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# Senate Hearing

GOVERNMENT

*Before the Committee on Appropriations*

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## Mission Budgeting and Priorities

*Fiscal Year 1977*

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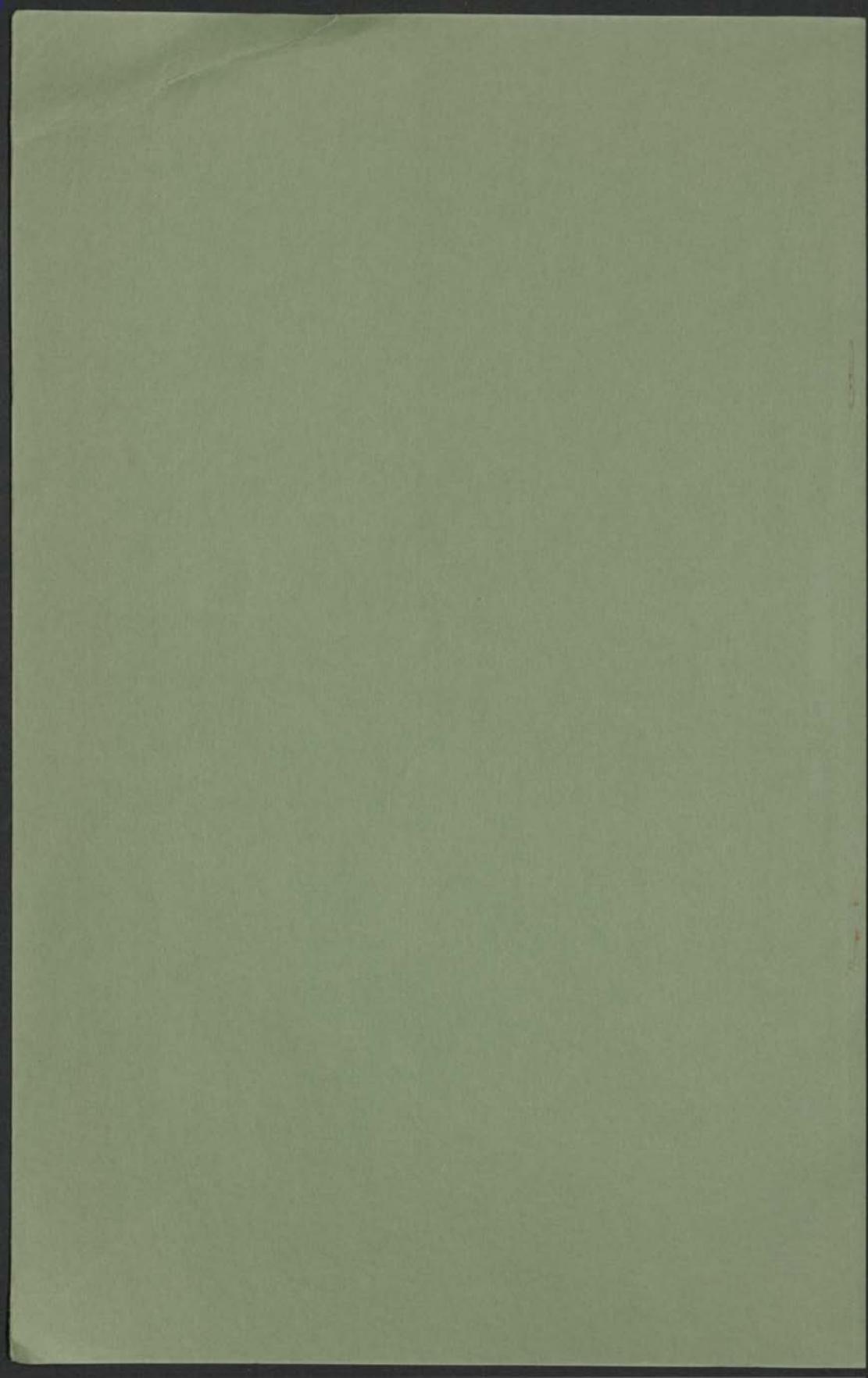


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94<sup>th</sup> CONGRESS, SECOND SESSION

SPECIAL HEARING

Department of Health, Education, and Welfare



# MISSION BUDGETING AND PRIORITIES

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HEARING  
BEFORE A  
SUBCOMMITTEE OF THE  
COMMITTEE ON APPROPRIATIONS  
UNITED STATES SENATE  
NINETY-FOURTH CONGRESS  
SECOND SESSION

---

Printed for the use of the Committee on Appropriations

SPECIAL HEARING  
Department of Health, Education and Welfare



U.S. GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1976

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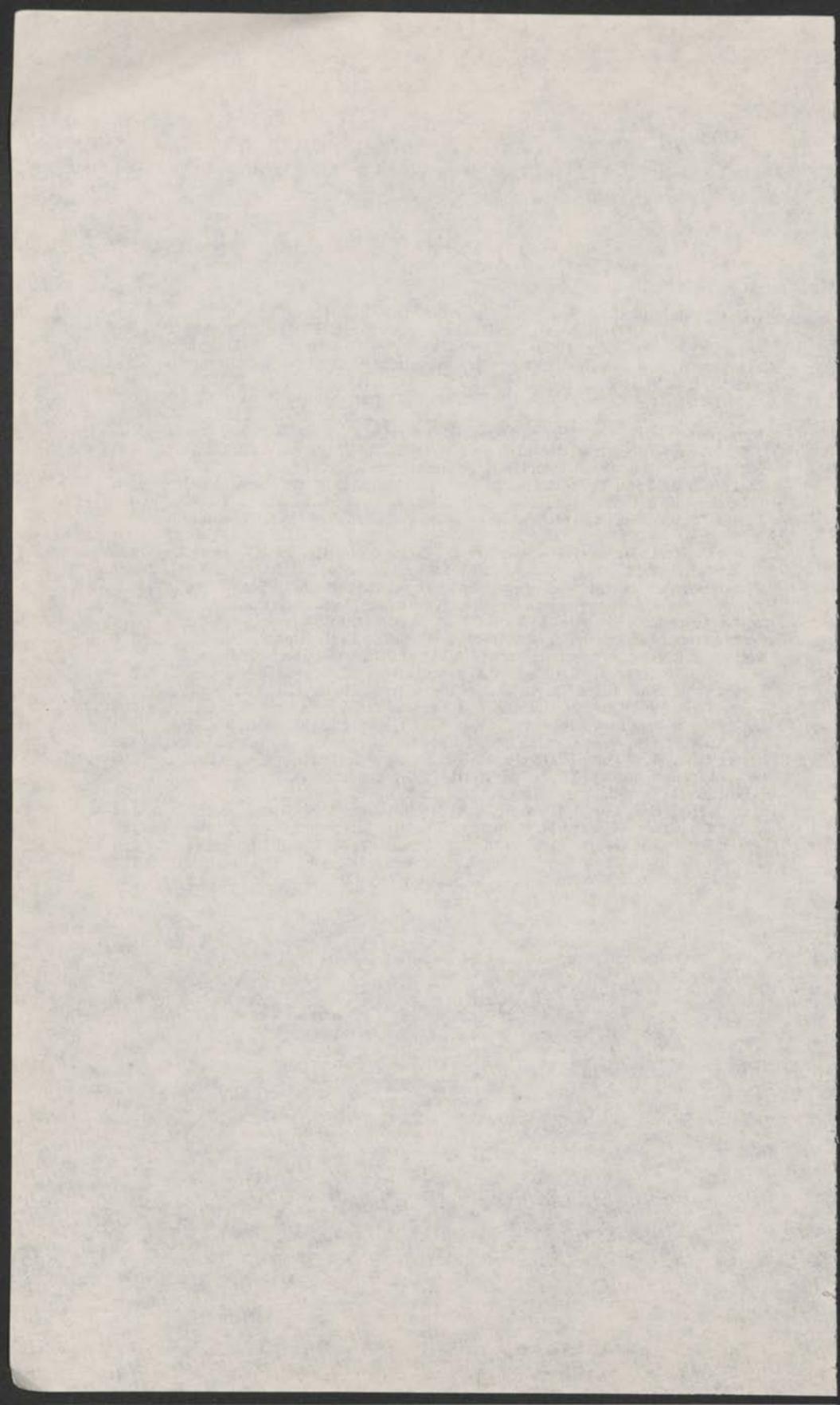
TERRY LIERMAN

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DEPARTMENTS OF LABOR AND HEALTH, EDUCATION,  
AND WELFARE AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1977

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TUESDAY, MAY 25, 1976

U.S. SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,  
*Washington, D.C.*

The subcommittee met at 10:08 a.m. in room S-128, the Capitol,  
Hon. Lawton Chiles presiding.

Present: Senator Chiles.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

MISSION AND PRIORITIES OF HEW

STATEMENT OF DR. THEODORE COOPER, ASSISTANT SECRETARY  
FOR HEALTH, OFFICE OF THE SECRETARY

ACCOMPANIED BY:

PETER J. BERSANO, DIRECTOR, OFFICE OF RESOURCE MANAGEMENT

OPENING REMARKS OF SENATOR CHILES

Senator CHILES. Today we will examine the health budget from a new perspective, one which allows us to view the resources of each health agency as they are allocated to individual health missions within HEW. The Budget and Impoundment Act of 1974 requires that beginning in fiscal year 1979, the President's budget request includes mission displays for all programs in all of our Federal agencies. Consequently, we only have 1 more fiscal year in which to experiment with this approach before such displays will be required.

HEW began working with the subcommittee on this mission approach 2 years ago, and in January of this year, the committee wrote Secretary Mathews outlining our needs for 1977. That letter and his response, which provided the requested mission displays, will be included in the record at the conclusion of my remarks.

The displays, developed by HEW's comptroller, will allow us to view the totality of programs and resources devoted to individual health missions. At a glance, we can see precisely what our commitment is to knowledge development, to prevention, to providing direct medical care and to improving the capacity of service systems.

As we all gain experience with this approach, its capabilities and limitations, hopefully, a consensus will evolve regarding what the missions of HEW should be and, hopefully, the Department will improve its capability to track the contributions of individual programs to missions, and hopefully the legislature would improve its capabilities in trying to determine where our priorities should be.

I would like to thank you, Dr. Cooper, for the help which various members of the HEW staff provided in developing a format which is compatible with both the planning work which you have done and with the way we described programs here at the committee.

I must also say that much of the progress which has been made in the development of this mission approach results from the support of our subcommittee chairman, Senator Magnuson.

Dr. Cooper, I think the forward plans for health, which have been developed under your direction, are very much in tune with this mission approach. They represent a significant advance in putting our health programs in a clear perspective. What I would like to do today is focus on how we relate these various health missions, objectives, themes, to the concrete dollar decisions we have to make here at the Appropriations Committee. As we deal with the needs and problems of individual programs, we tend to lose sight of the overall allocations and priorities of what we are trying to achieve with Federal health programs. I think this new information we are discussing today will clearly link individual program appropriations to these priorities.

While the information we have before us does not answer all our needs, I think it leads us to some useful questions with which we can begin our discussion of priorities in the health budget for 1977 and beyond.

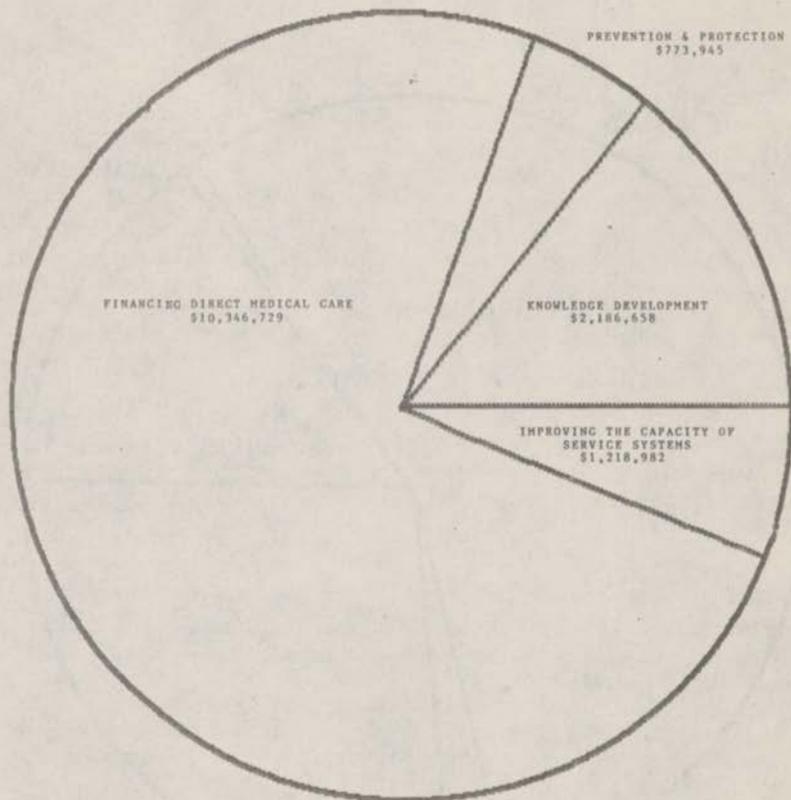
#### CHARTS AND TABLES

During our discussion this morning we will be working from these tables prepared by HEW which will appear in full in the record. The Senate Appropriations Committee's computer staff has run out a series of charts for us, which make it easy to see the major differences in funding levels for the different missions. The bar chart shows for the major mission areas the present funding level on the left, and the President's proposed budget on the right. The pie charts show the present allocation to objectives within the major mission areas. We will refer to them as we reach the appropriate point in our discussion.

[The information follows:]

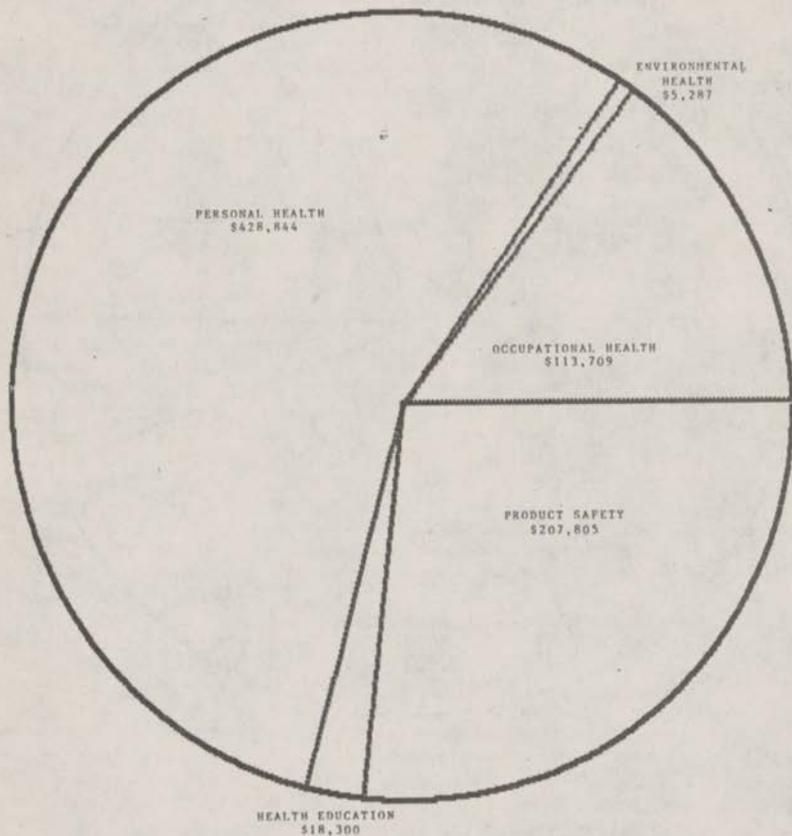
FY-1976  
APPROPRIATIONS AND BUDGET ESTIMATES  
FOR  
HEALTH PROGRAM

CATEGORIZED IN THE FUNCTIONAL PURPOSE FORMAT  
PROPOSED BY THE  
SENATE COMMITTEE ON APPROPRIATIONS  
(IN THOUSANDS OF DOLLARS)



FY-1976  
APPROPRIATIONS AND BUDGET ESTIMATES  
FOR  
HEALTH PROGRAM  
PREVENTION AND PROTECTION

CATEGORIZED IN THE FUNCTIONAL PURPOSE FORMAT  
PROPOSED BY THE  
SENATE COMMITTEE ON APPROPRIATIONS  
(IN THOUSANDS OF DOLLARS)



FY 1976 APPROPRIATIONS AND FY 1977  
BUDGET ESTIMATES FOR NEW HEALTH PROGRAM

CATEGORIZED IN THE FUNCTIONAL PURPOSE FORMAT  
PROPOSED BY THE  
SENATE COMMITTEE ON APPROPRIATIONS  
(IN THOUSANDS OF DOLLARS)

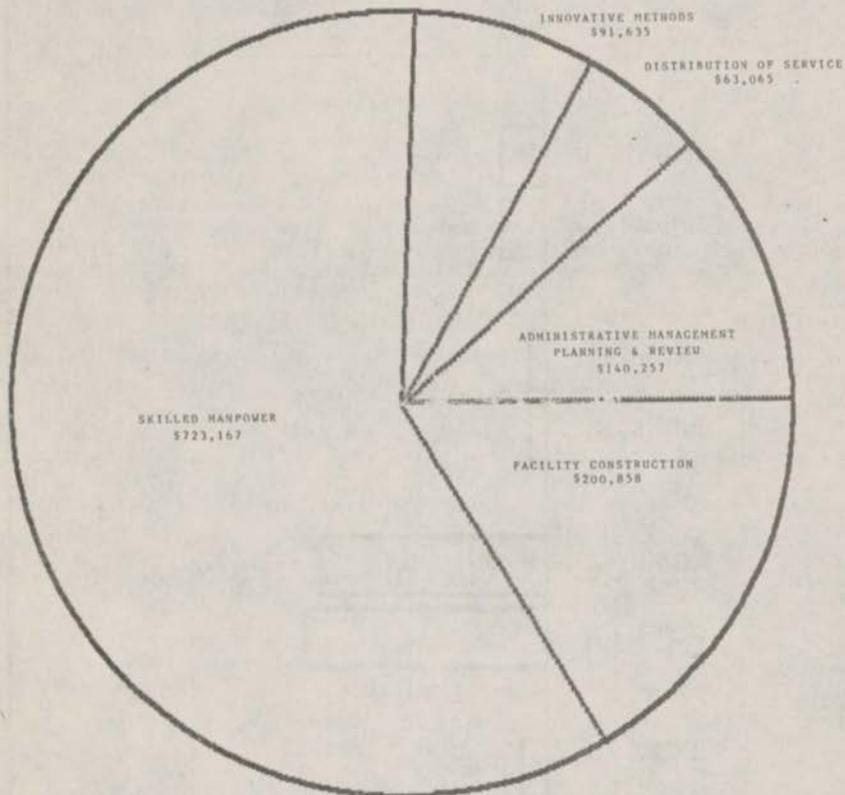
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E	+	+	+	+	+
+	0	0	0	0	0
0	6	6	7	7	7
0					

KNOWLEDGE DEVELOPMENT 1976	\$2,186,658
KNOWLEDGE DEVELOPMENT 1977	\$2,109,621
PREVENTION & PROTECTION 1976	\$773,945
PREVENTION & PROTECTION 1977	\$781,171
FINANCIAL DIRECT MEDICAL CARE 1976	\$10,346,729
FINANCIAL DIRECT MEDICAL CARE 1977	\$11,094,883
IMPROVING THE CAPACITY OF SERVICE SYSTEMS 1976	\$1,218,982
IMPROVING THE CAPACITY OF SERVICE SYSTEMS 1977	\$912,059

FY-1976  
APPROPRIATIONS AND BUDGET ESTIMATES  
FOR  
HEALTH PROGRAM  
IMPROVING THE CAPACITY OF SERVICE SYSTEMS

CATEGORIZED IN THE FUNCTIONAL PURPOSE FORMAT  
PROPOSED BY THE  
SENATE COMMITTEE ON APPROPRIATIONS  
(IN THOUSANDS OF DOLLARS)



## United States Senate

COMMITTEE ON APPROPRIATIONS  
WASHINGTON, D. C. 20510

January 22, 1976

JAMES P. GALLOWAY  
CHIEF COUNSEL AND STAFF DIRECTOR

Honorable David Mathews  
Secretary  
Department of Health, Education and Welfare  
Washington, D. C.

Dear Mr. Secretary:

Last year, the Appropriations Committee agreed that a revised functional budget display oriented to end-purpose needs would be helpful in its considerations of the 1976 HEW budget.

The committee concluded that there is a need for information to more clearly identify the end-purposes or program objectives that funds are being expended for, so that we might see an overall pattern, not just dozens of scattered appropriations for each program activity. We are seeking a simplified framework, so that we could understand the programs and priorities in the HEW budget.

On October 16, 1974, we wrote Secretary Weinberger to initiate a joint effort with HEW. Later, the General Accounting Office joined with us in defining new functional categories and allocating program costs to their identified end-purposes.

The committee found this first effort promising, although the displays were not completed in time for effective use during our appropriation hearings. However, we were pleased that Secretary Weinberger endorsed this initial effort when he appeared before the subcommittee. Consequently, in our report on the 1976 appropriation (94-366, page 26), we expressed our intention to continue to refine and use this approach. We hope that a clearer presentation of the different objectives of present programs will aid us in discussing the needs and priorities for funding in the coming year.

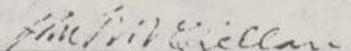
In this regard, Senator Chiles' staff has been meeting individually with members of your office to gain their insights into the specifications of program objectives which have been used internally within HEW, and also to share ideas on how to best define HEW missions so as to meet the committee's needs without placing an undue burden on your staff.

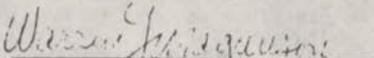
Based upon these discussions and last year's experience, we have developed a revised set of end-purposes for health and education expenditures. In order for this information to be incorporated into the subcommittee's hearings, we will need a display of the distribution of each appropriation item according to end-purposes shown in the attached tables by February 11.

We look forward to your interest and support in this important endeavor.

With best regards,

Sincerely,

  
 John L. McClellan  
 Chairman

  
 Warren G. Magnuson  
 Chairman, Labor-HEW Subcommittee

  
 Lawton Chiles  
 Member

## EDUCATION

- A. FINANCING EDUCATIONAL SERVICES Not Otherwise Available-  
Grants to States, Districts and Institutions.
  - 1. ADULT Education
  - 2. BILINGUAL Education
  - 3. DISADVANTAGED (Include INDIAN Educ.)
  - 4. HANDICAPPED and LEARNING DISABILITIES
  - 5. VOCATIONAL
  - 6. Other Special Educational Needs (Environmental educ.,  
metric, etc.)
  - 7. SUPPORTIVE SERVICES (LIBRARIES)
  - 8. General Financial Support
- B. ELIMINATING FINANCIAL BARRIERS To Education By Providing  
Financial Aid to Students.
  - 1. POVERTY ORIENTED (NEEDS TESTED)
  - 2. GENERAL AID
- C. Improving the CAPACITY of State and Local Education Systems
  - 1. ADMINISTRATION, MANAGEMENT and PLANNING
  - 2. IMPROVED INSTRUCTIONAL METHODS -- Innovations,  
Demonstrations, Knowledge Dissemination, Curriculum  
Development
  - 3. DEVELOPING INTEGRATED SCHOOL SYSTEMS
  - 4. TRAINING of EDUCATIONAL MANPOWER
  - 5. FACILITY CONSTRUCTION
- D. KNOWLEDGE DEVELOPMENT (Basic Research and Statistics) --  
Assess the Status and Progress of American Education

## HEALTH

## A. KNOWLEDGE DEVELOPMENT

1. BASIC RESEARCH
2. APPLIED RESEARCH - TREATMENT METHODS for Physical and Mental Health Problems.
3. APPLIED RESEARCH - SERVICE SYSTEM OPERATION, EFFECTIVENESS
4. STATISTICS and HEALTH STATUS MONITORING

## B. PREVENTION and PROTECTION

1. OCCUPATIONAL Health
2. ENVIRONMENTAL Health
3. PERSONAL Health (Include Disease Control, Immunization)
4. HEALTH EDUCATION
5. PRODUCT SAFETY (FDA)

## C. FINANCIAL DIRECT MEDICAL CARE

1. MEDICAID/MEDICARE
2. GRANTS For SERVICE PROVISION (CHCs, CMHCs, MCH, etc.)
3. Care at FEDERAL INSTITUTIONS

## D. IMPROVING THE CAPACITY OF SERVICE SYSTEMS (Private, State, Local)

1. ADMINISTRATION, MANAGEMENT, PLANNING and REVIEW (PSROs,UR)
2. DISTRIBUTION OF SERVICE (Migrants, NHSC, other special groups)
3. INNOVATIVE METHODS OF SERVICE ORGANIZATION (HMOs, Demonstrations)
4. Develop SKILLED MANPOWER
5. FACILITIES CONSTRUCTION

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

FEB 24 1976

The Honorable Lawton Chiles  
United States Senate  
Washington, D.C. 20510

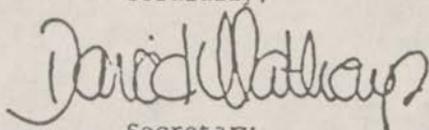
Dear Senator Chiles:

Thank you for your letter of January 22, 1976, which you signed jointly with Senator McClellan and Senator Magnuson. Please accept my apology for the delay in responding. I am pleased to cooperate with the Appropriations Committee in its initiative for framing program costs in terms of functional categories. I asked Mr. John D. Young, the Department's Assistant Secretary, Comptroller, to prepare the reports as you requested.

I am enclosing a summary of the information requested on education and health program costs at the FY 1976 appropriation levels and at the FY 1977 budget levels. Detailed back-up for the summary is being provided directly to your staff.

If I can be of further assistance, please let me know.

Cordially,

A handwritten signature in dark ink, appearing to read "David Walker". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

Secretary

HEW Appropriated Level (FY 1976) and Budget Estimate (FY 1977)  
 Categorized for Education and Health Functional Purposes in the Format  
 Requested by the Senate Appropriations Committee (\$ in thousands)

	<u>FY 1976</u> <u>Appropriated</u> <u>Level</u>	<u>FY 1977</u> <u>Budget</u> <u>Estimate</u>
<u>Health</u>		
A. Knowledge Development		
1. Basic Research	\$ 681,310	\$ 650,467
2. Applied Research - Treatment Methods for Physical and Mental Health Problems	1,441,813	1,373,245
3. Applied Research - Service System Operation, Effectiveness	42,646	42,105
4. Statistics and Health Status Monitoring	88,468	86,947
B. Prevention and Protection		
1. Occupational Health	42,909	40,700
2. Environmental Health	---	---
3. Personal Health (Include Disease Control, Immunization)	431,844	456,423
4. Health Education	600	300
5. Product Safety (FDA)	207,805	223,105
C. Financial Direct Medical Care		
1. Medicaid/Medicare	8,958,526	10,042,094
2. Grants for Service Provision	1,212,906	878,740
3. Care at Federal Institutions	198,505	191,549
D. Improving the Capacity of Service Systems (Private, State, Local)		
1. Administration, Management, Plan- ning and Review (PSRO's, U.R.)	140,257	138,488
2. Distribution of Service (Migrants, NHSC, other special groups)	63,065	47,259
3. Innovative Methods of Service Organization (HMO's, Demonstrations)	91,635	75,479
4. Develop Skilled Manpower	687,315	522,338
5. Facilities Construction	236,710	126,495
Health, Total	\$14,526,314	\$14,897,734

HEW Appropriated Level (FY 1976) and Budget Estimates (FY 1977)  
Categorized for Education and Health Functional Purposes in the Format  
Requested by the Senate Appropriations Committee (\$ in thousands)

	FY 1976 Appropriated Level	FY 1977 Budget Estimate
<u>Education</u>		
A. Financing Educational Services Not Otherwise Available-Grants to States, Districts and Institutions		
1. Adult Education	\$ 65,558	\$ 62,539
2. Bilingual Education	81,118	78,891
3. Disadvantaged (Include Indian Educ.)	1,970,300	1,829,560
4. Handicapped and Learning Disa- bilities	313,003	327,656
5. Vocational	209,195	196,905
6. Other Special Educational Needs	81,427	59,362
7. Supportive Services (Libraries)	212,697	151,349
8. General Financial Support	1,073,394	675,906
B. Eliminating Financial Barriers to Education by Providing Financial Aid to Students		
1. Poverty Oriented (Needs Tested)	1,507,162	1,397,043
2. General Aid	1,017,607	440,491
C. Improving the Capacity of State and Local Education Systems		
1. Administration, Management and Planning	424,558	378,286
2. Improved Instructional Methods	210,777	172,476
3. Develop Integrated School Systems	192,414	196,608
4. Training of Educational Manpower	175,766	109,555
5. Facility Construction	36,522	31,900
D. Knowledge Development (Basic Research and Statistics)--Assess the Status and Progress of American Education		
	73,599	84,076
Education, Total.	\$7,595,097	\$6,192,603

Revised  
2-17-76

HEW Appropriated Level (FY 1976) and Budget Estimates (FY 1977)  
Categorized for Education and Health Functional Purposes in the Format  
Requested by the Senate Appropriations Committee (\$ in thousands)

	FY 1976 Appropriated Level	FY 1977 Budget Estimate
<u>Education</u>		
A. Financing Educational Services Not Otherwise Available--Grants to States, Districts and Institutions		
1. Adult Education	\$ 65,558	\$ 62,539
2. Bilingual Education	81,118	78,891
3. Disadvantaged (Include Indian Educ.)	1,970,300	1,829,560
4. Handicapped and Learning Disa- bilities	297,676	312,329
5. Vocational	209,195	196,905
6. Other Special Educational Needs	81,427	59,362
7. Supportive Services (Libraries)	212,697	151,349
8. General Financial Support	1,071,844	674,306
B. Eliminating Financial Barriers to Education by Providing Financial Aid to Students		
1. Poverty Oriented (Needs Tested)	1,507,162	1,397,043
2. General Aid	1,017,607	440,491
C. Improving the Capacity of State and Local Education Systems		
1. Administration, Management and Planning	424,558	378,286
2. Improved Instructional Methods	227,654	189,403
3. Develop Integrated School Systems	192,414	196,608
4. Training of Educational Manpower	125,766	109,555
5. Facility Construction	36,522	31,900
D. Knowledge Development (Basic Research and Statistics)--Assess the Status and Progress of American Education	73,599	84,076
Education, Total	\$7,595,097	\$6,192,603



FY 1976 APPROPRIATIONS AND FY 1977

Categorized in the Functional Purpose Format  
(in thousands)

SOURCE: HEW

Health Services Administration		Total	Knowledge Development				Financial Direct Medical Care		
			Basic Research	Applied Research Treatment	Applied Research Service	Statistics	Medicaid/Medicare	Grants for Service Provision	Care at Federal Institutions
Community Health Ctr. (Public & Private)	1976	196,648	---	---	---	---	---	196,648	---
	1977	205,280	---	---	---	---	---	205,280	---
Comprehensive Public Health Grants to States	1976	90,000	---	---	---	---	---	90,000	---
	1977	---	---	---	---	---	---	---	---
Maternal & Child Health	1976	321,988	---	23,708	---	3,500	---	295,700	---
	1977	311,422	---	27,800	---	---	---	283,622	---
Family Planning	1976	100,615	---	---	---	---	---	94,500	---
	1977	79,822	---	---	---	---	---	75,225	---
Migrant Health	1976	25,000	---	---	---	---	---	---	---
	1977	26,800	---	---	---	---	---	---	---
NMO's	1976	18,612	---	---	---	---	---	---	---
	1977	18,612	---	---	---	---	---	---	---
NHSC	1976	15,000	---	---	---	---	---	---	---
	1977	24,829	---	---	---	---	---	---	---
Hypertension Program	1976	3,750	---	---	---	---	---	---	---
	1977	---	---	---	---	---	---	---	---
Home Health Services	1976	3,000	---	---	---	---	---	3,000	---
	1977	---	---	---	---	---	---	---	---
Bemophilia	1976	3,000	---	---	---	---	---	---	---
	1977	---	---	---	---	---	---	---	---
Medical Care Standards	1976	5,187	---	---	---	---	---	---	---
	1977	4,287	---	---	---	---	---	---	---
PSRO	1976	26,448	---	---	---	---	---	---	---
	1977	27,068	---	---	---	---	---	---	---
Patient Care	1977	116,164	---	---	---	---	---	---	116,164
	1977	105,288	---	---	---	---	---	---	105,288
Subtotal	1976	325,332	---	23,708	---	3,500	---	679,848	116,164
	1977	444,805	---	27,800	---	---	---	426,247	105,288
Federal Employee Health Services	1976	606	---	---	---	---	---	---	---
	1977	606	---	---	---	---	---	---	---
Payment to Hawaii	1976	1,200	---	---	---	---	---	---	---
	1977	2,200	---	---	---	---	---	---	---
Emergency Medical Service	1976	33,025	---	---	---	---	---	---	---
	1977	22,389	---	---	---	---	---	---	---
Program Mgt.	1976	30,663	---	---	---	---	---	22,353	3,710
	1977	27,662	---	---	---	---	---	20,489	4,607
Total, HSA Appropriations	1976	994,826	---	---	---	---	---	702,201	119,874
	1977	702,274	---	---	---	---	---	442,736	100,822
Overhead from ASH	1976	5,652	---	---	---	---	---	4,120	683
	1977	6,209	---	---	---	---	---	5,222	795
Total, HSA	1976	1,000,478	---	23,708	---	3,500	---	706,321	120,557
	1977	708,484	---	27,800	---	---	---	447,958	110,618



Health Resources Administration	Total		Knowledge Development			Improving the Capacity of Service Systems				
	1976	1977	Basic Research	Applied Research	Statistics	Admin., Mgt., Plng. & Rev.	Distr. of Serv.	Innovative Methods	Skilled Manpower	Fac. Constr.
National Health Statistics	25,636	24,000	---	---	25,636	---	---	---	---	---
Health Planning & Resource Development	90,000	90,000	---	---	---	90,000	---	---	---	---
Health Services Research	26,000	17,600	6,500	18,600	---	---	---	---	900	---
Health Professions Education	380,150	---	6,000	---	---	---	---	---	380,150	---
Health Facilities Const.	84,835	---	---	---	---	---	---	---	---	84,835
Program Management	48,442	533	533	1,508	2,034	7,169	---	---	30,422	6,782
Total, HRA Appropriations	655,063	661	7,033	1,993	2,613	9,712	---	---	34,411	---
Sales Inefficiencies & Int. Losses	4,000	---	---	---	---	---	---	---	---	---
Medical Facilities Guarantee & Loan Fund	10,000	---	---	---	---	---	---	---	---	---
Health Education Loans	2,284	---	---	---	---	---	---	---	4,000	---
Nurse Training Fund	1,716	---	---	---	---	---	---	---	---	---
Overhead from ASH	1,016	11	11	31	43	151	---	---	638	142
Total, HRA	674,079	7,044	7,044	20,133	27,713	97,320	---	---	420,110	101,758
	546,344	6,855	6,855	19,783	26,668	89,818	---	---	362,360	31,000

Center for Disease Control	Total	Prevention and Protection					Fac. Constr.
		Occupational Health	Environmental Health	Health Personal	Health Education		
Disease Control	1976 98,925 1977 86,197	---	---	98,925 95,197	---	---	---
Occupational Health	1976 39,533 1977 37,107	39,533 37,107	---	---	---	---	---
Buildings & Fac.	1976 4,612 1977 ---	---	---	---	---	4,612 ---	---
Program Mgt.	1976 10,439 1977 10,888	2,884 3,882	---	7,218 7,907	---	337 ---	---
Total, CDC Appropriations	1976 153,509 1977 145,283	42,417 40,189	---	106,143 103,104	---	4,949 ---	---
Overhead from ASH	1976 1,794 1977 1,848	482 511	---	1,247 1,333	---	55 ---	---
Total, CDC	1976 155,303 1977 145,137	42,909 40,700	---	107,390 104,437	---	5,004 ---	---

	Alcohol, Drug Abuse, and Mental Health Administration		Knowledge Development				Financial Direct Medical Care			Improving the Capacity of Service Systems				Fsc. Contr.
	1976	1977	Basic Research	Treatment	Applied Research	Statistics	Grants for Provision	Care at Federal Institutions	Admin., Mgt., Prog. & Serv.	Dist. Of Serv.	Innovative Methods	Skilled Personnel		
General Mental Health Research	1976 95,908	1977 85,060	20,690	84,918	82,748	---	---	---	5,900	---	---	4,400		
Training	1976 95,100	1977 86,098	---	---	---	---	---	---	3,600	---	---	2,600		
Community Programs	1976 53,500	1977 ---	---	---	---	---	28,000	---	1,500	20,000	---	4,000		
Community Programs	1976 135,363	1977 120,828	---	---	---	---	135,363	---	---	---	---	---		
Community Programs	1976 26,884	1977 26,274	---	---	---	---	26,884	---	---	---	---	---		
Community Programs	1976 26,884	1977 26,274	---	---	---	---	26,884	---	---	---	---	---		
Management and Information	1976 22,229	1977 20,418	---	---	---	22,229	---	---	---	---	---	---		
Drop Abuse	1976 232,172	1977 217,827	2,611	31,389	14,121	---	174,051	---	---	---	---	10,000		
Alcoholism	1976 138,033	1977 86,092	2,722	27,879	18,227	---	186,000	---	---	---	---	4,000		
Buildings and Facilities	1976 10,600	1977 ---	---	---	---	---	---	---	---	---	---	---		
Program Direction	1976 11,363	1977 15,258	349	1,512	315	315	6,758	---	105	284	---	1,575		
Sub-total	1976 812,002	1977 825,321	24,918	108,055	22,489	22,544	482,924	---	7,505	20,284	---	112,533		
St. Elizabeth's	1976 55,375	1977 37,268	---	---	---	---	413,829	---	3,676	---	---	40,724		
Overhead from ASB	1976 2,767	1977 3,864	37	100	24	24	453	---	4	19	---	98		
Total, AOMHA	1976 870,164	1977 864,189	24,915	108,155	22,513	22,568	483,377	---	7,509	20,303	---	112,631		
	1976 864,189	1977 864,189	27,788	84,897	25,242	20,898	414,151	---	3,466	---	---	40,722		

## TOOL FOR DECISIONMAKING PROCESS

Senator CHILES. Dr. Cooper, would you like to make any brief opening remarks?

Dr. COOPER. No, Mr. Chairman, I really have no formal remarks. I would only say that the approach that we are discussing, that of discussing objectives that all programs are seeking to accomplish, and taking cognizance of the importance of all our authorities and all our various resources in reaching decisions is a most important one, and it has become even more important as we recognize that in many cases our aspirations are outrunning our resources.

We must take the opportunity to do this kind of analysis to make sure that we make our decisions based on the most effective use of all our resources and authorities in reaching a decision.

So I welcome an opportunity to discuss this as a mechanism and a tool for use in the decisionmaking process, and hope that in developing the required needs for 1978, we can, by working with your staffs, with the Congress and the Department and the Office of the President, agree on what categories and what definitions we can use in making the right analysis.

So I look forward to further work in this area and to the discussions this morning.

Senator CHILES. I appreciate that statement, and I think it is very helpful to us that HEW is working with us as we are trying to develop a format for this mission approach.

I wish we could say that was happening with all of the agencies because I think by the time that we get to 1979 we will have worked out many of the major areas of problems, and we will have worked out something so that we all understand what are apples and what are oranges within what we are talking about.

I wish I could say that the Department of Defense was that cooperative with us. We have been trying to get a little help from them into this, but we have not been able to succeed yet, but we will try again next year.

## PREVENTION

I would like to start with the area of prevention. This is becoming a very popular subject, and I know it is one of your favorites.

Just to set the figures in perspective, I note that the total fiscal year 1976 appropriation for prevention is \$774 million. This is 13.9 percent of the controllable health programs in HEW, only 3.1 percent of the total health budget when we count in medicare and medicaid, and if we compare it to the total health care expenditures of the country, we are spending less than 1 percent on prevention at the Federal level.

There seems to be general agreement that for both the long- and short-term health benefits, and long-term costs, it makes sense to invest more in prevention.

What I think we have to discuss here are the specific strategies that you are planning to undertake, and what it will cost us next year and the next 5 years down the road.

You seem to have two different levels of prevention program. First we have the occupational, personal and product safety categories where we have a long history of involvement and sizable allocations,

\$113.7 million for occupation, \$428.8 million for personal and \$207.8 million for product safety categories. And then, second, we have the environmental and health education areas. These are new programs where the state of the art is very minimal.

Could you tell us how you relate these two sets of allocations in your prevention strategy, and what the overall allocation might look like in 5 years if we were to provide the funds to carry out that strategy?

Dr. COOPER. I do give prevention a very high priority, and my thinking on this is as follows:

The first principle I have to deal with is that as the rest of the system now works, the flexibility that we have for moving resources into prevention has to be realistically assessed against the whole range of health care costs, we must look at the escalation of acute health care costs as they are occurring at the present time. Medicare and medicaid's total increase this year is expected to be of the order of \$6½ billion. There are budget ceilings on the whole health apparatus, not only in the administration's budget discussions but also in the congressional budget discussions. Given this fact you find that the controllable programs lose their ability to provide development.

Consequently, I think one of the things in 5 years that is going to have to happen in order for the preventive activities to increase is the absolute requirement that there be some containment of the escalation of health care costs. But, I cannot describe for you why we are doing certain things in prevention without everybody clearly understanding the loss of flexibility that is imposed by rapidly escalating costs.

I want to make a second point clear. That is, when I talk about prevention and doing more of it, I am not advocating that we stop treating sick people. I think that is an unrealistic type of rhetoric to indulge in, and we have to again keep in our minds the increasing expectation here of the public for further improvement in scope, benefits, and other things in acute care.

Now, if we can keep that in mind as background, the way I go about looking at prevention for the next 5 years is to emphasize three main areas. These three main areas are in some respects as you have shown in your charts here. I think some of the important things that we know how to do specifically are in the area of the environment and occupational health. Therefore I will be recommending in my long term strategy increased activity in research, and increased activity in the development of effective means for protecting the working environment in our occupational health programs, because I think we know that certain things can be done. We ought to implement the kind of activity to do it.

The second area will be in the area of child health in general. I think our long term results in converting to a more active program in prevention in modern America depends a great deal on reconvincing people that the responsibility for the care of their health largely resides with themselves, and also for preventing many of the diseases which we call our common scourages. These preventive actions require behavior and attitudinal approaches which will have to attack early in life. They begin with things as subtle but as important as nutrition,

the neonatal period, and we could probably divided that period, as we are working on it now, into about five categories, going from the prenatal to the adolescent health period, and in each of these areas there are things that are not really requiring, in my opinion at the moment, big breakthroughs in order to get improved performance in the health prevention area.

One, as an example, that interests me in particular is the problem of the alarming increase in pregnancies in people under the age of 17 with a high incidence of congenital malformations. More than that there is a very significant lack of appreciation for the health costs of teenage pregnancies, but also the social and economic costs to the child, to the mother, to the family setting. And I think there are many important things we need to do in adolescent care. That is an example of one. Alcoholism is another. Drug abuse is another.

In my thinking about where we are going in the next 5 years in child health, I intend to through the appropriations process, whether it be through the Department, OMB or the Congress, and also recommending to the public the areas of awareness and things they need to do.

The third area is coupled to some of these others, but is in my way of thinking something that we need to put more substance in our thinking. It is called health education.

Now, the numbers that are broken out here on health education are very small and I could take issue with the interpretation of the numbers, but that is not the issue. The difference in the way the funds are reported isn't the important aspect.

#### HEALTH EDUCATION

Senator CHILES. You mean the way we have designed the pie chart here?

Dr. COOPER. The width of that. I mean, from what I know about my own programs, the amount involved in health education as I would define it is a different number. I am not contesting whether the numbers are right or not because we can adjust the numbers. That is not an important issue. We are presently conducting a study to determine where all the categorical programs with different authorities for education are spending their moneys, and my guess is that the amount is closer to \$80 million rather than \$18 million, but that is something that we can discuss with the staff in some detail.

I think it is important also that we put aside the notion here that I would want to inappropriately mislead anybody by trying to say what we are doing in prevention is really finding etiology, and therefore the whole research program is prevention. I don't want to create a misguided notion, so I adhere to the principle that we are doing a very small percentage compared to what we should do in prevention.

Now, health education is one of the things that is emerging in more and more discussions as an important preventive tool. The technology and the methodology in this is developing only now in what we are trying to accomplish.

Senator CHILES. Explain to me the difference, how you are differentiating between health education and the information that we are giv-

ing on prenatal and adolescent care. One is for people and one is for the trained people?

Dr. COOPER. No, I think, in my view, and again, a part of what you are asking reflects the need in an evolving field to establish a set definition. I consider health education to include professional health education and public health education as well as available information. I think you use them differently in different sequence for the solution of different problems.

So in this regard, I think we have some very specific things we need to be focusing our attention on in the near future.

Senator CHILES. Well, the things about pregnancy and alcoholism, does that fit in both of these categories?

Dr. COOPER. That fits in both of the categories.

Senator CHILES. I see.

Dr. COOPER. And therefore, if you really try to construct a cross-cutting table, sometimes you will find that the totals under one set of health functions will not add up to the total Agency budgets because some of the budget items are actually accomplishing several purposes. That is perfectly defensible and it is necessary to understanding the application of the authority under which you have to operate, and, it is important therefore not to reduplicate an unnecessary new authority.

The thing I am most interested in is, besides the usual health things, such as the teenage pregnancy or lifestyle things, smoking and so on, is how to buy health insurance and how to use the health care system. I think that is an extremely important part of this whole picture of being able to restore perspective and balance to the health budget, so that some of these developmental things in prevention and protection can thrive while we try to bring the rest of the system in balance.

#### PREVENTION FUNDING LEVELS

Senator CHILES. What kind of funding would you say; can you give me any idea what we would be talking about over 5 years that you are looking at, that you are thinking about?

Dr. COOPER. Now, our own thinking, of course, would be influenced by the ceilings which we receive and our distribution within them. Therefore, when I make my formal projection, they are usually within the context of the formal ceilings which are allowed to the Public Health Service.

What I think I can honestly discuss with you at this point is that the percentage increase is likely to double or triple in this area over the next few years.

Now, if we are talking about your first bar chart here, if you look at prevention and protection, irrespective of the exact number, what we are obviously asking to be done is a doubling or tripling of that level within that next few years.

Now, what flexibility we will have to finally come through with requests for that will depend upon what success we have in holding these two tall columns in check, and then the flexibility in that area.

Senator CHILES. Well, I think from your statement, you already recognize the next kind of question that I was going to put, and that is why occupational health only has a quarter of the allocation of the

personal health, when we do know something—it is an area that we know something about.

Dr. COOPER. And I would agree that we need to do more in that area, and our own analysis leads us to that, and we will recommend this to the Secretary.

#### SPECIFIC PREVENTION PROGRAMS

Senator CHILES. One of the frustrating things about discussing the benefits for the funding of prevention is the difficulty in getting a clear idea of time expectation of the results. Your forward plan talks about preventing heart problems by convincing people to change their eating and exercise habits.

Some people tell us that if we invested in that kind of prevention, we would save the money now going to treat victims of heart attack and related diseases. The trouble is that those savings would be so far in the future that it would be of little relevance to the trade-off that we have to make here.

Could you give us a clear idea of what kinds of preventive activities have a well-established information base so that they could go ahead rapidly?

You touched on some of those.

Dr. COOPER. Yes; I touched on a few of them. I do think it is important from a public standpoint, of course, and also from the realistic dealing with the legislative and appropriations process, that there be both short-range visibility of accomplishment as well as long-range expectation. Some of the things we are talking about are long-range expectations, because the nature of the pathogenesis of disease is a long-range process.

But I think that there are some areas, as you asked in your question, where we can see shorter range programs. One of them is high blood pressure. We have developed a program of high blood pressure prevention education in which I think that if we continue with our rate of performance, of finding people who don't know they have it, getting them then into the care system appropriately, we will continue to show improvement in the stroke rate, the kidney failure rate, and probably the heart attack rate within a 3-year period. That is one of the risk factors we are talking about getting under control that could probably demonstrably have an effect before 20 years, because what it does is aggravate some of the disease processes which might be generated by other parts of the body. There is reason to believe scientifically that control of that factor—high blood pressure—could bring short improvements in health.

I think that is one example in the cardiac field.

There are other recommendations that groups are considering now. They are often called the Breslow criteria, what you should do in order to take care of yourself and your heart, and how you would implement it. My guess is that these actions would take a longer period of time to bring about changes in health. These are the things like better nutrition, losing weight, better exercise, that would help the long-range factors in heart disease itself.

In cancer, I think what we are talking about in prevention is the environment and the occupational setting. What we are talking about

in saving lives at the moment with the technology available is early detection, and that is a form of prevention which isn't quite the same in our lingo as primary prevention.

I am particularly concerned about immunization, nutrition, and if we could do something about the teenage pregnancy problem, I think you would see results in that category again within a 2- to 3-year period.

#### VENEREAL DISEASE

Senator CHILES. How about the venereal disease?

Dr. COOPER. Venereal disease is another area where there has been an expansion of the public health disease problem. Our previous concepts about how to deal with this and what would be the solution had to undergo change for two reasons. One is based on the sociology of the time and our attitude toward sexual activities. These are basically now called sexually transmitted diseases. And the second is the often naive assumption by the public and sometimes by some health professionals that all you have to do to take care of this is to take penicillin before, after, or during some activity, and that all serious, long-term adverse effects of this are eliminated.

I think we have to bring to the public's attention a very important message, that the character of sexually transmitted diseases and what we know about the organism causing them is now different. It is not just the gonococcus and the treponosome of syphilis, but there are new viral diseases and other forms of infectious agents that are causing sexually transmitted disease that they can affect the offspring. It can have other effects on the person who has it, and that it is not just a question of an innocuous side effect of a currently attractive or pleasurable sociological activity.

As you know from our budget presentation in the past on this, we have different views about how this should be funded and how it should be done. I don't mean to interpret that everything that we propose needs doing, or has to be incrementally funded through Federal allocations, but we must seek ways to work with the public itself, with voluntary agencies, or with State and local government in order to accomplish some of these objectives.

Senator CHILES. You speak of the voluntary agencies.

I had a situation in which a request has been made to the Congress for a voluntary agency, for gay men in the District of Columbia, for a venereal disease clinic. They are trying to tell me that gay men will not go into a regular clinic. Either the treatment that they receive or the attitude that is displayed to them prevents them from doing this, and that there is, according to the testimony we were given, a high incidence of venereal disease with homosexuals or with male homosexuals.

Do you have any information on that? I am just seeking some information.

Dr. COOPER. Well, I think the evidence I am aware of, that there is an increase in various expressions of sexually transmitted disease in homosexuals is correct. And I would not doubt for a minute that the usual cultural relationship between the provider and the patient is different, but I don't think it is unique to the male homosexual. I think there are many situations, sociologically, right now where

the comfort that one has with going through the usual form of treatment is not a one which gives the patient the reassurance that he can be treated with dignity and with comfort.

I do not think you can solve that by an appropriation. I think that is again going to be a problem of public health education, including the broad scope that these are people who need adequate treatment and understanding as a part of medical therapy as anybody else does. But I think that is going to have to take a form of health education that we all have to develop.

#### FEDERAL FUNDING OF HEALTH SERVICES

Senator CHILES. The next set of categories I would like to discuss is the way we pay directly for medical care. Now, this covers the bulk of the items that we appropriate for health, \$9 billion out of \$14.5 billion total in 1976. In addition, we have another \$19 billion for medicare which fits into this category which does not require an appropriation.

Our big division in this area is between the \$28 billion in entitlements and the \$1.2 billion for service grant programs. While the entitlements have been growing rapidly, we have been holding back on the grant programs largely under administrative pressures. A problem is that medicare and medicaid do not meet all of the goals of grant programs. They cannot be directed to underserve the areas or populations. They cannot be induced to shift from expensive inpatient care to less expensive dependent care.

It is clear that we cannot fund everything on an open-ended basis, but I wonder if we might not be able to relate these two groups of programs together in a way that would better meet our service bills and also hold down costs.

Do you have any ideas about how we might target expenditures to special groups through our existing grant programs, sort of attracting the supply to where we want it to be so that medicare and medicaid billings can then finance the demand?

Dr. COOPER. We have several levels of problems in achieving that goal, Senator, and I agree with the objectives here and the administration in this past cycle has made one proposal.

Senator CHILES. I know it is easier to state the problem than to find the answer.

Dr. COOPER. Yes, sir. We have made a proposal, in January. The President, in his state of the Union and budget messages, recognizing some of the kinds of things that you have said, and also the need for trying to set some limits, offered the Financial Assistance for Health Care Act, which would have the advantage, in theory, of trying to eliminate the categorical distinctions and limits set that often constitute the barriers in trying to get grant programs to work with the entitlement programs.

Now, all grant programs for the categorical areas are designed to meet certain categorical needs that have not been traditionally covered by the entitlement programs, and that this could be approached on a variety of bases.

As you know, a large number but not all of our categorical programs are oriented toward the disadvantaged, and every State has a different definition of what is in the medicaid package. Therefore when people are dealing with that particular group of disadvantaged, those in one State would be treated differently from those in the other.

Our programs are largely designed, therefore, as capacity building and as model settings to demonstrate how health care may be provided. As a mechanism for continual funding, I think we would run into a very huge problem of crosscutting administrative costs, reporting problems, and so on which have been repeatedly the basis of discussions with the Congress, and have led to the position of the administration of holding down the categorical problems if the goal is getting service to the disadvantaged.

We have at least 16 or 17 different categorical programs, different authorizations, and different regulations. One patient may have to be served by several different authorities, and I recently reviewed a case that was brought to my attention by one of my regional health administrators in Texas where one young lady presented herself to a clinic complaining of some tiredness and some urinary complaints. It turned out that she was young, from a poor family, unmarried, pregnant, with urinary infection, malnutrition, and so on, and the amount of different authorities, reports and all that had to go in to trying to service the health needs of the one person numbered somewhere around 37.

And I think this is what creates extreme administrative costs, it creates extreme redtape. It has a dehumanizing effect if it is done in a certain way, and therefore we need to seek a way to consolidate that kind of capability.

That was in part behind the attempt to try to consolidate those authorities and use the grant activities for specific capacity building where it does not exist.

Now, in this regard, we have a program which we call the rural health initiative. One of our objectives in capacity building is to try to solve the geographic maldistribution of the health effort in the country. So we have approached it by doing analyses such as we are talking here, and saying here is where we have 15 different authorities, and some resources which, without asking for additional funds, we can help develop the capacity to serve the people in a rural setting on a more simplified basis. That is doable, and that is what we have to seek to do.

And my own recommendations in our next version of the forward plan for health which will be the basis of our request to the Secretary and others for the fiscal 1978 budget, we shall be furthering our analysis to use our categorical grant capacity programs in order to build capacity and not try to subsume the entitlement ongoing functions of reimbursement for health services as the mechanism.

#### TARGETING OF FEDERAL FUNDS

Senator CHILES. I think we can get an illustration of what happens when we set up a financing mechanism like medicare and medicaid without tying it to a service delivery strategy.

My staff has pulled out some of the HEW data on health expenditures by age group compared from 1967 to 1974. For all ages, public payments have increased from 30.1 percent to 37.9 percent of the total cost, an increase of 7.8 percent. For children, however, the percent of public participation is increased by only 4 percent. Another way to look at it is divide up the public payments by age groups; the percent of Federal health dollars for children and adolescents has decreased from 12.7 percent to 9.5 percent. Only part of this is due to the growth of very expensive hospital services used by adults and nursing home services used by the elderly, since we would see the same kind of drop if we look only at physician service or dentist service.

What I am driving at is I think we should be able to use our mixture of health strategies to keep the system from getting unbalanced.

Can you give us some idea of what you are doing, and what you would like to do to keep the Federal funds flowing to the care of all of our high priority target groups?

Dr. COOPER. Well, I would agree that the decrease in amounts going to the youngsters is a trend that ought to be reversed. As I mentioned earlier, in setting my own priorities, the children should be a group that ought to get better treatment. In our own authorities, we have maternal-child health programs, we have others that are not service delivery programs, like the National Institute of Child Health and Human Development, some of our activities in the Alcohol and Drug Abuse and Mental Health Administration, and some of our activities in the Center for Disease Control and so on. And we can do the same sort of crosscut for children as we have done for some of these other categories.

The real leverage on the system, however, is in the reimbursement system, and what we need to do in the Public Health Service is to find a way to work more effectively with medicaid. The early periodic screening and detection (EPSDT) program as an example.

We have been working at that as long as I have been down in the Department, with varying degrees of success. But, here is an area where we need to find a way to make that a more effective program. I do not think we can do EPSDT effectively as it is authorized to be done now, and that may require a legislative recommendation. I don't think it is simply a matter of execution.

I think what we have learned about what needs to be done and how to assure follow through may need a relook at the legislative base of the program itself.

#### PROBLEMS WITH LEGISLATIVE BASE OF PROGRAMS

Senator CHILES. What do you think may be wrong with the legislative base of the program?

Dr. COOPER. First, I think when it is too sweeping when it goes from birth to 21 years or 18, and says, do everything. The tendency is to do everything less well. What you need to do is select the areas that you know as the first priority that can have great impact on the public health. In my report to the Congress in January or February, the Health of the United States, 1975, one of the more disturbing things to me was the large number of children that are still not getting attention for obvious health problems like visual defects, hearing defects, which are things that we can help them with.

Senator CHILES. I couldn't agree with you more.

Dr. COOPER. So here we need to select out a half a dozen things or so where we can help them, and then we have to find a way within the context of the law making it doable.

I think that is what we need to recognize. It is in that context that I think the restatement of that objective and how to do it could be profitably done.

Senator CHILES. I hope you will submit something on that to the Congress. I would be interested in working with you on it. I am not on those authorizing committees, but I think one of the great, great tragedies of what we do here oftentimes in trying to do the right thing is we come up with a program that covers everything. There is no way we can meet those objectives, and we do not have a delivery system that can meet those directives. And so then it fails. And we lose the people's confidence again, and another great expectation of a program.

That is exactly the concern I am now having in national health care and national health insurance.

Dr. COOPER. It is financially attractive. It is an idea. It does build expectations. But then if you really look at the whole spectrum, at least, it is not doable in that form. And I think a good program has to be not only needed, but it has to be a doable and it has to be affordable. And I think within those limits if we could build our expectations, we could accomplish a great deal.

Senator CHILES. Well, as you say, there is so much we could do by picking the major problem areas and doing something in those areas, and I think it could show such drastic results, and would build confidence, really, rather than to take it the other way.

And then when you accomplish something there, then you could look at these other areas.

That is so true. The shifting of funds across an age group shows how a system can get unbalanced if we rely just on the financing mechanisms without keeping watch on the supply side. That is what we are talking about.

I am kind of concerned. If we take financing, the next step of any kind of a national health insurance, we are going to create other pressures for imbalance within the type of care. I was struck by your estimates in your forward plan that national health insurance might pick up about 50 percent of the current grant program expenditures, and that these programs could therefore be reduced. As I understand the situation, the remaining Federal share pays for preventive personal and community services which cannot be reimbursed under a fee-for-service insurance mechanism.

I am certainly not one to favor maintaining outmoded or duplicated program expenditures, but I wonder if the allocation that would result would end up matching the kind of priorities that we have been discussing here today.

Are the current levels of preventive services provided by these programs adequate to carry out that aspect of a comprehensive care system, or would we be creating a situation where we would undercut everything we have learned about prevention, early detection, and early intervention, by the incentives built into our financing system?

That has certainly been the experience with medicare and medicaid, or perhaps you see other effective, efficient ways of providing these services through other mechanisms.

## FINANCING OF PREVENTIVE MEDICINE

Dr. COOPER. Well, I think the greatest leverage on all of these kinds of things is the reimbursement system. I think it is very attractive, and I get a lot of mail saying that if I'm really interested in prevention and health education, why don't I recommend that the Government pay for health education and prevention?

Now, I am not in favor of paying an additional fee when the doctor sits down and gives you an extra 5-minute lecture on what you should do and should not do. I think that is part and parcel of the practice of medicine, and I suspect that what I am saying in part is that I expect a great deal of this to be done by attitudinal and behavioral change, and that I am not in favor of trying to solve everything with a new digit on a code for a reimbursement card.

I am in favor of using the leverage of this system to make people perform, if that is what we need to do. The availability of educational materials is important. I have visited Roxbury, for example, and saw in a new clinic there serving the disadvantaged, that they have set up a small kitchen and a small mock grocery store so that the person who is not familiar with the American culture, or is not familiar with good nutrition can be talked to and communicated with to teach them what a good breakfast is. I think we ought to provide further kind of motivation and stability and a system, and it can be done without trying to lay the cost onto the financing system through a new code for every possible reimbursement item that could be done and could be called prevention.

So how we build prevention and health education, reimbursement for incentive, and I am in favor of it, into a new financing system must be done with a great deal of care. Otherwise, it will just be another factor for cost escalation.

I think again community activity here is a very important aspect of it, and that is why I think we will have to distinguish between community health programs and personal health programs in reconsidering the balance here of what we are trying to accomplish. Community resources here effectively can do a good deal in providing both the health provider and the patient with what could be helpful in this regard.

Senator CHILES. Well, we have grant programs at community health centers, and they are designed to reach high-priority groups.

Dr. COOPER. Well, if they do that and do not have to subserve an entitlement function, then I think we can keep them on—

Senator CHILES. Yes; how we get them to have some kind of commitment to get these programs working together with our medicaid, child screening or something, would be—

Dr. COOPER. Well, these are areas, which need further review because some of our health centers do not even qualify as providers under HEW programs, and these are things which we will have to work out through both policy and perhaps through legislative actions, and I will be including in our proposals to the Secretary in the forthcoming cycle.

## CAPACITY BUILDING

Senator CHILES. One of the problems that concerns me is some of our bad experiences as we go ahead creating entitlement programs to provide open-end fundings, even when the local health delivery systems have no capacity to provide the care we are promising. The result is a situation like the nursing homes and home health care where unscrupulous individuals can set up big moneymaking operations that provide poor service at high cost. While we try to patch up the system with regulations, we are always a step behind because we have no one else to turn to to provide the services that we promise to the public.

I held some hearings recently in Florida on home health care agencies, and once we said we were going to provide it, and we got them going, especially the nonprofit groups, without any kind of regulation or any kind of criteria as to what was reasonable cost—we had about 3 of those agencies in Florida a couple of years ago, we have got 57 now. They are growing every day.

I found that Blue Cross-Blue Shield, which are the contractor for a number of services, have lost eight auditors who have left and opened their own home health care agencies. They have found out how attractive and lucrative it is. I found a fellow that was a speech therapy teacher in public education, I think earning tops of either \$14,000 or \$15,000, somewhere in that neighborhood. He has opened one up, and he pays himself \$30,000, and his wife \$10,000, and his daughter \$9,000, and those figures are kind of disputed. Some of the figures seem to show he is paying more than that. And his visiting nurses are getting \$35 a visit, and the visiting home nurses which have been in the business for 20 years in that area are getting \$14 a visit.

And they just, they are opening every day. So we have got these kinds of situations that are going on, and I wonder if we are on the verge of doing this by forcing implementation of the early and periodic screening, diagnosis and treatment program under medicaid while we are promising comprehensive services to poor children, we have no mechanism to provide it.

We have touched on this again already.

Dr. COOPER. We have touched on it. There is a big difference in the cost of that, though, Senator. For the children, when the State says they will only pay *w* dollars per visit, that sets a limit, whereas the other one does not. And the devices that are used, such as home health care are done a disservice when they are called profit or nonprofit. I am a believer that home health care and the need to rebalance the system in that way is an important objective. It is humanizing, it is important to get away from all-institutional care, and yet if we do it badly in the way that you describe—

Senator CHILES. It is being done badly, I can tell you.

Dr. Cooper. What is being done badly is not so much that the Government performance is bad, it is people's use of it. Anything goes if you can find a loophole. If that is a moral standard of the day, that is unfortunate. What we have to get back to is two things, in my opinion: First we need to find some way to set limits that will not encourage this kind of thing; and the second is ignoring the distinc-

tion of profit or not for profit and concentrate on what kind of care you want to deliver.

And this is a very tough package. And the distinction here between the sociology of medicine and the technology of medicine becomes the thing that the Congress is really going to have to come to grips here. What about home health care? Is it—are we talking about social service, medical service, or a combined unit? This is an area for new thought that is needed in how to deal with this in a responsible way. I would agree that we cannot just use old modes of incentive here that could be taken advantage of in the way that you have just described.

Senator CHILES. Well, while you have set forth that there will be some control on those costs, which is good, in 1975 we were able to screen only 1.5 million of 13 million eligibles.

Dr. COOPER. It is the wrong incentive that is in place, sir. I think that part of the problem is that that kind of incentive doesn't help, and we have to reexamine how to get these things done.

Senator CHILES. And even if we could screen all of those eligibles, what are we going to do about providing treatment for them after we have screened them, because we are just going to—that is where I think, again, the total breakdown is going to come, when you take your child there and he has this list of things which he is told that you need to do, how in the world are we going to get delivery of that treatment to.

Dr. COOPER. I think, again in the preventive sense, I would agree that a screening program without followthrough capacity is useless, it is of harm to the patient. At the same time, I wouldn't want the notion to get out that all the kids in this country have a whole list of things that they are falling apart from. They are not the most unhealthy population in the world. If we could zero in on a few narrow things, not the least of which is nutrition and certain other social changes that need to be made, the health status of that group will improve tremendously.

But the EPSDT program is not the solution to it in its current form, as I said before, but I think it could be a very useful tool if we could work with it in a more constructive way.

Senator CHILES. Well, you wouldn't say that we, in trying to meet these objectives through open-ended, insurance type funding, that that really is just going to come out to be a wrong strategy and that we should go back to trying to meet the priorities through direct grant programs.

Dr. COOPER. No, not through direct grant programs, no, sir. I am not offering that as the alternative. I think the grant programs are appropriate for building capacity. We cannot develop our financing strategy without an overall perception of the health strategy in its totality. We have to begin to think in this country about limits and how to set them. I would not opt for an open-ended anything.

#### COST OF MEDICAID PROGRAMS

Senator CHILES. Have you done any studies to determine what it would cost to provide our objectives of screening, diagnosis and treat-

ment for 25 percent or 50 percent or 100 percent of the eligible population?

Dr. COOPER. I don't know the answer to the question, Senator. I would be very surprised if medicaid does not have somewhere a projection of what it would take, but I do not have in the Public Health Service any such projection.

Senator CHILES. I think the Congressional Budget Office has estimated that the full implementation costs would rise from \$136 million in fiscal year 1976 to \$1.4 billion in fiscal year 1979, the Federal share being \$1 billion of that \$1.4 billion, and I am not sure, is that for—

Dr. COOPER. I would guess that the Congressional Budget Office got that in working with medicaid, and I have no basis at this sitting to challenge it. I would not have been terribly surprised if the number had been larger.

#### NEED FOR SELECTIVE COVERAGE

Senator CHILES. In addition to the—I'm wondering how full an implementation that is myself. Maybe that is where you could build up to by fiscal year 1979. That number sounds low to me.

You have talked about the need to perhaps redirect the legislation or change it to get into these areas of where the highest incidences are, and where we could do something very quickly about some of these.

Should we also think about the high risk populations or underserved areas in regard to that, which is again, if we are talking about really sort of biting off what we could chew and what we could really do—

Dr. COOPER. No; I agree with the principle of selectivity. In the same sense I don't think you can recommend giving everybody every treatment. I think we ought to try to find where our needs are greatest, devote our resources to trying to solve doable problems.

Certainly the geographic maldistribution of effort is one which we will be recommending in a broader scope in our manpower areas and rural health and urban health initiatives.

Senator CHILES. If our screening cost, fee, or the limitation there by the States is so low, is it not going to drive all of these applicants to clinics because your private doctors are not going to see them? In Florida it pays \$8 to \$10 for screening.

Dr. COOPER. It is a disincentive, yes, sir.

I would like to think that everybody is of the makeup that the consideration of what you get for it would not be a determination of how you spend your time but I think in the real world that is a disincentive.

#### USE OF PARAMEDICAL PERSONNEL

Senator CHILES. What do we do to use the nurse and the paramedical personnel to the greatest degree in the screening process?

Dr. COOPER. I think that raises a very important question about building national capacity for health care in general, what is going to be the role of the nonphysician health provider in the whole system. I think it is not a separate problem. I don't think we have approached this in a comprehensive way. I have been exploring a means for redefining both legally and professionally the role of different health professionals, and the limits of their capability and responsibility.

Part of the problem you see now verges on the problem of who is legally responsible. In an era of high malpractice action, the delegation of talks becomes more tenuous and people are more reluctant to do it. When you begin to talk about its impact on the reimbursement incentives, people again have different sets of—mental sets regarding how they approach what they are willing to delegate.

And I think States, in redrafting legislation for licensure for various spectra of health professionals, are going to have to get into the area of what is the right role for the right kind of health provider. And I think that we are just going to have to address this problem as a national policy issue.

Some places have accepted it, some patient groups have accepted it. Some interpret the use of paramedical personnel as second-class medicine, as not being willing to provide them with physicians and so on. Some physicians have different views on what a physician extender is, and I think all the spectrum of concerns is going to have to be dealt with, including a redefinition of the different roles of the health providers and the value of each in the financing system. We have to meet that one head on because that is going to create very significant problems: Who gives the shot of penicillin? Do you pay a different rate for what the shot is?

There are a whole raft of very serious delegation and legal responsibility questions here that will form the basis of licensure and law that we are going to have to approach.

Senator CHILES. I agree. I think we have just got to do it. Every day that we are waiting on that, we are again not providing that delivery system at all.

Dr. COOPER. That is the capacity building that we are recommending be reexamined in the spectrum of the needs of the Nation in the short and long range.

Senator CHILES. Well, part of that being run by the medicaid program, though, how do we change that?

Dr. COOPER. Well, like I say, you cannot change one in a vacuum. That is why national health policy in this country has to be looked on as against the larger, cost-cutting matrix as we have discussed at the onset of this session. One affects the other, and you have to be willing to deal with all the ramifications of that in this setting.

It is obvious if all the action is in one area, and we change it over here and leave this alone, it will not work if that is where the reimbursement is.

And everybody has a different interpretation at the present.

I want to make one thing clear in my discussion about that redefinition. I am not recommending that the Federal Government have a national licensure system to set all the requirements for everybody.

I don't think that is the solution to all the problems.

#### MATERNAL AND CHILD HEALTH PROGRAMS

Senator CHILES. I know that maternal and health care is one of the programs that we have converted into a formula grant to give the States more leeway to deliver services. On the other hand, HEW, particularly through medicaid, still has the clear responsibility to evaluate what care is being provided to poor children.

Could you give us some idea of what resources you are devoting to evaluating the effect of this cluster of child health programs, and how does your set of evaluation plans relate to your strategy of developing service capacity?

Dr. COOPER. I don't know right off the top of my head, Senator, how much of the maternal and child health budget is currently going into evaluation. I will be pleased to submit that for the record, and the listing of the current studies that are going on in that capacity.

Part of that is being done by formula, and they also have the training money in that particular budget that still is in a central pool, and we will break that out for you.

Senator CHILES. Thank you.

[The information follows:]

#### MATERNAL AND CHILD HEALTH EVALUATION

In fiscal year 1976, \$35,000 is being spent on one evaluation project to study what the barriers are to implementation of the program of projects and in what ways would service delivery be changed if these were eliminated.

#### CAPACITY BUILDING

Senator CHILES. The next area I would like to get into is the efforts we are making to improve the capacity of State, local, and private service systems to deliver care. That certainly flows out of our discussion of problems in the financing system. This set of missions displays the broad set of activities that we have undertaken and also brings out the great discrepancy in allocation to those different types of intervention.

We are currently spending over \$1.2 billion, \$140 million for improved management, planning and quality review, \$63 million to improve the distribution of service, \$91 million for innovative methods of delivery of service, \$723 million for increasing the quantity of health personnel, and \$201 million for facility construction.

Over half of our capacity improvement funds are going to fund the training of skilled manpower. We have been on this track for quite a few years and have greatly increased the supply of doctors and nurses.

Do you see the growth of funds for training continuing over the next 5 years, or might it level off as the graduates of the larger training programs which we have stimulated, are added to the existing supply of physicians?

Dr. COOPER. Well, we have recommended that they level off.

Now, if our strategy were accepted, the thing that might affect the rate at which it would level off, would be the inflationary costs in the system. For example, if we were to support a substantial portion of people applying to the health professional schools, including physicians, by scholarships or loans or National Health Service Corps scholarships, the amount that would be required in that to cover the costs that are mandated will vary with the market at the time. These costs have steadily increased.

But our own perception, if you use as the measurement whether there needs to be continued stimulus for expansion of numbers of people, is that we have in the pipeline the capacity to make physicians, nurses, and other health professionals to an adequate extent that we

do not need to continue stimulating the growth of skilled manpower. We think that should level off.

#### GEOGRAPHIC MALDISTRIBUTION OF HEALTH PROFESSIONALS

Senator CHILES. I wonder if in the capacity building area we can have some kind of tradeoff between the programs designed to increase our total supply of skilled manpower and those designed to better distribute the supply to the underserved populations.

Several analyses have shown that due to the efforts over the last 10 years, we have reached a level of manpower that we need. The trend seems to be toward getting better distribution of the personnel, and using nurses and paraprofessionals more effectively. And yet I see that while we are certainly spending over \$63 million on improving the distribution of service, we are spending \$723 million, more than 10 times as much, on further increasing of supply.

Do you think we should make some reallocation of resources here to meet our changing needs, shifting funds to these programs to aim at the distribution problem?

Dr. COOPER. Yes; and we give that high priority. Within that \$700 million that you are calling increase in capacity, the emphasis is being shifted toward solving the maldistribution problems not to stimulate new growth. The two large objectives in our proposals, and indeed, in most of the bills that are being considered by the Congress now in that \$700 million manpower package, address the geographic maldistribution problem as well as the specialty maldistribution problem.

Senator CHILES. Do you think it is proper that we can legally put in some requirements that if you are going to take this Federal funding for your scholarship or your loan or whatever your caption grant is going to be, that we can make certain requirements as to whether you are going to be a specialist and where you are going to practice?

Dr. COOPER. Well, I think if it is done on a voluntary basis, and for a period of time that is equitable, then I would say yes. I would be reluctant to endorse a program that would make it mandatory or that would say that forever and a day, any given individual could not elect to do something else after he has paid a debt.

Senator CHILES. Well, I think that would have to be a reasonable term, that you could not put him in servitude forever, but I wonder how effective is the voluntary program going to be when there is this tremendous inducement for specialization?

Dr. COOPER. Very effective at the moment, Senator. We are over-subscribed in the programs that we have now that work on that basis.

Now, I am not saying it is for the highest ideals or all the reasons that we are talking about, but there is one real important driving force that is making the program very attractive, and that is the cost of medical education. The inquiry about more is very good. And in talking to the students around the country, the idea of payback to serve national health needs in underserved areas is not an unattractive concept and is one which they will accept.

#### NATIONAL HEALTH SERVICE CORPS

Senator CHILES. Will they follow through after their graduation?

Dr. COOPER. Well, a recent experience gives me reason to believe that

indeed they will and they will not renege nor try to buy out through the buyout provision. In the first year or two of operation at the National Health Service Corps, the retention rate beyond the mandatory service time was about 3 to 5 percent. In this past year it was between 30 and 35 percent.

So not only have they followed through for their mandated service, many of them are finding that they would like to stay. The reason for the change is that this program has imaginatively coupled not only the subsidy to the physician for, but working with the community to make it an acceptable locus in which to practice and live. A very modest degree of investment by the community, and their own investment in making an area attractive and participating in recruiting the physician, and developing an important referral system, and building a critical mass in the area so the person is not isolated professionally, so that he can have the help that is needed to give the proper service, this kind of development has made all of the difference in the world in creating a new interest in the young physician in serving in these previously underserved areas. I am optimistic that that can improve.

Senator CHILES. That is good. I am delighted to hear that.

#### CORPS RETENTION RATE

What is the retention rate during the required service time? In other words, what percent are buying out?

Dr. COOPER. In the National Health Service Corps, it is very high. I have to be precise for you. I will have to send you that number.

Senator CHILES. I would like to know the buyouts and those that renege in any other way.

Dr. COOPER. We will send you those.

Senator CHILES. All right.

[The information follows:]

#### NATIONAL HEALTH SERVICE CORPS RETENTION RATE

This is the first time since the inception of the PHS scholarship program that recipients have been available for placement by the NHSC. Some of the recipients who graduated in the academic year 1974 have gone on to complete internship and primary care residency requirements before having to make the decision to serve with the NHSC or repay their obligation. Therefore, there is no experience to base the number of people who may choose to repay the government for their education costs. Information on other than recipients of the scholarship program such as Costeps and Cords who may not have completed their obligation to the NHSC is not available.

#### NHSC RETENTION RATE

	Fiscal year—		
	1975	1976	1977
Field strength.....	551	701	701
Retention rate (percent).....	26	38	43
Number of assignees staying with program.....	143	266	301

#### NEW SERVICE DELIVERY SYSTEMS

Senator CHILES. Some of us are concerned about the possibility of stepping off into national health insurance without having either the

total supply or the service we need in place or the new methods of delivering service that would allow us to make good on the promises of adequate medical care for everyone.

It seems to me we are spending very little to experiment with new forms of service, a little for health maintenance organizations, and a little for emergency medical service, nothing at all in the Alcohol, Drug Abuse, and Mental Health Administration.

Aren't there other things that we should be trying out?

Dr. COOPER. Well, I think that I am very much interested in trying to develop competitive forms of service to see if we can experiment with this. Our level of effort in the Health Maintenance Organization program was a reflection of the early difficulties we had with implementing the law, and the early funding problem we had. We went through a couple of years where we did not use appropriated funds, and therefore we reprogrammed them into other areas. And now, when I would like to have it back right now, I don't have enough to put in all areas.

But I told the Senate in a previous hearing, my commitment to developing this particular program will receive high priority and if necessary, I will seek reprogramming authority to put funds back into that area, because I think it is of value to try for the purpose that you described.

The emergency medical services program I think has been a very successful one which has demonstrated its usefulness. Several models have been developed. So I think the policy decision then rests with the Congress as to whether or not it is the appropriate Federal role to develop the resources for each community to do this.

Our performance with alcoholism and the drug abuse, and developing it into the system is not good. I don't think that is as much a problem of the ADAMHA program not being willing, I can assure you they are very much willing. I think it is an aspect here of how do you get into the total health care system the benefit package. Adding it is going to cause a lot of additional costs at a time when the costs are escalating at 14 to 15 percent a year, and when people begin to cut off what they cannot afford, what is it that they cut out first? They save high cost institutional acute care and cut out all the community services.

Now, I think this is an attitudinal thing which we have to try to reverse. We have to get into the benefit packages the appropriate kinds of care. When we fail at that, we or the Congress then say let's create a special program to deal with it. Then we have another special clinic for this and another special clinic for that.

We have to find a way to inculcate that into the health care system. Too many doctors don't like to treat drunks. Too many doctors don't like to treat drug addicts. They are not pleasant things to deal with, and they are hard therapeutic problems. And we have to get back into the culture of medicine that this is a disease, and that people need to treat them in the total context of society and not isolate them.

Now, for the time being we have recommended certain special programs like the drug abuse treatment slots, which is highly experimental, and we are not sure, for example, that methadone does what it needs to do, and we have to try melaxone and a lot of other things.

And so I am a believer that we have to have a national capacity of a special kind, but the long term solution requires involving this in the total system. And the greatest lever on that is the reimbursement system.

And when the reimbursement system is in trouble like it is now, it is all those kinds of services that get cut off from the bottom.

#### NATIONAL HEALTH SERVICE CORPS

Senator CHILES. The National Health Service Corps is small. The CBO is coming out with a study of the financing provisions which we understand discusses the cost tradeoffs of the different loan, grant and scholarship mechanisms to achieve goals of distribution.

The cost of meeting a major redistribution of manpower through the National Health Service Corps model would be very high. I hope we can get your response to that study when it comes out and then we can discuss it further.

Dr. COOPER. When it comes out, we will be glad to give you that. I wouldn't want to convey the notion that the only solution to the geographic problem is the National Health Service Corps. I agree that it would be a very high Federal cost. But there are other State programs which are beginning to involve the same kinds of principles for solving some of their own intrastate problems.

So I think we will see a proliferation of other mechanisms including certain demographic features of our own lifestyle that will help solve this problem. The trend toward going to the city is beginning to reverse. All these kinds of things, I think, will help, and the National Health Service Corps is not the total solution to the geographic maldistribution problem. There are several other things.

#### HEALTH SERVICES RESEARCH

Senator CHILES. The companion effort to funding innovative methods of service delivery is applied research in service, which is listed here under knowledge development, and we are only spending \$43 million for this type of research. The forward plan mentions that a research plan to implement the mandate of section 222 of the Social Security Act is being prepared.

Could you give us some idea of what it would cost next year and in the next 5 years to mount a really vigorous applied research and development program?

Dr. COOPER. In health services research?

Senator CHILES. Yes, sir.

Dr. COOPER. I will be pleased to give you what our projections have been in this area. I would comment in general that this is an area which I think does need to be developed. It is one which has very little glamour, and it is an area that even when the administration recommends it to the Congress, that it rarely has met with a great deal of credibility. This area of the National Center for Health Services Research and the National Center for Health Statistics is often looked on with some skepticism as to whether they are of any use or not, and whether they ever do anything.

[The information follows:]

NATIONAL CENTER FOR HEALTH SERVICES RESEARCH  
5-YEAR FUNDING PROJECTION FOR HEALTH SERVICES RESEARCH

[In thousands of dollars]

	1978		1979		1980		1981		1982	
	Positions	Amount								
Health services research:										
1. Extramural research grants and contracts		\$19,750		\$32,200		\$38,200		\$45,700		\$45,700
2. Intramural research	82	9,650	150	15,000	175	17,500	200	20,000	200	20,000
3. Health services research centers		6,500		7,000		7,000		7,000		7,000
4. Research training		2,200		3,500		5,000		5,000		5,000
5. Information dissemination		500		2,300		2,300		2,300		2,300
Total	82	38,600	150	60,000	175	70,000	200	80,000	200	80,000

## STUDIES IN 222

Dr. COOPER. Now it is through the National Center and through some of the staff in my own office that we work with the Social Security Administration and the medicaid people in implementing studies in 222. These studies in 222 are aimed at, in part, in financing studies, reimbursement incentives, capacity building changes, and so on. Some of these are going to be quite interesting for determination of some of the kinds of policy questions we discussed earlier.

In the early phases of the 222, studies were disappointing. The reason they were disappointing is that they were going on to a period of massive economic change, when the variables that were studied in how you reimburse got completely thrown off the track. At the time institutions began to pay 350 percent more for fuel. All the best of intentions there went out the window. It is a new methodology.

And yet most of the current rhetoric that you will hear about health services research, reimbursement, need for reimbursement incentive changes, experiments where you could change the authorities, for example, certain settings for the old to pay transportation costs to get them instead of institutionalizing them, will be very valuable types of activity. We could give you our program plan for the National Center and our projections for that.

## ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH PROGRAMS

Senator CHILES. I would like to—going into our Alcohol, Drug Abuse, and Mental Health Administration—I would like to focus on the reasoning behind the allocations of the different missions in alcohol, drug abuse and mental health programs.

I am surprised to find that we are spending more on service grants for drug abuse, \$174 million, than for alcoholism, \$112 million. Drug abuse is certainly a tremendously serious problem. Aren't drinking problems much more widespread?

Dr. COOPER. Yes; if you use as the measure that you should calculate the budget on the number of people involved, then alcohol is greater than drug abuse.

Senator CHILES. Right. I guess I just wonder whether our allocations for alcohol and drug abuse should be related to what we know about causes and treatment for these problems.

Aren't we in such an early state of knowledge that we should be focusing our efforts more on research and perhaps holding back on treatment until we know more about what works, especially in drugs. We know a little bit more about alcohol.

Dr. COOPER. Well, I certainly am in favor of expanding the research effort in alcoholism and in drug abuse, and will be making such a recommendation to the Secretary in my next cycle.

I do think we need to develop more information. The rate at which that can be done depends on the scientific opportunity.

The reasoning behind the current allocation for treatment and drug abuse is the perception by those that have studied the drug abuse problem of its national importance not only as a health problem, but as a social problem.

You are probably aware of the white paper that the Domestic Council prepared for the President early this year which became the basis of a recent message of the President. In that message he recommended certain further actions in trying to contain supply as well as treatment as an approach to dealing with the national problems of drug abuse.

It is the perception of drug abuse as a very unusual kind of health and social problem that relates to its current emphasis, and the importance of trying to deal with treatment, ineffective as we understand it to now be, in some constructive way.

You could say that alcoholism is related to crime also, and I couldn't deny that. I think that the levels of dimension are somewhat different because alcohol is a legal drug in most instances, whereas drugs are not. But I could not take issue with the idea that we should do more to find out how to deal with it. I would have to add some reservation about saying we should withhold our beginning to try to treat because the need for us to develop a capacity to understand how to treat is every bit as important a research experience right now, as the actual biomedical base itself in alcoholism.

So I am interested in a balanced program here of regional perspective and dimension.

#### MENTAL HEALTH

Senator CHILES. I am struck by the fact that in mental health we are spending nothing for applied research on service delivery, and nothing for developing innovative methods. Now that the community mental health center program is 15 years old, and we find we still have problems integrating patients into the community, shouldn't we be striking out on some new paths here?

Dr. COOPER. Well, I think if you had a real expert sit over here, Senator, and said that there has been nothing innovative done in mental health since the inception of the idea of the Community Mental Health Service, there would be great exception taken.

I think if you look into what the specific programs within the centers are and what they are trying to do in ambulatory care, you will find that they are very much involved in trying to experiment with how the patient is dealt with. There is money being spent within those budgets, probably of the order of \$10 million, \$11 million at the moment, on developing just that sort of activity.

So I would have to, from what I know about it, in reviewing these particular programs, I would not come to the conclusion that there is no innovation going on in this area.

#### PROFESSIONAL STANDARDS REVIEW ORGANIZATIONS

Senator CHILES. We have lumped together, now going into capacity, administration, management, planning, and review, we have lumped together two types of activities here of planning for new services and reviewing the quality of ongoing service. It seems to me that these two are going to have to go together if we are ever going to get a grip on the costs and still insure high-quality care.

I know you are pushing ahead to get some professional standards review organizations, your PSRO's, functioning around the country, and other groups in HEW are working on utilization review and a variety of rate-setting procedures. A separate group is setting up local health-planning structures under that new act.

I have difficulty seeing a really coordinated effort going on. Can you tell us specifically what you are doing to pull these funds and local regulatory activities together and what we might expect that picture to look like in another 5 years?

Dr. COOPER. Well, let me say first, I agree with the need to have this kind of pulling together and coordination. With the relationship between UR activities and PSRO's, we are making substantial progress in getting agreement with medicaid and medicare, that where the capacity of the PSRO system is in place, and the ability to do direct review or provide for approval of delegated review to hospitals, that we replace the fragmented system with a single system. That is now an accepted principle within the Department. It has been worked out with the Secretary and the other three agencies, the other two agencies, and this is moving along.

Now, in some certain States we have had special difficulties because of the emergence of State laws that duplicate the same thing or would preempt that system. I have in mind California and New York. Discussions are going on with them to try to simplify that and get the agreement of a single system for review in that category.

Also, we went to the maximum extent possible in trying to make our planning areas from the HSA's of the Health Planning and Resource Development Act, reasonably compatible with our PSRO activities.

Now, there are certain specific differences, some of which were politically induced, in the good sense of the word, because they are different, and some of which will obviously need the results of utilization studies and medical performance profiles to do adequate planning.

In our regulations and in working with the two groups, we have made it clear that this kind of interrelationship will be essential for the development of the proper performance of the health planning group. It is the function of my office to see to it that the regulations, the program guidelines, the activities that go on in the two programs can service one another, and then try to work out the elimination of any barriers that might prohibit that.

In the same way we approach the end stage renal disease program, which has a different network configuration proposed. We have gone to some pains to see if we could get conformance with other boundaries and other groups so that they could be enfolded when they get into place.

Part of the problem right now and the frustration in looking at it is that we would like them to work right now. In the real world, putting in place 211 health planning agencies, 203 PSRO agencies, and then getting them fully implemented and functioning, and then working together is going to take a few years, and I think while the great pressure is on us regarding escalation of costs, we are going to be continually frustrated, and we mustn't in my opinion jump to the

conclusion that we need to change something again, because the change itself will not insure the performance.

So I think we ought to agree on what the objective is, that the two can work together in providing the different services, because they are different groups.

Now, an HSA group cannot do the same function as a PSRO group. It is a different function. But they are needed to work together, and if we can agree on the objective, and then follow through and put the necessary resources there to get them going, then I think we will have something to work with and on which we can rebuild the matrix of the health effort of the country.

Senator CHILES. I thank you. I hope that we can on that. You mentioned earlier that some of the charts would look a little differently if you had an opportunity to draw them. We would welcome you adding a little different display for our record.

Dr. COOPER. Well, as I said, it's really just a question of definition. We would say, for example, if you look at your table on prevention and under health education, across the CDC line, you have nothing, but we have a Bureau of Health Education there. It is a small amount, and yet under the total bar you have CDC in its entirety, so it is really not a big distortion. But if you are doing analytically where is health education, and what you have here, NIH. I presume, is mainly the cancer effort, there are other authorities in there that I would interpret to be in this category.

Senator CHILES. Well, anything that you would interpret different, we would like to have, because this is a learning experience.

Dr. COOPER. I would say that if we are going to use this as an instrument, we need to agree on the refinements of your approach and the Comptroller's approach and the President's and find out what it is that we all want to talk about with regard to appropriations structures.

Senator CHILES. Right.

Well, I want to thank you again very much for your appearance and commend you again for your forward plan and your splendid cooperation with us.

Dr. COOPER. Thank you. It is a pleasure.

#### COMMUNICATIONS

Senator CHILES. At this point I would like to insert a letter from the Secretary of Labor into the record.

[The information follows:]

U. S. DEPARTMENT OF LABOR  
OFFICE OF THE SECRETARY  
WASHINGTON

JUL 20 1976

Dear Mr. Chairman:

We are taking this opportunity to inform you and the members of the House-Senate Conference Committee on the 1977 Labor-HEW Appropriations Bill of the Department of Labor position on several of the appropriation items which will be considered by the Conferees. Both the House and Senate versions of the appropriations bill contain several allowances which the Department has strongly opposed. We recognize, however, that the Conferees will act on only those appropriation items on which the House and Senate differ. While neither the House nor the Senate version is completely acceptable to the Department in most cases, we have carefully reviewed the bills and the accompanying Committee reports to determine the more acceptable of the two versions.

We are sure that you and the other Conferees can appreciate that the Department's recommendations represent some extremely difficult choices. However, it is our view that these recommendations are in the best interest of the programs affected. We strongly urge the Conference Committee to accept these recommendations, which are outlined below.

EMPLOYMENT AND TRAINING ADMINISTRATION:

Program Administration

The House added to the President's budget request 50 new positions and \$750,000 in Federal funds to be used for the administration of the Comprehensive Employment and Training Act and for administration of the Unemployment Insurance Service. The Senate increased this add-on to 90 new positions and \$1,350,000 to be used in a wide variety of areas within the Employment and Training Administration. It is the Department's belief that the House allowance of 50 new positions and \$750,000 is all that is needed in this area at the present time. A management study is now in progress which will be completed in December 1976. At that time the Department will be better able to determine what staffing levels are most appropriate for the Employment and Training Administration. We do not feel that it would be wise to increase the staffing level for this area over that approved by the House until the exact needs have been determined. Therefore, we recommend that the Conferees adopt the House allowance.

Community Service Employment for Older Americans

Both the House and the Senate approved \$90,600,000 for the Older Americans Program operated under Title IX of the Older

Americans Act, as amended. The House allowance, however, provided for 18,000 job opportunities for a period of 15 months. The Senate allowance provided for 22,600 job opportunities for a period of 12 months, both beginning when the current program ends on July 1, 1977. Funding under the House bill would, therefore, expire on September 30, 1978, the end of the fiscal year, while the Senate funding would expire on June 30, 1978. The Department feels that it is preferable to have the funding expire at the end of the fiscal year as it would preclude a requirement for a supplemental appropriation request in Fiscal Year 1978 or a request with the 1978 budget for additional funding. The House allowance of 18,000 job opportunities is an increase of 3,000, or an increase of 20 percent, over the currently authorized level of 15,000. The Department recommends that the Conferees accept the House allowance.

#### Grants to States for Unemployment Insurance and Employment Services

The House appropriated over the President's Fiscal Year 1977 request \$7,600,000 in general funds and \$58,400,000 in Unemployment Trust Funds, for a total increase of \$66,000,000. The Senate also appropriated a total of \$66,000,000; however, all of the Senate increase was in general funds. The increases approved by both the House and Senate were to maintain the currently-authorized staffing level of the Employment Service at 30,000 staff-years and to provide an additional \$15,000,000 for computerized job matching.

The Department believes that an increase of \$7,600,000 in general funds, the House mark, and no increase in Unemployment Trust Funds, the Senate mark, is desirable. We do not feel that a higher funding level is justified at this time for the Employment Service. A 30,000 staff-year level is unrealistically high considering the improvement in the economic climate. A staff-year level nearer the President's request of 27,300 is felt to be more appropriate. The funds for computerized job matching approved for Fiscal Year 1976 (\$15,000,000) and the transition quarter (\$3,750,000) will be obligated in the near future. These funds will carry the program through most, if not all, of Fiscal Year 1977, thereby obviating the need for additional funds during this period. The increase of \$7,600,000 over the President's request will provide some additional staff years for the Employment Service and provide additional funds for computerized job matching if such become necessary.

#### Occupational Safety and Health Administration:

##### Salaries and Expenses

The conference items relating to the Occupational Safety and Health Administration appropriation involve a number of critical program areas, including four (4) amendments to

the appropriation language which would affect the scope of safety and health coverage for workers. On the issues of increased Federal compliance staffing and the proposed reduction in new funds requested for economic impact studies, the Department recommends that the Conference Committee adopt the House allowance. The Department's recommendations on all of these issues are more fully explained in the enclosure to this letter.

Bureau of Labor Statistics:

Salaries and Expenses

The House reduced the number of new positions requested for the Bureau of Labor Statistics by 45 and the funds by \$1,255,000. Of this amount, 16 positions and \$433,000 were deleted from the program request to continue development of the International Price program by expanding coverage to 70 percent of the value of U.S. exports and 60 percent of the value of U.S. imports. A reduction of this magnitude would delay the completion of this program by at least 1 year from its expected completion date of 1982. The remaining 29 positions and \$822,000 were eliminated from the proposal to increase funding for the Consumer Price Index (CPI). Since the \$45,000,000 project to revise the CPI is now in its final year, this decrease would mean that components of the CPI Revision would be curtailed or eliminated. As a result, funds previously appropriated by the Congress and already spent for design and development of this project would be largely wasted. We believe that both of these reductions would be harmful to the programs included and would not be in the best interests to the nation or of budget efficiency. We, therefore, urge that the Senate, or budget request, level be accepted.

Departmental Management:

Salaries and Expenses

The Senate reduction of the House approved appropriation for Executive Direction by five positions and \$130,000 would seriously affect the top level executive function within the Department of Labor. The activities most affected by such a cut include the immediate staff of the Secretary and Under Secretary, the Department's policy, planning, research, and evaluation staff, the staff serving as the personal representative to the Secretary in the 10 regions, the staff responsible for legislative coordination and staff responsible for adjudicating claims related to the many public laws administered by the Department.

All of these activities are necessary so that the Secretary and Under Secretary can effectively manage the day-to-day operations of the Department. Such a reduction in dollars and staff years would seriously affect the ability, and reduce the effectiveness, of both the Secretary and the Under

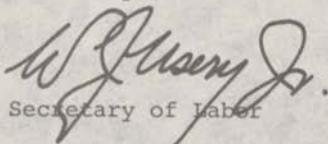
Secretary to formulate and analyze departmental policy and give direction.

The complexities of new labor legislation enacted over the last several years -- Comprehensive Training and Employment Act of 1973, Employee Retirement Income Security Act of 1974, Occupational Safety and Health Administration, Special Unemployment Assistance, Federal Supplemental Benefits, the 1974 Amendments to the Fair Labor Standards Act, to name a few -- make it essential that more extensive planning, research and evaluation take place at the Secretary's level so that the programs are consistently administered, duplication is avoided, and clear policy direction is set.

The functions of the Secretary's Office are executed with one goal in mind, namely, to ensure that the programs of the Department are administered to better serve American workers. A dilution of the capability of the Secretary and Under Secretary affects the Department's ability to achieve this goal and adversely affects all of the programs of the Department. We recommend that the Senate concur with the House position.

If there are any questions or if any additional information is needed regarding these recommendations, we will be happy to assist you. Identical letters have been sent to Senator Edward W. Brooke, Congressman Daniel J. Flood and Congressman Robert H. Michel.

Sincerely,



Secretary of Labor

Enclosure

Occupational Safety and Health Administration

Congressional mandate of changes in the implementation of the Occupational Safety and Health Act (OSH Act) comes at a time when the Department is, in fact, working strenuously to correct the deficiencies for which it has been criticized. Under the leadership of the new Assistant Secretary for Occupational Safety and Health, Dr. Morton Corn, OSHA's organizational goals have been redefined and real progress is being made towards achieving a better balance between enforcement activities and efforts to assist employers to maintain a safe and healthful workplace voluntarily. These new initiatives include public hearings to review the former safety consensus standards, increased training of the compliance staff to improve its professionalism, expanded education and consultation programs for employers and employees, and a redefinition of OSHA's inspection priorities. The Committee and the Congress should, therefore, consider carefully the effects of such appropriation actions on the ability of the Department to insure safe and healthful working conditions for all of the Nation's working men and women.

I. Employment-size and Agricultural Exemptions

The House adopted two floor amendments which, if retained in the appropriations bill, would have a deleterious effect upon OSHA's ability to safeguard the workplaces of this Nation.

The amendment offered by Congressman Skubitz states:

"That none of the funds appropriated under this paragraph shall be obligated or expended to prescribe, issue, administer, or enforce any standard, rule, regulation, or order under the Occupational Safety and Health Act of 1970 which is applicable to any person who is engaged in a farming operation and employs 10 or fewer employees."

All employees, regardless of the size of their employer's work establishment, are entitled to safety and health protection on the job. This overriding policy was often stated in the legislative debates preceding enactment of the OSH Act, which expressly states as its fundamental purpose, "to assure so far as possible every working man and woman in the Nation safe and healthful working conditions..." (Sec. 2(b) of the OSH Act, P.L. 91-596). During the OSH Act's legislative development, every amendment or other proposal which would have resulted in any employee being left outside its coverage was rejected by Congress. The reason for excluding no employee derives from the vital purpose of the OSH Act, which is to preserve the life and health of human beings in the context of their employment. That reason is, of course, as vital today as it was in 1970 when Congress enacted this law. It is evident that agriculture is a hazardous industry. Approximately one of every ten employees in the agricultural sector suffered an occupational injury or illness in 1974 according to the Bureau of Labor Statistics. An exemption of farms with ten or fewer employees would preclude from OSHA protection 87.5% of the Nation's farms, without evidence that this class of farms suffers any fewer injuries or illnesses than those with more than ten employees. In fact, in the majority of American industries there is evidence that small businesses are at least as hazardous as those with greater numbers of employees.

In addition to the contravention of the principle that all American working men and women deserve protection, implementation of this amendment would present administrative difficulties for OSHA. OSHA would be required to determine the exact number of employees on every farm selected for an OSHA

inspection. This would necessitate a detailed administrative mechanism including recordkeeping by farm employers to enable OSHA to make a determination as to whether a given farm unit employed ten or more individuals. An unfortunate by-product of this request could be the temptation by some farm employers to permanently or temporarily reduce employment in order to secure the perceived benefits of the exemption.

The difficulties which employers of small farms have in understanding and complying with OSHA's requirements can best be relieved through a program of consultation, education, and information, which OSHA is currently implementing. An exemption of this class of employers from provisions of the OSH Act, on the other hand, would serve neither the welfare of their employees nor the interest we all share in improving the administration of OSHA.

The second amendment adopted on the House floor, which was introduced by Congressman Findley, provides that:

"None of the funds provided by this Act shall be used to formulate or carry out a program under which first-instance citations for violations must be issued against firms employing 10 or fewer persons."

This amendment would also violate the principle that all employees are entitled to full and complete protection under the OSH Act. By eliminating the requirement for mandatory issuance of first-instance citations, which, in effect, set enforceable abatement dates, it would effectively deny the protection of the Act to employees in 83% of the work establishments of the Nation.

The OSH Act covers more than 5 million workplaces. It is clearly recognized that OSHA does not and cannot have the resources to inspect all these establishments. OSHA has inspected more than 350,000 workplaces in its five year

existence, but that figure represents inspections of only seven percent of the covered workplaces. State job safety and health programs provided another 106,000 inspections last year, but this does not approach complete coverage. If citations and penalties are not issued when OSHA inspectors initially discover violations of the OSH Act's requirements, employers would have far less incentive to make corrections of unsafe and unhealthful working conditions before their workplaces are inspected. In light of the fact that many establishments with ten or fewer employees are engaged in such hazardous occupations as logging and construction, the effect of this amendment would be to jeopardize large numbers of those employees with the greatest need for protection.

This amendment is not only inequitable to employees of establishments with 10 or fewer but it would also create an uneven enforcement policy toward those employers fully covered by the OSH Act. An employer with ten or fewer employees might not be required to correct a hazardous situation while an employer with more than ten employees would receive a mandatory citation and abatement requirement for an identical workplace condition.

OSHA is making a major effort to assist small business employers. A thorough review of Agency policy toward this sector has been conducted. In addition, OSHA is providing sources of assistance such as the publication of explanations of the most frequently violated standards, the initiation of a project to revise and clarify existing safety standards, increased training to sensitize OSHA inspectors to the problems of small businesses, and consultative services by both State and private sector consultants. The effect of this amendment

would be to remove the impetus for employer participation in these programs, which can effectuate improved workplace conditions.

The Senate adopted a floor amendment offered by Senator Durkin, Senate Amendment No. 1978, which would also have major impact on the OSHA program. The first provision of this amendment states:

"that none of the funds appropriated under this paragraph shall be obligated or expended for the assessment of civil penalties issued for first instance violations of any standard rule or regulation promulgated under the Occupational Safety and Health Act of 1970 (other than serious, willful or repeated violations under section 17 of the Act) resulting from the inspection of any establishment or workplace subject to the Act."

OSHA proposed penalties for only 31% of all non-serious violations cited in Fiscal Year 1975, with an average penalty per violation of \$41.95. Consideration is currently being given to suspending all penalties of \$50 or less, a change recommended by the National Advisory Committee on Occupational Safety and Health. While not affecting the penalty structure for serious, repeat, or willful violations, the adjustment would probably result in removing one factor irritating to small business employers--the "unfairness" of penalties for minor violations of the OSH Act. In addition, the enhanced training given to OSHA inspectors is emphasizing the necessity of focusing on the serious hazards found in American workplaces, rather than those of a non-serious nature, thus effectuating the intentions of the Senate amendment.

The second provision of Senate Amendment No. 1978 provides:

"That none of the funds provided by this Act shall be obligated or expended to prescribe, issue, administer, or enforce any standard, rule, regulation, or order under the Occupational Safety and Health Act of 1970 which is applicable to any person who is engaged in a farming operation and employs a daily average of five or fewer employees, but no more than twelve on any single day, excluding members of the immediate family."

Implementation of this provision would have an adverse effect upon the OSHA program for reasons similar to those noted in the discussion of the House amendment introduced by Congressman Skubitz. These include breach of the principle that all American workers are entitled to safety and health protection on the job, the administrative problems involved in determining which employees are exempted by the provisions, the possible economic consequences of an arbitrary cut-off, and the lack of incentive for farmers with small farms to participate in consultative, educational, and informational programs. In addition, the provision creates even more administrative difficulties, because of the additional recordkeeping that would be necessary due to the formula in the amendment under which coverage would be based on an average daily employment of five.

What the Department believes to be the intent of Congress-- and believes that the Conference should also make clear-- is that the term "farming operation," as used in the Skubitz and Durkin amendments, refers to those activities that are commonly understood as taking place on farms, specifically the growing of crops and the raising of livestock.

Having stated the Department's estimation of the effects of the Senate and House floor amendments, it should be noted that the first provision of the Durkin amendment is a change which OSHA could accept since it does not contravene the principle that every working man and woman in the Nation deserves protection while on the job. In addition, this provision, which would eliminate non-serious penalties, is consistent with the direction towards which OSHA is moving administratively.

## II. Increased Compliance Positions

Many of the difficulties and much of the criticism which OSHA has experienced have been due to the overly rapid expansion of its field compliance staff with inadequate training. Because of an extreme shortage of qualified occupational safety and health professionals, especially in the health field, it is still difficult for OSHA to recruit and train individuals with adequate prior knowledge of occupational hazards and industrial hygiene techniques. In addition to hiring and adequately training the 333 new positions authorized by Congress in FY 1976, continuing training is planned for all of OSHA current compliance officers to upgrade their skills and improve their professionalism. This includes: a full year of classroom and on-the-job training for new compliance officers; an additional two years of selective training to fully qualify junior health inspectors; advanced training for industrial hygienists; and additional training for all safety inspectors in health hazards recognition. The scope of this effort, the physical limitations to the number of persons who can be trained in OSHA's current classroom facilities, and the limited availability of senior compliance officers to provide on-the-job training make impractical further increases in the size of the compliance staff during FY 1977. The Senate proposal to increase the authorization for the Federal inspection activity by \$10,000,000 and 444 positions over the House allowance would impede OSHA's ability to coherently recruit, train, and effectively utilize its present compliance staff. It is recommended, therefore, that the Conference Committee reject this proposal and restore the reduction of \$4,500,000 from consultation funds, which was proposed as a partial offset for the cost of the proposed staff increase.

### III. Economic Impact Studies

The Department requested an increase in funds for economic impact studies from \$2,300,000 to \$6,300,000. The House reduced this request by \$2,000,000. The Senate reduced the original request by \$3,000,000. As a result, the total amount available for this activity in FY 1977 would be \$3,300,000. The Department recommends that the Conference Committee restore \$1,000,000 of the \$3,000,000 reduction. The Department feels it is absolutely necessary to conduct a full program of technological feasibility and economic impact studies to complement the development of OSHA standards. Standards promulgation can only occur in the context of an understanding of related technology, costs and benefits. The OSH Act permits the Department to consider feasibility in developing OSHA standards and the courts have construed this language to include both technological and economic feasibility. In FY 1977, \$4,300,000 represents the very minimum amount needed to conduct the data gathering and analysis activities for the approximately 25 major health actions and 17 major safety actions anticipated to be conducted during the year.

The conduct of these important studies requires a balance of in-house staff to conduct such studies as well as a program to award and monitor related contractor performance, and to provide expert advice to OSHA on technology and economics. It should be recognized that OSHA, for at least the immediate period, will continue to rely on private sector resources for the conduct of these studies because of the need for highly specialized expertise intermittently, often only for one specific study.

Finally, the areas of major public interest in the various aspects of OSHA standards are technological feasibility of their provisions and economic impact (cost as well as benefit) of those standards.

Since OSHA rulemakings involve public participation, it is critical that the Agency present, insofar as possible, the objective facts related to feasibility and impact to allow the public the fullest possible understanding of the issues in order to provide informed opinions. In the past, the Agency has been criticized for not conducting adequate research into those areas. Therefore, OSHA seeks an adequate financial base for the conduct of economic as well as technological feasibility and benefit assessment studies.

#### COMMUNICATIONS

Senator CHILES. I would also like to insert some communications between the subcommittee and Hew into the record.

The information follows:

## LETTER FROM JOHN D. YOUNG

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20201

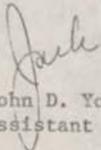
June 21, 1976

NOTE TO HARLEY DIRKS:

In response to your note of June 16, we acknowledge the fact that there is an error in the 1977 budget request for Howard University and Gallaudet College. The pending President's budget for these two items does not include the full-year costs of the pay raise which went into effect last October and for which supplemental funding was provided in the second supplemental. The amounts in question are \$2.4 million for Howard University and \$396,000 for Gallaudet College.

It seems to me that the Committee has two options:

- (1) The funds could be added to the Labor-HEW Bill currently under consideration. While it is impossible for us to get an official budget amendment through the system before full Committee markup, we would not count any increase you provided to correct the error in the budgets of Howard and Gallaudet as being above the President's budget. This has been discussed with OMB and we are all in agreement.
- (2) You could wait until a 1977 supplemental request is submitted by the Administration with the 1978 budget next January. We have been assured by OMB that these funds will be requested if they are not in the regular bill as it is ultimately enacted. We have checked with the two Institutions and this course of action would not create operational problems. The budget for salaries would not be deficient until some time in September, the last month of the fiscal year. Since a supplemental will most probably be enacted by next May, there should be no disruption.

  
John D. Young  
Assistant Secretary, Comptroller

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## LETTER FROM JOHN D. YOUNG

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20201

JUL 1 1976

The Honorable Warren G. Magnuson  
Chairman, Subcommittee on  
Labor-Health, Education, and Welfare  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

The purpose of this letter is to request the Committee's approval of two health manpower reprogramming requests:

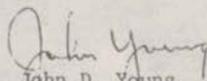
- \$642,000 from health professions loan repayments to physicians shortage area scholarships; and
- \$1,000,000 from nursing loan repayments to nursing research.

In both cases, funds are excess to need in the loan repayment programs and will be utilized to fund continuation costs in the shortage area scholarship and nursing research programs. It should be noted that in neither case did Congress specifically appropriate funds for these latter two activities; the Senate, however, directed that up to \$4 million be spent in 1976 for nursing research in the 1976 bill report.

For physician shortage area scholarships, the budget assumed that students supported under that program could be shifted to the national health service scholarship program. However, because of differences between the two programs, it was not practical to convert students supported under the physicians shortage area program to national health service scholarships. Therefore funds need to be reprogrammed this year, and possibly next year as well, to cover existing continuations.

Your early approval of these reprogrammings would be appreciated.

Sincerely yours,



John D. Young  
Assistant Secretary, Comptroller

LETTER FROM SENATOR MAGNUSON

## United States Senate

COMMITTEE ON APPROPRIATIONS  
WASHINGTON, D.C. 20510

July 6, 1976

Honorable John D. Young  
Assistant Secretary, Comptroller  
Department of Health, Education,  
and Welfare  
Washington, D. C. 20201

Dear Mr. Young:

The Committee has reviewed your reprogramming request of July 1 for health professions and nursing loan repayments in the total amount of \$1,642,000.

At this time, the Committee has no objection to this request and understands that the funds will be used for physician shortage area scholarships and nursing research.

Sincerely,

Warren G. Magnuson  
Chairman, Subcommittee on  
Labor-Health, Education,  
and Welfare

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LETTER FROM JAMES B. CARDWELL  
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
SOCIAL SECURITY ADMINISTRATION  
BALTIMORE, MARYLAND 21235

JUL 14 1976

Honorable Warren G. Magnuson  
Chairman, Subcommittee on Labor-Health,  
Education, and Welfare  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

In response to the request contained in your letter of June 17, 1976, I am pleased to provide you with copies of my recent correspondence with the General Accounting Office and with Congressman Vanik on the subject of computer utilization at the Headquarters of the Social Security Administration.

Based, as I understand it, on concurrence by the Committees on Public Works, GSA made the contract award on June 29.

Sincerely yours,

  
James B. Cardwell  
Commissioner of Social Security

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## LETTER FROM JAMES B. CARDWELL

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
SOCIAL SECURITY ADMINISTRATION  
BALTIMORE, MARYLAND 21235

June 18, 1976

Mr. Gregory J. Ahart  
Director  
Manpower and Welfare Division  
U. S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Ahart:

We have studied the points made in your letter of May 14, 1976, and have considered your conclusions. Many of these same points were covered in your letter of March 26, to which we responded in our letter of April 16.

In view of the fact that your letter has had the practical effect of reopening earlier decisions about our current construction program, including decisions made by the Congress, we would like to take this opportunity to discuss each of the issues that have been raised, including a reiteration, in some cases, of points made in our letter of April 16.

Because one of our own employees has contended to the House Government Operations Committee that the Agency is underutilizing its existing computers, the question has been raised as to whether the new facility about to go under construction at Woodlawn is needed.

It is our understanding that you were asked to review this question on behalf of the House Government Operations Committee. Although the time available to you for this purpose was indeed restricted (given the fact that the purchase contract for the building had already been consummated by GSA and the fact that construction was scheduled to proceed in the late spring of this year), you proceeded to do so on what could only have been a rather limited basis.

In other words, what in our view was, through no fault of GAO, a rather cursory systems utilization review that produced at best only a set of problematical conclusions may well lead to a very serious and far-reaching decision that, if decided incorrectly, could be adverse to the best

interests of the social security program. It is for this reason that we would like to put the matter in as clear a perspective as possible. We would like to use this opportunity to state our view of the consequences of using your analysis as a basis for any decision to delay or abandon the facilities project at issue.

Before discussing the specifics of the facilities issue, we would like to confirm the commitment made in our letter of April 16 wherein the Social Security Administration will commission a full outside study of the computer utilization question, the protocol of which will be available for GAO review prior to the commencement of the study. This represents an acknowledgement on our part that a question of whether improved utilization could be achieved is indeed a legitimate one. But, at the same time, it is our view that a great deal more work needs to be done before anybody, including GAO, can determine with confidence just how and to what extent such improved utilization might be achieved, and, if achieved, how the facility at issue might be affected. As we pointed out before, while we accept the work done by GAO and its consultant as being indicative of possible underutilization, we in no way believe it should be accepted by this Agency or, for that matter, by the Congress as being conclusive.

On this point, since our letter of April 16, we have received a fairly full report in writing from the Boeing Corporation, the designers and owners of the analytical technique used by your consultant. That report, which has already been made available to your staff, states quite conclusively Boeing's opinion that your consultant's study should not be accepted as a basis for any final conclusions in this matter. In fact, their report has the effect of recommending the very action that we proposed on April 16; namely, a further in-depth review.

One further point. In your May 14 letter, you open broader and more basic questions than the effect that current computer utilization might have on facilities requirements by saying to us:

"...we are uncertain that the project, the new Woodlawn Building as currently planned, is the preferred way for SSA to meet its computer facility needs, primarily because SSA never really assessed the feasibility of modifying the existing facility, which appears to be a viable project alternative." (Underscoring added.)

As we read your comment, particularly the underscoring portion, you are no longer dealing with just the question of computer utilization and its

impact on the facility in question, but you go beyond that and suggest a reconsideration of the earlier Executive/Legislative decision to build a new building rather than reconfigure the existing building(s).

We must express our concern over your point-blank statement that modification of existing facilities "appears to be a viable project alternative." We doubt that at the time of your May 14 letter sufficient data could possibly have been available to GAO on which to establish such a flat conclusion.

In any event, it is our belief that even a cursory review of the operational considerations of such an alternative make it highly suspect as a viable choice. On the same basis, we believe that such an alternative would not be cost effective. We will speak more to this later, but would refer at this point to the enclosed statement of the major engineering and logistical difficulties that we foresee under this alternative. (See Enclosure entitled, "Alternative of Modifying the Operations Building in Lieu of Constructing a New Computer Center Facility.")

In summary, as administrators of the program and as the ones most responsible for its continuity, we believe this alternative is highly questionable on its face, largely because of the serious risks that it implies for one of the most precarious parts of the Agency's present operations. Further, it seems to us that this choice immediately shifts the burden of improving the computer facility to scarce computer management skills--skills that are already hard-pressed to carry out their current assignments. Construction of the new facility shifts most of this burden to construction skills--skills that, frankly, are much easier to acquire under these circumstances.

While GSA should, of course, speak for themselves, it is our understanding that they have concluded that extensive work would have to be done, at some cost of its own, to plan such a reconstruction project and particularly to estimate its cost and logistical implications.

It is our further understanding that, because of statutory limitations, it is not possible to delay the choice of proceeding with the new facility long enough to complete a full study of the planning and cost implications of renovation of existing facilities without voiding the new facility choice. In other words, as we understand it, the way the authorizing legislation is framed, particularly as to time limits, it is not possible to defer the project as now authorized and designed for a prolonged period without starting all over again. On the other hand, GSA has arranged with the successful bidder to delay the award date for another 30 days, which would shift the deadline ahead to about mid-July.

As you are of course aware, your questions have been acknowledged by the Public Works Committees and have also been brought to the attention of other committees, including House Government Operations, House Ways and Means, and the two Committees on Appropriations. Along with GAO and GSA, we are engaged in a continuing dialogue with most of these Committees.

Following are our comments on each of the specific points cited in your letter of May 14.

#### Security

Your consultant emphasized his opinion that present security precautions are inadequate. While we acknowledged this in our April 16 reply and still acknowledge it, I think it is only fair to say that the Government's standards on security for computer facilities have ebbed and flowed depending on the circumstances of the moment and the mood of the public. It is our opinion that, as a general proposition, SSA's present security precautions are comparable to those of most civilian agencies and most civilian segments of the private sector. Those of us currently responsible for these matters within SSA agree that this is unsatisfactory, given the risks that face civilian activities of this kind in this country. We see the new building as offering the very best opportunity for marked improvements in this regard, and, while we lack a full analysis of the matter, we doubt that rearrangement of our existing facilities could ever provide the same degree of assurance that is presently planned for the new building.

Meanwhile, we have taken steps to improve the situation which existed at the time of your consultant's visits:

1. We have established new and more restrictive procedures for both entry and exit.
2. We have reduced the number of persons authorized to have access to the computer area and have generally restricted the level and flow of personnel traffic in and out of the area.
3. We have completed a set of technical specifications aimed at the competitive procurement of a new access system designed around computer and magnetic badge controlled man-traps and closed circuit television.
4. We are procuring the services of an outside expert in the security field to review our present plans and to make recommendations for further changes.

We will, of course, prepare the (optional) "security risk analysis" described in the National Bureau of Standards Guidelines.

While we think these improvements are necessary between now and the time any new facility might be available, because of location and general characteristics, we do not believe the present facility could ever be brought to the same level of security that would be available within the new building.

#### Expansion and Improvement of Existing Computer Facility

We have already spoken to this, but for purposes of completing the record, we offer further comments at this point.

Your letter takes the position that this is a viable alternative and that it was improperly rejected in the process of deciding to authorize the new building. As already stated, it continues to be our view that the modification option is not feasible and should again be rejected. We would add the following points that do not seem to have been weighed by your staff:

1. The present computer facility is not adequate from the standpoint of its technical features (general space layout, quality and availability of power and cooling).
2. The high probability that any thorough analysis of the cost of modifying the present facility to meet long-range needs is almost certain to show this option as more costly than the present project for new construction.
3. The high likelihood that ongoing operations would be placed at significant risk in the execution of such a reconfiguration plan. While the transition to a new facility would itself impose some operational problems, we believe they are minimal when compared to the alternative of reconstructing the existing facility.

As we have already stated, while we believe a full analysis of the cost and logistical implications would require extensive and time-consuming effort, the subject was reviewed on a limited basis last fall with the collaboration of GSA. The result of this review was delivered to your staff in November of 1975. This particular analysis showed that the modification alternative would be more costly than the new construction by about \$30 million. Although (during the 1971-73 period when the new facility plan was being evaluated) SSA did not develop the cost for conversion in full detail, we are reasonably convinced that the above analysis demonstrates that the right decision was made at that time. We believe new construction remains as the correct decision.

This leaves the question of what happens if the computer utilization analysis to which we have committed ourselves later shows, say a year from now, that even current computer space requirements could be reduced? If, meanwhile, we proceed with the building, will we not have overconstructed computer space? Our answer is that the design of the new facility has been deliberately chosen to make the entire facility usable as a combination computer/general office space facility. Thus, if our computer space needs are reduced during construction, we can occupy the difference as general office space rather than special computer space.

This leaves a follow-on question of whether there is a need for additional general office space. SSA's office space needs in the Baltimore area already significantly exceed permanent space available. Our current requirements for space are being met in part through the lease of over 1.5 million square feet of general purpose space scattered among 15 locations in Baltimore and Woodlawn. In the immediate Woodlawn area alone, about 450,000 square feet of office space are currently under short-term lease. GSA advises that these leases have expiration dates that coincide with the scheduled availability of the new 475,000 square foot computer building. Thus, we have both the option and the opportunity to make up any difference in computer versus office space needs in the new building by termination of a comparable block of leased office space in the Woodlawn area. GSA has concluded that the long-term cost of the new facility would be lower than the continuing cost of the space currently leased.

In summary, the cost and operational implications of converting existing space, when combined with the opportunity to substitute leased space in the event improved computer utilization does reduce future computer space requirements, convince us that it would be advantageous for the Government to proceed with construction of the facility in question. We see this as a superior choice over that of trying to modify existing space.

Questions about the Impact of Computer Acquisition on the Need for Computer Space

As you know, following installation of the four new 370/168 computers, we plan to relocate for other use certain of the older computer systems (360/65). While some economy of space would appear to result from this exchange, the shift of the 360/65's will occur just in time to house the new disc drives which are now being procured for use in our expanding teleprocessing complex. Thus, the shifting of computers will not result in any reduction in current computer space requirements.

The new Woodlawn facility has not been represented as having "the capacity to house 22 IBM 370/168 computers" as you stated. Your staff misinterpreted a passage in the "Red Book" which was prepared

to guide the design specifications for the new building. It is correct that we specified 22 locations where utility outlets could be connected to computer processing units. This, however, had to do with flexibility in the physical location of equipment arrays, and not with any planning as to the quantity of systems which would be installed. A later addendum to the Red Book clarified this point and showed that the utilities should be designed for the installation of 16 water-cooled systems. The number of computer systems to be finally installed when the building is occupied will, of course, be governed by the SSA equipment needs as then dictated by its programs and by the level of automation in them.

Your staff has correctly stated that we intend to keep the computers in the new facility in a "power-on" status 24 hours per day, 7 days per week. This, however, does not result in an increase in available capacity since we are already following that same power-on policy in the existing computer center.

#### DHEW Plan

We have consulted with the Department of Health, Education, and Welfare in an effort to locate the "DHEW Plan" which you mentioned as possibly limiting SSA's future computer inventory to six large-scale systems.

No such plan exists; in fact, what appears to have happened is that your staff accepted what could only have been "an opinion" from an HEW staffer who was not then and is not now in a position to speak authoritatively for the Department in this regard. The Department continues to support the original plan for both acquisition of computers and facilities as modified through the commitments made in my letter to you of April 16.

#### Tape Library

It is not correct that we plan to expand the tape library from the present size of 25,000 square feet to 36,000 square feet. The tape library in the new building will contain approximately 27,000 square feet. Additional tape storage capacity will be provided through better storage equipment but not through the use of wrap-around straps as your staff recommends. We have been aware of the potential space saving characteristic of wrap-around straps for many years. We have, however, consistently rejected that approach to tape storage and have made use of the "slim-line" canisters instead. The reason is to be found in the truly massive movement of tapes in and out of our library every working day. The tape quantities to be moved are so large (15,000 per day) that we must use pallets as well as tape carts. The stacking of these tape reels on the pallets and carts and the handling to which they are subjected would result in damage

to the reels and to the tape itself if they were protected only by the wrap-around straps. By contrast, the slim-line canisters fully protect the tape reels and the tape and thereby avoid costly computer reruns.

#### Mass Storage and Distributed Processing

The possible future use of mass storage devices and distributed processing schemes to improve system performance is conceptually intriguing, and both of these possibilities are the subject of continuing study at SSA. Both possibilities, however, remain in the future. There is little basis for predicting that the use of either of these approaches in handling our information flow will translate into near-term economies of space.

Much attention is being given to mass storage devices in the computer industry and several such products are now being marketed. Each of these products is being studied by SSA staff, and we anticipate procuring one of the more advanced systems for extensive use and evaluation in the near future. Depending on the results of that evaluation, we may, or may not, be justified in a general change from conventional magnetic tape storage to mass storage devices. This cautious approach is necessary because of our responsibility to the public which we serve.

We will, of course, continue our study of these devices; we will use them whenever and wherever they prove to be effective; and we will make use of any space savings which might result. The initial estimate of this space trade-off, however, indicates that even a complete change from our present array of magnetic tape drives to an array of mass storage devices would yield a net saving of space so small as to be insignificant in our future planning.

We are aware that certain computer-based information systems have in the past successfully distributed computation and recordkeeping to regional and local levels. We are also aware that innovative work is being done today in that direction by some of the larger banks. This work, is, of course, receiving substantial impetus from the fact that the cost of processing logic as employed in contemporary mini-computers and micro-computers has been reduced dramatically. We believe, however, that there will always be a requirement to maintain large centralized data bases which are common to the entire range of SSA's mission, and will have to be processed centrally on complexes of large-scale computer equipment.

It is important to note that such distributed processing applications are generally characterized by highly disciplined systems in which the stored records are short, and transactions are brief. Application

of this same technology to the Social Security Administration's information flow is not a simple task, considering the size and complexity of our records and the infinite variety of our transactions. Further, it appears unlikely that we will succeed in segmenting our most important data bases for distributed processing for some time to come. We conclude that operational use of this approach must be subjected to long and careful feasibility and cost benefit analyses which may indicate that distributed processing is less practical for SSA than a centralized system. It is pointless to speculate today on the impact on space requirements of a process whose feasibility is in the initial stages of investigation.

#### Advanced Systems Planning

We have stated consistently that the time needed to move the computer equipment from the existing computer facility to the new building would be approximately 1 year. We still consider this to be the case. Your staff apparently has made the error of confusing this equipment move with the transition from existing information systems to the new information systems which are now beginning to be developed by the Office of Advanced Systems (OAS). The transition from the old information processing systems to the new will probably continue over a substantial period of time but will be entirely independent of the move to the new Computer Center.

#### Environmental Impact Statement

We have discussed this question with the General Services Administration since receiving your letter. We reviewed both the substance of the final Environmental Impact Statement (EIS) and the procedures followed in its preparation and submission. We conclude that there was no efficiency.

The EIS included approximately 40 pages of discussion on the seven alternative solutions which we considered worthy of comment. One of those, solution #3, was identified as the "No Project" alternative. That alternative was defined as the one under which we would not build a new building but would meet our future needs through use of the existing facility. The Statement made it quite clear, of course, that this alternative had been rejected. The EIS was circulated to all interested parties and no adverse comments were received.

#### Conclusion

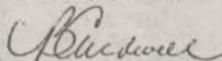
In your letter, you make a statement to the effect that the new computer building is the "ideal" solution for overcoming existing computer facility deficiencies. We agree completely with this part

of your letter. It is our belief also that it represents the least costly and the most efficient means of providing future stability and qualitative improvements in this important area--a means that will be superior in both cost and operational feasibility to the one of altering existing space.

We appreciate the difficult situation that GAO has faced in attempting to review this subject within the existing time and data constraints, and do not mean to quarrel with the kinds of questions that have been raised. Under the circumstances, they are legitimate. On the other hand, we are, of course, concerned that we not lose either time or investment in our efforts to move ahead to make improvements in our data processing operations.

We will do our best to provide any additional information that you might request and are prepared to work with you, GSA, and the Congress in an effort to resolve any remaining questions that you may have.

Sincerely yours,



James B. Cardwell  
Commissioner of Social Security

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Department of Health, Education, and Welfare  
Social Security Administration

ALTERNATIVE OF MODIFYING THE OPERATIONS BUILDING  
IN LIEU OF CONSTRUCTING A NEW COMPUTER CENTER FACILITY

Summary Discussion

In considering the modification of the Operations Building as an alternative to the new Computer Center Facility, it is necessary to understand the three major functional areas which form such a structure: electrical, mechanical and architectural. The "program of construction requirements," which is always easier to implement in a new structure, must also be the basis of a modification plan (unless the criteria are lowered just for the sake of implementation). The capabilities which were described in the "Red Book" (May 1974), are the best estimates of the functional capabilities required to continue the enormous processing needs of SSA. These capabilities are not a result of SSA thinking alone; they were assembled over 2-1/2 years of investigation and discussion with major computer users, both in Government and private industry, visits to computer facilities, and comprehensive studies in trends in computer architecture. Since the publication of that document over two years ago, the analysis has continued, and when changes in computer technology have occurred which dictated a modification in our thinking, the program of requirements was changed accordingly.

Electrical

The design of the new Computer Center provides all electrical power requirements to the computer hardware from 4 electrical distribution centers. The power from each of these centers would be available on all floors of the computer facility. Using this technique of power distribution, it is possible to power a computer and its associated peripherals from a single source even though the CPU may be located on the 3rd floor of the structure, while the tape and disk drives are on the 4th floor and the printers and card readers are on the 2nd floor. This allows for entire computer entities to be isolated to specific distribution centers for uninterruptible power supply (UPS) utilization and emergency power generation.

The situation which currently exists in the Operations Building does not easily lend itself to an orderly isolation of electrical power distribution centers. The EDP Operations area is currently being fed from 9 individual distribution centers which are located as far away as the Altmeyer Building. These electrical sources are not totally isolated from other building electrical requirements as should be the case. In the past SSA's computer complexes have experienced interruptions of their power supply due to a short circuit in the Print Shop or an overload caused by a Fan Room motor binding up and

burning out; an intolerable condition. Additionally, the interrelationship of other building power requirements on what should be distribution centers specifically dedicated to computer electrical requirements continually cause "sags" and "surges" which, although not classified as power outages, are the major sources of tape and disk errors.

The quality of utility-supplied power, which is entirely adequate for the needs of the vast majority of electric-power consumers, is not similarly satisfactory for the newer, faster computers. Voltage anomalies which are insignificant in industrial, commercial or residential use can cause program errors or loss of information inside the computer, or can damage the equipment. This has caused increasing concern among computer users with large-scale on-line/real-time operations. Airlines, large service bureau operations, and large commercial "point-of sales" operations, in addition to many conventional Government and private industry installations, have found that uninterruptible power supply (UPS) equipment is essential to continued and accurate processing of workloads. The design of the new Computer Center facility includes such a UPS configuration for SSA's computer configurations. This design includes the integration of the electrical distribution centers, i.e., four centers, with four UPS subsystems each with a connected load capacity of 1600kVA in a redundant operation so that in the event of a failure in any inverter module within a subsystem, the UPS subsystem will be capable of continuous performance. The overall total capacity of this UPS will be 6400kVA plus the necessary redundancy. To house this equipment and its associated batteries an area of 42,000 square feet has been set aside in the new facility. The excessive weight of the hardware and batteries, makes it necessary for the equipment to be located on the first floor of the Computer Center where a "slab on grade" condition can support the load.

To accomplish this same functional requirement within the existing Operations Building confines, an area of the same size would have to be set aside, i.e., 42,000 square feet. Again, because of weight considerations, it would be necessary to locate this equipment on the first floor of the Operations Building.

To properly install the UPS equipment and isolate the computer power loads from other electrical requirements within the Operations Building, it would be necessary to redesign the entire building electrical system including those transformer distribution techniques currently employed. The cost of the UPS equipment, the additional transformers, and the effort to affect a redistribution of the electrical sources within the current structure is estimated to be \$8 million. This is exclusive of any costs which may be associated with the need for the relocation of personnel displaced by the space required for the UPS on the first floor.

An even more important factor aside from the monetary aspects related to the installation of the UPS equipment and the redistribution of power loads is the downtime which is associated with this change if it were to be accomplished

in the existing facility. In a study which was performed in 1972 by Alexander Kusko, a noted designer of UPS and distribution systems, and which specifically considered installing a UPS in the Operations Building, Mr. Kusko stated:

"Construction and installation of the solid state UPS (at SSA) will take place over a period of about 2 years. It is estimated that for 20% of this time (a period of approximately 5 months) at least one of the complexes will always be down or of marginal use while construction is underway in the computer area. A large portion of the construction and installation work can be done without interrupting the operation of complexes, but the chances of creating an electrical failure condition are high."

This statement by Mr. Kusko was made prior to the installation of the dual computer processors utilized for teleprocessing, the 370/165 utilized for Health Insurance processing and the additional UNIVAC equipment. This in conjunction with the North Block Expansion, which is currently underway, has more than doubled the inter-relationship of distribution systems utilized for power transmission. It is likely, if a similar electrical study were to be performed today, that the original estimate of approximately 5 months of anticipated downtime might be increased to 8 or 9 months.

The installation of Emergency Generation equipment has also been designed for the new Computer Center facility. This equipment, which would also be required to support the UPS in the Operations Building, cannot be housed within the confines of that building. The size of the Emergency Generators (EG's) and the associated transformer equipment will require a separate facility such as the utility building planned for the new Computer Center. The cost of this equipment and the structure to house this equipment is estimated at \$12 million. The utility building will have to be erected outside of the area reserved for parking and far enough away from existing structures so as not to cause a vibration problem. It will, under any circumstance, require that an Environmental Impact Statement be filed.

To install this emergency distribution system properly, a rewiring of all cooling towers, chillers, and lighting systems would have to be undertaken in order for these functions to utilize the auxiliary power. The problems which arise relating to the packaged cooling systems located in the computer rooms themselves are discussed in detail in the following mechanical discussion.

#### Mechanical

The problems relating to the installation of new chiller systems, piping, cooling towers and fire safety systems to provide the same functional requirements as that planned for the new Computer Center are small compared

to the downtime resulting from changes in electrical distribution, although some downtime will be experienced. This in some cases could be coordinated so that it only occurred at the time of final connection rather than on a continuous basis.

The most critical problem relating to the mechanical modifications deals with the packaged air conditioning units currently installed in the computer facility in the Operations Building. The mechanical design of this equipment is such that, if power is lost, the lack of pressure, will cause these units to go into what is termed a "high head" condition and automatically cut off. For the units to become operational again, each unit must be manually reset by an Operating Engineer. There are over 100 of these units installed in EDP Operations. Since these cooling units consume a tremendous amount of power, the connection of this equipment and the pumping equipment on the cooling towers to the UPS would require that the UPS be double the size which is planned for, regardless of its location. As in the new facility the cooling equipment must be connected to the Emergency Generation (EG) equipment. The connection of the current cooling equipment and pumps to the EG's will not resolve this problem alone due to the fact that the EG's require a minimum of 1 minute to produce power if they are diesel and 3 to 4 minutes if they are turbine. The water flow problem would be the same as that experienced under today's conditions in the event of a power failure.

The cooling equipment in the new Computer Center facility is mechanically designed as air handling units to be placed throughout the computer rooms in the same manner as the air-conditioning (A/C) units are located in today's environment. The air handlers are fed chilled water and through the process of heat exchange cool the air in the computer room. In the event of a power loss, there is no complicated compressor equipment (as is present in the A/C units currently utilized) and therefore the loss of water flow does not cause the unit to experience the "high head" condition. When the power is restored, either by return of the utility or through the use of EG's, the air handlers immediately begin operation as though no fault had previously occurred. At the maximum, using the turbine EG's, the loss of cooling capacity would be 3 to 4 minutes, a tolerable condition.

To accomplish the same results in the existing facility would require that the current cooling equipment, i.e., the packaged A/C units, be removed totally and replaced with air handling equipment similar to that planned for the new Computer Facility. Additionally, to implement a cooling technique utilizing the air handling method would also require that a chilled water system capable of dispersing approximately 25 million BTUs/Hr. be installed. This chilled water capacity is over and above the capacity currently available in the Operations Building for normal building cooling as well as that required for the cooling of computers.

To install the air handlers it would be necessary to remove the current computer A/C units prior to installation. It is estimated that to do this, each complex would be inoperative for a minimum of 15 to 30 days, based upon the number of A/C units required and the size of the computer configuration making up that particular complex. This would be in addition to any time lost due to the inconvenience caused while the chilled water pipes were being installed within the complexes and time lost due to accidental leakage which is inevitable regardless of the caution observed.

#### Architectural

The architectural renovation, while it is less costly than the other items related to the alternative of modifying the current facilities, will be the most time-consuming as well as the cause of the greatest portion of the downtime of computers. The major concern of computer operations personnel, and SSA is no exception, when a modification of their computer facilities is to take place, is the planned computer downtime as well as the "unexpected" downtime. The computer user can always schedule the anticipated downtime, regardless of how distasteful it may be, but the damage caused by dust and dirt, and computer time lost because of it, is always more harmful. With the faster speeds of computer equipment coupled with higher densities of data storage, the smallest amount of dust particles can be disastrous. As an example, the disk drive read/write heads which float on an air cushion have no more than a hair's width of space between the head and the disk surface. The entry of dust into this environment has more than once been the cause of what is termed a "head crash," i.e., the head touches the disk surface, and in turn causes the loss of entire data base structures such as those contained within the SSADARS environment. In most cases where architectural modification is experienced in a computer installation, the knowledgeable operations personnel will always make sure that the computers are powered-down until the modification is completed. In the case of the SSA computer facility in the Operations Building, the length of the shutdown would be intolerably lengthy due to the need for extensive modification.

The new Computer Center facility has been designed for maximum flexibility, i.e., computer equipment may be configured on any one floor or number of floors based on the circumstances and particular processing environments. To communicate with signal cables from one computer component to another, the standard approach of utilizing the space under the raised floor is to be implemented. For the signal cable communications between components located on different floors, cable ports (holes in the floor) have been designed into the structure. These ports are located at each column with two ports per column, and each 1 foot square. These ports will be incorporated into the structure and will provide a clear passage through each individual floor slab.

To accomplish this same functional requirement under a modification alternative, two cable ports would have to be drilled, each 1 foot square, at each column location on the second, third, and fourth floors

of the existing facility. These ports would be required to pass completely through the floor, i.e., the entire concrete structure of the building slab associated with that floor. It is estimated that approximately 300 such ports would have to be cut into the existing floors.

Each area immediately adjacent to a column would have to be reserved so that it can be drilled for cable ports. It would also have to be reinforced so that the integrity of the structure would not be jeopardized. (This structural reinforcement requirement was stated in a report from the Henry Adams Company, an engineering consultant, which was performed in 1974.) Additionally, a fire stop would have to be incorporated around each cable port in accordance with the Fire and Safety Regulations of GSA. This cable port fire stop would also become part of the structural form of the floor slab. It would then be necessary for this particular phase of the modification to take more initial area adjacent to the column for initial alteration purposes than will eventually be used after the completion of this portion of the modification.

A fire-proof enclosure would also be required around each column which would extend from the top of the anticipated raised floor to the bottom of the dropped ceiling. This enclosure, which is square in shape, would extend out from the column to allow a maximum of 1 foot clearance on all sides. The column enclosure serves two purposes: the first to provide a fire-proof passage above the raised floor and beneath the dropped ceiling for the computer signal cables which will be passing from floor to floor and second, to house the electrical breaker panels which must be installed as a source of power supply to the computer components which will be housed on each of the floors.

The need for these column enclosures will reduce the distance between columns in the existing facility from the 23 feet to 21 feet. This reduction of clear floor space between columns will further hinder the needed flexibility for computer component layout in the current facility and in fact is only 1/4 of the stated requirement for the new Computer Center facility which has 30 x 60 foot column spacing.

To provide the cable ports, and to place the enclosures around each column would require that the area designated for the computer space on each floor be vacated, i.e., the third and fourth floors now occupied by clerical type operations would have to be cleared for the renovation work which must take place. The first floor, i.e., the 42,000 square feet which would be required for the UPS should have been cleared by this time or would require clearing for the same reason. Thus, approximately 2,500 people would have to be moved out--into space which we do not have--and at the cost of disrupting established patterns of workflow. The operational losses would be very large.

The computer facility located on the second floor would be presented with serious problems in order to prepare for the renovation. In addition to the inconvenience created by the passage of workmen through the computer

complexes, uninterrupted operation would be practically impossible during the process of drilling the cable ports and constructing the enclosures. Data security and physical security would be all but nonexistent. The dust and debris created by such structural work would make it unbearable for personnel to operate the computer equipment in any complex in which the work was taking place. It would be all but impossible to continue the processing of workloads in a particular complex even if plastic shields were used in the immediate area of the renovation work. The placement of these protective shields would inhibit the normal work flow process and thereby reduce the efficiency of the personnel involved. Computer equipment would have to be temporarily relocated within the complex to provide access to and around the columns. In most cases, the pedestal which supports the raised floor would rest on the immediate area where the cable port is to be drilled. This would require entire sections of floor to be removed and relaid. If the enclosures were also installed, entire banks of tape drives would require repositioning, CPU's would have to be relocated and entire complexes would have to be repositioned to adapt to the new environment created.

In particular areas such as the M, N, O, and P rooms, which house computer complexes B, C, and D, all three complexes would be affected and most probably have to be closed down for a considerable period of time. The computer workload accomplished in these complexes include Health Insurance, Post-Entitlement and BDI Folder Control System. Additionally, Complex C contains the computers which process the Tape Library Control System and the Scheduling System workloads. Without these two systems, all work within EDP Operations would cease, or at a minimum would be severely crippled.

Large areas of raised flooring would have to be temporarily removed so that the floor drainage system which is mechanical in nature could be integrated with the structural slab on the second floor of the Operations Building. This drainage system must be flush within the floor and therefore, the floor slab must be chipped away so that the pipe can be laid into that slab and new concrete poured to provide a solid level floor finish.

In addition, the drainage system must then be networked towards the column areas so that water accumulation, if any, can be forced in the direction of the vertical drainage system. The vertical wet column facility will also require that additional holes be drilled for the pipes in the general vicinity of the columns but within the confines of the column enclosure.

A high speed vertical conveyor system is also required to expedite workflow between all floors of the facility. To install such a system in the current environment would require a central location within the computer area for this purpose. The vertical system would pass from floor-to-floor carrying work to be processed, including tape reels, procedures, and various inputs. It would also be used to carry the completed work which would include printouts, tape reels, and microfilm products. This three cab conveyor system will require a minimum clear opening of approximately 6 feet by 20 feet in the slab on each

floor, causing further disturbance to the computer processing capabilities of SSA during the renovation process.

#### Conclusion

In attempting to describe some of the more prominent problems related to the implementation of the alternative, i.e., modification of the Operations Building rather than the construction of a new Computer Center facility, this paper might well create the impression of a nightmare situation. This was not the intent, yet in trying to explain these problems, which would exist if the modification alternative were selected, there is no way of avoiding this. There are many other areas in all three categories, electrical, mechanical, and architectural, which have not been described in this paper, but which would have a major impact on SSA's ability to process computer workloads.

In discussions with other large computer users throughout the country, it was conditions such as those described which dictated that (instead of attempting to modify existing facilities) new facilities be constructed. They included the Bank of America, Bankers Trust of New York, Insurance Company of North America, United Airlines, American Airlines, the New York Stock Exchange, and Chase Manhattan Bank. These are just a few of the more than fifty large users who were contacted in connection with the facilities study which was conducted.

It is the opinion of the Social Security Administration that if SSA is to continue to provide service to the public, and at the same time undertake a major modification to the existing facilities, a minimum of two temporary computer complexes would be necessary. These complexes should be comparable in processing capacity to our largest complexes now in operation. The location of these temporary computer facilities would have to be within the confines of the Woodlawn Headquarters but outside of the area designated for modification. As each existing complex was incapacitated as a result of the renovation, its workload would have to be relocated to the temporary facilities. In most instances there would be a minimum of two complexes which would be inoperative at any one time due to the contention of construction disciplines involved during the modification process.

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LETTER FROM CHARLES A. VANIK  
COMMITTEE ON WAYS AND MEANS  
U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, D.C. 20515  
SUBCOMMITTEE ON OVERSIGHT

June 3, 1976

Dear Mr. Commissioner:

It is my understanding that the Social Security Administration may soon be awarding bids on up to \$48 million worth of construction work on a new computer building and the "Metro West" office building to be constructed in downtown Baltimore. These facilities are part of a general overhaul of Social Security's computer operations estimated to cost hundreds of millions of dollars during the next six years.

I have just had an opportunity to read the General Accounting Office's letter of March 26th to you, your Administration's reply to the GAO of April 16th, and the GAO's counter-reply of May 14th to your letter. I am shocked at the serious charges raised by the GAO and the failure of Social Security's letter of April 16th to rebut adequately those charges.

I request that the Social Security Administration immediately suspend any plans for awarding contracts for the construction of these new facilities until the questions raised by the GAO and SSA's legal obligations under the National Environmental Protection Act are met.

At the Ways and Means Oversight Subcommittee hearings of April 8th and May 6th, you and Associate Commissioner DeGeorge conceded that there are serious problems in the Social Security Administration's Bureau of Data Processing. These problems have been recognized for years and yet no effective corrective actions have been taken. It is incomprehensible that the SSA would allow those individuals who have permitted the massive inefficiencies to develop within the Bureau of Data Processing to commit the Social Security Administration and the hard-pressed Trust Funds to hundreds of millions of dollars in new computer facilities, equipment, and software. I also do not understand how your agency can proceed to plan major new construction of these facilities and systems without waiting on the reports of the consultants referred to in your letter to the GAO of April 16th. To proceed with these major construction and acquisition projects will make a mockery of the consulting process.

The exchange of correspondence between yourself and the GAO was prompted by a request from the Chairman of the House Government Operations Intergovernmental Relations and Human Resources Subcommittee, the Honorable L. H. Fountain. While Chairman Fountain's Subcommittee has precedence in this matter and while I wish to yield to him in terms of hearings, etc., on the serious issues raised in the exchange of correspondence, the Ways and Means Oversight Subcommittee would like to be kept advised of your further correspondence on these matters. In addition, we have some specific questions regarding the issues raised in the letters.

In the attachment to the GAO letter of March 26th, in which the methodology was described by which the GAO found that SSA's present computers have less than 50% effective utilization, even on the busiest days, they reported,

"The large scale systems are evidently only manned for 15 of the available 21 shifts per week, although some of the available 6 shifts on Saturday and Sunday are worked in a few of the complexes. These unmanned shifts represent an additional reserve capacity of up to 40 percent for all systems."

The Agency's response of April 16th to the GAO did not comment on this failure to use fully the existing systems. Do you agree that these systems could be used on more shifts? Is this 40 percent reserve capacity included in the GAO's previous finding that "the 15 computer systems analyzed are easily capable of supporting more than twice the workload that is now being processed without any change in resource waste(?)".

The GAO reported in its March 26th letter that,

"It appears that there is an extreme lack of knowledge of the capabilities of the equipment, general indifference towards completion of necessary tasks, only superficial understanding of the work to be done, and virtually no communication between operations personnel from one shift to the next. In several instances, for example, we observed that large scale systems (both 165s and 65s) were put into a stop condition while the operations personnel left the area of the system unmanned.

"This appears to be the usual way of changing shifts. That is, the system is stopped at about 5 or 10 minutes before the shift's relief is scheduled to arrive and the outgoing shift goes home. The equipment is then started up again when the new shift arrives. On one occasion, we observed that one 165 was stopped for at least 45 minutes while the entire operations staff held a meeting to discuss operational problems caused by programmers in the machine room. In addition, we noted that it is considered normal operation to stop a system to await work from some other system. This is particularly the case on the midnight shift. We believe these examples indicate the extreme lack of interest and evident poor training of the bulk of the operations staff."

On page 4 of your letter of April 16th you indicate that SSA is negotiating with an outside expert to help improve staff development and general systems management over the "next several years". Many of the staff problems mentioned by the GAO in their March 26th letter appear to be correctible at once, e.g., stopping computer runs between shifts. What actions are being taken now to improve staff productivity?

Will your Agency utilize the advice provided by this management consultant? For example, in their counter-letter to you of May 14th, the GAO noted that,

"...a previous effort by SSA in February 1973 appeared to address the same staffing and development issues. The continued existence of the problems indicates that implementation of the suggestions resulting from this previous attempt was not completely successful."

As you know, Associate Commissioner DeGeorge admitted at the Ways and Means Oversight Subcommittee hearing of May 6th that a Westinghouse consultant study on SSA computer problems in 1971 revealed many of the problems still being reported today. SSA appears to have a history of contracting with consultants for advice and then failing to utilize that advice. What assurances do we have that you will act this time?

On page 2 of your letter, it was stated that, "We should note that since the period covered by the analysis, we have increased the utilization of computers No. 16 and No. 17". The GAO in its counter-letter to you of May 14th states that "additional information we obtained since your letter has shown that the unused capacity on systems 16 and 17 has remained about the same". It appears that there is a direct contradiction here on a matter of fact. What evidence led the Agency to inform the GAO that utilization had increased?

In your letter to GAO of April 16th, you refer to the Agency entering into a contract with an outside organization "to examine further our present utilization patterns and practices and with a specific charge to answer the (GAO) questions (raised in the March 26th letter)". The contract with this consultant will apparently be settled in June and may take six months to a year and a half to complete. Yet, am I correct in understanding that you plan to let a construction contract of at least \$38 million for new computer facilities sometime within the next three weeks? If the consultant holds that these new facilities are not necessary for solving your computer problems -- as the GAO report indicates -- will SSA terminate construction?

On page 4 of your letter of April 16th to the GAO, you indicate that SSA is proceeding with the purchase of large new computer systems (IBM 370/168's) in order to replace or "eliminate" existing, older model IBM 360/65's. Will the elimination of these older models free up space? How many will be eliminated and how much space will be freed up?

The GAO letter of May 14th responds to your concern about having capacity to switch to improved "software" programs by noting,

"First, should the results of our large-scale computer utilization analysis be correct and SSA does in fact have excess computer capacity available within its existing large-scale systems, such capacity might be used to absorb work from selected computers to enable a phased modification project to be implemented. In addition, the installation of the four IBM 370/168's planned for November 1976 (a 45 percent increase in existing large-scale computer capacity housed in new space adjacent to the present machine area) would

seem to have similar possible potential to serve as turn-around space to initiate a phased modification project with little or no impact on SSA's daily computer operations."

Could you please comment on this observation?

On page 6 of the GAO letter of May 14th, they discuss the changing technology within the computer field which will provide for smaller and smaller equipment and more remote operations. Have you considered future "miniturized" computer technology in requesting the construction of two new facilities?

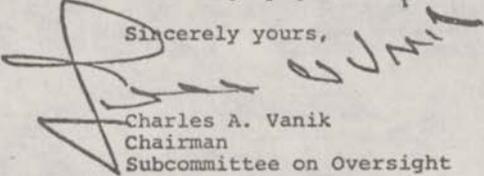
Finally, while the contracts which are about to be awarded are for approximately \$48 million, the GAO letter of May 14th raises serious questions about the true cost of these structures to the Social Security Trust Funds:

"Under the purchase contract method of funding, GSA was authorized \$161 million plus a 10 percent allowable escalation factor for inflation to cover construction costs for the two buildings. Over the 30-year repayment period, this method of financing will cost over \$440 million, most of which will come out of social security trust funds."

Is this statement accurate? In other words, if the GAO is correct in believing that SSA's automatic data processing needs can be solved largely within existing structures, the public and the Trust Funds can be saved a gross expenditure of nearly a half a billion dollars?

Thank you for your assistance in answering these questions. Until these questions can be answered, I hope you will suspend the letting of any contracts for these highly questionable buildings.

Sincerely yours,



Charles A. Vanik  
Chairman  
Subcommittee on Oversight

LETTER FROM CHARLES B. CARDWELL  
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
SOCIAL SECURITY ADMINISTRATION  
BALTIMORE, MARYLAND 21235

June 18, 1976

Honorable Charles A. Vanik  
Chairman  
Subcommittee on Oversight  
Committee on Ways and Means  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

This is in reply to your letter of June 3, 1976. We would start by notifying you that the General Services Administration has arranged to have the contract award date delayed for another 30 days, until mid-July. We would also express our opinion that, if the contract is not awarded essentially on schedule, a number of important priorities of this agency and its programs will be put in jeopardy—a jeopardy for which I personally would not want to be responsible.

Further, we believe that significant amounts of money will have been lost in the process. Recognizing the cost this delay would produce due to continuing inflation in the construction industry, and recognizing that the building has been designed so that it can be converted from computer to general office usage in part, or as a whole at any time, we believe that the appropriateness of proceeding with the building space can be clearly demonstrated. The Government could only lose through any decision to delay for a prolonged period or to terminate the project.

Permit me to explain further why we have reached this conclusion and why we believe that we are following the correct course of action. This is not a decision that we are making lightly; in fact, we have just recently, following the GAO inquiry, reevaluated the earlier decisions about the

building. The result has been that we are more convinced than ever that it is in the best interest of both this Agency and the Government at large to proceed with the project--with assurances that the flexibility designed into the building permits us to reduce the computer space allocations (should that prove desirable) and to employ the computer space allocations thus released for office or other use.

Perhaps our strongest reason for this conclusion is our firm belief that the question of computer operating efficiency has been exaggerated--particularly in terms of its effect on the need for all or a part of the facility in question. In short, even if the computer utilization questions that have been raised by GAO were to be resolved with a result that our existing computer configurations are reduced in scale, there still remains a demonstrated need for the facility in question--if not for the exclusive use of computer centered activities, at least for use as a combination computer/general purpose building.

It should be noted that the concept of this building was originated almost 10 years ago. Since that time, the project has been perfected in a careful and responsible manner. It has met every procedural requirement and has been reviewed and evaluated by all of the designated authorities in both the Executive and Legislative Branches having jurisdiction over facilities development and acquisition.

Although circumstances involving computer utilization might well change, I would again emphasize that no change can be anticipated by any quarter that would materially affect the conclusion originally accepted by these several authorities in their review and approval of the project. We have no reason to expect that SSA's mission will diminish in size during the period ahead. SSA's office space needs in the Baltimore area already significantly exceed permanent space available. Our current requirements for space are being met in part through the lease of over 1.5 million square feet of general purpose space scattered among 15 locations in Baltimore and Woodlawn. In the immediate Woodlawn area alone, about 450,000 square feet of office space are currently under short-term lease. GSA advises that these leases have expiration dates that coincide with the scheduled availability of the new 475,000 square foot computer building. Thus, we have both the option and the opportunity to make up any difference in computer versus office space needs in the new building by termination of a comparable block of leased office space in the Woodlawn area. GSA has concluded that the long-term cost of the new facility would be lower than the continuing cost of the space currently leased.

If the project were to be delayed or terminated, we would still need to ultimately acquire at least the same gross amount of space through some other means. Again, I would emphasize that such a course would require a significantly greater investment in time and money and would, in the final analysis, be less satisfactory.

With respect to the specific questions that you raise, the following attempts to answer them as specifically as possible. For convenience, we will first list your question or comment followed by our answer.

1. "First, should the results of our large-scale computer utilization analysis be correct and SSA does in fact have excess computer capacity available within its existing large-scale systems, such capacity might be used to absorb work from selected computers to enable a phased modification project to be implemented. In addition, the installation of the four IBM 370/168's planned for November 1976 (a 45 percent increase in existing large-scale computer capacity housed in new space adjacent to the present machine area) would seem to have similar possible potential to serve as turn-around space to initiate a phased modification project with little or no impact on SSA's daily computer operations."

With all due respect, this question seems to jump to a conclusion: namely, that if our present computer configuration could somehow be reduced by improved computer utilization, our needs for both buildings would be eliminated. As we have already stated, this is an erroneous conclusion. The most that one might expect through improved computer utilization--and even this is problematical--would be a reduction in the amount of net additional space required for computer activities to be housed in the new Woodlawn building when measured against space currently assigned to the same activities in our existing Woodlawn facility. The downtown building does not relate to computer usage.

The arithmetic of the matter shows that the new Woodlawn computer-related facility would, as presently planned, provide about a 12 percent increase in gross computer space. While it is true that our study of computer utilization might eliminate the need for this additional 12 percent and might even offer some reduction beyond that, our general space needs in the Woodlawn area would more than offset those reductions. Further, this new facility offers important opportunities to make improvements in computer security and power supply that have been needed for many years. Interestingly enough, you and almost everyone else who has spoken to SSA computer activities in recent weeks has pointed to past studies and how the Agency has been slow to implement the recommendations of such studies. Yet, these kinds of improvements are a direct result of past criticisms--criticisms which the Agency recognizes as being justified. It seems inconsistent for your Subcommittee on one hand to criticize us for not making improvements and, on the other hand, recommend that we delay those very same improvements.

In summary, our answer to this question is that even if further analysis reduced the net requirement for computer space, this is not sufficient reason to terminate or even defer our plans to proceed with the building.

The building is designed so that we can change and shift internally from computer space to general purpose space without significant costs. This is a particular feature of the design that has been adopted for this building. We acknowledge that the basic design, with its higher ceiling and other provisions, already includes a nominal factor which would not have been required had we designed the building from its inception for general office use. (However, these costs are already in the bids on hand.) We would more than exceed those costs, of course, if we were to stop now and attempt to rebid the project at some later time.

2. "I do not understand how your agency can proceed to plan major new construction of these facilities and systems without waiting on the reports of the consultants referred to in your letter to the GAO of April 16th."

In my letter of April 16 to the GAO, I stated that we are planning to engage the services of a qualified consulting firm to examine our present computer utilization patterns and practices. The principal objectives of the study will be:

- A. To appraise and evaluate how effectively and efficiently BDP is utilizing its computer equipment, and
- B. To recommend changes which will improve current computer resource utilization.

The proposed consultant study of our computer utilization will be to assist us, through better utilization of our existing equipment, in conducting our day-to-day computer operations for the next several years in our current computer complex.

In summary, the consultant study, while perhaps influencing our net EDP space requirements, are not likely to change this to the point where the facility would not be needed.

3. "SSA appears to have a history of contracting with consultants for advice and then failing to utilize that advice."

SSA has previously sought the advice of consultants and others in the area of computer systems operation and utilization. The enclosed report shows the progress we have made in implementing the recommendations of various organizations. As the report shows, we have implemented or are implementing the majority of the recommendations.

Again, I would note that the main features of this building, at least as they relate to security and continuity of power do reflect the

Agency's response to earlier criticism. On the point of continuity of power supply, while I have been here for a relatively short time, I have already seen several instances where interruptions of power have resulted in significant loss of time, money, and accuracy. This should not be allowed to go unattended any longer. I for one want the record to show that we are prepared to do something about it.

4. "The large-scale systems are evidently only manned for 15 of the available 21 shifts per week, although some of the available 6 shifts on Saturday and Sunday are worked in a few of the complexes. These unmanned shifts represent an additional reserve capacity of up to 40 percent for all systems."

We do not see this question as having a direct bearing on the matter of whether or not to proceed with the facility. Further, we think that we have rebutted the question in large measure. But, in any event, our agreement to have an objective review made of our computer utilization represents our ultimate answer to this question.

However, for the record we would offer the following reply at this time.

SSA's 17 large-scale IBM computer systems each have 21 shifts of potential availability each week. Hardware monitoring data indicate that our systems are fully active during approximately 85 percent of the 357 potentially available shifts. An additional 10 percent of the potentially available shifts are partially used to support SSA's production processing requirements. Our computer systems are inactive during approximately 5 percent of the potentially available shifts.

All current periods of systems inactivity cannot be assumed to provide reserve capacity for production runs even though work may be available. On weekends, computer systems are turned over to vendor customer engineers to perform regularly scheduled preventive maintenance, to make engineering changes to the hardware, and to realign the configurations of the systems. Computers are utilized by software specialists to develop and upgrade software. In other situations new application programs are validated and perfected by running live data.

Had the equipment been scheduled over the weekends as suggested by the GAO, the recent social security benefit increase conversion which was just completed over the past 3 weeks would not have been done on time. All maintenance and engineering changes on the computer equipment which were scheduled for these weekends had to be cancelled to accommodate this conversion process.

5. "The GAO in its counter-letter to you of May 14th states that 'additional information we obtained since your letter has shown that the unused capacity on systems 16 and 17 has remained about the same'".

Frankly, I doubt that there is any advantage in engaging in extensive "who struck John" discussions about whether GAO is right or wrong. Again, I would expect that an objective analysis performed under a protocol that GAO will have the opportunity to approve will give us a better answer, than either SSA or GAO can provide at this time, at least I hope so.

We would add, however, to the GAO discussion our opinion that the results of any hardware utilization of systems 16 and 17 should take into account the functions performed by both systems. The GAO analysis did not do that.

On this point, the Central Processing Units in these two systems are deployed in an online teleprocessing environment. These systems process all of SSA's telecommunications traffic, including real-time inquiry/response traffic for the SSI program, from district offices all over the country. Key station response time in our district offices must be rapid as we are in a direct public service operation throughout the day. To insure adequate district office response time, CPU utilization in the central computers must be maintained at a much lower percentage than that of our batch-processing production systems. When response times are degraded, the impact is multiplied by each user expending excess district office manpower. With approximately 300,000 input transactions per day, response time growth is directly translated to increased personnel requirements.

When the teleprocessing Central Processors were installed, it was planned and intended that they have relatively low CPU utilization during the first year, with sufficient room for growth. The traffic growth over the past 3-1/2 years demonstrates the prudence of this planning. Since September 1972, when a baseline snapshot was taken to plan for SSI, until April 1976, SSA's data transmission requirements have increased sixteen-fold.

In its May 14, 1976, letter, GAO states that CPU utilization on systems 16 and 17 has remained about the same. This statement is inaccurate. Using hardware monitor results for 45 consecutive weekday shifts starting August 11, 1975, the utilization for system #16 was 42 percent and the utilization for system #17 was 40 percent.

Using 45 consecutive weekday shifts starting May 10, 1976, the CPU utilization has increased to 50 percent on system #16. This represents

an increase of 8 percentage points over the August 1975 period and 5 percentage points over the peak period in September 1975. There was also an increase to 51 percent utilization on system #17. This increase was 11 percentage points over the August 1975 period and 4 percentage points over the peak September 1975 period.

6. "Will the elimination of these older models free up space? How many will be eliminated and how much space will be freed up?"

It is true that the elimination of older computers will free up space. The space being provided as a result of the release of the older models after the installation of the IBM 370/168's has already been allocated for the installation of disk drives required to provide the necessary capability required for our online data base query systems (SSADARS). This immediate access to the online master files, it is expected, will improve SSA's capability to respond to the public's needs regarding beneficiary actions.

7. "Have you considered future "miniaturized" computer technology in requesting the construction of two new facilities?"

First of all, it must be understood that both facilities will not house computer components as suggested. The Metro West facility is a typical office/operational facility and is being constructed to accommodate our three closely related functions in downtown Baltimore which are located in three separate buildings. The total amount of space which will be dedicated to computer hardware in this structure amounts to approximately 5,000 square feet. This is mainly for remote printers and telecommunications equipment similar to that used in the SSADARS network operations. The remainder of the space is for personnel and support requirements.

The second portion of this question deals with miniaturization of computer technology. Yes, the SSA has considered these factors in their space determinations for the new Computer Center, and it is true that computer mainframes (CPUs) have been reduced in size. At the same time that this reduction has taken place, core memories have grown in capacity, computer cycle time has increased in speed and data throughput rates have been increased many times in the last 5 years. Along with these improvements, more computer jobs can be run, and subsequently more peripherals (tape and disk drives) are required to accommodate this additional capacity.

A recent study comparing a 370/168 space requirement with those of an AMDAHL 470/V6, which by the way does employ miniaturization, indicates that in the SSA environment, using the exact configurations currently installed, the total space savings amount to approximately 500 square

feet. That is, a system with 64 tape drives, associated disk drives, printers, card readers, etc., instead of requiring approximately 7,000 square feet would, using an AMDAHL, only require 6,500 square feet.

8. "It appears that there is an extreme lack of knowledge of the capabilities of the equipment by our personnel..."

This is another point that has no real bearing on the building issue, but, nevertheless, we feel compelled to express our opinion that it constitutes a gross exaggeration. I have conceded in testimony before your Committee my own concern for the need for improved training and the fact that we are bringing in an expert in the computer field to help us in this regard. As of the moment, new computer operators are in training for 18 months under the aegis of a Civil Service Commission training agreement. At present, there is a combined total of 74 large-scale computer operators on the night and midnight shifts of which 42 are trainees. There are no trainees on the day shift since operators with the most seniority get the opportunity to fill day shift openings. It is, therefore, reasonable to expect a marked difference between the trainee knowledge which is prominent in the night shifts versus the journeyman knowledge which is characteristic of the day shift. The high turnover rate of computer operator personnel results essentially through promotions into computer technician and programming positions. For example, late in 1975, 22 of our most knowledgeable and competent operators entered into programming positions.

9. "...general indifference towards completion of necessary tasks..."

This comment is subjective and should be considered only in the broadest sense. Over 1,000 employees are assigned to the tasks of operation and direct support of the SSA computer systems. In any universe of employees this large, there will be a few with indifferent attitudes who regularly reflect anti-management opinions and allegations to anyone who will listen.

10. "This appears to be the usual way of changing shifts. That is, the system is stopped at about 5 or 10 minutes before the shift's relief is scheduled to arrive and the outgoing shift goes home. The equipment is then started up again when the new shift arrives."

The GAO report is correct in the fact that there is no shift overlap. EDP has been attempting to eliminate this problem and has been negotiating with the union (AFGE) for a change in the work hours for over a year. On June 28, 1976, a minimum of 15 minutes of shift overlap will be initiated which should eliminate the stopping of equipment prior to shift change.

11. "On one occasion, we observed that one 165 was stopped for at least 45 minutes while the entire operations staff held a meeting to discuss operational problems caused by programmers in the machine room."

It is the policy to conduct employee management meetings of 30-45 minutes once a month. Switching of personnel from other systems is normally done to prevent idle system time; however, there are occasions when the systems are stopped for these meetings.

12. "In addition, we noted that it is considered normal operation to stop a system to await work from some other system."

This observation is correct in the processing scheme of highly critical, time-dependent applications such as the post-entitlement operations which ultimately result in the preparation of 35 million SSA benefit checks and millions of adjustment transactions to the master beneficiary records due to address changes, deaths, excess earnings, etc. This series is sequential by design and does result in brief periods of delay to facilitate appropriate linkages in order to meet Treasury Department, Postal Service, and SSA processing deadlines. In other job streams, where there is no critical time-dependency, these idle periods are avoided.

13. "Under the purchase contract method of funding, GSA was authorized \$161 million plus a 10 percent allowable escalation factor for inflation to cover construction costs for the two buildings. Over the 30-year repayment period, this method of financing will cost over \$440 million, most of which will come out of social security trust funds."

With respect to the financing of this project you are correct in your observation that the total project cost is \$161 million with a possible increase of 10 percent if justified by inflation during the construction period. The relative merits of purchase contract financing and financing from appropriated general funds were discussed in hearings held on this project by the Public Works Committees of the Senate and House of Representatives during early 1975. It was concluded then that the accrued total interest payments over the useful life of the building would be approximately equal in the two financing methods since the purchase contract funding certificates bear the same interest rate as general obligations issued by the Treasury for the general fund. The single point on which purchase contract financing results in a net higher cost is that purchase contract buildings are subject to local taxation during the certificate repayment period. We have estimated that approximately \$2.4 million per year will be paid to the City of Baltimore for the 30-year funding life of the Metro West Building. During the same period approximately \$900,000 per year will be paid to Baltimore County on the new computer facility. In short,

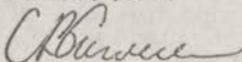
this methodology represents the combined judgment of the Congress as a whole, not SSA's opinion.

I trust that the above information will be useful in improving our mutual understanding of the data processing problems at SSA. I will be glad to provide any further information which you desire, and I will appreciate your support in separating these discussions from the extremely important Project for the expansion of SSA Headquarters space.

In closing, Mr. Chairman, I would urge you to consider our comments on the issues raised in your letter.

While our solution may not be perfect, we have already examined the same questions that you now pose, not just once, but several times. Each time, we have come to the conclusion that the judgment of our predecessors was generally correct and that it is in the best interest of SSA and its programs to proceed with the original building plan.

Sincerely yours,



James B. Cardwell  
Commissioner of Social Security

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Report	Number of Recommendations	Number Rejected	Number Under Analysis	Number Accepted	Number Done	Number In Progress
<b>1. Westinghouse</b>						
Application Programming	31	3	0	28	28	0
EDP Utilization	10	3	0	7	7	0
Operating Systems	5	1	0	4	4	0
Data Transmission	27	6	0	21	20	1
Documentation and Procedure	24	3	0	21	21	0
Standards	21	5	0	16	16	0
Program Center System	9	5	0	4	2	2
Machine Scheduling	20	4	1	15	10	6
Tape Library Operations	15	4	0	11	11	0
Project Control and Mgt. Rept.	27	2	0	25	19	2
General Organization	21	10	0	11	7	6
Personnel Management	22	10	0	12	10	4
Training	23	6	0	17	14	0
<b>Total</b>	<b>255</b>	<b>62</b>	<b>1</b>	<b>192</b>	<b>168</b>	<b>24</b>
<b>2. Brandon</b>						
	4	0	3	1	1	0
<b>3. Friedman</b>						
	9	0	2	7	4	3
<b>4. Bright</b>						
	68	16	9	43	40	3
<b>5. Breese</b>						
	8	0	1	7	7	0

## GAO

1. Improve Acq. of Computers (Under auspices of OMA--Understood that Recommendations have been implemented or in process)

2. Improve SSA MIS (Under auspices of OMA--Steps underway in OMA and OPO)

Report	Number of Recommendations	Number Rejected	Number Under Analysis	Number Accepted	Number Done	Number In Progress
3. Fed. Mgrs. Protect Adp Facilities						
• (Government-wide--BPP has tighten EDP Security and is in processing of acquiring an automated security system)						
4. Managing Automated Decision-making						
(Government-wide--General guidance)						
5. Overview of Admin. of SSI Program						
(No specific recommendations--Includes conclusions on program implementation difficulties)						
6. Mail SSI & OASDI Checks in Same Envelope						
(Concept rejected)						
7. Improve Processing of Widow's Black Lung						
(Data being developed)						
3.69. Acquisition of IBM 370/165 and UNIVAC 1108	1	0	0	1	1	0
10. BDP Claims Processing						
11. Morris Report	4	0	1	3	3	0
<u>I. CSC</u>						
1. Improve Pers. Mgmt in Albq. Data Ops. Center	17	0	0	.17	14	3
<u>DHEW</u>						
1. Rutledge	15	0	3	12	3	9
2. Dist. Off. SSI Processing						
(Field Responsibility)						

<u>Report</u>	<u>Number of Recommendations</u>	<u>Number Rejected</u>	<u>Number Under Analysis</u>	<u>Number Accepted</u>	<u>Number Done</u>	<u>In Progress</u>
3. Review of Overtime	3	0	0	8	6	2
4. Review of SSI Procedures (Draft Report 11/75)	7	0	7	0	0	0
5. Duplicate Claims Detection (Data Being Developed)						
6. Review of Unidentified Employer Tax Return	6	0	0	6	4	2
7. State and Local Wage Reports (Data Being Developed)	9	5	0	4	4	0
8. Review of Overpayment Policies and Procedures (OMA Responsibility--Recommendations generally accepted)						
9. Review of SSA Procurement						
<u>SSA Reports</u>						
1. Microfiche Post-Implementation (Data Being Developed)						
2. RSI-SSI Interface (Under Analysis)						
3. Study of Case Control System (Data Being Developed)						

NUMBER OF  
RECOMMENDATIONS

Report

Rejected

Under Analysis

Accepted

Done

In Progress

<u>Report</u>	<u>Rejected</u>	<u>Under Analysis</u>	<u>Accepted</u>	<u>Done</u>	<u>In Progress</u>
4. SSII Task Force	10 (Other recommendations dealt with national use of SSN)	3	3	3	0
5. Improve DI Processing	(Data Being Developed)				
6. Evaluation of Personnel Mgmt.	(Data Being Developed)				
7. Program Integrity	(Data Being Developed)				
8. Jung Analysis of EDP Capacity	4 (No recommendations were new--those under analysis or progress had already been identified by BDP)	3	5	0	5

BDP Reports

1. Electronic Verification of SSR's  
(Data Being Developed)
2. Study of HI Operations  
(Data Being Developed)
3. Less Than 100% Review of HI Coding  
(Accepted)
4. Electronically Reinstatement of Earnings  
(Partially accepted)
5. Redesign of Summary Earnings Records  
(Data Being Developed)

<u>Report</u>	<u>Recommendations</u>	<u>Rejected</u>	<u>Under Analysis</u>	<u>Accepted</u>	<u>Done</u>	<u>In Progress</u>
6. Redesign of Earnings Reports System	(Data Being Developed)					
7. Study of Turnaround in Issuance of HI Cards	(Data Being Developed)					
8. Edit Criteria in HI System	(Data Being Developed)					
9. Processing Earnings Correspondence	(Data Being Developed)					
10. 1974 BDP Mgmt. Conference	65	34	0	31	21	10
11. 1975 BDP Mgmt. Conference	38	11	0	27	.6	21
12. Conversion of Selected HI Operations to Automation	(Data Being Developed)					
13. Computer Coding of HI Bills	(Essentially accepted and in progress)					
14. Conversion of SSN's to Automated Data Base	(Accepted and in progress)					

LETTER FROM SENATOR MAGNUSON

*United States Senate*COMMITTEE ON APPROPRIATIONS  
WASHINGTON, D.C. 20510

July 23, 1976

JAMES B. CALLOWAY  
CHIEF COUNSEL AND STAFF DIRECTOR

Mr. John D. Young  
Assistant Secretary, Comptroller  
Department of Health, Education & Welfare  
Washington, D.C. 20201

Dear Mr. Young:

This is in response to your letter of July 7 regarding staffing plans for the White House Conference on Handicapped Individuals.

The Committee has reviewed your plans to shift funds in order to meet new, unanticipated workloads. We recognize and understand the difficulties, particularly timing problems, which arise in connection with conferences of this type. For this reason, the Committee has no objection to your proposed shift at this time.

Thank you for keeping the Committee informed of the activities of this program.

Sincerely,

Warren G. Magnuson,  
Chairman, Subcommittee on  
Labor-Health, Education,  
and Welfare

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## LETTER FROM JOHN D. YOUNG

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20201

JUL 7 1976

The Honorable Warren G. Magnuson  
Chairman, Subcommittee on Labor and Health,  
Education, and Welfare  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

This is to inform you of our intention to revise the staffing plan presented with the budget justification for the White House Conference on Handicapped Individuals. I am also taking this opportunity to give you a status report on plans for involving other agencies in HEW activities related to the Conference.

In keeping with the direction of the White House Conference on Handicapped Individuals Act which requires the Secretary to "request the cooperation and assistance of such other Federal departments and agencies as may be appropriate" to carry out Conference activities, the Department has sought and received support for Conference activities from several HEW agencies as well as other Departments. On staffing, for example, we initially planned to detail 46 people to the Conference from HEW and other Departments. Prior to any Conference activity, we also intended to directly hire two temporary staff, for a total of 48. However, as a result of heavy workloads in those agencies that planned to detail staff to the Conference, and as result of the need for staffing up quicker than detailing would allow, it became necessary for the Conference to directly hire 12 temporary staff, together with the detail of 35 to date. This has produced a total staff of 47, one less than we had originally anticipated. The Executive Director of the White House Conference has informed my staff that it may be necessary to add more detailees as necessary to meet any increased workload as the Conference date draws closer.

This change in the staffing plan from two to twelve direct hires can be accommodated by shifting funds to personnel compensation from other objects, principally travel.

Public Service Film

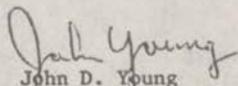
In order "to develop a national assessment of problems and solutions to such problems, facing individuals with handicaps" as required by the White House Conference on Handicapped Individuals Act, the National Planning and Advisory Council and the Department will develop a film on the problems and potentials of the handicapped. This film would be shown on Public Broadcasting System affiliates throughout the nation and will serve as an important part of the Conference efforts to increase public awareness of the problems and potentials of the handicapped. The Bureau of Education for the Handicapped (BEH) has provided \$24,500 for initial work on developing this film. This expenditure by BEH is in furtherance of its mission to increase information and knowledge on issues concerning the handicapped.

Awareness Papers

An integral part of the State conferences is the presentation and utilization of Awareness Papers. These papers address critical issues in about 25 topic areas affecting the handicapped, including health, social, economic and educational concerns. The papers will be used by the State conference participants as a point of discussion and decision. They will serve the same function at the national Conference. These papers are being printed by the Social and Rehabilitation Service. The Social and Rehabilitation Service, which serves several thousand handicapped persons through its programs, is printing these papers at an estimated cost of \$52,000.

If you require more information on the plans for the White House Conference, please let me know. Unless you indicate otherwise, we intend to proceed on this basis.

Sincerely yours,



John D. Young  
Assistant Secretary, Comptroller

## LETTER FROM MARTIN H. GERRY

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20201

July 30, 1976

Dear Mr. Chairman:

This is in response to Senate Report No. 94-366, ordered printed by the Senate Committee on Appropriations, on September 10, 1975, to accompany H. R. 8069, a bill making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies, for the fiscal year ending June 30, 1976, and the period ending September 30, 1976, and for other purposes. On page 88 of the Report, the Office for Civil Rights is requested to furnish, no later than six months from the bill's enactment, a report to the Committee of the number of vacant positions and efforts undertaken to properly fill and utilize such positions.

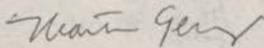
The enactment of Public Law 94-206, on January 28, 1976, authorized 904 positions for the Office for Civil Rights. As of June 30, 1976, there were 783 filled positions and 121 unfilled positions. The number of position vacancies, therefore, represents 13.4 percent of the currently authorized positions. The Office for Civil Rights has initiated 53 recruitment actions and has made 15 commitments of employment. Further, the Office for Civil Rights has filled 45 of the position vacancies with employees hired on a temporary status.

In fall, 1975, just prior to the enactment of Public Law 94-206, the Office began planning for a major reorganization of its program operations. The primary intent in formulating a reorganization proposal was to facilitate more effective utilization of resources which the Congress has provided the Office for Civil Rights. Of particular concern was developing a capability for more timely investigation and resolution of complaints of discrimination submitted under the statutory authorities which the Office administers. Consequently, the Office has refrained from filling position vacancies, on a permanent basis, pending Departmental approval of a reorganizational proposal, which will result in a major reallocation of the Office's personnel resources. We expect to effect a reorganization and reallocation of resources by the beginning of fiscal year 1977 and to have filled or made commitments of employment on most of the vacant positions by that time.

In addition, I should note that the filling of several position vacancies at the GS-13 and above levels has been delayed as a result of position management audits conducted by the U.S. Civil Service Commission as part of its Government-wide program to review position classification determinations made by various Federal agencies. The audits, conducted in spring-summer, 1975, resulted in recommendations that a substantial number of positions of employment within the Office for Civil Rights needed reclassification. The recommendations, in turn, were incorporated in the Office's reorganizational proposal and the implementation of the proposal will resolve the problems raised as a result of the position audits conducted by the U.S. Civil Service Commission.

I will be happy to respond to any questions which the Committee may have concerning the contents of this report.

Sincerely yours,



Martin H. Gerry  
Director  
Office for Civil Rights

## COMMUNICATIONS

Senator CHILES. Finally, there are several letters from Senators to the subcommittee for the record.

The information follows:

## LETTER FROM SENATORS BAYH AND MATHIAS

*United States Senate*

COMMITTEE ON APPROPRIATIONS

June 21, 1976

Dear Mr. Chairman:

At the Appropriations Committee mark-up of the Labor-HEW Appropriations Bill for fiscal 1977 we intend to offer an amendment to provide \$10 million to implement the Runaway Youth Act. The Subcommittee has recommended funding of \$7 million.

Over one-half of all serious crimes are committed by young people. Young people also have the highest recidivism rate of any age group. The problem of the youthful criminal offender is often related to the runaway problem. Many youngsters, soon after leaving their homes, find themselves in circumstances where they resort to illegal activities, including prostitution and drug pushing, in order to support themselves -- or are similarly victimized by criminals young and old. The Runaway Youth Act, which became law in 1974, is designed to stop this vicious cycle before it can begin.

Both the success, and the need, for this program are attested to by the fact that more than 300 applications for funding are pending. The vast majority of these merit federal support, but will not receive it unless the Senate acts to increase the appropriations to \$10 million - the authorized level.

We hope you will agree that this modest expenditure is fully justified as a cost-effective means of enabling young people to become productive citizens and of lessening the social and economic costs of crime.

Thank you for your consideration of this matter.

Sincerely,

*Birch Bayh*  
Birch Bayh

*Charles McC. Mathias, Jr.*  
Charles McC. Mathias, Jr.

LETTER FROM SENATOR BAYH

*United States Senate*COMMITTEE ON APPROPRIATIONS  
WASHINGTON, D.C. 20510

June 8, 1976

The Honorable  
Warren G. Magnuson, Chairman  
Labor-HEW Subcommittee  
Appropriations Committee  
United States Senate  
Washington, D.C. 20510

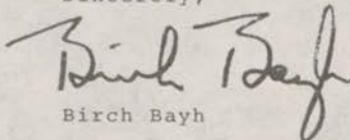
Dear Mr. Chairman:

I am writing to you to recommend that the Labor-HEW Appropriations bill for fiscal 1977 provide \$60 million for Child Welfare Services. The Administration's budget request of \$46 million represents a severe cutback from the fiscal 1976 funding level, and is clearly inadequate. Fortunately, the House Committee has added \$6.2 million to the budget request. I urge the Senate Subcommittee to increase this appropriation by an additional \$7.5 million.

As you know, this important program provides grants to welfare agencies which provide services for the protection and care of homeless, dependent and neglected children. These services include foster care, adoption services, child abuse prevention, homemaker services, and day care.

Child welfare services, particularly adoption services, have been an enduring concern for me over the years. In the past, I have supported specific earmarking of funds for adoption programs, particularly in the area of hard to place children, has convinced me that this program deserves our continuing support.

Sincerely,



Birch Bayh

LETTER FROM SENATOR CASE

*United States Senate*

WASHINGTON, D.C. 20510

June 23, 1976

The Honorable John L. McClellan  
Chairman  
Senate Appropriations Committee  
Washington, D. C. 20510

Dear Mr. Chairman:

It is relatively rare that a federal funding program can help save money in the long run. I believe we have a good opportunity to do just that in the proposed assistance to help handicapped children, three to five years old, deal with their disabilities before reaching school age.

According to the latest HEW estimates, less than twenty-five per cent of these pre-school children are receiving necessary assistance. Yet, if a child is aided in time, early treatment and training can often help avoid costly remedial programs in the child's later years when the physical or mental handicaps might otherwise be compounded by emotional and behavior problems.

For example, a recent outside study conducted for HEW found that 64 per cent of the pre-school children in a sample group of handicapped children in a special program were later able to enroll in regular education programs. About 97% of the parents surveyed found positive changes and improvements in their handicapped children.

However, it is often difficult to locate and assist such handicapped children, especially in thinly populated rural areas or inner cities where they are not as likely to be diagnosed.

As you know, P. L. 94-142, signed into law last November, requires states to provide an appropriate free education to all handicapped children, three to eighteen, by September, 1978.

It is important that in meeting the burden of educating the more easily identifiable school age-children, the pre-schoolers not be overlooked.

In an important step toward helping states locate and assist pre-school children, the HEW subcommittee chaired by Senator Magnuson recently approved \$10 million for incentive grants to the states. The incentives are an important companion measure to the basic grants to the states outlined in the letter Senator Mathias and I already sent you.

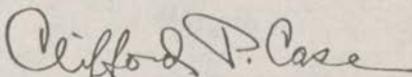
However, the overall task is considerable, and for that reason, I propose that the full committee build upon the subcommittee's start in the right direction by approving \$25 million for the pre-school program. The incentive program would be based on the formula of \$300 for each handicapped pre-school child served within the state.

The program would be forward funded so state and local school districts, many of which do not yet have such programs in operation, can know in advance what federal assistance will be available and plan accordingly.

Thank you for your consideration.

With best wishes,

Sincerely,



Clifford P. Case  
U. S. Senator

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LETTER FROM SENATORS CASE AND MATHIAS

## United States Senate

COMMITTEE ON APPROPRIATIONS  
WASHINGTON, D.C. 20510JAMES R. CALLOWAY  
CHIEF COUNSEL AND STAFF DIRECTOR

June 21, 1976

Dear Mr. Chairman:

State education systems, already faced with financial problems, are entering a critical period in meeting the new law requiring that they provide a free appropriate public education for all handicapped children three to 18. Under P.L. 94-142 which was signed into law last November, the States must make such an education available to 8 million handicapped children by September 1, 1978.

In order to comply with the law, the States must start preparing now to expand their efforts in the costly field of special education, particularly to meet the requirements of drawing up individualized programs for each handicapped child. Funds for education for the handicapped have been forward funded and it is critical that forward funding continues to cover the October 1, 1977 to September 30, 1978 period.

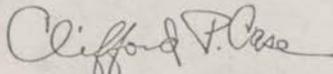
States and local education agencies need sufficient time to plan properly. Forward funding now of the fully authorized amount for state grants -- \$387 million -- will help insure the handicapped children will receive the best possible assistance. If they know now that they will receive the full \$387 million, the State and local education agencies will be able to plan wisely and effectively for its use.

Considerable progress was made toward that goal by the Senate Labor-HEW Appropriations Subcommittee which approved \$330 million for state grants, an improvement of \$30 million over the House figure, and \$220 million over the Administration's budget request.

When Congress passed the Education for All Handicapped Children Act, it showed its support for the concept of a free appropriate education for all handicapped children. We must continue our support for this program to make that concept a reality for 8 million handicapped children. We hope that you will support our request for \$387 million for grants to States to carry out P.L. 94-142.

With best wishes.

Sincerely,


Clifford P. Case  
United States Senator

Charles McC. Mathias, Jr.  
United States Senator

## LETTER FROM SENATOR DOMENICI

## United States Senate

COMMITTEE ON THE BUDGET  
WASHINGTON, D.C. 20510DOUGLAS J. BENNET, JR., STAFF DIRECTOR  
JOHN T. MC EVOY, CHIEF COUNSEL  
ROBERT S. BOYD, MINORITY STAFF DIRECTOR

June 10, 1976

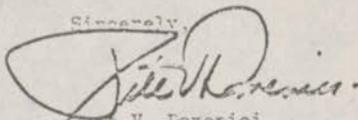
Warren G. Magnuson, Chairman  
Edward W. Brooke, Ranking Minority Member  
Appropriations Subcommittee on Labor; Health,  
Education and Welfare

Gentlemen:

4. Reviewing the present functions of CSA's, including the one in my State, I am convinced that an appropriation level for FY 77 of \$534 million is needed if CSA is to continue to function. I hope you will see your way clear to appropriate an amount which will permit CSA to continue with their efforts because they are performing a unique and valuable function.

It is my firm belief that this level of funding will fit within the overall function limitations found in the budget targets. As we all know, distribution of the moneys within the functional targets is strictly your prerogative and I trust you will cover the reasonable needs of CSA.

Sincerely,



Pete V. Domenici  
United States Senator

LETTER FROM SENATOR MAGNUSON

*United States Senate*COMMITTEE ON APPROPRIATIONS  
WASHINGTON, D.C. 20510

June 16, 1976

Honorable Pete V. Domenici  
United States Senate  
Washington, D. C. 20510

Dear Senator Domenici:

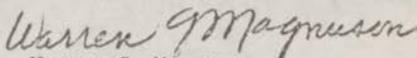
Thank you for your letter indicating that a \$534 million appropriation is needed for the Community Services Administration in fiscal year 1977, if this agency is to continue to function.

The Senate Labor-HEW Appropriations Subcommittee has recommended an appropriation of \$558.5 million for the Community Services Administration for fiscal 1977. This is an increase of \$62.5 million over the \$496 million House Appropriations Committee allowance. After passage by the full Senate and House, a conference will be necessary to settle the differences between the two versions of this bill. The final conference agreement will probably be much closer to the \$534 million appropriation you recommend.

I appreciate receiving your views on the proper funding levels for Federal anti-poverty programs, particularly in view of your active participation in determining the budget ceilings in this area.

Best regards.

Sincerely,



Warren G. Magnuson  
Chairman, Subcommittee on  
Labor-Health, Education  
and Welfare

LETTER FROM SENATORS FORD TAFT AND HUDDLESTON

*United States Senate*COMMITTEE ON  
LABOR AND PUBLIC WELFARE  
WASHINGTON, D.C. 20510

June 14, 1976

The Honorable Warren G. Magnuson,  
Chairman  
Labor-HEW Appropriations Subcommittee  
1235 Dirksen Office Building  
Washington, D.C. 20510

Dear Mr. Chairman:

The Committee has included \$1.5 million to start construction of a new research facility for the National Institute of Occupational Safety and Health in Cincinnati, Ohio.

We share the Committee's view that a new site selection study is not necessary. We believe that government has a tendency to over study every problem and there is an urgent need for a new research facility if NIOSH is to carry out its Congressionally mandated responsibilities.

A site selection study was made in 1972. This study included on-site inspection of seven sites by at least two members of the site selection Committee. The Committee recommended two cities, Houston and Cincinnati. In 1973 the Secretary named Cincinnati as the site. Land was acquired next to the University of Cincinnati and a study has been completed with preliminary designs for the Cincinnati facility. Last year Congress appropriated \$1.4 million for architectural plans and this year we should proceed with construction.

As a site was chosen in 1973, the Congress last year, while including funds for architectural plans, requested a review of the Cincinnati site. HEW complied with this request by once again reviewing the criteria of (1) ability to accommodate facility, (2) proximity to one or more universities with established medical, public health, and engineering schools, (4) air connections with Washington, and (5) range and accessibility of community resources.

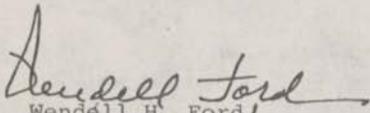
Using these criteria Cincinnati again emerged as one of the top choices of the Committee and was selected by the Secretary. Cincinnati is the current site of the NIOSH research center. Clearly as a January 1, 1976 deadline

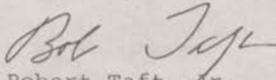
was placed on the study and funds for architectural plans were in the bill, the Committee did not expect the Department to start the entire site selection process from point one.

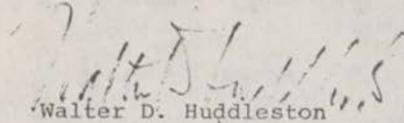
Finally some have alleged that there is a recruitment problem in Cincinnati. This is not indicated by an examination of the fact. In March of this year, before the FY 1976 Appropriations was signed, Cincinnati had 381 slots and 380 employees. Each year Congress has increased the size of the NIOSH research effort and each year NIOSH has gotten highly qualified employees in a very competitive field.

We strongly believe that there is an urgent need for research to be conducted on the safety and health of the workplace. Each week reports appear of employees developing cancer and other health problems due to their work environment. This situation can only be solved through increased research. We cannot afford the year or more delay that would be caused by a new study and potential change in location.

Sincerely,

  
Wendell H. Ford

  
Robert Taft, Jr.

  
Walter D. Huddleston

LETTER FROM SENATOR JAVITS

*United States Senate*COMMITTEE ON  
LABOR AND PUBLIC WELFARE  
WASHINGTON, D.C. 20510

June 10, 1976

Dear Senators Magnuson and Brooke:

I value most highly the fruitful cooperation that exists between our Committees, and I welcome the opportunity to share with you my views and recommendations as you consider the Labor-HEW Appropriations Bill (H.R. 14232). The Senate Committee on Labor and Public Welfare, of which I am the ranking minority member, is the authorizing committee for the programs contained in this measure and from time to time I have written to you about several of these important programs. I would appreciate it if this correspondence (copies of which are attached) as well as my full attached statement to be included in the hearing record.

As the Committee knows, there are many health measures under the Committee on Labor and Public Welfare jurisdiction, for which authorizing legislation has not yet passed the Congress. While it would be inappropriate to suggest appropriations for these programs, in the interest of planning ahead and establishing thoughtful priorities, I refer to the Committee's attention such programs that I believe merit the continuing support of the Congress.

My first recommendation is that \$550 million be reserved for the "Health Professions Educational Assistance Act" (S.3239). I believe that this bill will be enacted into law in the near future and the amount of \$550 million will provide for the health manpower programs to be funded at a figure approximately equal to the FY '75 level plus a cost-of-living increase for the two-year period. This amount will provide for adequate support of our health manpower schools, for a sizeable increase in the number of National Health Service Corps scholarships, and for continued support for a variety of project grant programs including family practice, recruitment of disadvantaged students, humanism in health care, and training of physicians assistants and dental auxiliaries.

The second recommendation is with respect to \$48,100,000 for venereal disease control programs authorized pursuant to the House and Senate passed S. 1466.

Epidemic venereal disease is still very much a problem. The magnitude of the problem of venereal disease, with its particular inability to recognize state boundaries, and the unique social implications of venereal disease necessitates such a separate categorical program to attack the problem at appropriation levels equal to those authorized for such programs.

The measure also authorizes funding for other critically needed control programs and funds should also be reserved for the immunization, rat control and lead-based paint programs. I recommend \$16.5 million for the immunization programs; \$13.1 million for rat control and \$10 million for the lead-based paint poison prevention program.

My final recommendation with respect to major programs which are still unauthorized for fiscal year 1977 appropriations is in regard to the Senate passed "Clinical Laboratories Improvement Act" (S.1737), at the authorized level of \$15,000,000. This would permit the Department of HEW to provide technical and financial assistance to states to establish or administer laboratory quality assurance programs.

With respect to other important health programs -- discussed in detail in my attached statement -- I would highlight my following health program recommendations:

#### NATIONAL INSTITUTES OF HEALTH

The Report of the President's Biomedical Research Panel -- charged by law to assess NIH's research activities -- has concluded that continued, stable funding is essential to maintain the good health of biomedical research in this country, the vast majority of which emanates from NIH though carried out throughout the nation in research centers of excellence.

To maintain the stability of support for biomedical research provided through the excellence of NIH, I would recommend that all the NIH Institutes' budgets be continued at their 1976 appropriations levels plus an increase of 10% to provide for rising costs and to permit the support of a number of new endeavors.

GENETIC DISEASES

An important title (which I authored) in the new Heart and Lung Institute authorizing legislation enables us to launch a generic education counselling and diagnosis approach to genetic diseases, such as Sickle-Cell Anemia, Tay-Sachs Disease, and Cooley's Anemia.

In view of the expanded mandate for assisting all people in dealing with genetic diseases, I would recommend that appropriations for these purposes be increased accordingly to \$25,000,000 of the \$30,000,000 authorized. This would enable us to continue ongoing Sickle-Cell programs and develop the appropriate number of new centers to reach the millions of other Americans tragically afflicted with genetic diseases.

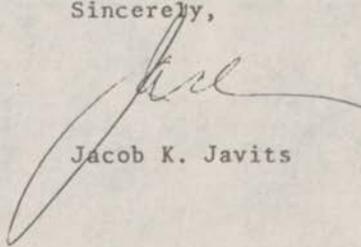
HYPERTENSION

As the Committee knows, section 314(d) of the Public Health Service Act (which I authored) authorizes \$15,000,000 as special project grants to States for the screening, detection diagnosis, prevention and referral for treatment of hypertension. I urge the FY '76 appropriation; \$3,750,000, which appropriation is due to your own personal commitment, Mr. Chairman, be increased to \$15,000,000 the amount authorized.

NATIONAL INSTITUTE OF MENTAL HEALTH

The Report of the President's Biomedical Research Panel stated: "The precipitous decline in constant dollars in NIMH over the past decade must be fully reversed to permit a comprehensive research effort. The research budget must again reach levels consistent with needs and opportunities." I agree with this statement fully. I recommend an NIMH research appropriation of at least \$105 million for FY '77.

Sincerely,



Jacob K. Javits

## LETTER FROM SENATOR JAVITS

June 21, 1976

Dear John:

During your Committee's consideration of the FY 1977 Labor/HEW Appropriations Act, I respectfully request your favorable consideration for domestic volunteer programs included in the Domestic Volunteer Service Act, as amended, enacted on May 27, 1976 (P.L.94-293).

I have been informed that the Senate Subcommittee on Appropriations for Labor/HEW, has not provided appropriations for title I, National Volunteer Anti-Poverty Programs, because of the late enactment of the authorizing legislation and because the House Sub-committee on Appropriations similarly did not act on this appropriation request. As ranking minority member of the Committee on Labor and Public Welfare, which has jurisdiction over the authorizing legislation for the ACTION agency, I can assure you of the Committee's efforts to expedite passage of the authorizing legislation in time for consideration of Fiscal Year 1977 appropriations. Final passage in the Senate occurred on May 13, 1976, and was signed into law by the President on May 27, 1976.

Previously, I had joined with other members of the Committee on Labor and Public Welfare in requesting \$34,725,000 for title I programs, and I now reiterate my request. A breakdown of this figure includes: \$23.6 million for VISTA; \$7.251 million for Service Learning Programs; and \$3,811 million for Special Volunteer Programs.

Urban Local Initiative Program

As a part of the \$3,811,000 for Special Volunteer Programs, I believe consideration should be given to problems in urban areas. At a time when local governments are experiencing cutbacks of services, necessitated by budgetary constraints, efforts should be made to initiate and develop volunteer programs to augment municipal services, at the local level. Therefore, I recommend that the following language be incorporated in the report which your Committee issues:

The Committee believes that the citizens of urban communities should be encouraged to develop comprehensive self-help volunteer programs to meet community needs. Therefore, the Committee will expect ACTION to develop an Urban Local Initiative Program which will provide citizens with volunteer opportunities for community service.

That program should include at least four components: (1) technical assistance and advice to communities in overall planning of volunteer activities for the urban area; (2) organization support to community organizations that will plan

or administer volunteer programs; (3) a service corps of full-time stipended volunteers including volunteers from the community itself who may want to serve the community and who will benefit from the experience; and (4) assistance to local governments to supplement services with the use of volunteers. In no instance should such volunteers perform work which would otherwise be done by employees.

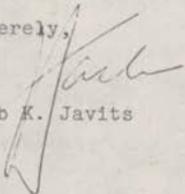
In order to qualify for assistance under this program, an urban community should produce an overall plan for volunteer activity including the development of community resources, both material and volunteers, and including involvement of both existing voluntary associations and the business and labor community. Within the limits of its resources the community should offer some degree of matching to the federal contribution. The plan should emphasize the use of volunteers in their own neighborhoods in community services, particularly those related to poverty, such as block security and safety, environment, sanitation, parks and beautification, recreation, education, youth, housing and neighborhood development, senior citizens, and child care.

This program should be established as a three-year experiment in cities. Funding shall be not less than \$1 million of Title I Part C funds. Volunteers from other Title I programs, including VISTA, and Title II Older American Programs should also participate. ACTION should coordinate planning with other Federal Agencies to achieve program ends. ACTION should evaluate the program and propose its extension or modification as appropriate.

Your attention to these requests is greatly appreciated.

With best wishes,

Sincerely,

  
Jacob K. Javits

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LETTER FROM SENATOR KENNEDY

*United States Senate*

WASHINGTON, D.C. 20510

June 23, 1976

The Honorable Warren G. Magnuson  
Chairman, Labor-HEW Subcommittee  
Committee on Appropriations  
United States Senate  
Washington, D. C. 20510

Dear Mr. Chairman:

I want to express my view that certain additional appropriations can be supported this year for particularly valuable programs in the area of human services. With regard to education, it is my understanding that the First Budget Resolution permits several hundred million dollars more than currently has been allocated by the Subcommittee. Since the need for additional appropriations, particularly for Title I Compensatory Education, Emergency School Aid and Bilingual Education, appears clear, I would hope that you might be able to recommend to the full Committee some additional amounts in each of these areas.

I would respectfully suggest an added \$300 million beyond the \$2.35 billion currently approved amount as a minimum for Title I (I continue to believe that we should boost that program closer to the \$3 billion mark), \$30 million more for Emergency School Aid (to continue the added amounts in the FY 1976 supplemental for the large metropolitan school districts facing special problems, such as Boston) and for bilingual education where an additional \$20 million could permit both additional programs at the local school level as well as additional training and research.

Also with regard to the area of education, I strongly urge the Committee to fund the pre-school education program for the handicapped at the \$25 million level. I was pleased to author this provision as part of the Education for the Handicapped Act this year and believe it should be funded.

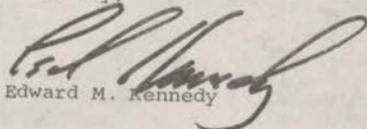
Many experts believe these early childhood years are the most critical in starting the educational and rehabilitative process for these children. I urge, therefore, your support for the additional amount of \$15 million beyond what the Committee already has adopted.

With regard to the Community Services Administration, I would urge that consideration be given to the level of funding which I have requested and which the program directors feel is desirable -- \$80 million for community economic development. Also, I would note that the current Subcommittee-approved level actually results in a movement backward since the program has been able to operate at a \$54 million level because of the overlapping of the previously withheld FY 1975 and FY 1976 funds.

Also, let me urge the Committee to approve the \$32 million figure for the migrant program which is now absolutely essential if we are to insure a minimally adequate level of services to the nation's farmworkers. The Committee itself has been critical of the past failure of the Department of Labor to respond to those needs. The decision to return the program to CSA was based on that situation but the migrant division has been without funding. The \$32 million level of funding is in keeping with past levels of activity and with the authorizing committee's recommendations.

Finally, I want to commend the Subcommittee for its action with regard to Title VII Nutrition for the Elderly and the Title IX Older Workers programs. Both of these programs are essential to hundreds of thousands of elderly citizens and the action of the Subcommittee maintains our commitment to them. Much more must be done but in this area ultimately. I want to support the Subcommittee action and express my hope that it will be retained at the full Committee.

Sincerely,



Edward M. Kennedy

## LETTER FROM NUMEROUS SENATORS

June 22, 1976

Dear Mr. Chairman:

We intend to offer an amendment in the full Appropriations Committee to provide funding in the fiscal 1977 Labor-HEW appropriations bill for disease control programs authorized by the National Health Promotion and Disease Prevention Act of 1976, S. 1466. This bill was passed in identical form by the Senate on May 26 and the House of Representatives on June 7. Unless it is vetoed, it will become law on June 23.

As you know, Senate Report 94-742, accompanying the Urgent Supplemental Appropriations Bill for fiscal 1976, included a strong statement on the need to implement childhood disease immunization programs. Subsequently, the Senate version of H.R. 13172, the Second Supplemental Appropriations Bill for fiscal 1976, provided \$16.9 million for such programs as well as \$9 million for lead poisoning prevention. This appropriation was removed from the bill in conference because of the lack of authorization, but the conferees' report, H. Report. 94-1133, contained a statement by the conferees on their agreement on the vital importance of carrying out immunization programs.

We realize that your Subcommittee did not, in its mark up of the fiscal 1977 appropriations bill, consider childhood immunization or other funding for S. 1466 programs because of the lack of authorization. We recognize that budgetary constraints require a careful allocation of appropriations between numerous health programs. Yet the need for a full-scale national effort against communicable diseases, rat-borne diseases, and lead poisoning is so great that we hope you will agree on the necessity to implement the Disease Prevention Act as quickly as possible.

Medical science has given us the means to conquer these diseases. Yet a significant proportion of American adults and children remain susceptible to serious diseases. For example, the U.S. Immunization Survey of 1975 estimates that 15.5 million children are not fully protected against polio; 9.3 million children are not protected against DPT; 13.8 million are not protected against measles; 13.9 million susceptible to rubella, and 26.4 million to mumps.

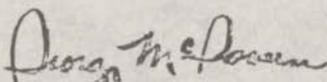
Statistics regarding the extent of other diseases are equally depressing. The number of reported cases of gonorrhea approached 1 million in 1975 - an all-time high. There are some 300 communities in the country with severe rat infestation problems; rats transmit such serious diseases as plague, typhus and rat-bite fever. HEW has estimated that some 6 million children may be in danger of lead-based paint poisoning; 600,000 probably

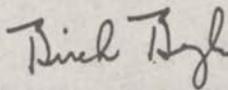
have undue lead absorption; 6,000 of these will probably experience mental retardation; and 200 children will die each year as a result of such poisoning.

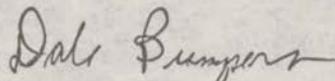
We urge an additional appropriation of \$106.1 million for health promotion and disease control in fiscal 1977 to meet these serious problems, allocated as follows: \$7 million for health information and promotion; \$17.5 million for childhood immunizations; \$14 million for diseases borne by rodents; \$4.5 million for Title II (c) grants for other disease control programs; \$48.1 million for venereal disease programs; \$12 million for lead poisoning programs.

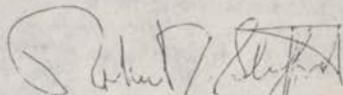
Thank you for your consideration of this matter.

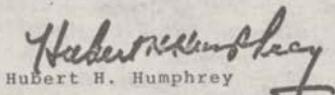
Sincerely,

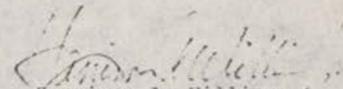
  
George McGovern

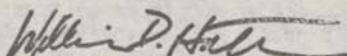
  
Birch Bayh

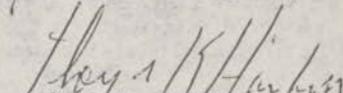
  
Dale Bumpers

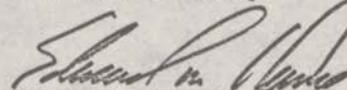
  
Robert T. Stafford

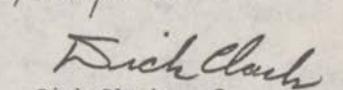
  
Hubert H. Humphrey

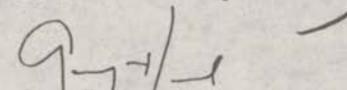
  
Harrison A. Williams

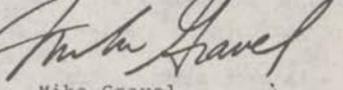
  
William D. Hathaway

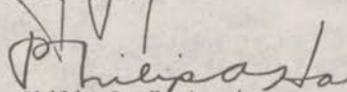
  
Floyd K. Haskell

  
Edward M. Kennedy

  
Dick Clark

  
Gary Hart

  
Mike Gravel

  
Philip A. Hart

LETTER FROM SENATOR RANDOLPH

*United States Senate*DONALD ELISHBURN, GENERAL COUNSEL  
MARJORIE M. WHITTAKER, CHIEF CLERKCOMMITTEE ON  
LABOR AND PUBLIC WELFARE  
WASHINGTON, D.C. 20510

June 21, 1976

The Honorable Warren G. Magnuson  
United States Senate  
127 Russell Senate Office Building  
Washington, D.C. 20510

Dear Mr. Chairman:

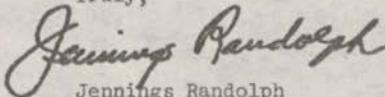
In view of your current consideration of appropriations for the Departments of Health, Education and Welfare and Labor to be considered in the fiscal year 1977 appropriations bill, I would like to take this opportunity to request favorable consideration by the Committee on Appropriations of Senator Robert Byrd's amendment which would provide \$1.8 million for the rehabilitation research and training centers located in Arkansas, West Virginia and Wisconsin.

As you know, the research and training centers conduct integrated programs of research, training and exemplary client services. The research and training centers are authorized by the Rehabilitation Act of 1973 and are charged with implementing the concepts outlined in that measure of which it was my privilege to be the chief sponsor. The additional funds will be used to increase and expand the functions of the centers. These centers are recognized as the cornerstones of a rehabilitation system that deals directly with the needs of handicapped persons.

I deeply appreciate the past support of your Committee. I believe that this amendment provides funds that are vitally necessary for the continued growth of these research and training centers, and I appreciate your careful consideration of Senator Byrd's amendment.

With best wishes, I am

Truly,



Jennings Randolph  
Chairman  
Subcommittee on the Handicapped

LETTER FROM SENATOR STEVENS

## United States Senate

COMMITTEE ON APPROPRIATIONS  
WASHINGTON, D.C. 20510

June 22, 1976

Honorable Warren G. Magnuson  
Chairman  
Subcommittee on Labor-HEW  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

Dear Maggie:

The Domestic Volunteer Services Act reauthorized several ACTION programs after the House had completed Committee action on the Labor-HEW FY 1977 Appropriations bill.

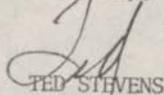
The authorizing legislation mandates a \$22.3 million floor for VISTA. As the budget request for Title I (VISTA, Service Learning Programs and Special Volunteer Programs) was only \$20 million, ACTION would be forced to spend all its Title I funds on VISTA if operating under a continuing resolution. This would cause severe disruption in the other Title I programs. Therefore, I plan to offer an amendment in Full Committee to include the ACTION programs in the FY 1977 Labor-HEW bill. The amounts I would recommend are listed below:

VISTA	\$23,666,000
Service Learning Programs	8,100,000
Special Volunteer Programs	3,811,000
Program Support	20,157,000
TOTAL	\$55,734,000

Your consideration of this request is appreciated.

With best wishes,

Cordially,



TED STEVENS  
United States Senator

LETTER FROM SENATOR STEVENS

*United States Senate*

COMMITTEE ON APPROPRIATIONS

WASHINGTON, D.C. 20510

May 26, 1976

Honorable Warren G. Magnuson  
Chairman  
Subcommittee on Labor-HEW  
Committee on Appropriations  
United States Senate

Dear Maggie:

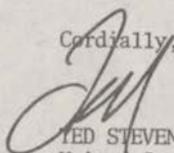
During Senate consideration of the First Supplemental Appropriations bill for FY 1976, I requested that \$5 million be provided to continue the satellite program in the National Institute of Education. As there were no other education items in that bill, I agreed to wait on this matter.

The NIE budget for FY 1977 indicates that \$2 million will be allocated for satellites out of a total funding request of \$90 million. If the \$90 million is reduced, the satellite program will also be diminished.

From the past several years, you are aware of my support for NIE and my interest in the potentials of the satellite program. I would hope that the Senate would provide sufficient funds to bring the satellite program up to \$5 million.

With best wishes,

Cordially,



TED STEVENS  
United States Senator

## SUBCOMMITTEE RECESS

Senator CHILES. Again, thank you for your appearance here today and your fine presentation.

The subcommittee will now recess.

Whereupon, at 11:40 a.m., Tuesday, May 25, the subcommittee was recessed to reconvene at the call of the Chair.

