements to be developed with services providers and institute the proposed program monitoring and evaluation activities. To the maximum extent possible, the service activities planned will be provided through existing public and private service systems. Each Area Agency also receives input from an advisory council, at least one-half of whose membership are elderly consumers of services.

Federal resources are available through formula grants to States to pay part of the cost of the administration of area plans by area agencies on aging, including the preparation of area plans on aging and the evaluation of activities carried out under such plans; and the development of comprehensive and coordinated systems for the delivery of social services. Fifteen percent of the State's allotment is available for paying not more than 75 percent of the cost of the development and administration of area plans. The State Agency may use up to 20 percent of its allotment to pay for social services which are provided in planning and service areas for which no area agency has been designated and no area plan has been approved. The Federal share may not exceed 75 percent. The remainder of the allotment will be available to the State for paying up to 90 percent of the cost of social services provided in the State as a part of the developing comprehensive and coordinated service systems in planning and service areas for which there is an area agency and a plan approved by the State Agency.

Objectives for 1976

The $76,000,000 requested in FY 1976 will support the coordination and development of services in a minimum of 412 Area Agencies through FY 1976 and approximately 327 Community Project Grants in areas without area plans.

The Administration on Aging's goal is to establish Nationwide coverage of comprehensive and coordinated services for the elderly as soon as possible, achieving National coverage with Area Agencies on Aging whose focus is on planned systematic marshalling of social service resources. A continuing intense effort will be made through the Title III program to concentrate resources on the needs of low-income and minority older persons.

Accomplishments in 1974-1975

	1974	1975	1976
Planning and Service Areas.....	621	610	610
Designated Area Agencies.....	380	437-462	412
Average Award under Title III to Areas with Approved Plans.....	$159,000	$163,000-$173,000	$159,000
National Coverage of 60 Plus Population.....	65%	70-80%	70%
Community Project Grants for Areas without Approved Area Plans....	327	327	327
Average Community Project Grant..	23,000	23,000	23,000

In FY 1974, the Administration on Aging began to implement an area planning and services concept for development of comprehensive and coordinated services systems for the elderly. In FY 1975 established area agencies will be strengthened and an estimated 25 to 50 additional Area Agencies can be supported by FY 1975 funds. The majority of the current Area Agencies are located within city or county governments or within regional councils of government. Forty seven percent are located in rural areas. The current Area Agencies cover seventy percent of the older population nationally.

MODEL PROJECTS

Federal funds are made available through grants to any public or non-profit private agencies or organizations or through contracts to any agency or organization for paying part or all of the cost of developing or operating national, statewide, regional, metropolitan area, county, city or community model projects which will improve, expand or increase efficiency and effectiveness of social services or otherwise promote the well-being of older persons.

Objectives for 1976

In FY 1976, the $5,000,000 requested in model projects funds will be used to support approximately 50 grant awards in the priority areas of housing pre and post retirement education and improvement of services for the physically and mentally impaired, including nursing home ombudsman projects and others concerned with enriching the lives of institutionalized older persons.

Accomplishments in FY 1975

In FY 1975 Model Project funds are being used to support 60 projects that will:

- assist in meeting the special housing needs of older persons by: (A) providing financial assistance to such persons who own their own homes necessary to enable them to make repairs and renovations to their homes which are necessary for them to meet minimum standards; (B) studying and demonstrating methods of adapting existing housing or construction of new housing to meet the needs of older persons suffering from physical disabilities; and (C) demonstrating alternative methods of relieving older persons of the burden of real property taxes on their homes;

- provide continuing education to older persons to enable them to lead more productive lives by broadening their educational, cultural, or social awareness, employing, where possible, free tuition arrangements with colleges and universities;

- provide preretirement information and services (including the training of personnel to carry out such programs and the conducting of research with respect to the development and operation of such programs) to persons planning retirement; or

- provide services to assist in meeting the particular needs of the physically and mentally impaired older persons including special transportation and escort services, home health and shopping services, reader services, letter writing services, and other services designed to assist such individuals in leading a more independent life;

- initiate and develop various approaches to or methods of providing elderly oriented legal and para legal services at the local level to older Americans.

- develop patterns for Ombudsman Services for the Aging with special emphasis on the more vulnerable older Americans including the mentally and physically impaired.

- seek to reduce the adverse impact of natural and economic disasters among significant numbers of older Americans.

- provide for evaluation of Title III activities.

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NUTRITION PROGRAM

The nutrition program is designed to provide older Americans with low cost, nutritious meals, served primarily in congregate settings and with supportive social services. Each Title VII project must provide a hot meal at least once per day, five or more days per week. Supportive social services include outreach transportation, information and referral services, health and welfare counseling, nutrition education, and recreational activities.

Funds under this program are allocated by formula grant to States to pay up to 90% of the cost for the establishment, maintenance, operation, and expansion of low cost meal projects. Funds allotted to States are to be awarded by grant or contract, to public or private non-profit institutions, organizations, agencies, or political sub-divisions of the State which meet the conditions of the Act.

Objectives for FY 1976

The Nutrition Program request for $99,600,000 in FY 1976 will support an approximately 200,000 meals per day on a five day week level of meals delivered to older Americans.

The major objective of this activity in FY 1976 is to improve the capacity of State and local agencies to meet the nutritional and related social needs of the elderly at the 200,000 meals per day five days per week program level. Most of these meals will be served by the 665 projects in over 4,000 serving sites, however, meals are delivered to homebound older persons.

Continued effort will be made to concentrate Title VII resources on the needs of low income and minority persons. Special attention will continue on outreach to those older persons in need living in remote and rural areas. During FY 1976, special emphasis will be placed on social services in every nutrition project.

State and Area Agencies on Aging will be strongly encouraged to work out mutually satisfactory agreements with contractors and grantees under Title VII designed to bring about meaningful coordination between them and the providers of services under Title III.

Expected increases in cost of meal delivery in FY 1976 will be partially offset by management improvements and obtaining funds from other public and private resources.

Accomplishments in 1974-1975

	1974	1975	1976
Meals per day (5 days per week).....	206,578	245,000	200,000
To persons below the poverty threshold.	66%		
To minorities.....	33%		
Home delivered.....	13%		
Nutrition Projects.....	665	665	665
Rural.....	32%		
Urban.....	68%		
Nutrition Sites.....	4,112	4,112	4,112

In FY 1974, the State Plan approvals for the new Title VII program were completed. However, the 665 nutrition projects established throughout the country vary widely in size and scope of operations. The average project grant is $150,000. All projects concentrated on getting the projects started and serving meals, and some did not fully implement all Title VII requirements, such as the provision of necessary supportive services. 31

In FY 1975, the Nutrition Program provides an increased Federal level of support. The program will serve approximately 245,000 daily meals five days per week. AoA's major thrust will be to expand and improve the capacity of State Agencies and, through the State Agencies, the local projects to carry out Title VII by:

- Assuring that the States will increase the amount of funds available for Title VII programs through the pooling of public and private resources.

- Providing policy direction and technical assistance tools to State Agencies and local nutrition projects.

RESEARCH AND DEMONSTRATION

Supports research and demonstration projects which add to existing knowledge in a wide variety of areas that are critical to the development and improvement of aging programs. Furthermore, the Older Americans Comprehensive Services Amendments of 1973 add considerable responsibility to AoA to serve as the Federal focal point for coordination of research on aging by Federal agencies.

Under Title IV-B project grants are made to any public or nonprofit private agency, organization, or institution and contracts with any agency, organization, or institution or with any individual to carry out Research and Demonstration efforts.

Objectives for FY 1976

Continuation of the $7,000,000 level for Aging Research and Demonstration is requested in FY 1976. The focus of AoA's Title IV-B program in FY 1976 will be to continue to provide for the development of new research products which are designed to help those at the Regional, State and local levels who are charged with the implementation of Title III and VII; and to draw upon other Federal research resources in the sharing of information and expertise in regard to the State-of-the-art of research and the development of techniques relative to the capacity-building approach to structuring the service delivery system.

Accomplishments in FY 1974 - 1975

In FY 1974, AoA initiated a directed research approach designed to make it possible for research efforts to contribute to the development and implementation of "capacity building". In FY 1974 and continuing during the FY 1975-80 period, AoA will focus its R&D resources in such a manner as to contribute to the objective of developing at the local level a system of coordinated and comprehensive service programs designed to make it possible for older persons to continue to live in their owns homes or residences. This effort in FY 1974 was supported by 56 R&D project grants.

In FY 1975 some 31 continuation projects have been or are scheduled for funding support at a funding level of $4.3 million.

The balance of the $7,000,000 appropriated for the Title IV-B program in FY 1975 will be for new start projects. Of this amount $2.7 million will be allocated for the following research activities:

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1) Directed research: 21-23 projects - $2,000,000

2) Investigator-initiated research: 5-6 projects - $600,000

3) Dissertation research: 19-20 projects - $100,000

These FY 1975 research efforts are aimed at gaining knowledge essential to the two major planning and program goals which are listed here: Goal 1: Increase State and Area capacity to develop and implement comprehensive plans for meeting the service needs of the elderly; Goal 2: Increase Federal sector capacity to promote comprehensive coordinated services for the elderly.

FEDERAL COUNCIL ON THE AGING

The Older Americans Act as amended in 1973 by P.L. 93-29 established the Federal Council on Aging. The Federal Council on the Aging has a clear mandate to serve as a national focal point for advocacy efforts on behalf of the elderly and to channel and direct these activities to have maximum impact on the aging-related policies and programs of the Federal Governments. In such capacity, the Federal Council on the Aging performs the following functions;

- provides and conducts public forums and hearings, conferences, workshops and other meetings to obtain information, and to discuss and publicize the problems and needs of the aging;
- reviews and evaluates Federal policies, programs and activities regarding the aging for the purpose of appraising their value and their impact on the lives of older Americans;
- acts as a spokesman on behalf of the elderly by making recommendations to the President, to the Secretary and the Commissioner, and to the Congress with respect to Federal policies, programs and activities regarding the aging;
- informs the public about the problems and needs of the aging, working with the National Clearinghouse for the Aging, by collecting and disseminating information, conducting or commissioning studies, and by issuing publications and reports;

The Council has unusual stature and independence in that all 15 members are appointed by the President with the advice and consent of the Senate. The Council membership consists of representatives of older Americans, national organizations with an interest in aging, business, labor, and the general public. It is charged with evaluating all Federal policies regarding the aging.

In establishing the Federal Council on the Aging, the Congress determined that it should have far-ranging responsibility for identifying problems and recommending action programs for older Americans. The Congress set the pattern for this scope by mandating two extensive studies, one on the inter-relationships of benefit programs for the elderly operated by Federal, State, and local government agencies; and a second on the combined impact of all taxes on the elderly. Furthermore, Congress mandated a study on the effects of the formula for allotments among the states for Title III which was completed and submitted on December 30, 1974.

Objectives for 1976

The Federal Council requests $500,000 to fund regular Council support activities and contractual assistance on studies and analyses necessary for the Council to carry out its responsibilities. In FY 1976, this will include:

- continuation and completion of the studies on inter-relationships of benefit programs and the combined impact of all taxes on elderly studies initiated initiated in FY 1975; **33**

- initiation of possible new studies and program areas such as;

  1. study of impact of Older Americans Act as basis for legislative revisions.

  2. Policy study of long-term care needs of elderly with relation to health and social service legislation provisions.

  3. Study of nature and duration of government intervention in lives of vulnerable elderly with view to recommendations for Federal and State legislation.

34 4. Rehabilitation Services and Facilities

	1975 Estimate	1976	Increase or Decrease
Basic State grants	$680,000,000	$680,000,000	---
Innovation & expansion grants	23,000,000	---	- $23,000,000
Service projects	14,620,000	13,400,000	1,220,000
Research	20,000,000	20,000,000	---
Training	22,200,000	22,200,000	---
Total	759,820,000	735,600,000	-24,220,000

General Statement

An amount of $735,600,000 is being requested for Fiscal Year 1976 to provide services authorized under the Rehabilitation Act of 1973 to prepare physically and mentally handicapped persons for gainful employment and for Research and Training in the Rehabilitation field. Any realistic vocational goal may be pursued, based upon a thorough evaluation of the individual's potentials and with his concurrence. Individuals may be placed into competitive employment, sheltered employment, into homemaking or unpaid family work.

The overall program goal for FY 1976 is to serve 1,660,000 handicapped persons and to rehabilitate approximately 332,000. Resources requested under the Rehabilitation Act of 1973, plus those of Beneficiary Rehabilitation Program (Section 222(d) of the Social Security Program) and the Supplemental Security Income Program (Title XVI of the Social Security Act) will be required to attain these goals.

Goals and Objectives

As mandated by the Congress in the Rehabilitation Act of 1973, priority services continue to be concentrated on those persons with the most severe handicaps. In addition, the momentum for rehabilitating disabled public assistance recipients will be maintained, including efforts through the Supplemental Security Income Program.

Rehabilitation of severely handicapped persons as mandated by the Rehabilitation Act will have significant impact on program activity in FY 1975 and an even greater impact in FY 1976. States will concentrate on this special group of the disabled population.

Serving the severely disabled, improving the quality of all rehabilitations, and improving overall management will result in overall increased costs per rehabilitant. Factors contributing to the increase in costs are: (1) more extensive evaluation of vocational potential of severely disabled to determine eligibility for programs; (2) development of an individualized written rehabilitation plan for individuals and annual reviews of all cases being served; (3) medical costs for physical, mental, or psychological services ensure that vocational placement level will be more extensive and at higher costs; (4) training costs to provide individuals with marketable skills; (5) intensified efforts required to place severely handicapped in employment positions and intensive post employment services to maintain successful employment; (6) severely handicapped individuals will require additional counseling and placement time and effort than

the non-severely disabled thereby resulting in reduced rehabilitation outputs per counselor man-year; (7) changes in facilities and staff training required to meet the specialized needs of severely handicapped persons; (8) provision for increased client participation and involvement; and (9) strengthened program evaluation and planning requirements.

Selected Program Data - Fiscal Years 1974-1975

	1974	1975	1976
Total Served	1,824,000	1,860,000	1,660,000
Total Rehabilitated	361,100	338,000	332,000
Within Total Above Rehabilitate the Following			
Severely Handicapped (estimates)	111,561	115,000	128,000
Public Assistance Recipients	70,656	67,000	64,900
Selected Disability Categories			
Mentally Ill	111,700	98,000	96,500
Mentally Retarded	41,500	43,000	43,000
Blind and Visually Impaired	28,400	30,000	30,000
Deafness, Hard of Hearing, Speech Impaired	19,200	20,000	19,500
Heart, Cancer, Stroke	8,100	10,000	10,000
Orthopedic	56,400	67,000	67,000
Other	95,800	70,000	66,000

Of all rehabilitants those classified as being severely handicapped are scheduled for primary consideration in both Fiscal Years 1975 and 1976. Priority attention will be given to serving this group including public assistance recipients. This undertaking is possible in view of the fact that some of the severely handicapped are also dependent on public support. Improved and expanded services for these two priority groups will be undertaken while services are maintained to the balance of the program.

The Rehabilitation Act of 1973 includes a number of provisions which underscore the legislative intent that the rehabilitation program will reach out and deliver services to the most severely handicapped so as to enable them to live productive and useful lives. The definition identifies the severely handicapped as those persons whose disability requires multiple services over an extended period of time and which results from any one of the conditions specified in the Act or from any other disability specified by the Secretary.

36 Basic State Grants

	1975 Estimate	1976	Increase or Decrease
Basic State grants (Sec. 110).....	$680,000,000	$680,000,000	---

Method of Allotment for Basic Support Program (Section 110)

Allotments under Section 110 are made to States based upon a formula that takes into account State population and per capita income with each State allotted a minimum of $2,000,000 (except for Guam, American Samoa, the Virgin Islands and the Trust Territories of the Pacific Islands). The matching rate is 80% Federal, 20% State up to a State's allotment. Provision is made for reallotment of Federal funds from States unable to utilize their full allotment to States that have State funds available to earn above their initial allotments.

State - Federal Basic Support Program (Section 110)

The prime purpose of the State-Federal vocational rehabilitation program is to provide such services to physically and mentally handicapped persons as required to make them employable. A comprehensive range of services is provided persons handicapped by conditions that present substantial deterrents to employment. A key step in the rehabilitation process is the evaluation of an individual's handicap and, upon the finding that vocational rehabilitation is feasible, the joint counselor-client development of an individualized written rehabilitation program within the capabilities of the individual concerned. Any realistic vocational goal may be selected, including competitive employment, homemaking and sheltered employment. A wide range of services may be provided to clients, including counseling and guidance, physical and mental restoration, training, placement, vocational evaluation, work adjustment, and provision of prosthetic applicances.

Objectives

Objective, FY 1976: The $680,000,000 request for the Basic State Grants Program is the same amount appropriated for Fiscal Year 1975. These funds together with matching State funds, will allow the States to provide comprehensive services to 128,000 severely handicapped persons and to maintain high level services to the balance of the program. These funds will be supplemented by funds appropriated for Services projects under Title III of the Rehabilitation Act of 1973 ($13,400,000), and funds made available by the Social Security Administration for rehabilitation of social security disability insurance beneficiaries ($101,000,000) and severely disabled and blind recipients of supplemental security income payments ($54,400,000).

Accomplishments, FY 1974/1975: In FY 1974 State vocational rehabilitation agencies served 1,824,000 physically and mentally handicapped persons and rehabilitated 361,100 of these to productive and meaningful lives, a .7% increase above the 1,811,000 served, and a .1% increase above the 360,700 rehabilitated in FY 1973. Included in the FY 1974 rehabilitation figure are 111,561 severely disabled persons or 30.9% of the total number rehabilitated. Also included in the FY 1974 rehabilitation figure are 70,650 persons who at some time during their rehabilitation process received public assistance. This represents a 7.4% increase over the 65,777 disabled public assistance recipients rehabilitated in FY 1973. In FY 1975 1,860,000 clients may be served while 338,000 are estimated to be rehabilitated. Of this number 34% or 115,000 severely disabled clients will be rehabilitated.

The program objective of FY 1976 is to serve 1,660,000 and to rehabilitate approximately 332,000 handicapped persons. As mandated by the Rehabilitation Act of 1973, priority attention will be devoted to the rehabilitation of severely handicapped persons. It is estimated that 39% or 128,000 severely disabled will be included within the total number rehabilitated in FY 1976. As a result of this continued concentration on the severely handicapped and due to other new requirements in the Act such as post-employment service and individualized written rehabilitation plans, greater time and dollars will be spent on each rehabilitation. Thus, the total number of rehabilitations will decline slightly. Other factors contributing to this reduction are: increasing the closure procedure from 30 to 60 days of employment for a rehabilitation; high unemployment in some areas; and fewer than anticipated Supplemental Security Income referrals. By FY 1981 it is estimated that 50% of the persons rehabilitated will be severely disabled.

Attention will continue to be given to public assistance recipients. The objective for FY 1976 is to rehabilitate 64,900 disabled public assistance recipients, a 3% decrease below the FY 1975 estimate of 67,000.

In addition to providing a more meaningful life to rehabilitated persons, funds spent on rehabilitation are more than offset in cumulative savings in public assistance payments and increased tax revenues paid over the lifetime of rehabilitated individuals.

The annual rate of weekly earnings at closure of all clients rehabilitated in Fiscal Year 1974 is estimated at $1,400,000,000, a net increase of $1,200,000,000 above the annual rate of weekly earnings at the time the individuals entered the rehabilitation process. In addition, it is estimated that these individuals will contribute approximately 4.7% of their increased earnings ($56,000,000) for Federal tax payments. Thus, these tax contributions are in addition to savings through either the removal of clients from public assistance roles or by reduction in the amount of these payments.

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Innovation and Expansion Grants

	1975 Estimate	1976	Increase or Decrease
Innovation and expansion grants (Section 120).....	$ 22,000,000	---	-$ 22,000,000
Comprehensive Needs Study (Section 130).....	1,000,000	---	- 1,000,000
Total.....	23,000,000	---	-23,000,000

Purpose

Traditionally, the Rehabilitation Services Administration has effectively utilized expansion grant authority of the Vocational Rehabilitation Act to quickly initiate changes in program directions with later financing being absorbed by the formula grant program. A good example is the impact made in the rehabilitation of disabled public assistance recipients.

Explanation

State agencies have merged activities funded through special expansion projects to rehabilitate disabled public assistance recipients into the Basic State Grants program. Innovation and expansion grants are now a formula grant program under Section 120 of the Rehabilitation Act of 1973.

Accomplishments 1975

During fiscal 1975 the total number of rehabilitations in the vocational rehabilitation program dropped. The drop was tied to a shifting of priorities in States associated with the mandate of the Rehabilitation Act of 1973. States applied more of their staff resources to planning the implementation of the new operational requirements imposed by the Act, in seeking out increased numbers of the severely handicapped and in developing and modifying resources needed to better serve this group. Coupled with this interval shift in State agencies was the impact on the employment of the handicapped resulting from the general economic climate of the nation.

The $23,000,000 appropriated for this program in fiscal year 1975 served to blunt the impact of the above factors on rehabilitations so that while there was an appreciable drop in fiscal year 1975, the rate of decline was less than might have been expected and the application of this resource in fiscal year 1975 will assist in reducing significantly the rate of decline in rehabilitations during fiscal year 1976.

The Rehabilitation Act provides that of the sums appropriated each year for Innovation and expansion grants (Section 120), $1,000,000 in each such fiscal year shall be available only for the purpose of carrying out (Section 130) a special study, including research and demonstration projects, on the comprehensive service needs of the severely disabled. The Secretary is required to report to the Congress on the findings of this study not later than June 30, 1975.

Service Projects

39

	1975 Estimated	1976	Increase or Decrease
Projects with Industry (Sec. 304(d))	$ 1,000,000	$ 500,000	-$ 500,000
Initial Staffing (Sec. 301(c))	100,000	---	- 100,000
Training Services and Facilities Imp. (Sec. 302(b)(c))	7,785,000	6,900,000	- 885,000
Deaf-Blind Center Operations (Sec. 305(b))	2,000,000	2,100,000	+ 100,000
Technical Assistance (Sec. 304(e))	140,000	200,000	+ 60,000
Evaluation (Sec. 403)	1,000,000	1,000,000	---
Special Project for Severely Disabled (Sec. 304(b))	1,295,000	2,700,000	+ 1,405,000
Sheltered Workshop Study (Sec. 406)	300,000	---	- 300,000
Construction (Sec. 301(b))	1,000,000	---	- 1,000,000
Total 1/	14,620,000	13,400,000	- 1,220,000

1/ Funding for Migratory Workers Projects (Section 304(c)) will be set at 5% of funds appropriated for Section 304(a)(1). Funding for Client Assistance Projects (Section 112) will be based on increased fund appropriated to Section 304 with a minimum of $1,000,000.

Purpose

Rehabilitation Service Projects provide the resource for specialized programs, services, studies and activities over and above those possible under the Basic State Grants program. Programs and estimated obligations are stated above. Grants and contracts are authorized to be made to States and public or nonprofit organizations and agencies to pay part of the cost of approved projects.

Objectives 1976

In 1976 it is expected that the nine special projects for the severely disabled to serve the older blind and the deaf will be continued and that approximately three new projects will be funded. The migratory worker projects will continue to provide essential services to handicapped migrants. The projects with industry which were initiated in 1975 will be continued in 1976. The training services, facility improvement and technical assistance programs will be continued at only a slightly reduced level. Eleven client assistance projects will be continued and eight new projects will be initiated.

40 The National Center for Deaf/Blind will be in full operation most of the year. There will be some expansion of services for hard core cases in the Center and an increased number of services for other deaf-blind persons in local community settings under the guidance and direction of Center personnel. Extensive collaborative research will be conducted with local universities and private industry to develop more sophisticated communications devices.

In FY 1976 of the ten Model Regional Spinal Cord Injury System Projects initially funded at $2,100,000 under the Research and Demonstration grant authority five of them in the amount of $1,000,000 will be supported as special projects under Section 304 of the Act. Emphasis will be maintained on the evaluation of cost effectiveness and other benefits of the Model System concept. Coordination of these projects will continue with a special effort directed at the development of a standardized data base for measurement of project outcomes. It is expected that the sophisticated clinical rehabilitation and research environments in which the projects operate will assist in the identification of specific, spinal cord injury research needs, and that approaches to meeting these needs will be supported under other appropriate authorities in the Rehabilitation Act. A comprehensive report on the effectiveness of these projects is planned for 1977.

Accomplishments 1975

Special projects for the severely disabled under this program provided services for the older blind and for the deaf who have not achieved their maximum vocational potential. Six projects serving approximately 455 clients were continued and three new projects serving approximately 225 of the deaf and blind were initiated in 1975.

Projects for migratory workers in 1975 were implemented in California, Florida, Idaho, New Jersey, New York, Oregon, Texas and Wisconsin for the purpose of expanding and improving rehabilitation services to approximately 3,600 handicapped migrants.

Several projects with industry were aimed at expanding the job market for the handicapped. Eleven new and continuation projects involved rehabilitation facilities and private industries provided services to more than 1,500 handicapped clients.

Fifty-four Vocational Training Services projects were funded at $4,785,000 in 1975. These projects, primarily in sheltered workshops, served approximately 4,400 handicapped persons. Fifty-six different types of training were offered in more than 225 courses. Approximately 110 Facility Improvement grants were supported at $3,000,000 providing for the employment of additional professional and technical personnel, the purchase of specialized equipment for training purpose and the production of contracts. Approximately 136 consultations were performed in the areas of program development, industrial engineering and safety, program administration, management services and accounting at a cost of $111,000.

Eleven client assistance projects were continued in 1975 and seven new projects were initiated for a total amount of $1,000,000. These are oriented to helping clients overcome problems they may be having with the VR program and suggest ways for specific improvement in service delivery.

Research

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	1975 Estimate	1976	Increase or Decrease
Research Grants:			
New	$ 1,875,000	$ 1,362,000	-$ 513,000
Continuation	7,784,000	8,297,000	+ 513,000
Research and Training Centers	10,341,000	10,341,000	---
Total	20,000,000	20,000,000	---

General Statement

The Rehabilitation Act of 1973 as amended provides for a program of research which is to "bear directly on the development of methods, procedures, and devices to assist in the provision of vocational rehabilitation services to handicapped individuals, especially those with the most severe handicaps". Research is thus goal-oriented in support of the service provisions of the program.

A wide range of activities are provided for: investigations into the nature of disability and restorative techniques; studies and analyses of various factors affecting rehabilitation; homebound and institutionalized; architectural and engineering design adapted to special needs of the disabled-- to increase knowledge and improve methods in rehabilitation. In addition certain "institutional" programs are provided; research and training centers; rehabilitation engineering centers; spinal cord injury research; end-stage renal disease research; international research. One-quarter of appropriated funds are to go to the rehabilitation engineering program in keeping with the provisions of Section 201(a)(1).

The budget request for FY 1976 is $20,000,000, the same level as FY 1975. This will provide for continuations and approximately 17 new projects to be started. More funds will be used for continuation grants. In 1974 the average funding level of an R&D projects was $109,714; the estimated average for 1975 is $144,833, and for 1976, $145,000. The average R&T Center grant is $544,000.

Research Grants

In order to have the benefit of the assessment of research needs by state vocational rehabilitation agencies and others as suggested by Section 401(a)(2) of the Act, an analysis was made of the Program and Financial Plan submitted by each state. In addition, cooperative planning between program and research staff led to the identification of a number of knowledge barriers to the achievement of program goals. Both these data have been reduced to a limited number of research issues on board questions which are the major emphases of research for long and short-range planning. These questions are:

How can new technology be used to serve the needs of the severely disabled? Examples--functional electrical stimulation, external prosthetic and orthotic systems and total joint replacement, sensory feedback mechanisms, effects of pressure on tissue, development of mobility and transportation devices and systems;

How can vocational rehabilitation services to the severely handicapped be improved? Examples--spinal cord injured, cardiovascular diseases, neurological disabilities;

42 How can job opportunities for the handicapped be developed and expanded? Examples-- capacity building in improvement of job opportunities, improvement of services to the homebound;

How can management practices be improved in the VR program? Examples-- business practices, outcome measures, interagency linkages, manpower resources, evaluation capacity;

How can services be effectively delivered to the handicapped non-employable that would reduce their dependency on society? Example--comprehensive needs study demonstrations.

During FY 1975, RSA continued to address these questions in order to develop the new knowledge which would lead to the development of necessary methods, procedures and devices for improved rehabilitation services. Examples of accomplishments for the past year include:

A project in Texas is demonstrating and evaluating an alternative method of providing community adjustment, vocational and/or educational placement, attendant care, and other essential services for quadriplegics after discharge from a rehabilitation hospital.

The Rehabilitation Engineering Center at Rancho Los Amigos Hospital-- University of Southern California has developed a new device.

The Neuromuscular Assist Device is the product of a joint collaboration between the Medtronic Corporation and the Rehabilitation Engineering Center. To date, 40 stroke patients have had this device implanted in their affected leg to permit them to overcome drop foot paralysis providing them with a more functional gait and better stance stability. This Neuromuscular Assist Device was listed by the Association of Professional Engineers, New York City, in their yearly list of the "Ten Most Important Engineering Achievements in the United States."

In one HEW Region a modest but innovative project called RULE (Research Utilization Through Learning Experiences) established a system to move research findings to application more quickly through providing a "live in" experience for potential users at sites of innovative practices within the Region. In one year, preliminary analysis of 63 such visits has documented modifications of agency procedures in 14 cases; adoption of new tasks or devices in six; and modifications of job roles in three.

"The National Census of the Deaf" to the National Association of the Deaf resulted in a book entitled "The Deaf Population of the United States" as its final report. The book consists of eight chapters with several appendices which discuss pertinent information concerning the deaf population. These aspects include size, distribution, characteristics, family composition, employment status, education, and economic status.

The original Model Spinal Cord Injury System in Phoenix, Arizona continues to provide national and international leadership in the rehabilitation care of spinal cord injured persons. The purpose of the project was to demonstrate and evaluate the benefits of a coordinated, comprehensive service program from the scene of the accident, through intensive medical care, rehabilitation management, vocational and/or educational preparation, community placement and long-term follow up.

As a result of RSA-NSF liaison and inter-agency cooperation this past year, explorations of the use of telecommunications technology as a cost-saving delivery system to improve services to the handicapped are currently being explored by major research organizations in the country.

RSA has initiated the formation of a National Cooperative of State VR Agencies as a mechanism to provide the funding and management of computer software and video programming materials necessary to support the delivery of services to our clients on existing telecommunications systems (satellite, microwave, cable). Some States have initiated their own State-wide plan for the use of telecommunications as a new delivery system for the handicapped.

Research and Training Centers

The Research and Training Centers program is an integrated, coordinated program of research, training and services which closes the "loop" from discovery of new knowledge to improved services to the severely disabled through the medium of training programs for rehabilitation personnel and direct clinical application to individuals. The number of these Centers has remained the same--twelve devoted to the medical aspects of rehabilitation, three to the vocational, three to the developmentally disabled, and one to the deaf.

Special efforts have been made during the last year to analyze every individual research and training project to assure that each contributes to: (a) a well-recognized continuing coordinated program of scientific research in a sequential way to a coherent centralized body of knowledge, (b) training of personnel, in conjunction with research activities, in fields contributing to the rehabilitation of the physically or mentally disabled, and (c) the dissemination and utilization of new scientific knowledge leading to an improvement in the quality of vocational rehabilitation services for handicapped individuals. Every effort has been made to assure that these projects relate to the research questions enumerated above.

Some of the more significant efforts within the Center program during the past year were:

Profoundly mentally retarded individuals have been trained in special workshops at the Oregon RT Center, and they have become independent in housekeeping and Activities of Daily Living, and many of them are now employed earning the minimum wage. The techniques developed in this project are being placed in audio-visual training materials so that they can be utilized all over the country.

New employment opportunities have been developed at the George Washington University and the Baylor University RT Centers in the field of computer programming, microfilming, and bookkeeping. Severely disabled individuals who had been classified as unrehabilitable by VR Agencies have been trained and placed in jobs which are highly competitive and are paying well. The cost benefit data and the technology developed in these projects are now being utilized by State VR Agencies in various parts of the country, and in other rehabilitation facilities.

Patients with chronic obstructive pulmonary disease are now able to go back to work because of improved therapy, improved drainage, improved matching of jobs to physical capability, and improved means of determining the required job environment for each patient due to research projects in all these aspects of the disability.

There have been developed "packaged" training materials which can be used by the Counselors themselves or incorporated into the regular training programs of the state Agencies. A good example of this is the programmed cassettes on the administration of psychological and vocational tests developed by the West Virginia RT Center. These are used extensively not only in the U.S. but in other countries as well, and the program will be translated into other languages for wider utilization.

44 Training

	1975 Estimate	1976	Increase or Decrease
Obligations	$22,200,000	$22,200,000	---
Program level	(26,125,000)	(28,828,000)	(+2,703,000)

General Statement

Rehabilitation training grants are made: (1) to increase the number of qualified rehabilitation personnel available to provide vocational rehabilitation services to severely handicapped individuals, and (2) to improve and maintain the skills of employed rehabilitation personnel. Included are: (1) long-term training grants, providing institutional and traineeship support, in a broad range of established rehabilitation disciplines and areas of professional practice; (2) special experimental and innovative training grants designed to assist in the preparation of new types of rehabilitation workers or to develop new methodologies for the training of rehabilitation personnel; (3) in-service training grants to State vocational rehabilitation agencies to support essential elements of State agency staff development programs; (4) continuing education programs to upgrade the skills of employed rehabilitation workers in both the public and private rehabilitation sectors; and (5) short-term training courses, seminars, institutes, and workshops related to technical aspects of the provision of vocational rehabilitation services.

The rehabilitation training program makes a significant contribution to ensuring an adequate supply of trained personnel to provide the diverse and specialized services available for the severely handicapped under the Rehabilitation Act of 1973.

Objectives--Fiscal Year 1976

In FY 1976 State vocational rehabilitation agencies will have substantially shifted their service emphasis to the rehabilitation of severely disabled individuals who require multiple services over an extended period of time. As the number of severely handicapped individuals increases within State vocational rehabilitation agency caseloads, a heavier counselor time investment will be required for each client and the average counselor caseload will decrease. Significantly increased numbers of counselors and other rehabilitation workers will be required, therefore, in rehabilitation agencies and facilities to maintain previous caseload levels.

Priority emphasis in FY 1976 will be given to the training of students qualified to provide skilled rehabilitation services to severely handicapped individuals such as the blind, the deaf, the spinal cord injured, and those with end-stage renal disease. Among the specialists to be trained are mobility instructors for the blind, interpreters for the deaf, physiatrists, prosthetists, orthotists, rehabilitation counselors, job placement specialists, and administrators of rehabilitation programs and facilities.

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FY 1975 funds in the amount of $6.6 million will be combined with the FY 1976 request of $22.2 million to provide a program support level of $28,828,000. An estimated distribution of the combined 1975 and 1976 funds is as follows:

FY 1976 (Dollars in Thousands)
(Estimated)

	Amount	No. Trainees
LONG-TERM TRAINING		
Rehabilitation Counseling	7,028	1,800
Rehabilitation of the Blind	725	95
Rehabilitation of the Deaf	925	135
Rehabilitation of the Mentally Ill	275	275
Rehabilitation Facilities Administration	1,600	900
Rehabilitation Social Work	400	100
Undergraduate Education for Rehabilitation Services	800	400
Rehabilitation Psychology	300	50
Rehabilitation Medicine	3,800	430
Rehabilitation Nursing	175	25
Occupational Therapy	825	330
Physical Therapy	825	330
Prosthetics-Orthotics	1,000	1,000
Speech Pathology and Audiology	1,700	350
Therapeutic Recreation	300	100
Other Fields	625	400
TOTAL LONG-TERM TRAINING	21,303	6,720
EXPERIMENTAL AND INNOVATIVE TRAINING	650	130
STAFF DEVELOPMENT AND TRAINING FOR EMPLOYED REHABILITATION WORKERS		
Rehabilitation Continuing Education Programs	2,250	2,250
State VR Agency In-Service Training	2,750	*
Short-Term Training	1,750	3,500
RESEARCH FELLOWSHIPS	125	20
GRAND TOTAL (Program Level)	28,828 1/	12,620

*State VR In-Service Training Grants make staff development resources available throughout State agencies and do not include individual traineeships.

Accomplishments--Fiscal Year 1975

Grants in the amount of approximately $26 million have been awarded for the support of rehabilitation training projects for the academic year 1974-1975. This amount includes $10.5 million from FY 1974 funds and $15.5 million from FY 1975 appropriations. These funds made possible the support of approximately 600 projects including newly established rehabilitation continuing education programs and special experimental and innovative training efforts for the improved training of personnel to serve the severely disabled. Short-term training focused on areas of priority interest to the public rehabilitation program in the implementation of the Rehabilitation Act of 1973 with special emphasis on expanding and improving services to the severely disabled and extending the vocational rehabilitation process to include new service methods and responsibilities required under the State plans for vocational rehabilitation services.

1/ Includes $22,200,000 obligated from fiscal year 1976 funds and $6,600,000 obligated in fiscal year 1975 for fiscal year 1976.

46 Grants for the Developmentally Disabled

	1975 Estimate	1976	Increase or Decrease
State grants	$32,588,000	$30,875,000	$-1,713,000
Service projects	18,500,000	18,500,000	---
University affiliated facilities	4,723,000	4,250,000	- 473,000
Total	55,811,000	53,625,000	-2,186,000

General Statement

In 1976, $53,625,000 is requested for grants for the developmentally disabled. This is a decrease of $2,186,000 below the 1975 obligation level, but the same amount as the 1975 budget authority. The apparent decrease is because of obligations in 1975 of funds brought forward from prior year appropriations.

An amount of $53,625,000 is requested for grants for the developmentally disabled. This is the same amount as the 1975 budget authority.

The state formula grant program is designed to strengthen and fill gaps in existing programs and provide new services to persons with mental retardation, cerebral palsy, and epilepsy by financial assistance to designated State agencies through State planning and advisory councils to provide support for planning, services, administration and construction of facilities for the developmentally disabled. Funds are available to: (a) assist the States in developing and implementing comprehensive and continuing plans for meeting the current and future needs for services and facilities for persons with developmental disabilities; (b) bring together the major State agencies and non-profit groups in the planning for the developmentally disabled through the State planning and advisory council; (c) encourage the States to concentrate on planning and programing for the more severely handicapped among the developmentally disabled and give emphasis to coordination with other federally-assisted programs to serve the developmentally disabled; and (d) develop community based services and expansion of programs with emphasis on those individuals with substantial handicaps.

The service projects have two primary purposes: to demonstrate promising ways of improving institutions and increasing community alternatives; to demonstrate ways of training the more severely developmentally disabled to become more self-sufficient, and to provide in-service training for specialized personnel to provide these services.

The University Affiliated Facilities program provides support for the cost of administration and operation of demonstration facilities for personnel needed to render services to persons with developmental disabilities. The grantee must be a college or university operating a public or other nonprofit facility for persons with developmental disabilities (or connected with a college or university).

The law requires that priority be given to applicants who have arrangements with Junior Colleges. Nearly all of the UAFs have affiliations with at least one Junior (or community) college, and many have ties with several.

State Grants

	1975 Estimate	1976	Increase or Decrease
State Grants	$32,588,000	$30,875,000	$-1,713,000

In the formula the State allotments are directly proportional to State population, inversely proportional to State per capita income, and directly proportional to the relative need reflected by the number of individuals in the State receiving benefits under the Adults Disabled in Childhood program under Social Security. Each factor has equal weight. There is a minimum allotment of $100,000 for each State, the District of Columbia, and Puerto Rico. 47

Objectives

The primary objective for FY 1976 is to complete the systematic implementation of the State plans with respect to improving the quality of residential care and deinstitutionalization, with increasing emphasis on institutional reform. This includes the development of a comprehensive array of community based generic and specialized services, and community living arrangements to enable institutionalized developmentally disabled persons to return to the community and to avert new institutionalization. The expected output of the objective over a five year period is to reduce the institutional population by one-third of the present population which is approximately 200,000 individuals.

During FY 1975 State expenditures for services were made in all designated services under the program with highest expenditures concentrated in the areas of transportation, sheltered employment, education, counseling, diagnosis, and treatment. Over 48,000 developmentally disabled persons are receiving services through these expenditures. Most programs developed during this fiscal year are comprehensive combinations of interagency programs with emphasis on day care.

States have placed major emphasis on coordinating interagency efforts for the development of comprehensive State plans for developmentally disabled persons, and estimate that approximately 70% of allotted funds will be expended for services, 10% for construction, 12% for planning efforts, and 8% for administrative functions in connection with the program.

Most States have begun implementation of comprehensive services. For example, Missouri lists improvement and extension of transportation services to 500 developmentally disabled persons as a goal. In New Jersey and Alabama, plans for transportation services are being implemented. Using monies from the State of Iowa, the Southwest Iowa Sheltered Workshop has been creating a multi-county transportation system which enables developmentally disabled persons to reach a variety of treatment facilities and sheltered workshops.

In addition, several States are well on the way to achieving the goal of deinstitutionalization. Alabama projects the establishment of twelve group homes in metropolitan areas as alternatives to institutionalization. The Greater Omaha Association for Retarded Children is establishing two children's developmental hostels. The hostels are intended for the severely and profoundly retarded who are presently in institutions. South Dakota has funded a project under the direction of Sioux City Chapter of Association for Retarded Children which will provide a group home for ten developmentally disabled persons. Residents of the home, who will be employed, are expected to contribute a portion of their earnings to its upkeep.

Connecticut and Rhode Island have developed early prevention programs for children five years and under. One grantee operates a preventive program in high risk poverty areas. An objective of the program is to prevent potential retardation among vulnerable children, who at ages two to four years, are functionally retarded. The 14 children participating in the program are enrolled in half-day training sessions that provide for the specific developmental needs of each child.

48 Service Projects

	1975 Estimate	1976	Increase or Decrease
Hospital improvement.....	$ 6,000,000	$ 6,000,000	---
Rehabilitation service projects.....	12,500,000	12,500,000	---
Total.....	18,500,000	18,500,000	---

Project grants for the developmentally disabled supported under this activity provide part of the cost to improve care in institutions, to initiate and expand community programs, to habilitate and rehabilitate the mentally retarded with special problems, and to provide specialized in-service training for staffs.

Funds for rehabilitation service projects are utilized to more effectively serve the severely developmentally disabled individual through traditional vocational rehabilitation services. Emphasis will be given to models of training that prepare residents for work in the community; evaluation and pre-work skills that will enable SSI recipients to qualify for full vocational rehabilitation services, and to provide vocational rehabilitation staff resources and experience in working with the severely and profoundly multi-handicapped individuals.

The hospital improvement program provides resources for innovative projects designed to improve care, treatment, and habilitation of the mentally retarded in State residential institutions and funds for in-service training of institutional personnel providing services to the mentally retarded.

In 1974 there were 582 projects funded that served 82,800 clients and in-service training for 7,950 staff. In 1975, 578 continuation projects will serve 54,000 clients and train 6,250 staff. The major objective in 1975 has been developing community-based programs and supporting the national commitment of deinstitutionalization. These objectives will be continued during FY 1976.

The funds requested in the 1976 budget would continue the provision of necessary community-based specialized services to assist the developmentally disabled individuals to reach their full potential. Innovative alternatives enable the developmentally disabled person to enter and/or re-enter the mainstream of life.

The projects would continue to emphasize depopulation of over-crowded institutions, assist formerly institutionalized retardates to be more successfully assimilated into the community, continue support of professional and technical personnel in community facilities, develop innovative means to prevent institutionalization, and provide the means to train parents in the habilitation of their developmentally disabled children.

University Affiliated Facilities

	1975 Estimate	1976	Increase or Decrease
University affiliated facilities....	$4,723,000	$4,250,000	$-473,000

The amount of funds requested in 1976 is the same as appropriated in 1975. This program, at the same budget level, will strive to increase the number of individuals trained with special emphasis on those individuals working directly with the developmentally disabled and those who can advance the objective of deinstitutionalization.

A total of 33 centers will receive partial "core" support for the interdisciplinary, problem-centered training program which takes place in a setting which demonstrates exemplary services and new techniques and concepts. Other grant support is furnished by the Office of Education and the Maternal and Child Health program under HSMHA. The support also includes community liaison personnel to insure the relationship of the training program with the service system.

In FY 1975, approximately 11,500 persons will receive training in these facilities. Approximately 2,500 will receive credit toward a professional degree; the rest will be trained as part of their in-service development.

50 6. Special Programs for Native Americans

	1975 Enacted Amount (Positions)	1976 Amount (Positions)	Increase or Decrease Amount (Positions)
Special Programs for Native Americans 1/.....	$32,000,000	$32,000,000	-0-
Total Amount.....	32,000,000	32,000,000	-0-
(Positions).....	(---)	(---)	(---)

1/ Title VIII, The Head Start Economic Opportunity and Community Partnership Act of 1974, The Native American Program Act of 1974 (P.L. 93-644)

General Statement

The Office of Native American Programs was established in 1974, through the transfer of the Office of Economic Opportunity Indian Division and the HEW Indian Desk into the Office of Human Development, to provide Departmental focus for concern for Indians and Alaskan Natives with primary responsibilities (1) to develop policy, legislative guidance and advice to the Secretary, (2) to administer a grant program to eligible Indian groups and tribes, and (3) to provide liaison with other Federal agencies on Indian affairs. Recently enacted P.L. 93-644, Community Services Act of 1974, authorizes the extension of the Native American Program (NAP) in Title VIII, which is entitled the Native American Program Act of 1974. Grants are based on 80 percent Federal share and 20 percent non-Federal share.

The Native American Program Act addresses the special and complex issues and problems faced by Native Americans as a vulnerable target group in the United States. It also allows the Office of Native American Programs to extend flexible and direct funding to a variety of Native American tribes and other organizations. These include Federally recognized tribes, State reservation tribes, Alaskan regional Corporations or villages, organizations serving Native Hawaiians, urban Indian organizations, coalitions of Indian tribes, and historical Indian communities.

A major goal is to focus resources in such a way as to ensure that Native American governing bodies can respond to the complex demands and increased responsibilities being placed upon them. As more Federal resources are becoming available to native Americans, a need arises to develop the management skills within the native American community to best utilize those resources. Bookkeeping, accounting, budgeting, planning and other business skills are needed in these communities to improve their self government.

Current direct-funded grantees provide services which are available to over one-half of the approximately one million eligible Native Americans in the United States. The grant program in 36 states includes 273 tribes, groups and Alaskan villages, as well as 58 urban organizations.

Objectives for FY 1976

The 1976 objectives of the Native American Program are based on (1) the mandate of P.L. 93-644, (2) the ongoing responsibilities of the Office of Native American Programs from the Office of the Secretary, and (3) the FY 1975 review with the Native American leadership of the concerns of the Native American people.

The objectives are to:

51

1) Promote Native American self-sufficiency by,

   (a) strengthening Native American government and organizational capability;

   (b) providing community program assistance;

2) Improve and develop policy, advocacy and coordination initiatives designed to supplement these self-sufficiency efforts,

3) Improve the quality of services and opportunity for self-sufficiency for Native Hawaiians and Indians in urban areas.

The Office of Native American Programs will continue to support 87 tribal grantees and 58 urban Indian centers. Emphasis will be placed on resource mobilization and the identification of barriers to service delivery.

A 1976 thrust will be to foster responsiveness to Native American needs on the part of Federal, State and local agencies. Several activities will be undertaken to strengthen the administration of resources and coordinate their effective utilization. By these actions the Office of Native American Programs will promote significant advocacy and policy development for Native Americans. This thrust will provide to the public, the agencies and the Native Americans a consistent and supportive approach.

The Act has given the Office of Native American Programs a mandate to serve Native Hawaiians. Upon publication in the Federal Register of the Title VIII rules and regulations, the Office of Native American Programs will initiate the extension of services to eligible Native Hawaiians. This initiative will (1) identify the target population; (2) identify eligible Native Hawaiian organizations; and (3) establish the planning procedures necessary for the Office of Native American Programs to address the needs of this additional service population.

The major emphasis of the training and technical assistance activity will be to provide assistance in planning, management, and other organization skills to the Native Americans governing entities. This will strengthen Native American self-governing capability. Assistance will also be provided Office of Native American Programs grantees in complying with program and administration standards. This will assure effective utilization of grant funds.

In FY 1976 the Office of Native American Programs will continue to focus training and technical assistance resources to complement and increase the effectiveness of its flexible and direct funding to Native American grantees. In this fiscal year, the approach will be to identify the underlying common themes confronting the Native American governing and administering entities, and then to provide assistance through common capacity building approaches. The approach must take into consideration the great range of differences among the Native American governing organizations.

The Office of Native American Programs will build upon the research activities initiated in FY 1975 and will develop an evaluation program. The main evaluation thrust will be two-fold. The Office of Native American Programs will engage in a self-evaluation effort and will undertake the evaluation of grantees. Evaluation instruments, tools and techniques in program planning and budgeting will be designed, both for Native American Program evaluation or program outlays and for grantee use locally to plan for their own resource allocation.

52 Accomplishments in FY 1975

Reservation Programs - In FY 1975 87 tribal grantees were funded on 154 reservations. These grantees represented 273 tribal groups and a service population of approximately 445,000. Most of these funds were used by tribal governing entities to plan and administer programs for direct service delivery to their community residents and to attract additional resources from local, State and Federal funding agencies.

Urban Programs - The 1975 budget of $4,200,000 provided for 58 urban Indian centers, including 19 which were established in FY 1974, and six in FY 1975, designed to provide coverage to a service population of approximately 140,000 off-reservation Native Americans. These grants ranged from $30,000 to $200,000 with the average being $80,000. The purpose for this type of financial assistance to governing boards of Indian organizations is to administer the development of outreach and linkage systems with local, State and Federal resource and service providers in large metropolitan areas.

Training and Technical Assistance - In FY 1975 general training and technical assistance resources were refocused to address specific planning and management needs of Native American grantees. All urban and reservation grantees received training in financial management and Federal compliance requirements. Grantees also had access to special technical assistance to develop their administrative structures and systems needed to plan for and take advantage of the increasing opportunities and the concomitant new responsibilities.

Training and technical assistance funds also provided ten tribes with a new type of training: concerted management and systems development training to strengthen their tribal governments. Training in the area of financial management, reporting requirements, evaluation standards, and management-by-objectives was also provided.

Research and Evaluation - In FY 1975 the Office of Native American Programs began to address the research and evaluation needs of Native Americans in a comprehensive and systematic manner. This process and a needs analysis of Native American entities striving for economic and social self-sufficiency resulted in the Office of Native American Programs undertaking the following specific initiatives in: (1) data collection on DHEW program budget data on Native Americans; (2) cost-benefit analysis at the local tribal level; (3) urban Indian centers systems of linkages and service delivery; (4) special census study for the target population; (5) the design for retrieval of data on programmatic outputs; and (6) the development of a DHEW information system for Native Americans. In 1975 the Office of Native American Programs developed the evaluation standards mandated in P.L. 93-644 to be part of the regulations governing the funding of the Office of Native American Programs grants.

7. Salaries and Expenses **53**

	1975 Estimate Amount (Positions)	1976 Amount (Positions)	Increase or Decrease Amount (Positions)
Personnel Compensation and benefits	$21,587,000	$22,904,000	$+1,317,000
Other expenses	7,147,000	9,036,000	+1,889,000
Total obligations	28,734,000	31,940,000	+3,206,000
(Positions)	(1,012)	(1,020)	(+8)

General Statement

The Office of Human Development administers special programs for children, youth, the aged, the handicapped, and native Americans. These programs are administered by the Office of Child Development, Office of Youth Development, Administration on Aging, Rehabilitation Services Administration, and the Office of Native American Programs. In addition, a number of special programs and offices are also administered by OHD--The Office of Rural Development, the President's Committee on Mental Retardation, the Office for Handicapped Individuals, the Architectural and Transportation Barriers Compliance Board, and the Offices of Manpower, Veterans and Volunteer programs.

Since June of 1973, the Office of Human Development has been actively engaged in meeting a complex and difficult management challenge. First, the Office of Human Development has had to sustain the ongoing operations of programs that were reassigned. Second, it has had to develop the management and organizational capacity to function as a responsive advocate and administrator of human development programs; and third, it has had to develop plans for short and long-range program initiatives and new legislative requirements in the area of youth, children, the aged and the handicapped.

The Office of Human Development also provides executive direction and policy guidance; develops program standards, guidelines and regulations, interprets regulations, procedures and policies; and provides technical assistance to grantees--local, State and non-profit organizations--who are involved in the planning and delivery of human development programs and services. The Office of Administration and Management within the Immediate Office of the Assistant Secretary for Human Development administers the salaries and expenses account and provides the administrative services necessary to sustain the major programs and offices above including the provision of sound budget and fiscal management practices to insure that Federal funds are spent in an expedient and prudent manner to benefit all of our most vunerable population--children, youth, the aged and the handicapped.

Objectives for FY 1976

The 1976 request for $31,940,000 to support 1,020 positions, excludes positions and funds for Rehabilitation Services Administration personnel transferred from the Social and Rehabilitation Service, and includes 50 positions for CETA transferred from the Department of Labor during fiscal year 1975. The request, however, excludes 12 positions and $558,000 transferred to the Assistant Secretary for Health on October 1, 1974. It adds eight positions to assist in planning and coordinating programs for the Aging (2), Child Development (2), and (4) in the Office of Planning and Evaluation.

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The Office of Human Development will continue efforts to improve and strengthen its management and administrative structure through selection and training of staff to assure management and administrative competence at both the Headquarters and Regional office levels, and to insure quality and integrity of services delivery. High on our list of management and organizational priorities is the provision of services responsive to local grantee needs.

Accomplishments in FY 1975

On December 7, 1974 the President signed P.L. 93-516, the 1974 amendments to the Rehabilitation Act of 1973. OHD under the mandate of this Act established the Offices for Handicapped Individuals and the Architectural and Transportation Barriers Compliance Board. At the same time, OHD began implementing the transfer of the Rehabilitation Services Administration from the Social and Rehabilitation Service. This transfer was completed in the time allowed by the Act. During FY 1975, OHD also implemented the Juvenile Justice and Delinquency Prevention Act of 1974, signed by the President on September 7, 1974. It established the Runaway Youth program under Title III of the Act. Juvenile Delinquency Prevention Functions were transferred to the Department of Justice. The Child Abuse Prevention and Treatment Act was implemented. Other laws extended OHD programs, such as the Aging Nutrition Act, the Community Services Act for Head Start and Native American Programs. Beside assimilating programs transferred from other agencies within the Department and implementing Congressional mandates, OHD assumed responsibility for Title III of the Comprehensive Employment and Training Act of 1973. There was also established within the Immediate Office of the Assistant Secretary for Human Development, nationwide coordination for veterans and volunteer programs.

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OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purpose and Accomplishments

Activity: Child development (Title V, Community Services Act; Social Security Act; and the Child Abuse Prevention and Treatment Act)

1975 Estimate		1976		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$444,714,000 2/	1/		$468,928,000

Purpose: Major activities are focused on meeting the developmental needs of preschool-age children from low income families and on improving services to particular populations of vulnerable children, such as the abused and neglected, children in foster care and children in need of adoptive homes. Research and Demonstration activities are also conducted. They are designed to improve the quality of children's programs, and to measure their impact on the children and families served. The three major child development programs are Head Start, Child Welfare Research and Demonstration, and the Child Abuse Prevention and Treatment Program.

Explanation: Head Start grants are made to public and private non-profit community agencies which qualify for federal assistance. Grants are based on an 80% federal share and a 20% non-federal share. Research and development grants are made to public and private non-profit agencies engaged in research or child welfare activities. The grantee is required to provide at least 5% of the total cost of each grant. The Child Abuse Program funds demonstration and research into causes of child abuse and methods to prevent or treat it. Other activities include training and technical assistance and grants to States.

Accomplishments in FY 1975: During FY 1975 emphases continued to be focused on the three year improvement and innovation effort to convert Head Start into a more flexible system for delivering services that are both cost/effective and responsive to the real needs of children. Approximately 350,000 children were served in 1,000 communities across the Nation. Research and demonstration efforts focused on questions concerning the most effective ways of delivering child development, child welfare, and family oriented services. During FY 1975, the Child Abuse Prevention and Treatment Program was implemented. Twelve demonstration centers were funded to provide comprehensive services to abused children and their families. Eleven resource projects were initiated to offer technical assistance to professionals and agencies involved in combatting child abuse and neglect. A clearinghouse on child abuse information, research projects and grants to States were also funded.

Objectives for FY 1976: The budget request of $434,300,000 for Head Start includes an increase of $20,000,000 to provide special services to handicapped children in Head Start. These funds will cover some of the additional costs of serving handicapped children such as provision of diagnostic services; purchase of special equipment and materials; additional staff, including special education teachers and teacher aides; training; and modification of physical facilities. The $15,700,000 requested for Research and Demonstration will permit continued emphasis on the priority areas of special concern including day care, child development and family life, and children with special needs. The $18,928,000 requested for the Child Abuse Prevention and

1/ Head Start, and Research and Demonstration, amount indefinite; Child Abuse $25,000,000.

2/ Under the continuing resolution, $22,200,000 of this total is not available for obligation.

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Treatment Program will be used to refund activities initiated in FY 1975, including 12 demonstration centers, 11 resource projects, 15 research projects, 10 innovative demonstration programs, and to provide grants to States under Section 4(b)(1) of the Child Abuse Act.

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OFFICE OF HUMAN DEVELOPMENT 57

Human Development

Program Purpose and Accomplishments

Activity: Youth development (Juvenile Justice and Delinquency Prevention Act of 1974, Title III and Title IV)

1975 Estimate		1976		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$10,000,000	$10,000,000	---	$5,000,000

Purpose: The programs funded by the Office of Youth Development to assist runaways are designed to create safe and secure environments conducive to addressing the crisis situations which precipitated the act of running away. The services provided are designed to alleviate the immediate problems of running away, to reunite youth with their families by encouraging the resolution of intra-family problems through counseling and other services, and to help youth develop the ability to resolve their crisis situations and to decide upon a future course of action.

Explanation: Grants or contracts are awarded to localities or private non-profit agencies to provide temporary shelter care and specialized services essential to meeting the immediate emotional, psychological, physical and social needs of youth who run away. All runaway houses are located in areas frequented by runaways or easily accessible to them. The projects operate apart from the law enforcement and juvenile justice systems. Along with grants for shelter care, technical assistance is furnished to assist in the development and implementation of runaway facilities and services.

Accomplishments in FY 1975: In 1975, about 45 grants will be awarded to localities and non-profit agencies to establish or strengthen existing or proposed runaway houses, and to locally-controlled facilities providing temporary shelter care and counseling services to those runaway youth at the shelter facility. Technical assistance will be provided to runaway houses to enable them to develop linkages with appropriate youth-serving agencies and organizations in the community. A statistical survey will be conducted, as mandated in the Act, to define the major characteristics of the runaway youth population and to determine the areas of the Nation most affected.

In 1975, 40 project grants were awarded to phase-out youth service systems authorized by the Juvenile Delinquency Prevention Act, which expires June 30, 1975. Technical assistance, training, and information services necessary for the phasing-out of the program were also provided.

Objectives for FY 1976: In 1976, $4,400,000 of the $5,000,000 requested will be awarded to localities and non-profit agencies to establish or strengthen existing or proposed runaway houses. About 45 of the approximately 50 grants to be awarded will be for continuations of those projects initiated in 1975. Telephone hotlines which have proven to be a valuable referral resource for runaways will also continue to be funded. Technical assistance will be provided to runaway houses to assist them to develop linkages with appropriate youth-serving agencies and organizations in the community.

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OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purpose and Accomplishments

Activity: Special Programs for the Aging (The Older Americans Act of 1965)

1975 Estimate			1976 Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$245,500,000	1/	---	$203,100,000

Purpose: The purpose of Special Programs for the Aging is to strengthen and develop at the sub-State level a system of coordinated and comprehensive services for older persons enabling them to secure and maintain maximum independence and dignity in a home environment for older persons capable of self care with appropriate supportive services and to remove individual and social barriers to economic and personal independence.

Explanation: Federal resources are available through formula grants to support: the preparation and administration of annual State plans on aging by staffing and operation of State Agencies on Aging; the preparation and administration of annual area plans on aging by designated area agencies, including the development of coordinated and comprehensive social services delivery systems; and provision of social services including the operation of nutrition programs. Discretionary funds are available for developing, and operating Research and Demonstration and Model Projects. Direct support funds for the Federal Council on Aging activities are provided.

Accomplishments in FY 1975: Substantial progress and improvement in the Federal, State and sub-State Aging structure and programs have been made in FY 1975. The 56 State and territorial agencies have been strengthened and provided increased person power support. 412 Area Agencies have been established. 665 Nutrition projects with over 4,000 congregate serving sites are providing over 200,000 meals per day five days per week, with 13% being delivered to homebound older persons. Model projects are being developed to meet the needs of older Americans. Research and Demonstration projects are developing a reliable knowledge base for Older Americans Programs.

Objectives for FY 1976: In FY 1976 the major objective is to continue to assess and improve the Federal, State and sub-State Aging structure and programs by improving the capabilities and effectiveness of the State Agencies; improving the capabilities and capacity of the 412 Area Agencies on Aging and the 665 Nutrition Projects; continuing to serve approximately 200,000 meals per day 5 days a week; providing model projects for special needs and service gaps; continuing to develop a reliable knowledge base for Older Americans Programs through Research and Demonstration; and, providing support for the Federal Council on Aging activities.

1/ **Authorization for Titles II, III and IV expired. Authorization for Title VII is $200,000,000.**

OFFICE OF HUMAN DEVELOPMENT

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Human Development

Program Purpose and Accomplishments

Activity: Rehabilitation services and facilities: (Rehabilitation Act Amendments of 1974)

1975 Estimate		1976		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$758,820,000	$816,100,000	---	$735,600,000

Purpose: The prime purpose of the State-Federal vocational rehabilitation program is to provide such services to physically and mentally handicapped persons as required to make them employable. A comprehensive range of services is provided persons handicapped by conditions that present substantial deterrents to employment. A key step in the rehabilitation process is the evaluation of an individual's handicap and, upon the finding that vocational rehabilitation is feasible, the joint counselor-client development of an individualized written rehabilitation program within the capabilities of the individual concerned. Any realistic vocational goal may be selected, including competitive employment, homemaking and sheltered employment. A wide range of services may be provided to clients, including counseling and guidance, physical and mental restoration, training, placement, vocational evaluation, work adjustment, and provision of prosthetic applicances.

Explanation: Federal allotments from the Basic Support Program, Section 110, are allocated among the States based upon a formula based on population and per capita income with a minimum of $2,000,000 to each State. Grants are made to States on a Federal-State matching rate of 80% - 20% up to State allotment. Innovation and expansion grants are now a formula grant program under section 120. Rehabilitation service projects are made to State vocational rehabilitation agencies and private non-profit organization. Research project grants are funded to generate new knowledge in rehabilitation services. Training grants are provided to increase personnel qualified to serve handicapped individuals.

Accomplishments in FY 1975: An estimated 1,860,000 persons will be served and 363,000 vocationally rehabilitated. Of the total rehabilitated, approximately 72,000 will have been public assistance recipients for at least part of the time while undergoing rehabilitation and 133,000 severely disabled. The formula grant program has been revised to the mandates of the Rehabilitation Act Amendments of 1974.

Objectives for 1976: The estimate for 1976 is to continue efforts to rehabilitate and serve an increased number of severely disabled. The goal is to serve 1,660,000 handicapped individuals. An estimated 332,000 individuals will be rehabilitated into gainful employment, of which 128,000 will be severely handicapped. Within the total number rehabilitated and exclusive of the target groups mentioned, it is estimated that 96,000 will be mentally ill, 43,000 mentally retarded, 49,506 with sight and/or hearing disabilities, and 10,000 with heart, cancer, or stroke disabilities.

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OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purpose and Accomplishments

Activity: Grants for Developmental Disabilities 1/

1975 Estimate		1976		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$53,625,000	1/	---	$53,625,000

Purpose: Funds are used to support programs designed to assist in providing services needed in the care and treatment of the developmentally disabled including the mentally retarded, the cerbral palsied and the epileptic.

Explanation: Funds are used to support: (1) formula grant program to States for administration, planning, services and construction for developmentally disabled persons; (2) grants for administering and operating demonstration facilities that render services to persons with developmental disabilities; (3) grants to public and non-profit agencies and organizations for hospital improvement of State mental retardation facilities and for habilitation of the mentally retarded with special problems; and (4) projects of national significance which will meet needs of the developmentally disabled.

Accomplishments in FY 1975: Fifty-four (54) States had developed State plans enabling them to use their allotments to provide services and facilities to the developmentally disabled. Services for approximately 170,000 persons were supported on a full or partial basis.

Objectives for 1976: Formula-grants to States will provide services to approximately 48,000 developmentally disabled persons. Project grants will assist in supporting programs for some 122,000 individuals. Core support will be continued in 33 university-affiliated programs.

1/ Legislation expired June 30, 1974; new legislation is being proposed. Special projects for the severely disabled will continue to be funded under Section 304 of the Rehabilitation Act.

OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purpose and Accomplishments

Activity: Special Programs for Native Americans (The Native American Programs Act of 1974, P.L. 93-644)

1975 Estimate			1976		
				Budget Estimate	
Pos.	Amount		Authorization	Pos.	Amount
---	$32,000,000	1/	Indefinite	---	$32,000,000

Purpose: The Native American Program, NAP, develops innovative approaches for dealing with the special needs of American Indians, Native Hawaiians, and Alaskan Natives and provides technical and financial assistance to enable them to move toward economic self-suficiency. The purposes of NAP include: (1) strenghtening of tribal governments to enable them to effectively manage and utilize available resources; (2) support of a range of services to meet individual and family needs; (3) support for establishment and operation of urban centers serving Indian people living off reservations; and (4) funding to encourage self-help and community economic development efforts.

Explanation: Assistance under the Native American Program is provided through grants or contracts to tribal organizations or other public or private non-profit agencies. The amount of basic grants to reservations is based on the number of residents.

Accomplishments in 1975: During FY 1975 financial assistance was provided to 87 tribal grantees on 154 reservations and 58 urban Indian centers. The 58 urban centers included six new projects begun in 1975. Training and technical assistance was also provided to address the specific planning and management needs of Native American grantees.

Objectives for 1976: The amount of $32,000,000 will permit the Native American program to refund 87 tribal grantees and 58 urban Indian centers. The NAP training and technical assistance activity will provide planning, management and other organizational skills to Native American governing entities to strengthen their self government capability.

1/ Under the continuing resolution, $1,100,000 of this amount is not available for obligation.

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OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purpose and Accomplishments

Activity: Salaries and Expenses

1975 Estimate		1976		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
1,012	$28,134,000	Indefinite	1,020	$31,340,000

Purpose: To provide funds and staff for the administration of the Office of Human Development programs. These programs through grant and contract activities provide basic support to special population groups.

Explanation: Funds included in this activity provide for the salaries of Federal employees and related costs for travel, communications, supplies, equipment, etc. These funds also support administrative services and management contracts.

Accomplishments in 1975: Some examples of the accomplishments made by the staff funded by this activity include: During 1975 the Office of Human Development in its various offices implemented new legislation for the Office of Youth Development, the Juvenile Justice and Delinquency Prevention Act of 1974 (Titles III and IV), the Office of Native American Programs, the Native American Act of 1974 (Title VIII of the Community Services Act of 1974), the Office of Child Development, the Head Start follow thru Act of 1974 (Title V of the Community Services Act of 1974), and the Child Abuse Prevention and Treatment Act, and the 1974 Amendment to the Rehabilitation Act of 1973, transferring the Rehabilitation Services Administration from the Social and Rehabilitation Services to the Office of Human Development.

Objectives for 1976: The Office of Human Development will continue in 1976 to provide national leadership and planning coordination of programs to promote the Human Development of vulnerable populations. The Office of Human Development will continue its major emphasis of improving and strengthening its management and its administrative structure to insure effective planning and coordination and to assure that Federal funds are spent in the most prudent manner.

Allocations to States' Programs for the Aging
State Agency Activities, by State
FY 1974 - 1976

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	1974 Actual	1975 Estimate	1976 Request
Total, 56 "States"	$12,000,000	$15,000,000	$15,000,000
Alabama	160,000	208,203	208,203
Alaska	143,000	160,000	160,000
Arizona	160,000	160,000	160,000
Arkansas	140,000	160,000	160,000
California	488,005	1,123,879	1,123,879
Colorado	160,000	160,000	160,000
Connecticut	163,000	180,304	180,304
Delaware	200,000	160,000	160,000
District of Columbia	160,000	160,000	160,000
Florida	438,487	628,773	628,773
Georgia	167,450	239,433	239,433
Hawaii	125,000	160,000	160,000
Idaho	160,000	160,000	160,000
Illinois	468,260	667,498	667,498
Indiana	210,611	299,812	299,812
Iowa	257,200	201,957	201,957
Kansas	160,000	160,000	160,000
Kentucky	160,000	205,704	205,704
Louisiana	194,000	195,711	195,711
Maine	199,495	160,000	160,000
Maryland	180,000	195,711	195,711
Massachusetts	264,343	377,680	377,680
Michigan	327,940	466,374	466,374
Minnesota	169,211	240,682	240,682
Mississippi	160,000	160,000	160,000
Missouri	233,425	333,125	333,125
Montana	167,500	160,000	160,000
Nebraska	79,792	160,000	160,000
Nevada	160,000	160,000	160,000
New Hampshire	160,000	160,000	160,000
New Jersey	360,599	439,308	439,308
New Mexico	160,000	160,000	160,000
New York	930,600	1,190,087	1,190,087
North Carolina	191,065	272,746	272,746
North Dakota	160,000	160,000	160,000
Ohio	426,860	607,536	607,536
Oklahoma	90,000	183,219	183,219
Oregon	125,000	160,000	160,000
Pennsylvania	550,267	784,508	784,508
Rhode Island	160,000	160,000	160,000
South Carolina	160,000	160,000	160,000
South Dakota	160,000	160,000	160,000
Tennessee	213,656	244,014	244,014
Texas	479,917	632,937	632,937
Utah	180,000	160,000	160,000
Vermont	160,000	160,000	160,000
Virginia	216,569	237,768	237,768
Washington	180,000	199,042	199,042
West Virginia	160,000	160,000	160,000
Wisconsin	199,248	283,989	283,989
Wyoming	160,000	160,000	160,000
American Samoa	25,000	50,000	50,000
Guam	50,000	50,000	50,000
Puerto Rico	184,500	160,000	160,000
Trust Territory	50,000	50,000	50,000
Virgin Islands	50,000	50,000	50,000

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Allocations to States
Programs for the Aging
Area Planning and Social Services,
FY 1974 - FY 1975

	1974 Actual	1975 Estimate	1976 Request
Total, 56 "States"	67,956,525	83,000,000	$76,000,000
Alabama	1,162,038	1,285,734	1,162,038
Alaska	362,834	415,000	380,000
Arizona	778,818	778,818	778,818
Arkansas	917,313	917,313	917,313
California	4,780,795	6,940,390	6,181,935
Colorado	805,127	805,127	805,127
Connecticut	1,053,327	1,113,445	1,053,327
Delaware	450,201	450,201	450,201
District of Columbia	509,272	509,272	509,272
Florida	2,811,079	3,882,915	3,458,585
Georgia	1,283,656	1,478,594	1,317,011
Hawaii	465,093	465,093	465,093
Idaho	512,747	512,747	512,747
Illinois	2,978,862	4,122,062	3,671,598
Indiana	1,526,892	1,851,456	1,649,127
Iowa	1,139,204	1,247,161	1,139,204
Kansas	958,018	964,300	958,018
Kentucky	1,154,096	1,270,305	1,154,096
Louisiana	1,112,895	1,208,589	1,112,895
Maine	611,531	611,531	611,531
Maryland	1,112,895	1,208,589	1,112,895
Massachusetts	1,829,696	2,332,321	2,077,442
Michigan	2,188,097	2,880,043	2,565,309
Minnesota	1,293,584	1,486,308	1,323,882
Mississippi	887,529	887,529	887,529
Missouri	1,655,460	2,057,174	1,832,363
Montana	507,783	507,783	507,783
Nebraska	759,458	759,458	759,458
Nevada	433,820	433,820	433,820
New Hampshire	529,128	529,128	529,128
New Jersey	2,077,896	2,712,898	2,416,429
New Mexico	530,618	530,618	530,618
New York	5,043,391	7,350,491	6,548,146
North Carolina	1,416,692	1,684,311	1,500,247
North Dakota	501,330	501,330	501,330
Ohio	2,745,554	3,751,771	3,341,773
Oklahoma	1,061,766	1,131,445	1,061,766
Oregon	900,436	900,436	900,436
Pennsylvania	3,441,011	4,844,644	4,315,215
Rhode Island	589,689	589,689	589,689
South Carolina	844,839	844,839	844,839
South Dakota	527,639	527,639	527,639
Tennessee	1,300,038	1,506,879	1,342,206
Texas	2,847,316	3,908,630	3,481,490
Utah	537,071	537,071	537,071
Vermont	451,690	451,690	451,690
Virginia	1,278,692	1,468,308	1,307,849
Washington	1,130,765	1,229,161	1,130,765
West Virginia	815,055	815,055	815,055
Wissonsin	1,462,857	1,753,741	1,562,090
Wyoming	413,964	415,000	413,964
American Samoa	130,000	207,500	190,000
Guam	174,964	207,500	190,000
Puerto Rico	802,148	802,148	802,148
Trust Territory	181,417	207,500	190,000
Virgin Islands	178,439	207,500	190,000

Allocations to States
Programs for the Aging
Nutrition Programs, by State
FY 1974 - 1976

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	1974 Actual	1975 Estimate	1976 Request
Total, 56 "States"	$99,600,000	$125,000,000	$99,600,000
Alabama	1,565,052	1,965,479	1,566,202
Alaska	493,000	618,750	493,000
Arizona	835,738	1,049,566	836,330
Arkansas	1,098,667	1,383,697	1,102,476
California	8,454,413	10,609,656	8,453,520
Colorado	885,819	1,108,530	883,244
Connecticut	1,358,465	1,702,105	1,355,992
Delaware	493,000	618,750	493,000
District of Columbia	1,493,000	1,868,750	1,493,000
Florida	4,704,547	5,935,747	4,729,280
Georgia	1,796,680	2,260,301	1,801,673
Hawaii	493,000	618,750	493,000
Idaho	493,000	618,750	493,000
Illinois	5,023,818	6,301,326	5,019,785
Indiana	2,259,935	2,830,290	2,254,573
Iowa	1,521,231	1,906,515	1,518,386
Kansas	1,176,919	1,474,110	1,174,651
Kentucky	1,549,402	1,941,893	1,547,256
Louisiana	1,471,149	1,847,550	1,472,374
Maine	516,467	648,608	516,955
Maryland	1,471,149	1,847,550	1,472,374
Massachusetts	2,835,875	3,565,379	2,840,996
Michigan	3,518,237	4,402,673	3,507,715
Minnesota	1,815,461	2,272,093	1,810,695
Mississippi	1,042,325	1,309,009	1,042,932
Missouri	2,504,084	3,144,766	2,505,382
Montana	493,000	618,750	493,000
Nebraska	798,177	1,006,326	801,145
Nevada	493,000	618,750	493,000
New Hampshire	493,000	618,750	493,000
New Jersey	3,308,520	4,147,161	3,303,820
New Mexico	493,000	618,750	493,000
New York	8,955,229	11,234,678	8,952,431
North Carolina	2,050,219	2,574,778	2,051,580
North Dakota	493,000	618,750	493,000
Ohio	4,579,342	5,735,269	4,569,592
Oklahoma	1,374,116	1,729,622	1,377,644
Oregon	1,067,365	1,336,526	1,065,486
Pennsylvania	5,903,377	7,405,925	5,901,225
Rhode Island	493,000	618,750	493,000
South Carolina	960,942	1,210,735	965,343
South Dakota	493,000	618,750	493,000
Tennessee	1,827,981	2,303,541	1,835,054
Texas	4,773,409	5,975,056	4,760,857
Utah	493,000	618,750	493,000
Vermont	493,000	618,750	493,000
Virginia	1,787,289	2,244,578	1,788,141
Washington	1,505,580	1,878,998	1,496,733
West Virginia	904,600	1,136,047	905,799
Wisconsin	2,137,862	2,680,913	2,135,484
Wyoming	493,000	618,750	493,000
American Samoa	246,500	309,375	246,500
Guam	246,500	309,375	246,500
Puerto Rico	879,559	1,124,254	895,875
Trust Territory	246,500	309,375	246,500
Virgin Islands	246,500	309,375	246,500

FEDERAL GRANTS AND STATE FUNDS AVAILABLE FOR BASIC SUPPORT PROGRAM UNDER SECTION 110 OF THE REHABILITATION ACT OF 1973 AS AMENDED

State or Territory	FY 1974 Actual		FY 1975 Estimate		FY 1976 Estimate	
	Federal Grants	State Funds Required	Reallotment	State Funds Required	Allotment	State Funds Required
Totals	$650,000,000[1]	$166,892,026	$680,000,000[2/3]	$174,259,675	$680,000,000[4]	$175,612,595
Alabama	16,898,449	5,571,000	17,656,075	5,571,000	16,551,889	5,571,000
Alaska	2,000,000	616,963	2,016,129	616,963	2,000,000	616,963
Arizona	6,788,455	1,697,114	7,382,064	1,845,516	7,358,150	1,839,537
Arkansas	10,539,749	3,110,398	10,255,251	3,110,398	9,727,093	3,110,398
California	45,581,966	11,395,492	47,548,636	11,887,159	50,054,746	12,513,687
Colorado	7,441,789	1,860,447	7,644,806	1,911,201	7,498,237	1,874,559
Connecticut	5,464,351	1,366,088	5,767,236	1,441,809	6,112,737	1,528,184
Delaware	1,605,820	401,455	2,023,032	505,758	2,000,000	500,000
District of Columbia	5,034,982	2,003,007	5,203,012	2,003,007	4,921,133	2,003,007
Florida	24,448,856	6,112,214	25,406,736	6,351,684	25,779,198	6,444,800
Georgia	18,953,904	4,889,698	19,388,248	4,889,698	18,928,306	4,889,698
Hawaii	2,000,000	546,497	2,043,089	546,497	2,000,000	546,497
Idaho	3,131,897	782,974	3,305,188	826,297	3,247,300	811,825
Illinois	23,901,200	5,975,300	23,452,356	5,863,089	24,794,824	6,198,706
Indiana	8,623,208	2,155,802	11,922,232	2,980,558	17,034,775	4,258,694
Iowa	9,141,000	2,285,250	9,785,496	2,446,374	9,055,212	2,263,803
Kansas	5,239,217	1,309,804	7,122,051	1,780,513	6,718,416	1,679,604
Kentucky	13,891,008	3,472,752	15,239,390	3,809,848	14,682,134	3,670,534
Louisiana	16,633,285	4,158,321	17,438,308	4,359,577	16,863,869	4,215,967
Maine	4,178,264	1,044,566	4,464,000	1,116,000	4,498,284	1,124,571
Maryland	10,154,666	2,603,801	10,558,002	2,639,501	10,121,715	2,603,801
Massachusetts	14,056,676	3,514,169	14,642,744	3,660,686	15,479,758	3,869,939
Michigan	22,985,373	5,746,343	24,170,783	6,042,696	22,830,222	5,707,556
Minnesota	12,953,890	3,300,996	12,733,694	3,300,996	12,344,473	3,300,996
Mississippi	12,203,228	3,050,807	12,744,861	3,186,215	11,979,049	2,994,762
Missouri	14,871,900	3,717,975	16,457,833	4,114,458	15,788,966	3,947,242
Montana	2,743,090	685,773	2,862,607	715,652	2,669,683	667,421
Nebraska	4,726,240	1,181,560	5,093,649	1,273,412	4,728,927	1,182,232
Nevada	2,329,748	582,437	2,027,029	573,133	2,000,000	573,133
New Hampshire	2,668,560	667,140	2,868,625	717,156	2,749,017	687,254

State or Territory	FY 1974 Actual		FY 1975 Estimate		FY 1976 Estimate	
	Federal Grants	State Funds Required	Reallotment	State Funds Required	Allotment	State Funds Required
New Jersey	$ 14,176,492	$ 3,544,123	$ 16,120,787	$ 4,030,197	$ 15,069,443	$ 3,767,361
New Mexico	4,479,529	1,119,882	5,030,634	1,257,658	5,131,721	1,282,930
New York	34,966,560	8,741,640	35,876,893	8,969,223	38,983,718	9,745,929
North Carolina	21,852,977	5,463,244	22,899,025	5,724,756	21,722,730	5,430,682
North Dakota	3,046,552	761,638	2,786,495	750,318	2,041,040	750,318
Ohio	32,135,467	8,033,867	31,814,260	7,953,565	32,044,059	8,011,015
Oklahoma	11,061,051	2,765,263	11,063,236	2,765,809	10,820,570	2,705,143
Oregon	7,208,324	1,802,081	7,605,473	1,901,368	7,498,955	1,874,739
Pennsylvania	35,442,640	8,860,660	37,006,487	9,251,622	36,114,779	9,028,695
Rhode Island	2,751,226	687,807	3,040,701	760,175	2,934,108	733,527
South Carolina	13,698,918	3,770,131	13,300,089	3,770,131	12,819,038	3,770,131
South Dakota	2,861,754	715,439	2,991,388	747,847	2,712,776	678,194
Tennessee	13,456,000	3,364,000	17,423,132	4,355,783	17,668,453	4,417,113
Texas	43,945,078	10,986,270	44,211,879	11,052,970	44,151,580	11,037,895
Utah	4,913,387	1,228,347	5,018,022	1,254,506	4,975,409	1,243,852
Vermont	2,000,535	500,134	2,000,000	500,000	2,000,000	500,000
Virginia	15,842,232	4,134,205	17,267,438	4,316,860	15,993,093	4,134,205
Washington	9,787,308	2,446,827	10,195,793	2,548,948	10,219,967	2,554,992
West Virginia	8,914,988	3,086,843	8,453,842	3,086,843	7,929,800	3,086,843
Wisconsin	15,121,479	3,780,370	15,837,863	3,959,466	15,407,415	3,851,854
Wyoming	2,000,000	500,000	2,000,000	500,000	2,000,000	500,000
American Samoa			204,561	51,140	204,196	51,049
Guam	508,212	133,482	508,212	133,482	633,009	158,252
Puerto Rico	17,889,768	4,472,442	17,047,184	4,261,796	19,255,721	4,813,930
Trust Territory	320,104	80,026	644,796	161,199	653,429	163,357
Virgin Islands	428,648	107,162	428,648	107,162	496,878	124,219

NOTE: State Funds are adjusted for the Maintenance of Effort with the exception of the Transition Period which is 80-20.

1/ Final Grant for FY 1974 Per Program Instruction RSA-PI-74-40 dated 6/28/74.
2/ Grants for FY 1975 Per Program Instruction RSA-PI-75-17 dated 1/2/75.
3/ Bureau of Economic Analysis, Dept. of Commerce Survey of current business dated August 1972, Vol. 52, No. 8 for calendar years 1969, 70 and 71 National Resident Population: Dept. of Commerce, Bureau of Census published in Series P-25-508 dated November 1973. (PCI)
4/ Bureau of Economic Analysis, Dept. of Commerce Survey of current business dated August 1973, Vol. 52, No. 8 for calendar year 1971-72-73. National Resident Population: Dept. of Commerce, Bureau of Census published in Series P-25-533 dated October 1974. (PCI)

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Allotment to States for the Developmental Disabilities Services and Facilities Construction Act of 1970 (P.L. 91-517)

State or Territory	Actual Allotment FY 1974	Estimated Allotment FY 1975	Estimated Allotment FY 1976
Total	$28,960,000[1/3]	$28,250,000[1/3]	$28,237,500[2/3]
Alabama	641,472	623,293	636,098
Alaska	100,000	100,000	100,000
Arizona	246,235	272,572	247,396
Arkansas	358,926	359,526	362,850
California	2,171,454	2,257,596	2,098,088
Colorado	283,062	304,386	276,015
Connecticut	345,905	324,782	332,582
Delaware	100,000	100,000	100,000
Dist. of Col.	100,000	100,000	100,000
Florida	969,508	1,021,900	963,705
Georgia	713,464	707,492	697,919
Hawaii	100,000	100,000	100,000
Idaho	112,978	116,638	111,680
Illinois	1,296,855	1,249,259	1,251,151
Indiana	736,324	697,011	703,956
Iowa	424,866	397,949	411,284
Kansas	299,210	292,696	294,740
Kentucky	602,952	558,534	592,806
Louisiana	605,562	612,028	601,554
Maine	178,230	163,752	170,120
Maryland	470,757	468,494	449,237
Massachusetts	717,164	678,421	685,175
Michigan	1,173,207	1,091,763	1,122,478
Minnesota	542,290	511,988	514,915
Mississippi	440,326	443,603	445,967
Missouri	676,952	645,900	651,888
Montana	106,353	104,636	102,458
Nebraska	223,404	206,589	213,691
Nevada	100,000	100,000	100,000
New Hampshire	108,877	108,754	106,901
New Jersey	824,234	805,009	795,849
New Mexico	160,762	172,570	160,366
New York	2,119,770	1,974,746	2,054,769
North Carolina	875,460	836,057	860,912
North Dakota	111,974	103,425	110,227
Ohio	1,409,145	1,353,363	1,365,011
Oklahoma	410,037	401,949	399,573
Oregon	290,893	293,810	284,316
Pennsylvania	1,676,518	1,553,737	1,620,987
Rhode Island	129,958	124,420	124,313

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State or Territory	Actual Allotment FY 1974	Estimated Allotment FY 1975	Estimated Allotment FY 1976
South Carolina	$ 462,382	$ 465,845	$ 465,000
South Dakota	117,653	109,273	113,301
Tennessee	678,845	672,527	676,930
Texas	1,609,747	1,634,358	1,561,961
Utah	162,942	173,490	159,555
Vermont	100,000	100,000	100,000
Virginia	684,380	665,108	667,428
Washington	408,948	416,786	393,592
West Virginia	360,877	320,742	365,840
Wisconsin	667,286	625,681	640,709
Wyoming	100,000	100,000	100,000
American Samoa	3,643	5,130	3,913
Guam	11,588	16,002	12,297
Puerto Rico	613,364	576,651	632,604
Trust Territory	13,653	16,659	12,521
Virgin Islands	9,608	13,100	10,872

1/ Source Data: National Population Bureau Census Series P-25-508 dated 11/73. Disability Beneficiary Population SSA Baltimore dated 12/73.

2/ Source Data: National Population Bureau Census Series P-25 No. 544 dated 10/74. Disability Beneficiary Population SSA Baltimore dated 12/73.

3/ 1% for Program Evaluation and 9% for items of national significance has been excluded.

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New Positions Requested

	1976		
Child development	Grade	Number	Annual Salary
Program analyst.....	GS-13	1	$21,816
Program analyst.....	GS-12	1	18,463
Programs for the Aging			
Program analyst.....	GS-13	1	21,816
Program analyst.....	GS-12	1	18,463
Salaries and expenses			
Program analyst.....	GS-13	2	43,632
Program analyst.....	GS-12	2	36,926
Total new positions.....		8	161,116

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF HUMAN DEVELOPMENT

71

Human Development

Amounts Available for Obligation

	1976 Estimate	Interim Period
Appropriation.....	$1,529,593,000	$379,278,000
Receipts and reimbursements from: "Trust funds".....	600,000	150,000
Total, obligations.....	1,530,193,000	379,428,000

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Obligations by Activity

	1976 Estimate		Interim Period	
	Pos.	Amount	Pos.	Amount
Child development:				
a. Head Start	---	$434,300,000	---	$108,575,000
b. Research and demonstration	---	15,700,000	---	3,700,000
c. Child abuse, prevention and treatment	---	18,928,000	---	2,000,000
Youth development	---	5,000,000	---	1,200,000
Programs for the aging:				
a. Community services	---	96,000,000	---	24,000,000
b. Nutrition	---	99,600,000	---	24,900,000
c. Research, demonstration, and manpower	---	7,000,000	---	1,750,000
d. Federal Council on Aging	---	500,000	---	125,000
Rehabilitation services and facilities:				
a. Basic State grants	---	680,000,000	---	170,000,000
b. Service projects	---	13,400,000	---	3,350,000
c. Research	---	20,000,000	---	5,000,000
d. Training	---	22,200,000	---	5,550,000
Grants for the developmentally disabled:				
a. State grants	---	30,875,000	---	7,719,000
b. Service projects	---	18,500,000	---	4,625,000
c. University affiliated facilities	---	4,250,000	---	949,000
Special programs for native Americans	---	32,000,000	---	8,000,000
Salaries and expenses	1,020	31,940,000	1,020	7,985,000
Total obligations	1,020	1,530,193,000	1,020	379,428,000

Obligations by Object **73**

	1976 Estimate	Interim Period
Total number of permanent positions	1,020	1,020
Full-time equivalent of all other positions	118	118
Average number of all employees	1,077	1,077
Personnel Compensation:		
Permanent positions	$18,868,000	$ 4,776,000
Positions other than permanent	2,000,000	504,000
Other personnel compensation	200,000	50,000
Special personnel service payments	150,000	38,000
Subtotal, personnel compensation	21,218,000	5,368,000
Personnel benefits	1,686,000	427,000
Travel and transportation of persons	2,021,000	505,000
Transportation of things	14,000	4,000
Rent, communications and utilities	1,890,000	473,000
Printing and reproduction	858,000	200,000
Other services	3,000,000	696,000
Project contracts	29,000,000	7,250,000
Supplies and materials	289,000	72,000
Equipment	164,000	41,000
Grants, subsidies and contributions	1,470,053,000	364,392,000
Total obligations by object	1,530,193,000	379,428,000

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74 Justification

Human Development

	FY 1976 Estimate	Interim Period
1. Child Development	$468,925,000	$114,275,000
2. Youth Development	5,000,000	1,200,000
3. Programs for the Aging	203,100,000	50,775,000
4. Rehabilitation Services and Facilities	735,600,000	183,900,000
5. Grants for the Developmentally Disabled	53,625,000	13,293,000
6. Special Programs for Native Americans	32,000,000	8,000,000
7. Salaries and Expenses	31,940,000	7,985,000
Total Expenses	1,530,193,000	379,428,000

General Statement

An appropriation of $379,428,000 is requested for the period July 1 through September 30, 1976 to continue providing assistance to clients of, and participants in, the programs funded by the Office of Human Development. The requested funds are required to maintain these programs at the FY 1976 level.

1. Child Development

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	1976 Estimate	Interim Period
Head Start	$434,300,000	$108,575,000
Research and Demonstration	15,700,000	3,700,000
Child Abuse	18,928,000	2,000,000
Total	$468,928,000	$114,275,000

An amount of $114,275,000 is requested for refunding Child Development activities in July, August and September of 1976.

The request for Head Start of $108,575,000 will be required to maintain the program level of Head Start projects during the Interim Budget Period. This amount is one-quarter of the FY 1976 estimate. It will allow grantees to maintain their FY 1976 funded level for an additional three months and provide transition to the regular FY 1977 refundings.

The amount of $3,700,000 requested for Child Development Research and Demonstration will be required to refund R&D projects on-going from FY 1975 and FY 1976.

The amount of $2,000,000 will be required to refund Child Abuse Prevention and Treatment activities during the Interim Budget Period. This amount is substantially less than one quarter of the FY 1976 amount, since the majority of activities are funded in months other than July, August or September.

2. Youth Development

	1976 Estimate	Interim Period
Runaway Youth Program	$5,000,000	$1,200,000

The amount of $1,200,000 will be required to maintain the program level of the Runaway Youth Program during the Interim Budget Period. This amount is approximately one-quarter of the FY 1976 estimate. It will allow grantees to maintain their FY 1976 funded level for an additional three months and provide a transition to the regular FY 1977 refundings. Approximately 50 projects providing temporary shelter care and specialized services essential to meet the needs of runaway youth will be continued.

76 3. Special Programs for the Aging

	1976 Estimate	Interim Period
State Agency Activities	$ 15,000,000	3,750,000
Area Planning and Social Services	76,000,000	19,000,000
Model Projects	5,000,000	1,250,000
Nutrition	99,600,000	24,900,000
Research, Demonstrations and Manpower	7,000,000	1,750,000
Federal Council on Aging	500,000	125,000
Total	$203,100,000	50,775,000

General Statement

Special Programs for the Aging will require funding in the amount of $50,900,000 for the period July 1 through September 30, 1976.

The $3,750,000 requested for State Agency Activities will provide for continuation of Title III support of the staffing and operation of designated State Agencies on Aging at an approximate level of 1,200 person quarter-years of effort to provide a leadership role and technical assistance to approximately 412 Area Agencies on Aging and 665 Nutrition Projects and to assess progress under the area plans of area agencies toward the development of coordinated, comprehensive service systems for the older Americans.

The $19,000,000 requested for the Area Planning and Social Services activity will continue to approximate the same level and pattern of support as in FY 1976. Of the 610 State designated planning and service areas, formula grants to States will support about 412 designated Area Agencies on Aging with approved plans and some grant support will be provided to community projects for the areas without approved area plans.

The Model Projects request for $1,250,000 will provide for continuation costs of Model and Title III Evaluation Project Grants due for refunding during this three month interim period.

The Nutrition Program request for $24,900,000 for the interim three month period will continue at the FY 1976 level of serving approximately 200,000 daily low-cost, nutritious meals at least five days a week to the elderly. Efforts will continue to place emphasis on the needs of the low income and minority persons. These meals will be served primarily in congregate settings with supportive social services.

The requested $1,750,000 will provide for continuation costs of Research and Demonstration Projects to be funded during the three month interim period. These projects support research and demonstration which will add to the existing knowledge in a variety of areas critical to the development and improvement of Aging programs.

The Federal Council requests $125,000 to continue to fund regular Council support activities and contractual assistance on studies and analyses necessary for carrying out its responsibilities.

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4. Rehabilitation Services and Facilities

	FY 1976 Estimate	Interim Period
Basic State Grants	$680,000,000	$170,000,000
Service Projects	13,400,000	3,350,000
Research	20,000,000	5,000,000
Training	22,200,000	5,550,000
Total	$735,600,000	$183,900,000

In order to carry out responsibilities under the Rehabilitation Act of 1973, as amended, a request is made for $183,900,000 for the three-month Interim Period necessitated to change the commencement date of the Federal Fiscal Year from July 1 to October 1, effective October 1, 1976. These funds would be utilized to rehabilitate an estimated 85,000 handicapped persons during the Interim Period. As mandated by the law, priority for services will be afforded to those persons with the most severe handicaps. Of the 85,000 rehabilitations anticipated for the period 34,000 are expected to be in the severely handicapped category.

Of the amount requested, $170,000,000 for the Basic Support Program will be allocated among the States by formula; $3,350,000 will be available for Rehabilitation Service Projects; $5,000,000 for Research activities; and $5,550,000 for training activities geared primarily at development of skills most needed to serve severely handicapped persons.

5. Grants for the Developmentally Disabled

	FY 1976 Estimate	Interim Period
State Grants	$30,875,000	$ 7,719,000
Service Projects	18,500,000	4,625,000
University Affiliated Facilities	4,250,000	949,000
Total	$53,625,000	$13,293,000

A request is made for $13,293,000 to carry out functions of the Developmental Disabilities Program during the Interim Period. State Planning and Advisory Councils provide direction and leadership to State programs for the developmentally disabled. Priority attention is afforded to programs that will: (1) Reduce the inappropriate placement of developmentally disabled persons in institutions; (2) Improve quality of care for those appropriately placed in institutions; and (3) Identify gaps in needed services and seek ways and means to provide lacking services.

Of the amount requested, $7,719,000 will be allocated among the States by formula; $4,625,000 will be available for Services Projects; and $1,949,000 for funding of the University Affiliated Facilities Program.

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6. Special Programs for Native Americans

	FY 1976 Estimate	Interim Period
Special Programs for Native Americans	$32,000,000	$8,000,000

The amount of $8,000,000 will be required to maintain the program level of Native American Programs during the Interim Budget Period. This amount is one-quarter of the FY 1976 estimate. It will allow grantees to maintain their FY 1976 funded level for an additional three months and provide a transition to the regular FY 1977 refundings.

The grant program in 36 states includes 273 tribes, Native American groups and Alaskan villages, as well as 58 urban Indian organizations.

7. Salaries and Expenses

	FY 1976 Estimate	Interim Period
Salaries and Expenses	$31,940,000	$7,985,000

The $7,985,000 requested for the interim period will provide for the maintenance of on going administrative support at the 1976 end of year level. The estimated cost for the period is based on one quarter of the 1976 funding level.

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