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DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE APPROPRIATIONS FOR 1978

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

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

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NEAL SMITH, Iowa
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HENRY A. NEIL, Jr., FREDERICK P. PFLUGER, ROBERT L. KNISELY, NICHOLAS G. CAVAROCCHI, MICHAEL STEPHENS, and BETTILOU TAYLOR, *Subcommittee Staff*

PART 6

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

General Departmental Management
Office for Civil Rights
Office of Human Development
Policy Research
Social and Rehabilitation Service
Social Security Administration
Special Institutions

Printed for the use of the Committee on Appropriations

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DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE APPROPRIATIONS FOR FISCAL YEAR 1978

MONDAY, MARCH 28, 1977.

SOCIAL AND REHABILITATION SERVICE: PUBLIC ASSISTANCE, WORK INCENTIVES, AND PROGRAM ADMINISTRATION

WITNESSES

DON. I. WORTMAN, ACTING ADMINISTRATOR, HEALTH CARE FINANCING ADMINISTRATION
DAVID HURWITZ, ACTING COMMISSIONER, ASSISTANCE PAYMENTS ADMINISTRATION
M. KEITH WEIKEL, COMMISSIONER, MEDICAL SERVICES ADMINISTRATION
MICHIO SUZUKI, ACTING COMMISSIONER, PUBLIC SERVICES ADMINISTRATION
LOUIS B. HAYS, DEPUTY DIRECTOR, OFFICE OF CHILD SUPPORT ENFORCEMENT
LAWRENCE McDONOUGH, SPECIAL ASSISTANT TO THE ACTING ADMINISTRATOR
MERWIN S. HANS, EXECUTIVE DIRECTOR, NATIONAL COORDINATION COMMITTEE, DEPARTMENT OF LABOR
SAMUEL E. MARTZ, ASSISTANT ADMINISTRATOR FOR FINANCIAL MANAGEMENT, SOCIAL AND REHABILITATION SERVICE
ANNA L. PERKINS, DIRECTOR, DIVISION OF BUDGET, SOCIAL AND REHABILITATION SERVICE
VICTOR KUGAJEVSKY, DIRECTOR, OFFICE OF SPECIAL INITIATIVES
WILFORD FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

INTRODUCTION AND OPENING STATEMENT

Mr. FLOOD. We will continue with the Department of Health, Education, and Welfare, what used to be called the Social and Rehabilitation Service.

Don Wortman will make the presentation as the Acting Administrator for Health Care Financing. We will consider first the funding for the public assistance, work incentives, and program administration accounts.

We have your biographical sketch which we will place in the record at this point as well as your statements which we have.

[The biographical sketch and statements follow:]

BIOGRAPHICAL SKETCH

NAME: Don I. Wortman

POSITION: Acting Administrator, Health Care Financing Administration

BIRTHPLACE AND DATE: Lakota, Iowa
November 10, 1927

EDUCATION: Macalester College, St. Paul, Minnesota
B.A., Economics, 1951

University of Minnesota
M.A., Public Administration, 1952

Industrial College of the Armed Forces
Fort McNair, 1961-1962

MILITARY SERVICE: Army Specialist Training Program, July 1945 - January 1946

Army Air Force, January 1946 - November 1947

EXPERIENCE:

March 8, 1977- PRESENT Acting Administrator, Health Care Financing Administration

January 1977- March 7, 77 Acting Administrator, Social and Rehabilitation Service

July 1976 - January 77 Director, Office of Regulatory Review and Special Assistant to the Secretary for Regulatory Reform

Responsible for implementing the Secretary's policies to achieve a) improved public participation in the development of regulations; b) better internal management of regulations to assure their timely issuance; and c) the review of regulatory documents before Secretary signature. This is a major reform effort in the Department.

January 1976- June 1976 Acting Administrator, Social and Rehabilitation Service

1973 - January 76 — Deputy Assistant Secretary for Program Systems, Department of Health, Education, and Welfare

Development and operation of the Department's policy planning and policy coordination actitivies; design of activities to strengthen capacity of state and local government to plan and manage human resource programs; provision of and planning for data processing and statistical services for the Office of the Assistant Secretary for Planning and Evaluation. Served in a variety of special assignments for the Secretary: Conference on Inflation, Energy Coordinator and Director, HEW Refugee Task Force.

1971-1973 — Economic Stabilization Program
Administrator, Office of Price Monitoring, Cost of Living Council; Director, Office of Operations, Price Commission--

Review and action on requests for price increases, interpretations of the regulations and for monitoring profit margin performance of companies with annual sales over $50 million. Personally created and directed staff of 250 auditors, accountants, economists, and lawyers to do this regulatory job.

1965-1971 — Office of Economic Opportunity
Controller; Director, Office of Community Action Support; Associate Director for Program Operations, Community Action Program; Deputy Assistant Director for Research, Plans, Programs and Evaluation; Chief, Programs and Evaluation Division--

For the first two years at OEO, performed planning, program analysis, policy development and budget responsibilities. For the next four years, served as an operating official in the Community Action Program in administering programs through ten Regional Offices. Concluded OEO phase as Controller.

1953-1965 Atomic Energy Commission

Director, Requirements and Facilities Division, Albuquerque Operations Office; Director, Budget Division, ALO; Deputy Assistant Manager for Program Analysis and Budget, Division of Military Application; Management Intern through Senior Program Analyst--

Develop professional skills in budget in a variety of assignments in the atomic weapons program both in Washington and in Albuquerque. Last assignment in AEC was directing staff of engineers in assessing production capacities and capabilities in meeting future workloads and new weapon designs.

CIVIC AND CHURCH ACTIVITIES: Member, Rockville Citizens for Good Government, 1958, 1962, and 1965

Leader in various capacities in Rockville United Church, 1969 to Present

Member, Rockville Human Relations Committee, April 1970 - November 1971

Creator of major fellowship program in honor of Dr. Dupre, former Dean of Macalester College

HONORS AND AWARDS:

1970 -- Distinguished Citizen Award from Macalester College
1972 -- Distinguished Service Award - Price Commission
1973 -- Meritorious Service Award, Federal Government Accountants Association
1975 -- HEW Secretary's Special Citation
1975 -- Certificate of Appreciation, the President of the United States

OTHER: Married, father of 3 sons.

STATEMENT BY THE ACTING ADMINISTRATOR, HEALTH CARE FINANCING ADMINISTRATION—OVERVIEW STATEMENT

Mr. Chairman and members of the committee: Thank you for the opportunity to appear today to present the budget request for Public Assistance and related programs for 1978. As you know, the Secretary recently announced a reorganization which would shift these programs to the Social Security Administration, the Office of Human Development, and the new Health Care Financing Administration of which I am the acting Administrator. The testimony I will be presenting today, however, will be based upon the program structure which existed before the reorganization. I will also be pleased to answer any questions you have regarding the reorganization announced by Secretary Califano on March 8.

The total budget request for these programs included in the President's fiscal year 1978 budget is $21.5 billion. This includes a request of $21 billion for the public assistance program areas; $365 million for the work incentives program; $67.7 million for the Cuban refugee program; and $74.5 million for program administration.

HIGHLIGHTS OF BUDGET ACTIVITIES

The following items are covered in more detail in separate statements, but I would like to highlight, at this point, the broad trends and basic assumptions which underlie the 1978 budget request. They are:

(1) The number of families receiving AFDC is expected to stabilize in fiscal year 1978. This results from the assumption of an improving economy; however, due to the continuing decline in family size, the average number of recipients is expected to decrease about 72,000 between 1977 and 1978. The average level of benefits will increase as States effect increases in standards of assistance and/or payment levels to counter the effects of inflation.

(2) The growing strength of the child support enforcement program during fiscal year 1978 will provide increased total collections of $192 million over 1977. These increased collections will further offset Federal and States' shares of expenditures for the AFDC program both through direct reimbursement of AFDC costs and by enabling families, who would otherwise be potential welfare enrollees, to achieve self-support.

(3) The type of services for which the States opt under the medicaid program appear to have stabilized. States' efforts to cut back services do not appear to be influencing overall program costs. Increases in the medicaid program in 1978 result primarily from the all too familiar and, up to now uncontrollable, increasing costs of providing medical services. In addition, more recipients are anticipated in fiscal year 1978 as well as increased utilization of services.

(4) The budget request in the area of social services provides for 42 States reaching their annual allotment within the $2.5 billion ceiling in fiscal year 1978. The program is meeting the objectives of the designers of title XX and is providing a flexible vehicle to meet the most urgent needs of States and localities. Here, too, States are feeling the impact of inflation, and they are being required to limit services within the fixed amounts authorized. During 1978, relief of some pressures in meeting day care standards and the rising costs in the provision of urgently needed day care services is being sought through the proposed extension of the child day care amendments (Public Law 94–401) which would provide an additional $200 million.

(5) Activity in the work incentive program during 1978 is estimated to be at about the same level as 1977 with continued thrust toward direct placement and labor market exposure. This program will work in concert with other administration efforts to provide training and employment opportunities to disadvantaged persons who would otherwise remain unemployed.

(6) The fiscal year 1978 request for program administration provides support costs for currently authorized positions including those requested in the fiscal year 1977 supplemental.

(7) The Cuban refugee program, considered for the first time before this committee, has been operated by the Department for the past 16 years. The significant decline of Cuban nationals entering the United States, together with he absorption of the majority of the Cuban population into the economic mainstream, has formed the basis for the Department's proposal to gradually phase out this program over the next 4 years. Commencing October 1, 1977, it is proposed that needy refugees be transferred to the regular public assistance programs.

In summary, Mr. Chairman, we are requesting $21,471,035,000; $20,963,800,000 for public assistance programs, $365,000,000 for the work incentive program, $67,700,000 for the Cuban refugee program, and $74,535,000 for program administration.

This concludes my overview statement. I have prepared statements which discuss each specific appropriation account in more detail. I will be glad to answer any questions you or members of the committee may have.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, STATEMENT BY THE ACTING ADMINISTRATOR, HEALTH CARE FINANCING ADMINISTRATION ON "PUBLIC ASSISTANCE"

Mr. Chairman and members of the committee: The consolidated budget for public assistance includes funds for maintenance assistance, child support enforcement, medical assistance, social services, State and local training, child welfare services, and public assistance research activities. The total amount requested for these programs in 1978 is $20,963,800,000, which is $1,697,753,000 over our revised 1977 estimate of $19,266,047,000.

MAINTENANCE ASSISTANCE

Our request for maintenance assistance programs for fiscal year 1978 is $6,657,000,000 and includes $5,964,020,000 for aid to families with dependent children (AFDC). This estimate was developed primarily through an analysis of States' August 1976 estimates for fiscal year 1978.

During fiscal year 1978, an estimated monthly average of 11,304,000 individuals in about 3,589,000 families will receive assistance under the AFDC program as compared with 11,376,000 individuals in 3,594,000 families during 1977. These estimates are based on decreasing unemployment trends and some reduction in inflationary pressures. While the number of recipients will decline, the average monthly payment per family will increase due to inflationary impact on States' standards of need. We estimate that the 1978 AFDC program requirements will be about $5,964,020,000 or $299,737,000 above 1977.

The estimate for State and local administration is $650 million for 1978 which represents an increase of approximately 10 percent over our revised 1977 estimate of $590,241,000. Slightly more than half of this increase is attributed to normal inflationary pressures and the remainder to improved and/or modified management systems, increased emphasis on improving the States' program administration including the reduction of the rates of ineligibility and overpayment.

CHILD SUPPORT ENFORCEMENT

In the child support enforcement program area, the 1978 budget anticipates total collections of $632 million, of which $251 million is the Federal share, and a total administrative cost of $267 million, of which $200 million is the Federal share. The net Federal costs of administering the program are expected to decrease from $30 million in 1976 to a savings of $51 million in 1978.

Caseload estimates indicate that at the end of 1976 the States had effected collections on behalf of approximately 370,000 AFDC and 120,000 nonwelfare families each month. This is anticipated to increase to an average of 879,000 AFDC and 175,000 nonwelfare families each month in 1978. The Federal parent locator service has processed 150,000 requests from States for address information since March 1976. In 1978, Federal efforts will be directed toward improving States' effectiveness and conducting the first annual audit of all State programs.

MEDICAID

The request for $11,816,000,000 for the medicaid program is $1,586,682,000 above our revised fiscal year 1977 estimate—a 15-percent increase. As in previous years, the major reason for the increase is rising prices. Smaller increases are due to growth in numbers of recipients and to expanded utilization.

Efforts by the Federal Government, in cooperation with Governors of States, to reduce fraud and abuse will continue in the review of several types of providers including nursing homes, clinical labs, pharmacies, and long-term institutions. Efforts are focused on detection and identification of potential fraud and abuse. By the end of fiscal year 1978, we expect that a capacity will have been developed at the regional and State levels to carry out reviews for detec-

tion of fraud and abuse, investigation, prosecution as well as prevention, and provider education. The central office will continue providing technical assistance and monitoring in the areas of compliance.

SOCIAL SERVICES

Our request for social services in fiscal year 1978 is $2,401,300,000, a net decrease of $175,289,000 from our revised 1977 estimate of $2,576,589,000. The reduction results from the expiration, on September 30, 1977, of the child day care amendments (Public Law 94–401) which provided States with an additional $200 million above the 1977 funding limitation for the basic program. Legislation will be proposed to extend these child day care amendments through 1978. Our budget request for 1978 provides for an increase of $24,711,000 in the basic title XX program. Currently, most States are preparing their annual plans covering the 1978 program year. Our assessment of this process is that the States have significantly upgraded their planning capabilities and the plans will be more meaningful and responsive to the recipient needs.

STATE AND LOCAL TRAINING

Our request for fiscal year 1978, for State and local training, proposes to establish a ceiling of $75 million for the Federal share of State and local expenditures. This ceiling would place the Federal participation in this program during 1978 at a level approximately $5 million below our revised 1977 estimate. Regulations are being issued during fiscal year 1977 to prompt States toward improved staff training planning, a definition of the types of training to be provided and an improved manner of accounting for such training. These measures are believed necessary to help restrain the sizable increases which have been occurring in this program.

CHILD WELFARE SERVICES

In the area of child welfare services, our request for 1978 provides funding at the same level as our 1977 appropriation. For child welfare services we are requesting $56.5 million to support States' efforts in the provision of protective services and substitute parental care to all children needing such services.

RESEARCH

The $9.2 million requested for research will maintain the 1977 appropriation level in providing funds to continue approximately 39 ongoing projects and to initiate more than 50 new projects. The new projects in fiscal year 1978 will be concentrated primarily in the areas of administrative improvements, management information systems, long-term care and quality control.

SUMMARY

In summary, Mr. Chairman, we are requesting $20,963,800,000 for the public assistance programs in fiscal year 1978. These estimates are based on our analyses of States' August 1976 estimates; and I believe they fairly represent our best estimate of needs in the public assistance areas.

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

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, STATEMENT BY THE ACTING ADMINISTRATOR, HEALTH CARE FINANCING ADMINISTRATION, ON "WORK INCENTIVES"

Mr. Chairman and members of the committee: I am pleased to appear here today to present to you the fiscal year 1978 appropriation estimate for the work incentive program (WIN).

The budget request for WIN in 1978 totals $365 million, providing about the same program level as fiscal year 1977. Of the total, $351,995,000 is requested for grants to States and $13,005,000 is requested for Federal program administration. In this budget we have combined training and incentives with child care and supportive services to form the single activity, grants to States. This was done in order to provide more management flexibility in this program, both at the State and Federal levels.

WIN, a State-administered program authorized under title IV of the Social Security Act, as amended, is designed to assist recipients of aid to families with dependent children (AFDC) to achieve self-support through training, work experience, employment, child care, and other supportive services.

During 1978, the Departments of Labor and Health, Education, and Welfare intend to continue administering a WIN program which increases the emphasis on job placements by exposing to the labor market all persons who register for WIN. The goal is to make as many immediate placements as possible and actively engage all other registrants in seeking a job. This activity continues a thrust that began in fiscal year 1976 and is the result of revised regulations published in September 1975.

The Department of Labor has the major responsibility for determining employability and placement of WIN participants. We estimate that during 1978, the employment service office will register 1.3 million individuals for WIN and that 555,000 of these registrants will be appraised for possible direct job placement, job preparation through training, or for job search activities; 27,800 man-years of subsidized work and training will be provided, and 220,000 participants will be placed in unsubsidized employment.

I am pleased to report that in fiscal year 1976 WIN placed 211,185 participants exceeding its placement goals by a little more than 5½ percent. In the transitional quarter, WIN placed 67,144 participants compared to 48,857 during the same quarter of the previous year. Although the WIN program is not without problems, it is achieving greater success in meeting its legislative goals than at any time since its enactment.

Throughout fiscal year 1977, WIN will continue to take a vigorous approach toward the achievement of its program goals. In addition, the economic stimulus package will provide an opportunity to improve and expand coordination with the Comprehensive Employment and Training Act (CETA) program. I am confident that the WIN program is in a position to maintain a strong posture during the period welfare reform is being considered.

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

During fiscal year 1978, an estimated 85,000 years of child care and 125,000 man-years of other supportive services will be provided. This is approximately the same level as that estimated for fiscal year 1977.

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

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, STATEMENT BY THE ACTING ADMINISTRATOR, HEALTH CARE FINANCING ADMINISTRATION ON "PROGRAM ADMINISTRATION"

Mr. Chairman and members of the committee: Thank you for the opportunity to appear here today to discuss our budget request of $74,535,000 for program administration for fiscal year 1978.

The request of $74,535,000 for fiscal year 1978 is an increase of $3,784,000 over our revised 1977 estimate of $70,751,000. This estimate provides administrative support costs relating to 2,173 authorized positions, including the 60 jobs requested in our fiscal year 1977 supplemental. Our 1978 staffing reflects the transfer of 12 Office of Child Support Enforcement positions to the Office of the General Counsel, and an offset of 1 position from the Department's Division of Central Payroll, the result of a shift in responsibility for preparation of certain payroll information.

Our request provides for mandatory increases such as within-grade salary advancements, statutory pay raises and full support for 122 previously nonfunded man-years. More than $45 million of the total request directly relates to staff salaries and benefits, the remainder being distributed over other supportive costs such as travel, rent, printing, supplies, and contractual services.

The overall mission of the Federal staff supported by this appropriation is such that close contact must be maintained with individual States to assist them in the effective and efficient management of federally sponsored programs. The staff is divided between central office and field locations. Approximately one-half of the staff is located in headquarters with the remainder distributed throughout the country in each of the 10 regions. By maintaining Federal staff in close prox-

imity to the States in each region, we are able to minimize travel requirements necessary for the performance of our responsibilities.

Mr. Chairman, our 1978 request includes $7,870,000 for contractual support, a decrease of $249,000 from our 1977 level of $8,119,000. Approximately $6.8 million of our request for contractual support is to satisfy statutory requirements in the child support enforcement program—$5.9 million to conduct the legislatively mandated annual audit of States' programs and $850,000 for maintenance of the Federal Parent Locator Service. The remaining $1 million of our request will be used primarily to assist States in the design and implementation of effective management techniques including ADP operations.

In summary, Mr. Chairman, we are requesting $74,535,000 to provide administrative support for 96 percent of our current authorized level of 2,173 positions. The dollar increase requested, for the most part, represents annualization of positions funded for only a part year in 1977.

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

INTRODUCTION OF WITNESSES

Mr. FLOOD. Now you have some of your people with you, Mr. Wortman. Would you like to introduce them?

Mr. WORTMAN. Yes, sir, Mr. Chairman; if I may, I would like to introduce on my left, Dave Hurwitz, Acting Commissioner of the Assistance Payments Administration. Under the reorganization that the Secretary announced on March 8, he formally reports to Bruce Cardwell, Social Security Administrator.

Next to him is Lou Hays, Deputy Director, Office of Child Support Enforcement, who also reports to Bruce Cardwell, and Michio Suzuki, Acting Commissioner of the Public Services Administration who reports to the Assistant Secretary for the Office of Human Development.

On my immediate right is Keith Weikel who is the Commissioner of the Medical Services Administration which, under the reorganization, becomes part of the Health Care Financing Administration, and Sam Martz, the Associate Administrator for Financial Management.

Next to him is Will Forbush who you well know. Anna Perkins, the Director of Budget for the Social and Rehabilitation Service, is behind me, Larry McDonough is here today to talk about the Cuban-Indochinese refuge programs, Merwin Hans, the Executive Director of the National Coordination Committee on WIN, is here.

Mr. FLOOD. You certainly brought the varsity.

All right now, Mr. Wortman, you are wearing, as we used to say in the old days, you are wearing a number of hats down there at HEW these days.

I wonder if you will explain to us your various responsibilities before we get into any specific questions.

Mr. WORTMAN. At the current time, sir, I am Acting Administrator of the Health Care Financing Administration. I am also head of the task force to implement the reorganization that Secretary Califano announced on March 8, and I am supervising the remaining staff elements of the old Social and Rehabilitation Service until they are reassigned.

Mr. FLOOD. As you suggested in the presentation of your staff, this is the last time we are to hear a request on the SRS, the Social and Rehabilitation Service, I suppose. Is that an accurate statement, to say that this agency will be out of business in a few days?

Mr. WORTMAN. That is correct, sir.

EXPECTED OUTCOME OF REORGANIZATION

Mr. FLOOD. Well, Mr. Wortman, what do you expect to accomplish by rearranging all these SRS boxes?

Mr. WORTMAN. I think the primary objective of the Secretary was focused at the health financing area, the tremendous explosion in cost for health care in America and how we could get on top of that. It was his feeling that by putting together medicare and medicaid plus some of the other elements in the Public Health Service, we could put together enough leverage to better manage health financing programs.

Mr. FLOOD. In the Secretary's press release on the reorganization, he indicated that you expect to save $1 billion or more next year as a result of all this. Can we subtract that amount from this SRS request when we start our markup here next month?

Mr. WORTMAN. Well, I think it is a little early to tell in terms of the exact——

Mr. FLOOD. No billion dollar savings?

Mr. WORTMAN. No; I would hope as the Acting Administrator of the Health Care Financing Administration——

Mr. FLOOD. You are not surprised I asked you that question?

Mr. WORTMAN. No; I was told by many people you would ask it.

The commitment for the goal of $1 billion by the better management of medicare and medicaid, I think, is a reasonable one. If one were to look at the medicaid quality control data, it would indicate that we have a 9-percent error rate. I think it would be reasonable to assume that we could move that down to 5 or 6 percent in the next year to 18 months.

Medicaid quality control is a rather recent innovation compared to the quality control we have had in AFDC for the last 3 years. We feel, and Keith Weikel can talk to that, that if we get on top of collecting third party payments from private carriers or the Blues, that we can reduce expenditures in medicaid. This is an effort that we will want to pursue.

We think that the creation of the Office of Inspector General plus our own efforts in fraud and abuse can certainly deter the growth of medicaid abusive practices. This could be big money.

DISPOSITION OF SOCIAL AND REHABILITATION SERVICE PROGRAMS

Mr. FLOOD. The information we have received about this reorganization is pretty general. Suppose you tell us in a little more detail what is going to happen to each one of those organizational units and the programs within the Social and Rehabilitation Service.

Mr. WORTMAN. We could start with the Assistance Payments Administration that Dave Hurwitz heads up.

Aid to Families With Dependent Children, as a bureau, will move intact to the Social Security Administration, reporting to Mr. Cardwell. The office that Mr. Suzuki heads up, Social Services, along with title IV–B, Child Welfare Services, will move to the Office of Human Development intact as a bureau.

In addition to that, Merwin Hans can address that later, the work incentive program will have as its HEW residence, the Office of Human Development.

The medicaid program becomes part of the new organization, the Health Care Financing Administration.

Now it just so happens that once you do that in SRS, you have accounted for about half of the staff because the other half are located in fairly significant operations under Victor Kugajevsky, who is here today, who represents the quality control efforts I referred to and under Mr. Coster and Mr. Martz on financial management.

We are working now on how to allocate those functions to the various elements.

Mr. FLOOD. Are you in a position to tell us how many people and how much money is associated with each of these transfers, including the overhead costs, how they are going to be distributed?

Mr. WORTMAN. We are not in a position to do that. We will be able to do that, I would say, in a month.

Mr. FLOOD. What we would like would be a table which would indicate each one of these programs you talked about that is going to be transferred, where it is going to go and the positions and the funds, the money, that is going to move with each one. Do that for the record.

Mr. WORTMAN. All right.

[CLERK'S NOTE: The requested information could not be supplied to the committee in sufficient time to be included in the printed record. The table, when received will be available in the committee files.]

IMPLEMENTATION TIMETABLE

Mr. FLOOD. What is your specific schedule for the implementation of this reorganization plan, the delegations, the physical moves, everything? Do you have a timetable?

Mr. WORTMAN. Yes; we do. We have a two-phased timetable. The Federal order that implemented the reorganization was written in such a way as all existing delegations of authority except that those that I had personally as Administrator of SRS, continue in full force and effect so that ongoing operations are not interfered with.

Thus, we are proceeding and the staff on my right and left can continue to operate. I would hope to have memorandums of understanding and revised delegations of authority reflecting the new organization completed by mid-April.

I would also hope to have mass transfers of personnel reflecting where they move between the various organizations who are the reserves of these programs completed by the end of May. That takes a little while longer. I do not foresee any relocations of people in terms of office space for some number of months.

First, we are going to try and get the reporting relationships established and then we will worry about that.

THE HEALTH CARE FINANCING ADMINISTRATION

Mr. FLOOD. Of course, we will get into more detail about this as we go on, but put on your health finance hat now for a minute.

Mr. WORTMAN. Yes, sir.

Mr. FLOOD. Can you tell us how you plan to organize these particular activities that you just recited now, medicare, medicaid, and quality assurance?

Mr. WORTMAN. Some things are clear. We will merge without question the program integrity operations from both medicaid and medicare. That is clear to us. We will undoubtedly create a strong policy shop so that we can get to more uniform reimbursement policies for the providers in both medicaid and medicare even though to get to full uniformity requires a number of changes in the statute. These are not just regulatory changes.

Beyond that, we have a dialog going on internally and with external people. We are not clear yet how far we will merge like functions like medicare and medicaid. We may not do it in the near term, but may do it in a year's time. We are looking at that now.

There are some functions under the Social Security Act where hospitals can name the Federal Government as an intermediary like Travelers or Blue Cross in that State. Tom Tierney has 400 people in Baltimore who are processing payment paper. I doubt if we would want to interfere or relocate those people.

REORGANIZATION—IMPACT ON BUDGET PROCESS

Mr. FLOOD. This whole business of reorganization has raised some very serious budgetary issues as you can well imagine. They have not yet been addressed. This is the Appropriations Committee. You keep in mind that we can't appropriate $21 billion to an organization that doesn't even exist. So how do you propose we handle the funding?

Mr. WORTMAN. Well, I would like for Mr. Forbush to talk about that, but I can assure the committee that other than this table that you have asked for which would break down our salaries and expenses, that all these major amounts transfer quite logically with the programs.

Mr. FLOOD. Are you planning to submit a revised budget request?

Mr. FORBUSH. No, sir, not a revised justification.

Mr. FLOOD. A revised budget request?

Mr. FORBUSH. We are going to try to get a table to allocate the funds.

Mr. FLOOD. I repeat now, here is $21 billion and this organization doesn't exist. We want to know how you propose to handle the funds as far as we are concerned. Do you plan to ask for a revised budget and if so, when?

Mr. FORBUSH. I don't think we will send up a revised budget. We will provide information so that the committee could mark up the bill based on the new organization if it so desires. It could appropriate the funds just as they have been requested.

We have a general authority in our reorganization statute back in 1953 which permits us to transfer funds and people to carry out a reorganization. So that would be quite possible, although probably not as clean as you would like it.

Mr. FLOOD. It certainly is not, you can be sure about that.

LEGAL ASPECTS OF THE REORGANIZATION

There have been some questions raised about some legal obstacles in moving some of these programs such as AFDC, aid to families with dependent children. Have you thoroughly worked out the legality of these changes?

Mr. WORTMAN. There was considerable research done on the extent of the reorganization by our General Counsel and there were no barriers that they identified.

Mr. FLOOD. Is there a written opinion by the General Counsel?

Mr. WORTMAN. Yes; there is.

Mr. FLOOD. Will you put that in the record?

Mr. WORTMAN. Yes, sir, we will do that.

[The information follows:]

[Memorandum]

To: The Secretary through: US ——, ES ——.

From: St. John Barrett, Acting General Counsel.

Subject: Proposed reorganization of HEW agencies.

You have requested our opinion as to whether you have the legal authority to effect the administrative and operational changes (the reorganization) in the Department of Health, Education, and Welfare (the Department) described below.

The principal features of the reorganization provide for (a) the creation of a new administration within the Department, to be called the Health Care Financing Administration (HCFA); (b) the removal to HCFA of the administration and management of the two major health care financing programs, medicaid and medicare, and the related quality assurance programs, from the Social Security Administration (SSA), the Social and Rehabilitation Service (SRS) and the Public Health Service; (c) the removal to SSA of the administration and management of the aid to families with dependent children program (AFDC); (d) the transfer of the directorship of the related child support enforcement program from the SRS Administrator to the Social Security Commissioner; (e) the removal of the administration and management of the child welfare and social services programs from SRS to the Office of Human Development (OHD); (f) the removal to the Office of Assistant Secretary, Comptroller, which will be redesignated as the Office of Assistant Secretary, Management and Budget, of all functions other than personnel administration from the Office of Assistant Secretary for Administration and Management, which will be redesignated as the Office of the Assistant Secretary for Personnel Administration; and (g) the abolition of SRS and, accordingly, the postion of Administrator of SRS.

The statutory authority with respect to all of the programs to be transferred to HCFA, SSA, and OHD in accordance with the reorganization is vested in the Secretary, and you have the authority to reassign the responsibility for the administration of such programs pursuant to section 6 of Reorganization Plan No. 1 of 1953, which provides that the Secretary "may from time to time make such provisions as the Secretary deems appropriate authorizing the performance of any of the functions of the Secretary by any other officer, or by any agency or employee, of the Department." The transfer of the administration and management of AFDC and related programs to SSA also comports with section 4 of such reorganization plan which provides, in relevant part, that the Commissioner of Social Security "shall perform such functions concerning social security and public welfare as the Secretary may prescribe * * *"

The transfer of the directorship of the Office of Child Support Enforcement from the SRS Administrator to the Commissioner of Social Security is consistent with the statutory mandate to establish that office as a separate organizational unit directed by an official who reports directly to the Secretary.

It should also be noted that neither SRS nor the office of its Administrator was created by statute. While section 294 of Public Law 92-603 (42 U.S.C. 3502a) requires that appointments to the Office of Administrator of SRS may be made by the President, with the advice and consent of the Senate, there is no statutory requirement that there be such an office.

The availability of existing appropriations during the remainder of the current fiscal year to meet the costs of operations of the various programs to be transferred is subject only to the approval of the Director of the Office of Management and Budget. The Budget and Accounting Act of 1950 (31 U.S.C. 581c(a)) expressely authorizes the intradepartmental transfer of balances

of appropriations, which are determined by the head of such department to be available and necessary, upon a duly authorized transfer of functions within a department.* The authority to transfer appropriations is conditioned upon approval by the President, but the function of the President in this regard has been delegated to the Director of the Office of Management and Budget (Executive Order No. 11609).

There is no legal impediment to the transfer of functions from the Assistant Secretary for Administration to the Assistant Secretary, Management and Budget. Not only do you have authority to effect that transfer under section 6 of Reorganization Plan No. 1 of 1953, but the statute creating the position of Assistant Secretary for Administration provides that the Assistant Secretary "shall perform such duties as the Secretary shall prescribe" (42 U.S.C. 3502). The Assistant Secretary, Comptroller is not a statutory position.

We have assumed that the transfer of the existing student financial assistance programs from components of the Office of Education to a new burden in the Office of Education (to be called the Bureau of Student Financial Assistance) will be effected by the Commissioner of Education pursuant to section 421A of the General Education Provisions Act (20 U.S.C. 1231), which authorizes the Commissioner to delegate any of his functions to any officer or employee of the Office of Education. Your approval of the new bureau is required by chapter 1A of the organization manual of the Department. The new Federal program of insured loans to graduate students in health professions schools, which, pursuant to the reorganization, will be placed in the Bureau of Student Financial Assistance, is a part of title VII of the Public Health Service Act, and section 707 of such act (sec. 205, Public Law 94–484) authorizes the Secretary to delegate the authority to administer any program authorized by title VII of such act to the administrator of any central office of the Department.

Based upon the foregoing and a review of such other statutory materials and authorities as we have deemed relevant, we are of the opinion that you have the legal authority to effect the reorganization.

IMPACT ON STAFF

Mr. FLOOD. Whenever you make a big shakeup like this, the personnel changes becomes pretty traumatic. How do you intend to handle those moves and transfers? You did touch upon it briefly.

Mr. WORTMAN. Yes; and I think you acknowledged it in your question that you put to me.

One of the biggest concerns, of course, of the staff is whether or not their jobs are affected. When the President met with the HEW staff at the Office of Education a month ago, he told the staff of HEW that everybody would have a job as a result of his reorganization because he pointed to the attrition rate in the Federal Government generally.

At HEW that also holds true. The Secretary of HEW has assured all of the staff at HEW who are affected by this reorganization that they will be offered a position as a result of this reorganization if their job is affected in any way.

In terms of the anxiety about physical relocation which I think is the second greatest source of anxiety, especially for a lot of staff who work at the Bureau of Health Insurance at Woodlawn who might anticipate the Health Care Financing Administration would relocate them in Washington, we have told everybody that there is no immediate intent to do a lot of transferring of people. But I have not tried to close the door on that kind of thinking in terms of trying to get the job done that this new administration has got to do.

*In fact, enactment of this statute was recommended by the Bureau of the Budget for the very purpose of facilitating intra-agency transfers of functions and as a necessary adjunct to the authority vested in the head of a department to reorganize such department. Hearings, Committee on Expenditures, House of Representatives, H.R. 9038, 81st Cong., 2d sess., p. 56.

So there may be some of that, but we have no intent right now to do that quickly.

EFFECT OF TRANSFER ON SPECIFIC PROGRAMS

Mr. FLOOD. Of course, we have talked about this and I hope you understand that we are inclined to be supportive of any change that will get a handle on these welfare costs. This appears to be a move in the right direction. But in all candor what we are concerned about is transferring some of these programs to social security.

Did you ever hear of SSI?

Mr. WORTMAN. Yes, sir.

Mr. FLOOD. We remember only too well the problems with supplemental security income. So what are you doing to avoid all those problems that everybody ran into in 1974 and in 1975? What a can of worms that was.

Mr. WORTMAN. Well, of course, I think one of the things that people assume with the move of AFDC was that this was signaling to some extent a decision that we are going to federalize AFDC just like the Congress decided to federalize aid to aged and disabled and blind.

It might be that when the President gets his report on welfare reform, which he asked for by May 1, and once he makes his recommendations to Congress, that there could be some movement toward federalizing aid to families with dependent children. However, I don't think that is a very near-term solution.

To the extent that SSI caused problems for the Social Security Administration, this is not a similar type of plan because we are not going to federalize the program. I read Haynes Johnson's article in the Post yesterday which I thought was very comprehensive about the problems created for the Social Security Administration.

ANTICIPATED WELFARE REFORM PROPOSALS

Mr. FLOOD. Congress is expecting a comprehensive welfare reform proposal by May 1 and a health insurance proposal sometime early next year.

Now can we assume that these reform proposals you are talking about and the reorganization are compatible?

Mr. WORTMAN. They are compatible in that the reorganization at HEW has put like activities into major organizational alinement where you have cash assistance being run by Social Security, health finance by health care. I would think that they would lend themselves as more amenable organizations to whatever the country finally decides on welfare reform and health insurance.

Mr. FLOOD. Wouldn't it make more sense to reorganize after your legislative proposals have been more settled?

Mr. WORTMAN. I do not think so. I think on the medicaid and medicare, it was important to put these things together. The criticism of providers throughout the country with different certifications of standards coming from medicare and medicaid, the criticisms of doctors about noncommon billing procedures for the various programs, the whole concern about the feeding of information on potential fraud and abuse by providers, all of these things are pressing issues and I

think this reorganization had to start to solve this or else the country may not feel very comfortable in moving to some more broad health insurance program.

Mr. FLOOD. Mr. Michel?

Mr. MICHEL. On this subject of reorganization, can you give us the timetable that you have in mind to effect this reorganization?

Mr. WORTMAN. Yes, sir, I can.

There was an immediate attempt to not interfere with ongoing vital operations like the quarterly financing system that puts about $5 billion out to the States for each quarter for all the programs I am here defending today.

The medicare beneficiaries interface at the local district office. We did not want to interfere with those. We wrote a Federal Register order that continued in place the responsibilities at all levels of the organization so that these vital functions could be performed. That was the first step.

The second step is to change reporting relationships so that right now we are having some people in the regional offices who are continuing to report to their former bosses even though under the reorganization that would not be the case. We hope to have those changed by mid-April. Then it would take some time before the new Administrator of the Health Care Financing Administration and others could design the internal functional alinement of the Health Care Financing Administration. That may take 4 months.

Mr. MICHEL. What about the actual location of people? How many would be shifting around and what facilities would they go to or come from? Do you have that clearly spelled out yet?

Mr. WORTMAN. No, sir. That is something that I would assume would be clear to us in a 3- to 4-month time span. We have talked about that. It has caused some anxious moments for staff. I recognize that. I try to run the implementation task force with as much openness as possible so people know where I stand. It is going to be awhile before we design the Health Care Financing Administration. Once we do that, I think we will have a better feel as to whether maybe the Bureau of Health Insurance staff at Woodlawn or the Bureau of Quality Assurance in Parklawn should be brought together in some location.

As an administrator, you decide that the idea of finding a facility in this city is not an easy chore. So there is no imminent plan.

ADMINISTRATIVE COSTS ASSOCIATED WITH TRANSFERS

Mr. MICHEL. So you don't have any idea of what the administrative cost would be in the transfer of these books and records? We are flying by the seat of our pants on that, aren't we?

Mr. WORTMAN. Yes, sir, but there are some basic units involving hundreds of staff up in Baltimore that I just can't imagine under this reorganization that we would affect. There are 400-some people who are intermediaries themselves who help pay providers. I can't imagine that that function would have to be relocated.

Mr. MICHEL. As I understand it, AFDC is going to be administered by the Social Security Administration nationally, right?

Mr. WORTMAN. Yes, sir.

Mr. MICHEL. But it will still be administered through the State and local welfare agencies locally, right?

Mr. WORTMAN. Yes, sir, there is no change in the State and local welfare agencies.

Mr. MICHEL. Then this change would affect the administration of the program only at the Federal level without affecting any State and local administration of the program, right?

Mr. WORTMAN. That is correct.

Mr. MICHEL. Is that going to result in any increase or decrease in cost federally to do that? I assume if you are reorganizing, you are doing it to streamline, not only to be efficient, but to bring down costs?

Mr. WORTMAN. It was our view in the study that led to the reorganization that we could convert at least 200 staff overhead types of positions into direct line positions. We were hopeful that we could achieve that efficiently. I think we will.

Mr. MICHEL. On the medicare program, on the other hand, it will be shifted from the Social Security Administration to the new Health Care Financing Administration, but would still in essence be administered by the Social Security offices at the local level as far as contact with medicare beneficiaries is concerned, right?

Mr. WORTMAN. That is correct.

Mr. MICHEL. This being the case, from whom will Social Security personnel in the local offices be receiving their orders and instructions?

Mr. WORTMAN. In the near term they would be receiving them from the regional offices, although the regulations and the policy instructions that they will be making their judgments on will come from the new Administration, the Health Care Financing Administration.

In other words, the terms of the policies they adminster from day to day will be coming from the new Administration.

ADMINISTRATION POLICY

Mr. MICHEL. How will you keep those clear lines of authority without getting muddled up in between time?

Mr. WORTMAN. I think we should on the policy side be able to do that. It is clear in my discussions with the Commissioner of the Social Security Administration that some of these kinds of things might need to be rethought in a year or so, but for the time being we did not want to disrupt ongoing operations at the district office level.

We have a number of things that will continue to be dependent on the Social Security Administration, such as the item you and I were talking about. There are six service centers the Social Security Administration operates which do billing and administration for the part B premium. We will continue to depend upon them for that service plus the major data files on benefits received by Americans that are run by the Bureau of Data Processing in Woodlawn. We will continue to depend upon those.

We have underway some draft memoranda of understanding to formalize those understandings.

MEDICARE PREMIUMS

Mr. MICHEL. Now at present, medicare premiums are paid by having them deducted from social security checks, right?

Mr. WORTMAN. Or under part B, the person has the option of sending that in in some cases.

Dr. WEIKEL. Generally, they are deducted from the check.

Mr. MICHEL. Would this continue to be the case?

Mr. WORTMAN. Yes, sir, that would continue to be the case.

Mr. MICHEL. If this is the case, the social security checks will have to have input from two different agencies rather than one at present, if medicare is removed from SSA. Isn't that right?

Mr. WORTMAN. Well, the eligibility determination for medicare, of course, would be retained by the Social Security Administration. We are not going to interfere with that. So they still have the primary responsibility for making those decisions as to the medicare premium.

Dr. WEIKEL. The premium under medicare is determined on an annual basis when new actuarial data come in. So when the premium is set that information would be provided to the Social Security Administration for that time and that would continue for a 12-month period.

Mr. MICHEL. Is this going to increase the opportunity or chance for incidents of error? I hope it would be the opposite but I have to raise the question because it is not at all clear in my mind how you are going to really keep this thing closely monitored, divided as it appears to be from national to local and State.

Mr. WORTMAN. I think the key point there is just the eligibility determination. Eligibility for medicare is a Social Security Administration function. We will not change that. Eligibility for medicaid is an AFDC and SSI function, already a little split there in terms of eligibility. We are not going to change that.

I think on the pro side we are working in both programs with essentially the same set of providers. It is there that the focus is being placed by this reorganization to try and iron out and improve the management of funds as they funnel through that provider system.

MEDICAID AS PART OF HEALTH CARE FINANCING ADMINISTRATION

Mr. MICHEL. Medicaid then would be moved from SRS to the new Health Financing Administration?

Mr. WORTMAN. Yes, sir.

Mr. MICHEL. But it would still be administered in handling applications and determining eligibility through the local welfare offices?

Mr. WORTMAN. That is correct.

Mr. MICHEL. Now medicaid has many of the same guidelines and eligibility standards as the AFDC program as well as being aimed at much the same population, which is one of the essential reasons why it has been administered by the same agency as AFDC. Both programs are welfare programs essentially, whereas medicare is an insurance program.

Under your reorganization proposal, however, we would be pairing a welfare program with an insurance program in two instances rather than keeping the welfare programs together, the way I see this thing shake out.

How is this going to improve administration?

Mr. WORTMAN. I think it has to do once again with the billions of dollars moving through the system on medicare and medicaid, the major factor in that system which is different from the cash payment system, wherein checks go from the Social Security Administration, whether it is called SSI or social security, directly from the Federal Government to a beneficiary. We are talking about a system in health finance where funds go through large numbers of providers—15,000 hospitals, 200,000 physicians.

That introduces a whole different set of problems. Ten years ago when those programs were first launched, 1966, nobody imagined how difficult it would be to manage those huge systems. The State of Illinois, for just medicaid, processes 24 million pieces of paper a year, your home State. You, better than I probably, know of some of the problems they have had in trying to just keep up with that mountain of paper.

So it is that focus that this reorganization represents.

Yes; we need to worry about errors in eligibility and the quality control efforts, about which we have testified to this committee before, will not terminate. Hopefully they will even be renewed. But our intent here is to bring a much higher degree of program integrity to that whole flow of funds as it goes through the provider network.

Mr. MICHEL. My time is up. I want to come back to this, depending on the line of questioning of the chairman, because it has to be very important for us up here since we are talking about billions of dollars.

THE SOCIAL SECURITY PROGRAM

Mr. FLOOD. Mr. Natcher?

Mr. NATCHER. Social security has tried very hard down through the years to avoid being labeled as a welfare program, as you well know.

Mr. WORTMAN. Yes, sir.

Mr. NATCHER. Are you concerned that this reorganization plan, might have an unhealthy effect on people's attitudes in regard to the trust funds?

Mr. WORTMAN. Well, the impression should be that and we would all have to be very careful about that, although the intent, of course, is to continue to operate the aid to families with dependent children program just as it has operated in the past, with direct appropriations from the Congress which have no impact on trust funds and with a Federal-State administration of the program.

Now as I mentioned earlier, I can't ignore the fact that reports like the one in the Post yesterday acknowledged that the supplemental security income program damaged the morale and the public image of the Social Security Administration. It is hopeful that they are pulling around on that.

I would hope that when Mr. Cardwell is up here, you will find that he plans to maintain the Aid to Families with Dependent Children Bureau as a separate entity in the organization because it is so unique in its Federal-State relationships.

ILLEGAL ALIENS

Mr. NATCHER. Now, Mr. Wortman, people have expressed concern that one of the inducements to illegal entry into the United States is the availability of welfare benefits. I know that the law requires proof

of the legal residency, but we have all heard about forged papers. So many of them, Mr. Wortman, when they are finalized, have a social security number.

What are you trying to do about this problem?

Mr. WORTMAN. Well, I might ask Mr. Hurwitz or Mr. Suzuki to also comment on this because it has been a very complicated problem for us.

I should say at the outset that we have a regulation that does not permit Federal funds to flow to illegal aliens. But it is one thing to have the regulation, as you well know, sir, and it is another to police it.

I would like to ask Mr. Hurwitz to comment on what the problem is and what we can do about it from his perspective.

Mr. NATCHER. What are you doing about it, Mr. Hurwitz? We are all well acquainted with the problem.

Mr. HURWITZ. Assistance is not supposed to be provided if a person cannot prove that he is here legally or under color of law. There is such a regulation and States are required in any instance where they have question about the legality of entry to ask Immigration and Naturalization Service to verify whether or not such a person does have legal status as an alien. If not, they are not supposed to receive assistance.

However, that might be some time after the need is present and the person has applied for assistance.

Mr. WORTMAN. The way we police all those requirements is through the AFDC quality control program, by auditing the State sample. If we found a case like that, and we do go back and check, we would show that as an error in the State operation of the program.

REPATRIATED AMERICANS

Mr. NATCHER. About $1 million of the request that you have before the committee is for assistance to repatriate Americans. Can you explain to us how this program works?

Mr. WORTMAN. I will ask Mr. Hurwitz to explain that.

Mr. HURTWITZ. When an American citizen abroad finds that, generally for health reasons, he has to return to the United States and he doesn't have any funds, he applies to the State Department. The State Department contacts us and we work through the States and local agencies to provide for the person to come back and to be returned to his home State if he does have a place of residence in the States.

Mr. NATCHER. Is any of this money ever repaid by these people that you work with?

Mr. HURWITZ. Yes, sir, it is required to be repaid.

Mr. NATCHER. All of it or what?

Mr. HURWITZ. I don't have the figures before me, but a fairly good percentage of it is returned.

MONITORING OF COMPREHENSIVE SERVICES PLANS

Mr. NATCHER. Now there has been language for several years, as you know, in the bill that we report out, which restricts payments to services which are in an approved State plan.

Can you tell me? Is this provision being enforced?

Mr. WORTMAN. Yes. SRS has had an increase due to the allocations made by the Congress in the number of man-years devoted to financial management functions. In effect, they review these quarterly expenditure reports and forecasts from the States in order to ascertain that the claims that the States are filing for are consistent with their State plan. We have increased that kind of function. That is one of the reasons, on another topic, that we have as many reconsideration cases as we have because we have identified more cases where we are at issue with the States about whether or not we should pay that claim than say, 5 years ago.

STATE AND LOCAL TRAINING CAP

Mr. NATCHER. Mr. Wortman, as you know, this budget proposes a cap of $75 million on State and local training. Now with all the problems with these programs, why not encourage more training rather than less?

Mr. WORTMAN. I think it is another one of those things that is nice to do. My own view is that that is going to continue to grow on us all unless we start thinking of some form of capping it.

As States proceed toward their ceiling under the $2.7 billion title XX, they necessarily will take out all training funds that used to be historically paid under the $2.7 billion ceiling and put it under this uncapped authority. We are seeing that. There has been tremendous growth in that. I think it has been $20 million in the last few years. That is why I am saying that even though training always can be justified as an attractive feature, I think it would be best if we cap that and let States make choices on those funds.

TITLE XX DAY CARE SERVICES

Mr. NATCHER. The budget proposes to increase the public assistance request by $200 million for day care services under the title XX social services programs. Will this new legislation be 100 percent Federal financing or will the States share in the cost?

Mr. WORTMAN. I would like Mr. Suzuki to answer that.

Mr. SUZUKI. The Public Law 94–401, which added $200 million for this current fiscal year, provided for 100-percent match when that money was used for day care or for hiring welfare recipients to work in child care.

At the moment, we are working on legislation asking for the additional $200 million, and we are examining whether we will ask for the $200 million in the exact same terms as last year's Public Law 94–401 or if it will be modified in any way.

At the moment the tendency is to ask for a replication of last year's provision. That is the general direction, but we are working on the actual language for the legislative proposal.

MEDICAID ESTIMATES

Mr. NATCHER. This is my last question, Mr. Chairman.

In the past the medicaid estimates have been too low. From time to time we are confronted with that problem. The recent report of the Budget Committee on the 1978 budget indicates your estimates for medicaid may be too high by about $350 million.

What do you say about that? This time are you too high or is this about right, the estimate that we have before the committee?

Mr. WORTMAN. There are always some new variables and I will talk about them in a minute. If you were to look at our record, and I have come up here and been quizzed exceedingly severely on our supplements, medicaid in the last few years has been the driving factor in our supplementals before this committee.

So I would have to say, based on the record, there is no evidence that our estimate is too high. As we told the committee last year and it is more difficult this year, States like Illinois, New York, Massachusetts, Michigan, and California who have rather comprehensive medicaid programs are finding medicaid the most determining force in their State fiscal picture.

Thus, they are grasping for all kinds of opportunities to curb that. In some cases they are going against the Federal law as far as reasonable reimbursements to hospitals. They are getting turned around by either us or the courts. It is an indication of how the States are seriously trying to get on top of their fiscal situation.

If some of the States find ways to curb medicaid dollar growth, it could be that we would be too high. My own view is that we are not.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. O'Brien?

PROFESSIONAL STANDARDS REVIEW ORGANIZATIONS

Mr. O'BRIEN. Mr. Wortman, do you have an impression as to how the PSRO's are operating and will they be appreciably affected by the reorganization?

Mr. WORTMAN. To be very frank, sir, I have just had my own orientation to PSRO's rather intensively in the last few weeks. I generally find it to be a mixed picture. I have been hearing State views. Some States are sort of negative because they feel that the PSRO's have not done an adequate job on utilization review, have not cut down hospital stays. Other States are rather supportive. I have a mixed picture.

My view is that it is a developing institution and we need to support them fully. I would hope to lend my own efforts toward that objective.

I do not think anything in the reorganization can but help PSRO's. There has been long-range conflict, internal to the Department, between some elements that are now under the same administrator. I would hope that he could help resolve those conflicts so that programs could proceed better.

MEDICAID FRAUD AND ABUSE

Mr. O'BRIEN. With regard to medicaid expenditures, do you believe that more of the initiative to reduce fraud and abuse ought to be taken on by the States?

Mr. WORTMAN. I would say under the State grant-in-aid program the initiative is very broad for the States to perform. When you talk to Federal officials like ourselves, we are somewhat dismayed that they have not moved faster. In most cases you are talking about State taxpayers paying half of the costs or in that neighborhood, and we have

found that medicaid management in the States is not getting the attention we think it deserves.

Indicative of that is that the Federal Government, the Congress of the United States, put 90 percent to 10 percent local funding incentives on the line to improve medicaid management information systems. They did that some years ago, in 1972. It has taken States a long time to develop their medicaid management information systems so that they can get on top of the management of their program.

You can't pay providers promptly. You can't get on top of fraud and abuse by providers or beneficiaries. You can't move 24 million pieces of paper, like I was mentioning in Illinois, without pretty modern computer technology. You just cannot do it. Many States are still at a Model T stage when it comes to handling that kind of a challenge.

Mr. O'BRIEN. So no matter what you do, if the State doesn't keep pace, assuming what you do is right, the results are inferior?

Mr. WORTMAN. That is right.

Mr. WEIKEL. I believe the States follow the Federal leadership. If you look at the fraud and abuse area, 2 years ago there was not a single person at the Federal level dedicated to the problem of fraud and abuse and at that time it was a $12½ billion program. Now thanks to a large exent to this committee, we now have 120 positions dedicated to fraud and abuse at the Federal level. We see States following that leadership. States are placing more personnel to specifically get at fraud and abuse on the part of providers in the medicaid program.

Likewise, we have emphasized the last 2 years the need to put in a management information system. I think initially we had overdesigned the medicaid management information system, but we have relaxed that and now we see more States in; 12 States are certified and we expect another 8 by the end of the year.

So States are beginning to see the need for modern technology in their management and are moving to implement some of that. It is not as fast as some of us would like, but there is significant change.

MANAGEMENT TECHNOLOGY

Mr. O'BRIEN. When the Secretary was here he commented at one point in the discussion with reference to hospital costs that there was not much competition. We discussed the possibility of supplying initiative benefits to hospitals that do well as opposed to ones that do not and that would take place let's say of the lack of competition.

Is there any merit in that notion when you are dealing with States that are dragging their heels?

Mr. WORTMAN. The redesign of the aid to families with dependent children quality control program has some. The discussions we have had with the Governors Conference and other public interest groups have been helpful.

Mr. O'BRIEN. Do you have any idea of what State does the best job?

Mr. WORTMAN. Yes; but every time I make that statement, the newspapers come out about my statements.

Mr. O'BRIEN. Do you make it known to that State?

Mr. WORTMAN. We think we have an innovative approach to overcoming "big, bad daddy knows it all," and the transfer of technology. Dr. Weikel can address that.

Dr. WEIKEL. Some States do a very good job with all programs and some with some component of their program. Third party liability recovery programs where a recipient eligible for medicaid has private health insurance or has recourse, under liability insurance as a result of an automobile accident, are an important source for reducing costs of medicaid. The Federal or State government should not be paying for cases having such coverage under medicaid.

We have established an Institute for Medicaid Management which has as its objective provision of training in modern management technology to States. This is not done just from the point of view of the Federal officials coming in and importing their wisdom or lack of it, but having States that have done very well in some component of their medicaid program come in and become the faculty to provide the training.

We are also trying to provide a mechanism to provide technical assistance from those States that have performed well to those in need of assistance by arranging for some payment to those States having good management systems to supply their personnel to their sister States for a few weeks or a month or whatever is required to transfer that technology.

We have had four major conferences—one on fraud and abuse, one on third party liability, one on erroneous payments—under this Institute already where we are trying to bring about technology transfer.

We involve the private sector as well. We are trying to bring the best of the States and private sector together to make them available to the other States.

THIRD PARTY LIABILITY

Mr. O'BRIEN. With regard to third party liability, what do you do, do you file a lien?

Dr. WEIKEL. There are a number of different approaches which have been used by States. One State has an arrangement whereby they have an understanding with all the providers, this is the State of Alabama, that they will not file any third party insurance form for anything other than medicaid. They notify the medicaid program and the medicaid program files it.

Other States have computerized systems where they have some indication on the actual eligibility card that recipients have some third party liability coverage.

There are a number of different approaches that States do utilize to go after that. It is basically centered around either collecting after there has been some payment by the State to the provider or going back and collecting from the insurance firm. We prefer to have it that we don't make the payment at all if there is third party liability, and that the provider and recipient have responsibility to make payment.

Mr. O'BRIEN. Thank you.

PUBLIC ASSISTANCE APPROPRIATION LANGUAGE

Mr. FLOOD. We mentioned a little while ago, after the generalities, we would turn to a couple of specifics.

Now on this $21 billion "Public assistance" request, you are proposing new appropriation language regarding retroactive payments. You have been around here a while and you know the attitude of this committee toward any language in appropriation bills. We don't look with very much favor on language.

Can you tell us a little more in detail exactly why you are requesting that change and what are the financial implications insofar as the States are concerned? We are gun shy on language.

Mr. WORTMAN. I am advised that rather than try to put this in the appropriation language, that if we have not already, we had intended to advise your staff that we are proposing legislation that would come forward in a different channel. I am sorry if we did not get that word to you.

Mr. FORBUSH. That was language in the Ford budget, but not retained in the Carter budget.

Mr. FLOOD. That is right.

VALIDITY OF ESTIMATES

Now in your justifications, those 10-year tables that you have, here you increase public assistance each year and you average about 16 percent. Now the increase projected here for this year is only 8.8 percent. Very frankly, as we indicated before, some of these projections, such as 5.7 percent increase for AFDC, seem overly optimistic.

I ask you this every year: Just how confident are you of your figures?

Mr. WORTMAN. I think our record would show that in aid to families with dependent children, our estimating has been better than say medicaid. Medicaid has been the explosive area where we have been embarrassed and have had to come back here for major supplementals upwards of close to $1 billion, just for medicaid.

Mr. FLOOD. What about AFDC then, is that optimistic?

Mr. WORTMAN. The numbers of people on AFDC has somewhat stabilized and the family size is going down slowly but surely.

Mr. FLOOD. How do you feel about these numbers?

Mr. WORTMAN. I feel quite confident about these numbers.

BUDGET ESTIMATING

Mr. FLOOD. You are an old pro if there ever was one so you have had a lot of experience at this estimating business. What do you consider an acceptable margin for error in forecasting these costs for public assistance?

Mr. WORTMAN. Given all the variable assumptions cranked in here, with the economy, what the States are going to do, I would assume if you looked at our record, if we are below 4 percent, we will be doing well.

REVISED QUALITY CONTROL REGULATIONS

Mr. FLOOD. Now have you made any progress at all on the revisions of the "Quality control" regulations? We talked about that about 2 months ago. When will they be coming out?

Mr. WORTMAN. I could give you a brief update.

The prior administration, working with the Governors Conference and other public interest groups, the National Association of Counties and others, did develop changes in the "Quality Control" regulations and were prepared to issue them as a notice of proposed rulemaking for public comment.

It made changes as follows: Rather than emphasize error rates in terms of case error, we would emphasize error rates in terms of payment error.

The States felt we were exaggerating the error rates when we used case error and we agreed with them and were prepared to change that. We agreed that we would change the error threshold, that the payment error threshold of $5 would now become $10 before we would call it an error.

This was a recognition of the human error factor.

Mr. FLOOD. What is your timetable?

Mr. WORTMAN. The timetable is to take this revised program to Secretary Califano within the next month and that is really up to Mr. Cardwell more than myself at this point in time, to see whether or not the new Secretary of HEW wants to adopt these negotiated changes or to make some modifications to them.

In the meantime, we do proceed with the old AFDC–QC program and I think the program still shows downward trends in error rates.

IMPACT OF DISCONTINUING QUALITY CONTROL

Mr. FLOOD. There are a lot of press releases flying around. In your most recent press release on the decline of the AFDC clients, you attribute this to several factors in addition to quality control. What do you think the effect would be if the Federal quality control effort and the penalties were dropped?

Mr. WORTMAN. I think if the Federal quality control effort——

Mr. FLOOD. And the penalties.

Mr. WORTMAN. I was trying to get by without having to say that.

Mr. FLOOD. Sure. That "and" is a conjunctive at this time.

Mr. WORTMAN. I will have to give you a personal view because we have a new secretary and we have not had a chance to fully discuss it.

My point is that the AFDC quality control program has been one of the better efforts that the Social and Rehabilitation Service has performed. It has been a significant factor not only in getting error rates down but tuning up the whole organization, targeting technical assistance and management improvement.

They put a focus on what otherwise could have been a mushy effort. I think it was a good effort. Its result may have been a bit onerous and, yes, maybe the disallowance factor was too high and we could have gotten the same thing with a little less of a fiscal penalty. Thus, I believe a reduced fiscal penalty should still be in effect, and the changes to be made in quality control should still have a fiscal bottom line.

CHILD SUPPORT ENFORCEMENT

Mr. FLOOD. In your justification you indicate pretty substantial collections from estimate on the child support enforcement. Do you feel that continuation of the 75 percent matching rate on this program is critical to making it work?

Mr. WORTMAN. As you might recall, the Ford budget introduced the proposal for a gradual reduction in that and the Carter budget pulled that back on the assumption that it would continue.

I would like to have Lou Hays speak to that.

Mr. FLOOD. You have just restated the question.

Mr. HAYS. We feel the 75 percent matching rate certainly has prompted the States to implement the program quickly.

Mr. FLOOD. Is it critical to its continued success?

Mr. HAYS. I don't think we have enough information about the way the various incentives of the program work. The child support collections, the Federal incentive payments to counties and the matching rate all interrelate in terms of the incentive to the State.

So I don't think we can answer that question at this point.

Mr. FLOOD. At this point? When do you think would be a good point, within reason?

Mr. HAYS. I think that it would take another year or two of operation of the program to be able to tell that with any degree of certainty.

STATUS OF EMERGENCY ASSISTANCE PROGRAM

Mr. FLOOD. Mr. Wortman, earlier this month the House recommended an appropriation of $200 million to the CSA, Community Services Administration, for crisis intervention. That was because of that tough winter weather.

Is anything being done to make the emergency assistance program in your shop more useful in cases like this?

Mr. WORTMAN. Here is what happened on that, sir, and I may want to give you a status report for the record.

We did work on an amendment to that program that would provide a more attractive option for State participation in response to a secretarial-declared emergency in that State which would introduced more favorable Federal financial participation and would put a cutoff on it so it would not continue forever and would last as long as the emergency.

We had that in development. It was upstairs and frankly I will have to give you a status report on that.

Mr. FLOOD. You can do that for the record, all right.

[The information follows:]

The proposed amendment to the emergency assistance program has been forwarded to the Office of Management and Budget. The proposal is currently under consideration. Its disposition will depend on its relationship to other Presidential objectives.

CONCERNS OF GOVERNORS' CONFERENCE

Mr. FLOOD. The Governors' Conference came down pretty hard on the medicaid program at that winter meeting they had. Well, could you describe just briefly for the committee their main areas of concern and how you responded to them?

Mr. WORTMAN. It is interesting that if you look at their No. 1 recommendation——

Mr. FLOOD. We did.

Mr. WORTMAN. We have done it. But I will ask Keith to talk to that.

Mr. FLOOD. You ought to be glad I asked you that question.

Dr. WEIKEL. I think the major concern of the Governors as outlined in that report centered around the question of reorganization. They wanted to see all the health financing programs brought together, including the support, such as quality assurance, programs.

Another major area that the Governors expressed some concern about in their report was the PSRO area which we have already testified to and the need to look at those programs.

Mr. FLOOD. I was going to ask you about that, but Mr. O'Brien took care of it.

Dr. WEIKEL. I think we have addressed that issue.

Another concern of the Governors was in the area of fraud and abuse. They would have liked to have seen more Federal financing and a higher Federal match for the fraud initiatives. That is something that the administration has not had a chance to act on at this point.

HOSPITAL COST CONTAINMENT PROPOSALS

Mr. FLOOD. How about the hospitals? What is your stand with the hospital cost containment proposals? Is it realistic to suggest that you are really going to save any money in 1978 with this initiative?

Mr. WORTMAN. I believe so, sir, because the current schedule has not changed. That is to present to the Congress in a matter of a few weeks legislation which would become effective on October 1, 1977.

Our forecast is that it would benefit the 1978 budget for both medicaid and medicare. That is another thing that the Governors' Conference would be very supportive of, the Federal effort to curb hospital rate growth.

Mr. FLOOD. You know we would like to support any reasonable cost containment proposal. There is no question about that. But it is a little hard to reconcile this action that you are talking about with our current effort in the nursing home reimbursement.

NURSING HOME REIMBURSEMENT

How do you rationalize the ceilings for hospitals and no ceilings for nursing homes?

Dr. WEIKEL. That is an area we are very concerned about. As you know, the Congress passed, in 1972, the provision that required us by July 1, 1976, to go to cost-related reimbursement in the nursing homes.

One of the items that the Governors identified in their report was the problem that they are having with cost reimbursement in hospitals. They are also very concerned that at the same time that we are trying to control hospital costs that we would be going through the statute to expand cost-related reimbursement to nursing homes.

So it is an area. It is one of the areas on which we have initiated some discussion with the Secretary within the last several weeks.

Mr. FLOOD. That stands out like a sore thumb.

Dr. WEIKEL. We agree.

Mr. WORTMAN. I must say on behalf of that industry, the nursing home industry, that they have not had the same cost-related rate-

setting requirement on them that the hospitals have had. The hospitals have had the benefit of medicare's law which is clearly cost-related reimbursement whereas with nursing homes and intermediate care facilities, the States have had more authority to set their rates regardless of what technique they use.

CHILD HEALTH INITIATIVE

Mr. FLOOD. Is that new child health initiative that you propose in the budget just an extension of the early and periodic screening diagnosis and treatment program or is this something different?

Mr. WORTMAN. It depends upon one's point of view. In terms of its basic legislative mandate, it will be done within medicaid. It is not a categorical program. It will be done within the medicaid framework. But it does have a changed emphasis on quality of care and involves more comprehensive health delivery organizations in giving health assessments to children and followup than did the old EPSDT.

So there are a lot of significant changes.

HEALTH UNDERSERVED RURAL AREAS PROJECTS

Mr. FLOOD. How much direct control do you have over all these health projects in what we call the underserved areas, the so-called HURA program?

Dr. WEIKEL. In terms of direct control, we have input into the Public Health Service. We have transferred the funds to the Public Health Service and they have responsibility for administering the HURA project.

The reason for doing that is they had another rural health initiative. We didn't think it made sense to have a rural health initiative in medicaid and one separate in the Public Health Service so we put them together.

Mr. FLOOD. Can you tell us what percentage of all the patients served in this HURA project are actually medicaid clients?

Dr. WEIKEL. I do not have that figure. I think the number is something like 480,000.

Mr. FLOOD. For the record, we would like the percentage.

Dr. WEIKEL. All right. I am not sure about the total.

[The information follows:]

MEDICAID PATIENTS SERVED IN HURA GRANTS

Information on the number of medicaid patients served in HURA projects is not available, but data on the source of fees collected is available. Of the 18 fully operational projects and the 16 partially operational, the following data from the fourth quarter of calendar year 1976 is available:

	Amount	Percent
Total fees collected	$1,023,846	100.0
Title XVIII	87,324	8.5
Title XIX	167,067	16.3
Other 3d party	233,949	22.9
Patients	535,506	52.3

Mr. FLOOD. You can imagine why we want that.

Now, would it be better if the Congress were to appropriate this rural health money to HSA, Health Services Administration, which comes under section 330 of the Public Health Service Act? What do you think?

Dr. WEIKEL. The Congress could do that.

Mr. FLOOD. I know, but would it be better?

Dr. WEIKEL. We believe that there are some specific reasons why it should be in medicaid.

One, there are a number of special provisions for research, as an example, in reimbursement in the rural areas where medicaid impacts directly. The reimbursements under medicare and medicaid have an impact on whether or not you can attract adequate providers to the rural areas. That is one example where we have a research provision that would allow us broader discretion in the area.

We would like to amplify that for the record. [The information follows:]

FUNDING HEALTH UNDERSERVED RURAL AREAS/HURA/PROGRAM THROUGH MEDICAID APPROPRIATED FUNDS

The funding authority, section 110 of the Social Security Act has several advantages. This section enables research and demonstration activities not permitted under sections 319 or 330 of the Public Health Act. The research and demonstration capability of the HURA program has allowed:

1. Funding of existing providers such as non-profit private group practices, State medicaid agencies, and State health departments. These agencies have the capability to improve health services to rural counties. However, they do not qualify as applicants for rural health initiative funding because of the board requirements of the cited sections of the Public Health Act.
2. Closer working relationships between health service organizations and health financing organizations because of the involvement of State medicaid agencies in areas of planning and implementation.
3. Testing of specific hypothesis within existing systems before addressing the full range of services required by section 330.

The congressional intent of the HURA program was to improve services to rural medicaid populations. In order to maintain the visibility of this need group it is essential that the appropriation remain with the agency accountable for this delivery.

MEDICAID-UTILIZATION REVIEW

Mr. FLOOD. In your justifications you indicate medicaid utilization control activities will be switching into the nursing home problem. What does that mean? Have you given up the penalties for the hospital program?

Mr. WORTMAN. On utilization review, the PSRO's are moving into the hospitals under their charter.

Mr. FLOOD. But you are switching to the nursing home problem.

Mr. WORTMAN. The States are still retaining their utilization review authority in nursing home and intermediate care facilities. In time the PSRO's would move into those areas.

Mr. FLOOD. Are you giving up the penalties on the hospitals?

Mr. WORTMAN. No, sir.

REVISIONS IN TITLE XX PROGRAM

Mr. FLOOD. On page 31 of your justifications you talk about several title XX changes. What is the impact of those changes likely to be on the State program?

Mr. WORTMAN. On the Federal interagency day care standards on page 31, I would like for Mr. Suzuki to talk on that.

Mr. FLOOD. What is the impact on the State programs do you think?

Mr. SUZUKI. This change eased up the impact of the Federal interagency day care requirements.

The staffing standard is the costliest piece of the Federal day care standards. The moratorium until October 1 lets States continue operating at last year's staffing level in the private day care field.

This, in a sense, lifts the Federal sanction and is a tremendous relief from the point of view of the States.

Concurrent with this, the title XX law makes it incumbent upon HEW to present a report by July 1 to both Houses recommending possible changes in the day care standards including the controversial 4-to-1 staffing ratio.

WORK INCENTIVES

Mr. FLOOD. Mr. Wortman, you are proposing to give the States more discretion in allocating their WIN funds between training and support. Why do you want to make a shift like that?

Mr. WORTMAN. Merwin Hans will answer your question.

Mr. FLOOD. What I was asking is this: You are proposing to give the States more discretion on the allocating of the WIN funds between training and support. We want to know why you are making that shift?

Mr. HANS. The same dollar amount will go to the States in any event. Under the present system we have frequently ended up with one agency having too much money and one agency not having enough. A good bit of that is due to lack of unified planning at the State level due to two separate fiscal allocations.

We feel that if we give the State a single dollar figure and let the welfare agency and the manpower agency get together and plan at the outset, we will probably come out with a better program.

There is a great variation in the needs of the States. For example, some States put a lot of title XX money into the child care support in the WIN program. If you have that kind of a situation, you have more money available for training services. In other States much more CETA money goes into the program. In those cases it is more important that there be child care money rather than training funds. It seems presumptive on our part to determine what that split should be.

Mr. FLOOD. You have all kinds of figures here on the number of people served by the work incentive program. What percentage of these recipients who register actually end up with permanent jobs? That is a question you get all the time.

Mr. HANS. We register around 1 million people a year. Of that group, 211,000 got jobs. I can give you the exact figure for the record.

Mr. FLOOD. Take your time when you go back and for the record make that one statistic now. Go over that one for the record. You can see why.

Mr. HANS. We will provide that for the record.

[The information follows:]

WORK INCENTIVE PLACEMENTS

The work incentive program (WIN) registers around 1 million people each year; specifically, WIN registered 942,260 new registrants in fiscal year 1976. There were 211,185 registrants who gained full-time employment expected to

last 30 days or more. Altogether, State WIN staff placed 235,231 registrants into full-time and part-time jobs. Of the 211,185 in full-time employment, 97,475 or 46 percent were deregistered off welfare, meaning the registrants earned sufficient income, which completely eliminated the welfare grants. The balance were working with supplemental welfare grant payments. The impact of these placements is what really counts. Impact may be measured by Aid to Families with Dependent Children (AFDC) grants reduced, food stamp savings, and medicaid savings:

	Fiscal year—		
	1976 estimate	1977 estimate	1978 estimate
AFDC grant reductions	[1] 297, 375, 700	$350, 000, 000	$375, 000, 000
Food stamps savings	70, 612, 400	84, 000, 000	90, 000, 000
Medicaid savings	20, 600, 000	34, 000, 000	35, 000, 000
Total	388, 588, 100	468, 000, 000	500, 000, 000

[1] Extrapolated from BLS survey data.

This evidence seems to suggest that WIN is placing AFDC recipients into jobs which gain savings for the taxpayer and enhance the self-worth and confidence of the WIN wage-earners.

GAO REPORT ON FOSTER CARE

Mr. FLOOD. Last month GAO released a report very critical of the State institutional foster-care practices. Among other charges that were leveled at the State agencies were that they did not always provide the required social services to the children and to the families of the children; sometimes the paid rates through these different institutions which were based on unallowable costs or unreasonable costs; did not make sure of the physical conditions and the services provided in the institutions and that they were satisfactory as required.

Now that report cites the lack of Federal guidelines as one of the main reasons for all of this. Are you planning to develop any type of Federal guidelines in view of all that.

Mr. SUZUKI. We reviewed the foster-care institutional report by GAO. We agreed with it substantively in terms of the findings. We have been developing, over the past months, the child welfare foster-care activities as one of our major efforts in the months ahead.

We recognized there were three programs affected: AFDC–FC, foster-care payments, and in some instances, title XX service costs were involved as well as title IV–B.

Mr. FLOOD. The report said that all of these things mainly resulted from the lack of Federal guidelines. The question is: Are you planning to develop the Federal guidelines?

Mr. SUZUKI. Yes; we are moving in toward the States to strengthen their responsibilities, in other words, to follow through on their responsibility. In order to get Federal funds they commit themselves to establishing and maintaining standards. That report says the States are not doing this and we, as the Federal Government, have to move in.

Mr. FLOOD. I think you should develop that for the record.

[The information follows:]

CURRENT ACTION BEING TAKEN REGARDING FOSTER CARE GUIDELINES

The Federal requirements for foster care are set forth in the law and implementing regulations. The law allows administrative flexibility to the States

to develop their own procedures and guidelines to assure the needs of children are met and the Federal laws and regulations are complied with.

At the present time neither the Public Services Administration nor the Assistance Payments Administration anticipate imposing additional requirements on the States beyond those already in the law. Guidelines are being developed however, that will clearly define and distinguish between allowable and unallowable costs for Federal financial participation for institutional care. This will help the States in establishing rates and judging the reasonableness of costs. Moreover, additional efforts will be directed toward assisting the States in monitoring and enforcing their own standards and procedures.

FISCAL YEAR 1977 SUPPLEMENTAL

Mr. FLOOD. In the supplemental which the House passed earlier this month, we directed the audit of the State child support program be done by HEW rather than a private contractor. What impact is that going to have on the 1978 budget request?

Mr. WORTMAN. It would reduce the 1978 S. & E. budget request by $1½ million.

PROGRAM ADMINISTRATION BUDGET

Mr. FLOOD. All afternoon, Mr. Wortman, we have touched upon some of the issues in this program administration budget. Of course, the whole budget is going to depend on the reorganization. Again, can we expect a completely revised justification for these funds then, QED? Should that follow like night follows day or what?

Mr. WORTMAN. As Mr. Forbush responded to a related question, we would provide tables that will show where these program dollars go.

Mr. FLOOD. I said a completely revised justification in view of all of this.

Mr. FORBUSH. Before today, we were not planning on it.

Mr. FLOOD. You can certainly pick up a cue; can't you?

All right, Mr. Michel?

Mr. MICHEL. I would like to go back first to clarify some aspect of this reorganization and then I would like to get to public assistance.

Now in the area of welfare, the State and local welfare agencies would be faced with the prospect of having to deal, as I understand it, with two separate Federal agencies and receive guidelines and regulations from two separate agencies instead of the one at present. Isn't that correct? We are talking about welfare administration down at the local level.

Mr. WORTMAN. If you include social services, you would really be saying three, not that I want to make the question more dramatic, but you would have the Office of Human Development, the Social Security Administration and the new organization, Health Care Financing Administration.

Mr. MICHEL. Medicare will be taken away from Social Security Administration nationally, but will still largely be administered by the social security offices locally, right?

Mr. WORTMAN. That is correct, sir.

Mr. MICHEL. AFDC, on the other hand, which is now administered by Social Security nationally, will still be administered by the welfare offices locally?

Mr. WORTMAN. Yes, sir.

Mr. MICHEL. Medicaid will now be administered together with medicare nationally; right?

Mr. WORTMAN. Yes, sir.

Mr. MICHEL. But still with AFDC locally?

Mr. WORTMAN. Still with the same county welfare office.

Mr. MICHEL. Now it seems to me what we have here is a blurring and multiplying, a fuzzing up of those clear lines of responsibility. Can you tell me where I am wrong when I suggest that?

Mr. WORTMAN. There is no question that to State welfare administrators their lives may be more complicated. We have talked to them about that. We will have to be careful about that.

Mr. MICHEL. A lot of people would not realize unless you were really dealing with this on a day-to-day basis, but I have not had cleared up in my own mind how this really tends to improve efficiency and do what we are supposed to.

Mr. WORTMAN. We have had a history on the point I was trying to make earlier. We have had a history where it has been difficult on provider information to get the medicare and medicaid programs to share information. Unless you build up some profiles of how those people are performing, you may not be able to take the proper managerial corrective action. That is what we are trying to get at.

I don't think that on these big programs run by the State, even though we complicate it with the State welfare administrator, that for the local beneficiary they are going to notice any difference at all as a result of this. They are going to get service from the county welfare office.

WELFARE REFORM

Mr. MICHEL. What if I asked whether the real reason AFDC is being placed under Social Security is that the new administration expects to administer its forthcoming new welfare program under SSA?

Mr. WORTMAN. I think that would be speculation on your part. I know of nothing——

Mr. MICHEL. Is it ill-founded for sure?

Mr. WORTMAN. There is a chance that one of the big options that is being discussed always in welfare reform is the negative income tax or whatever name you call it. If it is a negative income tax, there is always a question about who would run it. You hear about IRS or Social Security or some new financing organization. It would appear that SSA would be a logical choice.

To that extent, if a person believes that we are going to go toward that negative income tax direction, then that might be a move in that direction. I tend to think the price tag on negative income tax may be a bit steep for our country. So I don't think the likelihood is that great, that this move necessarily foreshadows a decision on welfare reform.

Mr. MICHEL. I would like to think there are other people who have that same feeling that you have with respect to the cost, if that should ever come about.

My antenna tells me some other things. Why don't we just simply wait to reorganize until a new welfare program is adopted?

The other day I was asked to testify before the Agriculture Committee on food stamps. We were talking about a number of things, give and take. Then I just ventured that if we were going to, for example, in one item alone, just eliminate the purchase requirement on food

stamps, we might as well just knock out the whole business about revamping food stamps and wait for welfare reform because then you have to be talking about the same kind of problem. That is just a part of it.

What would you say? I said, well, we hear a lot of talk about welfare reform. Why do anything about reorganizing until we address the problem of welfare reform?

Mr. WORTMAN. It is the chicken and egg kind of thing. The driving force behind the Secretary's reorganization was to get on top of the explosion in costs in health. This leads to the cost containment legislation that will be up here for the Congress to debate which required the reorganization in his mind and in the minds of many others. The Senate had the Talmadge bill up there last year with a lot of cosponsors. We are doing the same thing he had proposed.

Earlier we talked about the Governors Conference and making that a recommendation. So the driving force was the health side and not the cash payments side.

Once you move medicaid, the largest program in the Social and Rehabilitation Service, then you have to debate the choices that you have left in terms of the two major programs remaining.

For some time there has been a concern that the social services arena better fits with some of the related social services target group kind of programs that are under the Office of Human Development. You might say by a matter of making these decisions, one logical step after the other, you were forced into deciding whether AFDC should stand by itself or be moved under the Social Security Administration.

I think it was the decision to do that and nothing in that move closes options to the President or to the Congress as to where they may go in the kind of discussion that you just referred to. It doesn't foreclose that.

REORGANIZATION—COST EFFECTIVENESS

Mr. MICHEL. Did you participate personally in the development of this reorganization?

Mr. WORTMAN. Yes, sir, I did.

Mr. MICHEL. According to the Secretary, the reorganization would save about $1 billion over the next 2 years and at least $2 billion annually by 1981. What did you use to come up with that calculation?

Mr. WORTMAN. Well, we used a number of areas. One was the improvement in the eligibility in medicaid. We have a medicaid quality control program now. We have data we can share with the committee in greater detail than I have in front of me that would show it would be reasonable to assume that we can get the payment error rate in medicaid down from 9 percent to 6 percent. We think we can make dramatic improvements in the collection of third party liabilities, something Dr. Weikel has addressed here, in terms of whether some commercial carriers, Blue Cross or Blue Shield, can pay legitimate claims rather than the Federal Government.

We think the fraud and abuse by this consolidation of efforts can prove to be a major savings. Over time we would hope to have administrative efficiencies even in, possibly, consolidation of computer payment systems.

Mr. MICHEL. Until you made that last point, wouldn't everything you were talking about be a matter of cleaning up fraud and abuse that could be accomplished without reorganization but simply zeroing in on that problem?

Mr. WORTMAN. They could be done and were started by everybody prior to the reorganization. It is our view that it will be done better with the reorganization. You will have better exchange of information, you will have better systems design.

Today States are moving toward selection of fiscal agents which they call their payment contractors, SSA calls them intermediaries or carriers. Quite often we are moving toward the same organization doing that, whether it be a private contractor or Blue Cross. Yet there are vast discrepancies as to efficiency in some of these organizations as to what the payment cost is per unit.

DECLINE IN AFDC FAMILY SIZE

Mr. MICHEL. Let me move on to public assistance.

Now, your statement refers to a continuing decline in family size for those on AFDC. Do we know to what extent this might be attributed to expanded family planning information which the Federal Government is making available to everybody these days?

Mr. WORTMAN. Dave Hurwitz may have some information in terms of any particular studies.

I think it is in general, those people in the policy roles in these programs attribute much of that to the availability of family planning to the low income to the same extent that the middle class have it. In general there have been major investments by this society in family planning.

Dave, I don't know if we have any precise information.

Mr. HURWITZ. Not that I know of in relation to family planning itself.

Mr. MICHEL. That number you are using, a 72,000 reduction in 1978?

Mr. WORTMAN. In total number of recipients.

Mr. MICHEL. What does that represent in dollars?

Mr. WORTMAN. We just have the number of recipients declined.

Mr. MICHEL. Why don't you supply that for the record.

Mr. WORTMAN. The major theme we were talking about, sir, was that family average payments would increase even though the recipients would decrease.

Mr. MICHEL. What are we looking at for 1978, do you have any idea?

Mr. WORTMAN. In 1977 the per family monthly payment was $238.

Mr. MICHEL. When you say per family, what are you referring to?

Mr. WORTMAN. The average of 3.1 members. That would increase to $251.78 per family under our estimates.

ADMINISTRATION COSTS

Mr. MICHEL. What specifically accounts for that 10-percent increase in cost for State administration?

Mr. WORTMAN. Primarily there we are seeing State civil service systems catching up in terms of inflation impact. The other factor is our continued pressure on the States under the quality control program to

get on top of overpayments and ineligibility. There may be some other factors.

Dave, you may want to acknowledge them.

Mr. HURWITZ. We have isolated three important areas.

One is that price increases account for about 49 percent of the increase. Increases in the workload and tasks account for about 30 percent, and other factors such as the one Don has mentioned, quality control, account for 21 percent.

Mr. MICHEL. We are so inclined to take those increases and say charge it up to inflation, but the inflation rate in the past year has decreased to 48 percent. I would expect, then, that justification for it would have something more than simply an off-the-cuff inflation factor there.

Mr. HURWITZ. That is from 1973 to 1976.

QUALITY CONTROL

Mr. MICHEL. Do you have anything in the budget reflecting quality control penalties that have been applied to the States?

Mr. WORTMAN. No, sir. Given the court decision that struck 3 and 5 percent as not being statistically supportable, there are no assumed dollar disallowances in this budget in 1978.

Mr. MICHEL. Now your proposed new disallowance standard would set the tolerance level at the medium of the national error rate, is that right?

Mr. WORTMAN. That is right, sir.

Mr. MICHEL. Isn't this almost a reward for high error rates by stating that the more States that have high error rates, the higher the permitted error rate would be?

Mr. WORTMAN. Well, it was in response to the problem we had with the court decision that said we had set the 3 and 5 percent arbitrarily. I don't assume that anybody can argue with the fact that the median performance level is one which is based on statistical validity. We probably could set it lower, but we thought this would be a reasonable start in terms of our discussions with the States.

Mr. MICHEL. Wouldn't this new standard allow an error rate of 8 percent?

Mr. WORTMAN. I would like to have Dr. Victor Kugajevsky speak to that.

Mr. KUGAJEVSKY. The answer is yes; while under the previous 3 and 5 percent case error tolerances, the standard would have equated to about a 4 percent payment error.

Mr. MICHEL. We hear all this talk in the administration of tightening up and here we are going to loosen this up to accommodate an 8 percent error rate. It flies right in the face of what the objective is of tightening up, doesn't it?

Mr. WORTMAN. This negotiation that we are talking about took place during the prior administration. The Secretary of HEW, Joe Califano, frankly, given the number of things that we wanted to brief him on, has not been able to focus on this just yet. We do have a briefing memo to him on it. I would hope that he would be able to get to this in the next few weeks.

So I can't come to you today, sir, and tell you exactly what the departmental position is on the median. This is what was thrashed out.

Mr. MICHEL. We want you to know that we are aware of what is going on.

Mr. WORTMAN. Yes, sir.

ROLE OF PUBLIC INTEREST GROUPS

Mr. MICHEL. We will have to talk about it publically if it doesn't square with some of the things that have been said before about objectives and how you get there. It appears to me that this new coalition comprised of mayors, Governors, welfare rightists, and so forth is the essential element in determining your policy on this question.

I would like to know why you are giving this group that role to play.

Mr. WORTMAN. Well, I think a lot of it was a reflection on the fact that the court decision sort of struck down one of the key points of the program.

Mr. MICHEL. That would not be the first time that a court decision provoked Congress to then take corrective steps to give you a little adjustment to get around the decision of the court.

Have you given any thought to that?

Mr. WORTMAN. At the same time that we have had consultations with this group, Victor Kugajevsky and myself have talked to the Senate Finance Committee staff about their views on this, hopefully reflecting the views of the members. We have talked to the House Ways and Means Committee staff members.

So we are not just necessarily discussing this with the group you identified.

I must say that the views of the two Houses don't necessarily come down an easy middle road for me on this issue, but we are continuing that dialog.

Mr. MICHEL. I think during the supplemental hearings you in effect admitted that the National Welfare Rights organization was the main force behind your decision to institute a negative case review system to review cases where the State denies payment. I just wanted to know why your policy is determined to such a considerable degree by these pressure groups?

Mr. WORTMAN. In that case I would disagree in the sense that we did have a court action on that and there was discussion going on with them. I also was quizzed rather intensively about that same object by the House Ways and Means Oversight Committee under Congressman Vanik.

I must say that that also influenced a decision I made when I was Acting Administrator of SRS a year ago to restore the negative case action.

Mr. MICHEL. Do you have any estimate at all about what this negative case review system has cost in terms of additional welfare benefits paid?

Mr. WORTMAN. I am not sure what it has cost in the way of additional benefits.

Mr. MICHEL. Yes.

Mr. KUGAJEVSKY. We don't have any figures because we don't know what the error rate is.

AFDC FUNDS LOST DUE TO ERRONEOUS PAYMENTS

Mr. MICHEL. During the supplemental hearings you told us that $408 million would be lost this year in erroneous AFDC payments. What do you project for the loss this next year?

Mr. WORTMAN. The total erroneous payments, we may have to supply that for the record. My data is only through fiscal 1976.

Mr. KUGAJEVSKY. I can give an estimate, but I would rather provide a more precise figure.

Mr. MICHEL. I am interested in good, hard figures, but it is a rhetorical thing for me to have to ask you this question: You had so much and how much do you project for the future? I want to say to myself, how can we be content with that. My question should be: What can you really tell me for sure about the degree to which we are going to decrease it, half it, cut it into quarters?

Mr. WORTMAN. The record on this QC effort is one since 1973 where we started out with a case error rate of 41 percent and we are now down to 26 percent.

Mr. KUGAJEVSKY. Twenty-five percent.

Mr. MICHEL. When are you going to rest on your oars?

Mr. WORTMAN. We are not. The States are moving it down.

Mr. MICHEL. Can you get it down to zero or is that impossible to achieve?

Mr. WORTMAN. It is impossible.

Mr. MICHEL. Do we have to be content that you are down to 26 from the 40 percent and then say let's go down to 15; that is achieveable, isn't it?

Mr. WORTMAN. I assume so.

Mr. MICHEL. How about 10?

Mr. WORTMAN. It, is getting tougher. It would probably require some significant changes in national law at some point. You know, the eligibility workers out there, sir, they have food stamp rules, medicaid rules, they have local public assistance maintenance program rules. The error potential in there is going to be complicated.

MEDICAID—ERRONEOUS PAYMENTS

Mr. MICHEL. You can say that in spades.

You also estimate your medicaid loss at $960 million due to erroneous payments and $700 million from provider fraud and abuse. Is that both State and Federal?

Dr. WEIKEL. Yes.

Mr. MICHEL. What is the Federal portion?

Dr. WEIKEL. About 55 percent.

Mr. MICHEL. So it is a very, very significant amount, over which we have control and responsibility.

Now according to your statement, more medicaid recipients are anticipated in 1978 as well as an increased utilization of services. How do you account for this in view of the projected decline, as we were talking about earlier, in AFDC recipients?

Dr. WEIKEL. We are seeing an increase in the supplemental security income rolls, the adult welfare categories.

Second, the cost of medical care goes up, that adds more in the medically needy categories, and 32 States have those programs that allow them to come on the medicaid rolls.

Mr. MICHEL. What is being done to improve the third party reimbursement collection under medicaid?

Dr. WEIKEL. Well, we have done a number of things. We have issued a new set of guidelines for our regulations which are much more precise. We are in the process within the next 4 weeks of issuing a manual to all the States to describe to them specific ways that they can change their programs and give them some model type programs.

Third, we have issued a manual to them previously on what other States are doing well in some components of third party recovery and we have had this major training conference. We are now just this week starting six regional training programs to get down below the medicaid directors level to a working level.

PAYMENTS TO ILLEGAL ALIENS

Mr. MICHEL. Mr. Natcher got on this subject of the illegal aliens and the payments to them. Do you have any idea of what the amount of AFDC and medicaid payments is in total to these illegal aliens?

Mr. WORTMAN. I have no idea.

Mr. HURWITZ. They are not identified until afterwards and it is very difficult to tell who they are.

Mr. MICHEL. Even if they are not identified until afterwards, is any attempt being made? The new President sure has to have some concern about this. If I were he and I said, look, I want to do something about this, could you give me some idea of what the figures are involved here? Are we going to have another general amnesty or pardon or should we just accept everybody up to this point and then start over clean—is that the way it shakes out or are we really going to go back and do something about the illegal ones on there or just accept them?

Mr. WORTMAN. I have talked to the California State Welfare officials, the Arizona State Welfare officials, about this problem as to whether there is more we can do to help them.

We have the regulations out there. They have their own difficulties in applying it. Victor may have some data from the quality control effort, I don't know. This is the one way we have of doublechecking how the States are doing, although in terms of local application of our regulations, I must acknowledge that these welfare administrators have problems of their own.

Mr. MICHEL. I have a rash of other questions here I will submit for the record, but I have to ask about a couple.

A Milwaukee paper writing on the question of welfare abuse noted that half the allotments for babysitter payments go to relatives. Is that true?

Mr. KUGAJEVSKY. Not on the service side. I can get the figures, but in terms of where the children are going——

Mr. MICHEL. Is anybody in the department aware of that charge which was published in the Milwaukee paper?

Mr. WORTMAN. I would like to provide for the record any data we have on that kind of a question.

Mr. MICHEL. I would like you to do that and if it is in error, let's say so and debunk it. I have a hunch that what they were writing about there has a great deal of truth in it. If so, if that is the same thing and if it is localized, fine, we can remedy it. But if another community in another area learns of what can take place without any fear of retribution or cleaning up, then you have a good program that has gone bad.

I would think that would be deserving of looking into.

[CLERK'S NOTE.—The information was not supplied to the committee in time to be included in the printed hearing.]

ADDITIONAL QUESTIONS

Mr. MICHEL. I think, Mr. Chairman, I will submit the rest of these questions.

Mr. FLOOD. Without objection.

[The following questions were submitted by members of the subcommittee with the request that they be answered for the record.]

MR. MICHEL

AFDC APPEALS

Mr. MICHEL. What is the average length of time it takes to settle AFDC appeals cases, where recipients appeal a decision?

ANSWER. Of the recipient appeals which involve a formal hearing, about 8 percent are decided in less than 1 month; another 66 percent are decided upon between 1 and 3 months; and the remaining 26 percent take 3 or more months for a decision to be made. There were about 65,000 formal hearings in 1975.

Mr. MICHEL. Since Federal law requires that welfare benefits continue during the appeals process, do you have any figures as to how much in the way of benefits are paid out during the appeal process to people who end up losing their appeal?

ANSWER. Data on benefits paid during the appeal process to people who lose their appeal are not available.

DAY CARE SERVICES

Mr. MICHEL. What is the total amount of Federal dollars going into day care services for AFDC recipients?

ANSWER. There are several sources of funds for day care services for AFDC recipients. One of these is the WIN program which is directed toward finding jobs for AFDC recipients. In this program in fiscal year 1976 an estimated $30 million in Federal funds was expended for child care services. A second source is the earnings of AFDC recipients; the portion of these earnings expended for child care as a cost of employment is disregarded in computing the amount of assistance provided the AFDC family.

On the basis of data available, it is estimated that in fiscal year 1975 a minimum of $135 million of earnings were expended for child care services. A third source of funds for child care services to AFDC recipients is the title XX programs in the States. Federal funds are used to finance these programs at least in part. It is estimated that about $300 million in Federal title XX funds are expended for day care services to AFDC recipients.

For those registered in the WIN program, nearly $30 million or 26 percent of the total funds expended are child care and related supportive services. This proportion has been fairly constant over the past few years. This figure only includes work incentive program funds and does not include any title XX funds which may have been used for this purpose.

Mr. MICHEL. How does this breakdown between payments to day care centers and payments to babysitters?

ANSWER. WIN does not have the breakdown between payments to day care centers and payments to babysitters. Because 20 percent of WIN registrants are

volunteers, there is somewhat less of a demand for full-time child care. We can, however, give you the proportion of types of day care. Home day care comprises 37 percent, family day care 42 percent, day care centers 19 percent and group day care 1 percent. Most parents prefer informal day care in the home because of lower costs and greater flexibility.

Mr. MICHEL. I understand that under Federal regulations, a recipient of AFDC does not necessarily lose eligibility for such assistance if convicted of welfare fraud. Why not?

ANSWER. That is correct. We do not have a regulation under which an applicant or recipient can be denied assistance because of conviction for fraud or for any other crime. The statutes do not provide a basis for such a regulation. A State could, of course, decide that a caretaker relative who had been convicted was unfit and take steps to remove the children from the home—but this action is serious and the decision would probably be based on a number of factors.

WORK INCENTIVES

Mr. MICHEL. How will the WIN program be affected by the HEW reorganization plan, if at all?

ANSWER. The work incentive program has been transferred to the Office of Human Development. This recognizes WIN is a service delivery mechanism designed to move aid to families with dependent children—AFDC—recipients into employment rather than merely a registration for benefits activity.

Mr. MICHEL. 3.6 million famiiles are expected to receive AFDC assistance this year, but only 1.3 million AFDC recipients are expected to register with WIN. Why such a difference in the two figures?

ANSWER. A significant proportion of families receiving aid to families with dependent children have children under the age of 6. In single head of household families this exempts the adult from registering with the work incentive program. Actually, about 80 percent of AFDC families qualify for one of the six statutory exemptions and need not register with the WIN program. The difference in the figures would be even greater except that approximately 25 percent of the WIN registrants are individuals who are exempt from registering but who voluntarily register for the WIN program.

Mr. MICHEL. Why are only 550,000 of the 1.3 million registrants appraised for employability?

ANSWER. At our anticipated funding level we could only plan to appraise 550,000 new registrants. If the activity level during the first quarter of fiscal year 1977 holds up it looks as if we will actually come closer to appraising 700,000 registrants. Then too, a number of carryover registrants will have to be reappraised to update their employment history. Our planned workload of appraisals may also have to be increased to provide for the expansion of CETA. This was not anticipated when we made our initial estimates.

Mr. MICHEL. One of the new eligibility requirements for public service jobs is that the prospective jobholder be an AFDC recipient. What are you doing under the WIN program to insure that registrants are referred to these public service jobs?

ANSWER. Several issuances have been sent to CETA sponsors, State WIN coordinators, as well as our regional offices, emphasizing the availability of WIN registrants in filling the new PSE slots as well as the need to develop slots suitable for the AFDC clientele. WIN has offered to screen their caseload for suitable people for these jobs, including screening against the economic eligibility criteria. State employment security agencies have been given the responsibility of coordinating the recruitment efforts from their eligible population, including WIN registrants, U.I. exhaustees and the long-term unemployed. I would note, however, that the CETA sponsor has the final say both as to which of the eligible population will be accepted for these jobs and the types of jobs developed which may or may not be suitable for what is, after all, basically an unskilled female clientele.

Mr. MICHEL. If a registrant refuses a public service job, will he or she be cut from the welfare rolls?

ANSWER. In the case of an unemployed father, the law provides that after a hearing on the refusal it is possible that their welfare grant will be reduced if they were found to refuse without good cause. In the case of a single parent family, when such a job is refused and the refusal is found to be without good cause the needs of that parent are reduced from the grant.

Mr. MICHEL. How many people had their welfare benefits cut off during the past year because they refused work?

ANSWER. During fiscal year 1976 and the transitional quarter, 32,100 WIN registrants were sanctioned off AFDC because of refusal to accept employment or training leading to employment.

Mr. MICHEL. Since 1971, employers have been given a tax credit equal to 20 percent of gross wages if they hire welfare recipients for 1 year who have received training under the WIN program. Beginning in 1975, this credit covers employment of any Federal welfare recipient. Can you tell me how this has been working out? Has this really been an incentive to employers to hire welfare recipients?

ANSWER. The WIN tax credit which became available to employers in 1971 and the welfare tax credit enacted in 1975 were revised by Congress in the Tax Reform Act of 1976 in the hope of attracting and retaining greater employer interest and participation. Previously they were extremely ambivalent about taking the tax benefit even when eligible to do so. Even in 1974 when the number of WIN job entries peaked in excess of 175,000, fewer then 30,000 employers took advantage of the tax credit available to them. Some of the reasons given were stigmas associated with employing welfare people, personnel and financial management problems, required period of retention, high turnover rate and concern about IRS audit. With some of these obstacles removed by the Tax Reform Act, we are in the process of mounting a nationwide promotional campaign to attract greater employer participation, and a program to train WIN office staff on how to use the tax credit as a job development tool.

Mr. MICHEL. Have these people been retained by employers after the year period is up, or do quite a few fall by the wayside?

ANSWER. In the past, one of the reasons given for employer indifference to tax credits has been the high turnover rate which at times exceeded 50 percent a year and made the employer subject to tax recapture.

Mr. CONTE

MAINTENANCE ASSISTANCE ESTIMATES

Mr. CONTE. In preparing your request for maintenance assistance, what assumptions did you make about unemployment during fiscal year 1978?

ANSWER. We assumed an unemployment rate of 6.8 percent.

Mr. CONTE. What other major assumptions were taken into consideration?

ANSWER. We assumed some easing of inflationary pressures, that is, an increase in the Consumer Price Index from 181 to 192 or about 6 percent. We further assumed that we would have essentially the same program we now have in terms of the number of States with an emergency assistance program and unemployed father segments of the AFDC program. Finally, we assumed that States would increase their standards to offset the effects of price increases.

Mr. CONTE. How realistic are these assumptions?

ANSWER. We think they are reasonable. Nothing has happened up to now to cause us to make any revision of these assumptions.

WORK DISINCENTIVES

Mr. CONTE. In considering the current public assistance programs, it is particularly important to look at work disincentives—especially the fact that at some point on the income scale, a family or individual is better off by receiving assistance rather than being employed and working for a living. What could be done to change this "welfare trap" with its cutoff of benefits at a specific income level?

ANSWER. This is one of the major dilemmas of an income maintenance program based primarily on need. Other eligibility requirements or conditions can be and, in the case of AFDC, are attached; for example, the WIN registration requirement. These do not necessarily solve or even mitigate all of the problems. The big problem is, of course, balancing the work disincentive against the total cost of the program. When earned income disregards are large, the total cost of the program is increased greatly and a relatively large part of the total cost of the program goes to families who are relatively not so poor. On the other hand, when the earned income disregards are small, the overall costs of the program are reduced, a larger part of this total expenditure goes to those who have less, but this results in a disincentive—or at least does not provide a financial incentive for employment.

Mr. CONTE. Many welfare recipients would like to work but are afraid that if they do work they will lose medicaid and other assistance for themselves and their children. Would this factor be considered in reworking the welfare system? Will recipients be provided with work enabling expenses, such as day care costs, so as to avoid penalizing the recipient for incurring the costs of pursuing employment?

ANSWER. There are presently considerable incentives for welfare recipients to work. The primary one is the income disregard rule. This provides that the first $30/month of earned income plus one-third of the remainder is disregarded for purposes of reducing the basic grant. Furthermore, child-care expenses and work-related expenses (uniforms, transportation, special equipment, et cetera) is also deducted from the earned income for purposes of figuring the grant amount.

The amount of earned income that a recipient can make without losing his/her status is quite large in some States. Certainly medicaid eligibility is returned by the recipient regardless of the size of the grant. This is also true of title XX services, although the cost of food stamps probably increases at least slightly.

Secretary Califano, during his recent series of welfare reform hearings, heard several witnesses address the issue of fear of clients losing their AFDC status if they work, and thereby losing medicaid and other services eligibility. It is an issue to which HEW is sensitive, and it is unlikely that any welfare reform proposal would be less liberal than the one now in effect.

Mr. CONTE. Inadequate job training and job placement programs often discourage welfare recipients from seeking employment. In addition, the conglomeration of Federal and State welfare programs has resulted in such poor administration that there is no enforcement mechanism to make sure that able-bodied individuals seek and/or accept employment. How could work incentives be better built into the welfare system?

ANSWER. The experience of the WIN program has been that a quick reintroduction to the labor market is the most effective means to get welfare recipients back to work. The program is designed to offer appropriate work that is available to welfare applicants at the time they register for WIN which could occur even before they begin to draw public assistance benefits. More than 32,100 persons registered in WIN were removed from the welfare rolls in fiscal year 1976 and the transitional quarter because of their refusal to participate in employment or in training leading to employment. The best incentive to employment would appear to be a speedy process of exposure to the available labor market, provision of services that are necessary to enable the person to take the job, and a specific sanction process for those who refuse appropriate work.

QUALITY CONTROL

Mr. CONTE. What sort of technical assistance will you be giving to urban agencies in order to assist them in reducing erroneous payments?

Answer. As part of a new comprehensive program integrity effort, we will be launching a special technical assistance strategy targeted on urban areas with high payment errors. We are now pilot testing this strategy in the District of Columbia. Urban strategy will include elements such as city-to-city interchanges on effective error reduction techniques, development of "best management practices" handbooks and, if our resources permit, establishment of an AFDC management institute to provide a permanent place for training AFDC program managers in the latest and best welfare program management techniques.

Mr. CONTE. What efforts were made, and with what success, to reduce the number of payment errors during the past year?

Answer. States' corrective action activities and Federal technical assistance have contributed to reducing the quality control payment error rate from 12 to 9.1 percent in the January–June 1976 period. The major reasons behind this drop include adoption of consolidated standards of assistance, use of error-prone case-profiling systems, increased verification of recipient statements of income, resources, use of computerized cross-matching systems with employment security, social security, computer-based monthly change in circumstance reporting by clients, establishment of fraud and recoupment units.

CHILD SUPPORT ENFORCEMENT

Mr. CONTE. What will you be doing this year to increase State's effectiveness in child support enforcement?

Answer. During fiscal year 1977, OCSE will increase States' effectiveness by providing guidance on proper management and accounting for collections and expenditures, by actively coordinating and improving State automated systems efforts, and by transferring effective administrative and program operation technique among States. OCSE will also assist the States by increasing the effectiveness of the Federal parent locator service through reduced turnaround time on location requests and additional Federal sources of address information.

Mr. CONTE. When will the audit of State programs take place?

Answer. As you know, section 452(a)(4) of the Social Security Act requires us to conduct a complete audit of the IV–D programs in each State every year. The law requires that the last three quarters of fiscal year 1977 shall be the first period to be audited. Actual audit work will not begin until the end of the first audit period—October 1, 1977. At the moment, we only have resources to prepare for the audit, not to carry it out.

MEDICAID FRAUD AND ABUSE

Mr. CONTE. What can be done to reduce the incidence of fraud and abuse in the medicaid program?

Answer. Several things can be done. We have supported a range of legislation to provide more effective ways of dealing with those who defraud or abuse the program; from making medicaid fraud a felony to establishing an administratively imposed civil penalty for abuse or minor fraud.

Vigorous criminal prosecution of the more blatant violators is one of the most effective means of deterrence. The publicity from successful prosecutions, especially when maximum sentences are imposed, can dramatically affect providers' attitudes regarding putting themselves into jeopardy. We must continue to push for greater priority for medicaid fraud cases in both Federal and State prosecutors' offices.

One of the most important ways would be to improve State management of the 53 separate medicaid programs to better prevent and detect fraud and abuse. Many States lack modern computerized claims processing, which is one of the most effective tools for preventing and detecting fraud and abuse. Regulations on medical services covered which are complex and obscure and improper billing procedures are other less obvious management problems. We are currently engaged in management assessments of all State agencies so that we can target an appropriate response to each State's unique needs.

The education of providers as to their responsibilities under the law is an often overlooked way to reduce abuse. This can prevent many problems.

There are many other ways to reduce fraud and abuse that Federal and State officials are working on. It should be pointed out, however, that all of these require a commitment of both Federal and State resources. The manpower and money to manage the medicaid program and control fraud and abuse must be more equivalent to the size of the program. A possible merger of the medicaid fraud and abuse control staff and the medicare program integrity staff under the new Health Care Financing Administration should achieve substantial improvements in economy and efficiency at the Federal level. This must be matched by State reallocation of resources to achieve effective programs in many States which are doing little to control fraud and abuse.

PUBLIC ASSISTANCE RESEARCH

Mr. CONTE. What types of research projects will you be funding in 1978? Can you provide the results of some of this year's research efforts?

ANSWER. I have a summary of SRS research efforts I would like to insert in the record.

[The information follows:]

HEALTH SERVICES RESEARCH, DEMONSTRATION, AND EVALUATION PROJECTS TO BE FUNDED IN 1978

In 1978 the Division of Health Services R. & D. will continue its present research emphases, which are in three principal areas: (1) the child health assurance and primary care program (CHAP) (EPSDT), (2) alternatives to long-term care, and (3) cost control/containment.

Ambulatory care utilization.—How does medicaid utilization differ from utilization by the nonmedicaid population?

Long-term care reimbursement.—What is the impact of cost-related reimbursement?

EPSDI.—What is the impact of Federal child health initiatives?

RESULTS OF THIS YEAR'S RESEARCH EFFORTS

Projects near completion are demonstrating how medicaid paid claims data can be used to identify aberrant medical delivery patterns for corrective action. Another project has demonstrated that utilization control techniques used by three States have succeeded in reducing medicaid program costs. A project in California is developing and demonstrating actuarially sound reimbursement formulas for prepaid health organizations.

In long-term care continuing efforts appear to be demonstrating, in five States, that a community-centered coordinating committee can screen individuals at risk for placement in long-term care institutions and provide or refer them to social and health services that enable them to remain in home and community settings at less cost than for institutional placement. Other hypotheses being tested are that these services are also medically more effective. Four other projects are demonstrating that day care centers are a feasible and more cost-effective alternative to long-term institutional care, one other project that day hospitals are. A final project is exploring a methodology for finding, classifying, and comparing costs for similar services in alternative long-term care settings, both institutional and ambulatory.

Analysis of medicaid spend-down provisions.—The results reinforced the existing perception that spend-down is extremely difficult to administer. Among the problems are assignment of spend-down liability, prioritization of expenses used in meeting the liability, treatment of liability expenses which are subject to third-party reimbursement, and payment versus incurment of the spend-down liability. It was also learned that the spend-down provision is not reaching many of those who could benefit from it; for example, for Massachusetts it was estimated that only 5 percent of the potentially eligible noninstitutional spend-down population actually became eligible for medicaid. This study was used by the Congressional Budget Office in its analysis of alternative catastrophic health insurance proposals.

Assessment of erroneous expenditure controls in medicaid claims processing.—The medicaid claims processing systems in 14 States have been reviewed to find gaps in computer edits which may allow claims to be paid erroneously. Each State has received a report describing approximately 250 potential erroneous control situations and indicating those areas in which the State has a gap. In addition, an overall guide to the control of erroneous expenditures was produced. The guide described noteworthy practices, such as claims processing quality assurance, handling of third-party liability, and table driven history edits. The guide has been distributed to all State medicaid directors and was presented to State data processing personnel at an institute for medicaid management conference on erroneous payments.

Cost impact of SNF/ICF standards.—Data from Minnesota nursing homes were analyzed to determine, as of November 1975, the residual costs which would have to be incurred for the States skilled nursing facilities (SNF) and intermediate care facilities (ICF) to come into full compliance with Federal standards, or State standards in cases where they were more stringent than the Federal standards. The increases in average annual facility expenditures required for full compliance were 5 percent in SNF's, 8 percent in ICF's (class I) and 6 percent for ICF's (class II). The data gathered in this study enable policymakers to estimate the cost impacts of changing Federal standards. Work is underway to develop a methodology to measure the benefits of the standards, so that a cost/benefit analysis can be completed.

Ongoing EPSDT demonstrations to date indicate that: (1) Less than 1 percent of children screened have had a previous examination comparable to what EPSDT guidelines call for; more than half of children screened have a medical and/or dental problem; 60 and 80 percent of these problems were previously unknown and untreated; (2) the most frequently found problems in screening are dental caries followed by iron deficiency, vision problems and hearing loss; (3) immunization levels are generally low—45 percent to 80 percent of children in the projects had no immunization for DPT (diphtheria, purtussis, and tetanus) and polio; (4) at least 25 percent of children screened were found to have remediable developmental lags in intellectual functioning, visual motor abilities, emotional

problems, or inadequate language skills; (5) even in the highly structured environment of the demonstrations only about 22 percent of health problems found at screening are brought to treatment and/or resolution; case monitoring is a major deficiency; referral is the weakest link; (6) greater use of community aides, paraprofessionals and allied professionals can lower EPSDT costs significantly and extend services.

Income Maintenance Projects To Be Funded in 1978

Studies relating to: (1) Welfare reform; for example, evaluations of standards, impact of cash versus inkind programs, international welfare programs, child allowance alternatives; (2) family policy; (3) management improvement, for example, fair hearings; and (4) integration of quality control for food stamps, AFDC, medicaid; and (5) child support enforcement.

RESULTS OF THIS YEAR'S RESEARCH EFFORTS

An automated error-prone profile for identifying AFDC cases likely to be in error at eligibility redetermination. Recommendations for staff allocations and cost tradeoffs for agencies using such a profile.

Dynamics and cost/effectiveness of the child support enforcement program (to be completed in 1978).

A study of issues in employment and welfare in relations to the state of the economy and the means by which AFDC recipients can be moved toward self-support. The study analyzes the effect of the income disregard, the administrative impact of WIN II and the work/welfare choice open to AFDC mothers.

There are a number of feasible low-cost ways to stimulate labor demand for welfare recipients by changes in work rules and institutional means.

Fraud control in AFDC is minimally pursued by States, however, there are several cost-beneficial options in a preventive mode which have been tried by a few States. Examples include cross-reference match systems, on line computer checks, selective local quality control and exchange, direct delivery and deposit of checks, rotation of caseload, and fraud training.

Caseload dynamics among the States vary considerably. In some States labor demand is the critical driving factor; in other States administration and benefit levels are critical.

Social Services Projects To Be Funded in 1978

Research, demonstrations, and evaluation projects in fiscal year 1978 will be concentrated in four major areas: Program/agency administration and management; legal, economic, and political dimensions of social services affecting the implementation of titles IV–B and XX; evaluative research to compare various methodologies for effective implementation of titles XX and IV–B at State and local levels; and program development tailored to the needs of particularly vulnerable target groups and the effectiveness of child abuse and neglect services.

RESULTS OF RECENT EFFORTS

Title XX, Federal Interagency Day Care Requirements (FIDCR) impact study—American Public Welfare Association—A 10-State study of the impact of title XX—tracing the dynamic movement of policy changes and resultant cost implications—is documenting the effect of loss of Federal financial participation when Federal interagency day care requirements (FIDCR), amended by title XX, are not maintained.

WORKFARE CONCEPT

Mr. Conte. In Massachusetts, a variation on the workfare concept is being proposed. Apparently, such a program requires Federal permission. How many States are experimenting with various variations on a workfare or other type of welfare approach? With what success?

Answer. Eight States currently are conducting supported work projects involving AFDC recipients. The aim of these projects is to eliminate the need for AFDC by providing work experiences to AFDC mothers enabling them to find employment within a 12-month period at a wage rate which will meet the needs of their families. The wages provided the mothers in these projects are financed by pooling the AFDC grants the mothers would otherwise be entitled to and

funds from the Department of Labor, Department of Justice, and the Department of Housing and Urban Development. The projects are of 3 years duration with the first one (West Virginia) scheduled to terminate in June 1978 and the last one (California) in February 1980. Thus, no data with which to measure the success of these projects are available at this time.

WORK INCENTIVES

Mr. CONTE. What is the nature of the subsidy provided under the work incentive program? How much is the subsidy?

Answer. The 1967 law provides for an incentive allowance of $30 per month to be paid to those work incentive registrants who are intensively engaged in training activities in preparation for entering full-time employment. Those individuals involved in a structured employment seeking effort, work experience or institutional training are eligible. Further, the allowance may be reduced for unexcused absences. In addition, a training-related expense allowance is provided to registrants assigned to nonsalaried work incentive activities. This allowance compensates or reimburses a registrant for the costs of lunch and daily transportation incurred as a result of participation in the program. The average training-related expense allowance is $2 per day. The allowance is computed based on the days of participation and paid on a biweekly basis.

Advance payments are frequently made to registrants placed in employment to assure these expenses are met until the person's first paycheck arrives. In addition, the work incentive program provides that on-the-job training employers of WIN registrants may be reimbursed up to 50 percent of the employed registrants wages for training costs incurred in hiring and training a WIN registrant. An additional form of subsidy is the "30 and ⅓" income disregard. This permits the first $30 of earned income plus one-third of the remaining income, as well as reasonable work expenses, to be disregarded before determining if further public assistance funds are needed by the AFDC family.

Mr. CONTE. Have you done any followup studies to see what happens to program participants after initial placement? How many stay on the job? What is the retention rate?

ANSWER. A longitudinal evaluation study of the work incentive program was completed in September 1976. The evaluation followed up a national sample of WIN program participants and registrants at 78 WIN sites in three waves of interviews, each 6 months apart, from mid-1974 through early 1975. Retention rates were not specifically analyzed. From the WIN national office data bank we can provide you with information based on the DOL data collection system. For fiscal year 1976 and the transitional quarter, that is from July 1, 1975, through September 30, 1976, a total of 234,203 individuals were still employed 30 days after their initial placement. This is a retention rate of 76 percent. Of a similar group of those employed for more than 30 days in fiscal year 1975, over 70 percent were still employed 1 year later.

Mr. CONTE. How does the unsubsidized portion of the program work? Isn't that primarily a job bank operation? Or a placement office approach?

ANSWER. When an AFDC recipient registers with the work incentive program, that person takes part in an appraisal of his or her employability. Together with a staff member from the welfare agency and a staff member from the employment portion of the program an employability and supportive services plan is developed. Frequently, the individual is deemed to be ready for employment with certain kinds of supportive assistance from the program. WIN believes its services are more staff intensive than a job bank operation or mere job referral. WIN attempts to place welfare applicants before they become welfare recipients through a Labor Market Exposure component. This component assists in providing employment information and job referrals. More extensive employment services such as orientation are available to the registrant. Those WIN registrants who are not quite so nearly job ready may spend up to several weeks in an Intensive Manpower Services component. This component is designed to help individuals obtain nonsubsidized employment through the development of job-seeking skills, intensive individualized job development, and personal and group counseling. Continuous staff interviews and support are provided throughout the job-seeking process. Our staff are dedicated to instilling in the registrant the desire and the confidence to handle a job interview successfully and to cope with day-to-day problems on the job.

Mr. CONTE. The work incentive program initiated a number of research studies during 1976. Have any of them been completed? Do you have any results from any of these studies?

ANSWER. During fiscal year 1976, WIN initiated eight research projects and one evaluation project. These projects were funded through the Office of Policy, Evaluation and Research. The projects cover a number of areas and activities which we believe are essential to improving the quality of the WIN program. We are concerned about getting WIN clients placed in employment as quickly as they are job ready and about developing new techniques and approaches to this situation. We are also concerned about improving the system for identifying and supplying the needed support services. Projects initiated during the last fiscal year which are in various stages of performance and on which we do not have final data are the Job-Finding Club, Total Family Support Services, Physical Rehabilitation and Employment of AFDC Recipients, An Analysis of Unassigned Recipients in the WIN program, Feasibility Study for the Introduction of Vouchers into the WIN program, Special Mail Survey of Sponsors of the WIN program, and Men in WIN.

In addition, WIN initiated and completed an analysis of WIN research and evaluation studies sponsored by the Employment and Training Administration in the past 8 years. We are utilizing the results of this study in developing our research and development plans for fiscal years 1977 and 1978. Also completed was a study on paternal authority and the outcomes of work training and income maintenance programs. This study deals with the relationship between family structure and economic dependency. The completed projects are, of course, available for your review.

Mr. CONTE. What will you be doing to improve coordination between the WIN and CETA programs this year? What about the work incentive program and other related employment programs?

ANSWER. We are now evaluating six WIN/CETA demonstration projects presently operating around the country. These special projects were established to test various options of program operation or sponsorship as well as to identify problems and practical solutions in developing such program linkages. We have also placed a heavy emphasis on WIN as a recruitment source for CETA in the economic expansion program. We have funded a demonstration program with Job Corps to provide WIN mothers the full range of Job Corps services plus on-site day care. We are presently negotiating to expand this concept to three more centers. At the State level, we have also been encouraging WIN involvement in title XX planning, particularly in the child care and medical services areas.

MR. O'BRIEN

WORK INCENTIVES

Mr. O'BRIEN. What will happen to the work incentive program under the reorganization of the Department of Health, Education, and Welfare?

ANSWER. The work incentive program has been transferred to the Office of Human Development. This recognizes WIN is a service delivery mechanism designed to move aid to families with dependent children (AFDC) recipients into employment rather than merely a registration for benefits activity.

Mr. O'BRIEN. Would it be advisable to totally include the work incentive program within the Employment and Training Administration?

ANSWER. There is no need to include the work incentive program within the Employment and Training Administration. Joint administration of the work incentive program does not cause major problems in implementing the program. The WIN redesign of 1975 realigned certain functions of the program between Labor and HEW agencies that have improved program operations. Collocation of Federal and some project staffs have proven successful and we are currently studying ways to expand the collocation effort to all State and local projects.

Mr. O'BRIEN. Do we really need a separate program such as the work incentive program?

ANSWER. I think we do. Congress recognized the growing $2.5 billion welfare problem in 1967 when they developed the legislation and in 1971 when they amended title IV C. The work incentive program is the only categorical program which aims to help the 3.6 million families on welfare break the welfare cycle through employment, training, and supportive services including child care. WIN believes it is meeting the basic goals of the legislation. In fiscal year

1976, for example, the work incentive program placed 211,185 registrants, of which 46 percent left welfare. This created nearly $300 million in welfare grant reductions and an estimated saving of nearly $92 million in food stamps and medicaid.

PROGRAM ADMINISTRATION

Mr. O'BRIEN. Will the budget request for program administration be affected by the departmental reorganization?

ANSWER. This information is not presently available. It will be included in the insert, page 4107a, to be provided to the committee in approximately 1 month.

FULL EMPLOYMENT—EFFECT ON PUBLIC ASSISTANCE PROGRAMS

Mr. O'BRIEN. If we are able to achieve a full employment economy, do you have any estimates of the resultant effects to the public assistance programs?

ANSWER. We have not made an estimate of the effect of full employment on the AFDC program. We would, of course, expect the program to decrease dramatically under conditions of full employment. We would not expect the need for the program to disappear, however. First, there are families who have no marketable employment skills and there are handicapped who would not be able to work. There are families with small children where the mother would not be able to earn enough to pay for the care of the children and their entire support. Also, even under conditions of full employment nationally, there are areas where these conditions do not prevail and locally there would be recipients and a need for the program.

MEDICAID QUALITY CONTROL

Mr. O'BRIEN. In your justifications, page 27, quality control/eligibility simplification, you estimate as much as 50 percent of medicaid expenditures are contributed to ineligible recipients. How soon can we expect a drastic decrease in this amount?

ANSWER. The total Federal and State estimated expenditures for medical services for fiscal year 1976 is $13,977,348,000. Based upon the results from the most recent medicaid quality control survey, the estimated misspent dollars due to ineligible recipients is $980 million, of which $150 million went to AFDC ineligibles, $115 million to SSI ineligibles, and $715 million to ineligible medically needy recipients. These erroneous expenditures represent about 9 percent of total medically needy expenditures beng misspent on ineligibles.

As part of a new HCFA program integrity effort, a vigorous State corrective action effort, fully supported by the new Health Care Financing Administration, should produce a decline in these erroneous expenditures.

JUSTIFICATION OF THE BUDGET ESTIMATES

Appropriation Estimate

PUBLIC ASSISTANCE

For carrying out, except as otherwise provided, titles I, IV, X, XI, XIV, XVI, XIX, and XX of the Social Security Act, and the Act of July 5, 1960 (24 U.S.C., ch. 9) [$18,040,850,000] *$20,963,800,000*, of which $56,500,000 shall be for child welfare services under part B of title IV *and $75,000,000 shall be for State and local training under titles I, IV, X, XIV, and XX:*[1] *Provided, That no payment shall be made from this appropriation for expenditures prior to September 30, 1976, unless such payment is for an expenditure which, on or before September 30, 1977, is duly recorded in the records of the single State agency responsible for the administration of the State plan and reported to the Secretary.*[2]

For making, after *June 30* of the current fiscal year, payments to States under titles I, IV, X, XIV, XVI, XIX and XX, respectively, of the Social Security Act, for the last three months of the current fiscal year (except with respect to activities included in the appropriation for "Work incentives"); and for making after *July 31*[3] of the current fiscal year, payments for the *first quarter of the succeeding fiscal year*[3]; such sums as may be necessary, the obligations incurred and the expenditures made thereunder for payments under each of such titles to be charged to the subsequent appropriations therefor for the current or succeeding fiscal year.

In the administration of titles I, IV (other than part C thereof), X, XIV, XVI, XIX, and XX, respectively, of the Social Security Act, payments to a State under any such titles for any quarter in the period beginning July 1, [,1976,] *of the prior year* 3/ and ending September 30, [,1977] *of the current year* 3/ may be made with respect to a State plan approved under such title prior to or during such period, but no such payment shall be made with respect to any plan for any quarter prior to the quarter in which a subsequently approved plan was submitted.

Such amounts as may be necessary from this appropriation shall be available for grants to States for any period in *the prior* 3/ fiscal year [1976 and the period July 1, 1976 through September 30, 1976] subsequent to [March 31, 1976] *June 30 of that year.* 3/

1/ A limitation is proposed on the Federal share of States' expenditures for the State and local training activity as opposed to the open-ended nature of the authorizing legislation.

2/ This provision limits the use of this appropriation for payment of State claims for expenditures prior to FY 1977 to those expenditures recorded in the State agency prior to Septbember 30, 1976, and submitted to HEW by September 30, 1977.

3/ Change resulting from change in Federal fiscal year.

Language provision	Explanation
... of which $56,500,000 shall be for child welfare services under part B of title IV ...	The Child Welfare Services program is a closed-end formula grant program as opposed to the open-ended Maintenance, Medicaid and Social Services programs; thus, funds are specifically identified.
... and not to exceed $75,000,000 shall be for State and local training	It is proposed the Federal share of this open-ended program be limited to $75,000,000.
Provided, That no payment shall be made from this appropriation for expenditures prior to September 30, 1976, unless such payment is for an expenditure which, on or before September 30, 1977, is duly recorded in the records of the single State agency responsible for the administration of the State plan and reported to the Secretary.	This provision limits the use of this appropriation for payment of State claims for expenditures prior to FY 1977 to those expenditures recorded in the State agency prior to September 30, 1976, and submitted to HEW by September 30, 1977.
... but no such payment shall be made with respect to any plan for any quarter prior to the quarter in which a subsequently approved plan was submitted.	This language restricts payments for matchable expenditures to those contained in a current State plan.
Such amounts as may be necessary from this appropriation shall be available for grants to States for any period in the prior fiscal year subsequent to June 30 of that year.	This provision reconfirms authority provided in the prior year appropriation to permit the use of subsequent year funds for grants for the fourth quarter of the current year.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Public Assistance

Amounts Available for Obligation

	1977 Estimate	1978 Estimates
Appropriation	$ 18,040,850,000	$ 20,963,800,000
Proposed supplemental	1,225,197,000	—
Subtotal, appropriation	$ 19,266,047,000	$ 20,963,800,000
Appropriation available in prior year	-3,780,586,000	-4,992,050,000
Appropriation available from subsequent year	4,992,050,000	5,674,100,000
Total, obligations	$ 20,477,511,000	$ 21,645,850,000

Summary of Changes

1977 Appropriation Request Pending	$18,040,850,000
PLUS: 1977 proposed supplemental	1,225,197,000
1977 Revised budget authority	19,266,047,000
1978 Requested budget authority	20,963,800,000
Net change	1,697,753,000

	1977 Base Amount	Change from Base Amount
Increases:		
A. Program		
1. Maintenance assistance		
(a) Adult categories	3,817,000	+183,000
(b) Aid to families with dependent children	5,664,283,000	+299,737,000
(c) Emergency assistance	34,195,000	+3,805,000
(d) State and local administration	590,241,000	+59,759,000
2. Child support enforcement - administration	177,045,000	+22,955,000
3. Medical assistance		
(a) Medical payments	9,696,965,000	+1,493,035,000
(b) Administration and training	496,228,000	+78,772,000
(c) Research	20,125,000	+1,875,000
(d) PSRO	16,000,000	+13,000,000
4. Social Services		
(a) Basic Title XX program	2,376,589,000	+24,711,000
Total, increases		1,997,832,000
Decreases:		
A. Program		
1. Child support - Collection	-164,131,000	-87,069,000
2. Social services:		
(a) Child day care amendment (P.L. 94-401)	200,000,000	-200,000,000
3. State and local training	79,860,000	-4,860,000
4. Training projects	8,150,000	-8,150,000
Total, decreases		-300,079,000
Total, net change		1,697,753,000

Obligations by Activity

Page Ref.		1977 Estimate	1978 Estimate	Increase or Decrease
13	Maintenance assistance:			
	(a) Adult categories.....	$ 3,817,000	$ 4,000,000	$ 183,000
	(b) Aid to families with dependent children....	5,664,283,000	5,964,020,000	+299,737,000
	(c) Emergency assistance....	34,195,000	38,000,000	+3,805,000
	(d) State and local administration.....	590,241,000	650,000,000	+59,759,000
	(e) Assistance to repatriated US nationals.....	980,000	980,000	—
18	Child support enforcement.....	12,914,000	-51,200,000	-64,114,000
22	Medical services.....	10,229,318,000	11,816,000,000	+1,586,682,000
29	Social services:			
	(a) Basic Title XX program..	2,376,589,000	2,401,300,000	+24,711,000
	(b) Child day care amendment.....	200,000,000	—	-200,000,000
36	State and local training.....	79,860,000	75,000,000	-4,860,000
38	Child welfare services.....	56,500,000	56,500,000	—
40	Research and evaluation.....	9,200,000	9,200,000	—
44	Training projects.....	8,150,000	—	-8,150,000
	Subtotal, obligations against budget authority.....	19,266,047,000	20,963,800,000	+1,697,753,000
	Available in prior year.....	-3,780,586,000	-4,992,050,000	-1,211,464,000
	Available in subsequent year.....	4,992,050,000	5,674,100,000	+682,050,000
	Total obligations during the fiscal year.....	20,477,511,000	21,645,850,000	+1,168,339,000

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Other service.....	$3,180,000	$3,180,000	---
Grants, subsidies and contributions.....	20,474,331,000	21,642,670,000	+$1,168,339,000
Total obligations by object.....	20,477,511,000	21,645,850,000	+$1,168,339,000

Authorizing Legislation

	Amount Authorized	1978 Budget Request
Public Assistance (Social Security Act)		
1. Maintenance assistance		
(a) Adult categories (Title I, Sec. 1, Title X Sec. 1001, Title XIV Sec. 1401, and Title XVI)	Indefinite	$4,000,000
(b) Aid to families with dependent children (Title IV Part A Sec. 401)	Indefinite	5,964,020,000
(c) Emergency assistance (Title IV Part A Sec. 401)	Indefinite	38,000,000
(d) State and local administration (Titles I, IV, X, XIV, and XVI)	Indefinite	650,000,000
(e) Assistance to repatriated U. S. nationals (Title XI Sec. 1113)	$300,000	300,000
(Public Law 86-571 Sec. 2)	Indefinite	680,000
2. Child support enforcement (Title IV Part D, P.L. 94-365)	Indefinite	-51,200,000
3. Medical assistance (Title XIX Sec. 1901)	Indefinite	11,816,000,000
4. Social services (Titles I, IV, X, XI, XIV, XVI, and XX)	2,500,000,000	2,401,300,000
5. State and local training (Titles I, IV, X, XIV, XVI and XX)	Indefinite	75,000,000
6. Child welfare services (Title IV Part B Sec. 420)	266,000,000	56,500,000
7. Research and evaluation (Title IV Part B. Sec. 426 and Title XI Sec. 1110)	Indefinite	9,200,000
8. Training projects (Title IV Sec. 426)	Indefinite	---

Public Assistance

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1968	$5,494,175,000	$5,315,432,000	$5,315,525,000	$5,315,525,000
1969	6,477,391,000	6,473,391,000	6,473,391,000	6,473,391,000
1970	7,538,004,000	7,538,004,000	7,538,004,000	7,538,004,000
1971	9,682,057,000	9,682,057,000	9,682,057,000	9,682,057,000
1972	12,215,134,000	12,215,134,000	12,215,134,000	12,215,134,000
1973	13,975,687,000	14,000,687,000	13,975,687,000	13,975,687,000
1974	12,068,521,000	11,851,521,000	11,626,521,000	11,663,521,000
1975	15,010,518,000	14,132,012,000	13,841,479,000	13,841,479,000
1976	16,988,052,000	16,988,967,000	17,246,400,000	17,240,950,000
1977	18,022,200,000	18,036,150,000	18,045,000,000	18,040,850,000
Proposed supplemental	1,225,197,000			
1978	20,963,800,000			

Justification

Public Assistance

Program/Activity	1977 Estimate	1978 Estimate	Increase or Decrease
Maintenance assistance.....	$6,293,516,000	$6,657,000,000	+ $363,484,000
Child support enforcement....	12,914,000	-51,200,000	-64,114,000
Medical assistance.....	10,229,318,000	11,816,000,000	+1,586,682,000
Social services.....	2,576,589,000	2,401,300,000	-175,289,000
State and local training.....	79,860,000	75,000,000	-4,860,000
Child welfare services.....	56,500,000	56,500,000	---
Research and evaluation.....	9,200,000	9,200,000	---
Training projects.....	8,150,000	---	-8,150,000
Total.....	19,266,047,000	20,963,800,000	+1,697,753,000

General Statement

Grants are made to States for the Federal share of State expenditures for maintenance assistance, child support enforcement, medical assistance, social services, State and local training, and child welfare services: Federal grants and contracts are also made to States to finance part or all of the costs of projects to discover and evaluate new and past principles and concepts in the public assistance program and for demonstration of new systems for delivery of services to the disadvantaged. In addition, assistance is provided for repatriated U. S. nationals. Estimates for the public assistance appropriation are based on estimates of requirements submitted by State welfare agencies which are reviewed on the basis of trend data and forcast of changes in program policies and economic trends.

The 1978 budget request is for $20,963,800,000, and increase of $1,697,753,000 over 1977 requirements, including the pending supplemental. The highlights and components of this increase are as follows:

-- The number of families and recipients receiving AFDC is expected to decrease only slightly from FY 1977 to 1978. The major change in AFDC expenditures will come about from the expected increase in average payment per family (from $238.75 in FY 1977 to $251.78 in 1978). This expected increase of about five percent will occur as States effect increases in standards of assistance and/or payment levels to counter the effects of inflation.

-- Child support enforcement participants are expected to increase by 239,000 in FY 1978 and total collections from absent parents to increase about $191 million over FY 1977.

-- The cost of medical services continues to reflect rising costs which accounts for most of the increase between 1977 and 1978.

-- Medicaid management activities will include strengthening the States' capacity for efficient management of their programs; increased activity the area of fraud and abuse and continue to place a high priority on early screening, medicaid quality control, and utilization reviews.

-- States estimates indicate an increasing number of States will be approaching their allotment ceiling in FY 1978; 42 States at ceiling in FY 1978 as opposed to 33 in FY 1977.

Our FY 1977 total Public Assistance requirements exclude any impact associated with disallowed/deferred claims. As of December 1, 1976, SRS had under the reconsideration review process about $1.6 billion in disallowed States' claims for expenditures, $605 million of this total represents Federal funds paid and $1 billion are unpaid claims. An additional $1 billion of deferred expenditure claims are under review.

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1. Maintenance Assistance

	1977 Estimate	1978 Estimate	Increase or Decrease
Maintenance Assistance:			
Adult categories.....	$3;817,000	$4,000,000	+$183,000
Aid to families with dependent children...	5,664,283,000	5,964,020,000	+299,737,000
Emergency assistance...	34,195,000	38,000,000	+3,805,000
State and local administration.....	590,241,000	650,000,000	+59,759,000
Assistance to repatriated U.S. nationals.....	980,000	980,000	---
Total.....	$6,293,516,000	$6,657,000,000	+$363,484,000

General Statement

Grants are made to State welfare agencies to provide the Federal share of cash assistance payments made to families with dependent children. Grants are also made to Guam, Puerto Rico, the Northern Mariana Islands, and the Virgin Islands to enable those jurisdictions to provide financial assistance to the needy aged, blind, and permanently and totally disabled. These programs are authorized under Titles I, IV, X, XIV, and XVI of the Social Security Act. These estimates also include funds for the program providing financial assistance to U.S. nationals repatriated from abroad because of illness, destitution, or international crisis.

Aid to Families with Dependent Children

The budget estimate for FY 1978 was developed primarily through an analysis of States' August 1976 estimates for FY 1978. The average payment per recipient is expected to increase by about six percent ($75.43 in 1977 to $79.94 in 1978) as States increase standards of assistance to offset the effects of continued inflation. An estimated 11,304,000 recipients in 3,589,000 families are expected to receive assistance in FY 1978, compared to an average of 11,376,000 recipients in 3,594,000 families in FY 1977. These decreases will occur despite the continued increase in the number of female-headed families because of anticipated improved economic conditions.

A modest legislative proposal changing the method of computing income disregard for work-related expenses is expected to reduce expenditures by about $50 million. The caseload and average benefit projections assume that States will continue to improve the accuracy of their eligibility determinations and benefit payments through implementation of corrective action plans under the Quality Control program. Since the Quality Control program began in 1973, the case error rate has been reduced from 41% to less than 25% for the first half of 1976. Over 91% of all payments are now made correctly, up from 84% in 1973. One source of such improvement in administration is the findings of the Quality Control program.

Plans are currently being advanced to provide technical assistance to urban welfare agencies to reduce error rates and otherwise improve program operations. Quality Control review findings are an important element in developing such technical assistance plans. Strategies to closely review State plan materials and monitor State operations under State plans are also being developed to improve State administration of the program.

State and Local Administration

The State and local costs of administering the AFDC program are expected to increase by about twelve percent from FY 1977 to 1978. Slightly more than half of this increase is attributable to inflation. The remainder is attributable to States' efforts to improve administration by adding staff that have been needed over the past several years in some instances; improving computer and systems capability; and the initiation of such other program management improvements as have been suggested from their quality control programs.

Emergency Assistance

The Emergency Assistance to Families Program was established to meet those unforeseen needs of eligible participants who suffer from catastrophic occurrences such as fires, flood, etc. This program is also used to aid families in other areas of need such as provision of heating costs during a severe winter and is, therefore, highly susceptible to seasonal severities. The Emergency Assistance Program will operate at an approximate level of $38 million in FY 1978 involving participation by 23 States. Two States, New York and Ohio, comprise 48% of the total program estimate. The FY 1978 estimate represents an increase of $4 million over FY 1977, primarily in the State of New York. The following represents both dollar and recipient levels contained in this budget:

	1976	1977	1978
Total Costs	$71,476,000	$68,390,000	$76,000,000
Federal Share	35,738,000	34,195,000	38,000,000
Avr. mo. recip.	107,192	107,978	114,325

Repatriation of U.S. Nationals
(Dollars in Thousands)

	1976 Actual	1977 Estimate	1978 Estimate
Mentally Ill	$551	$680	$680
Other	178	300	300
Total	$729	$980	$980

An amount of $980,000 is requested for 1978 to provide assistance under two different laws to U.S. citizens who are returned from foreign countries because they are needy or ill. Assistance is provided upon certification by the Department of State and upon arrival in the U.S. Public Law 86-571 authorizes care and treatment or assistance to U.S. nationals returned because of mental illness; Section 1113 of the Social Security Act authorizes assistance to citizens and their dependents whose return is due to destitution, illness, or international crisis.

During each of fiscal years 1977 and 1978, it is anticipated that approximately 100 mentally ill repatriates will require financial aid and/or other services as compared to 67 during FY 1976. The estimated cost assumes a decrease in the number of patient days of care which will be offset by an increase in daily rates, primarily at Saint Elizabeths Hospital.

It is expected that approximately 600 persons in FY 1977 and 700 persons in FY 1978 will require assistance under Section 1113 of the Social Security Act as compared to 509 persons who were assisted during FY 1976. This is due primarily to larger numbers of U.S. citizens living and working abroad and the rising cost of living.

Summary - Federal and Total
Expenditures by Program

1. Aid to families with dependent children: Estimate expenditures for maintenance payments to recipients, fiscal year 1977 and 1978

	1977 Estimate	1978 Estimate	Change 1978 from 1977
Payments to recipients:			
Total	$10,296,828,000	$10,843,673,000	+$546,845,000
Federal Share			
Amount	5,664,283,000	5,964,020,000	+299,737,000
Percent of total	55.0	55.0	---
Average monthly number:			
Families	3,594,000	3,589,000	-5,000
Recipients	11,376,000	11,304,000	-72,000
Children	8,300,000	8,233,000	-67,000
Average monthly payment per recipient	$75.43	$79.94	+$4.51
Average monthly payment per family	$238.75	$251.78	+$13.03

Recent Trends in the AFDC Program

	Fiscal Year		
	1974	1975	1976
Recipients:			
Average monthly number	11,066,424	11,080,000	11,373,000
Percentage change from preceding fiscal year	+.8	+.1	+2.6
Average monthly payment:			
Amount per recipient	$55.60	$64.30	$70.10
Change from preceding fiscal year	3.82	7.70	5.80
Families:			
Average monthly number	3,170,000	3,342,000	3,548,000
Percentage change from preceding fiscal year	+1.5	+5.4	+6.2
Average monthly payment:			
Amount per recipient	$195.69	$212.95	$227.28
Change from preceding fiscal year	+3.7	+8.8	+6.7

Other Maintenance Activities

	1977 Estimate	1978 Estimate	Change 1978 from 1977
2. Adult Categories -			
Total	$7,634,000	$8,000,000	+$366,000
Federal Share	3,817,000	4,000,000	+183,000
3. Emergency Assistance -			
Total	68,390,000	76,000,000	+7,610,000
Federal Share	34,195,000	38,000,000	+3,805,000
4. State and Local Administration -			
Total	1,180,482,000	1,300,000,000	+119,518,000
Federal Share	590,241,000	650,000,000	+59,759,000
5. Repatriation	980,000	980,000	---
Total			
Federal Share	**6,293,516,000**	**6,657,000,000**	**+363,484,000**

2. Child Support Enforcement

	1977 Estimate	1978 Estimate	Increase or Decrease
Net Federal Share of Collections	- $164,131,000	- $251,200,000	- 87,069
Federal Share of State and Local Administration	177,045,000	200,000,000	22,955
Net Federal Costs	+12,914,000	-51,200,000	-64,114

General Statement

Under title IV-D of the Social Security Act, grants are made to States to reimburse State and local child support agencies for 75 percent of the costs of administration of the program. Child support payments made by absent parents on behalf of AFDC recipients go to the State or local agency for distribution to State and Federal governments to reimburse assistance payments and as incentives to enforcing and collecting political subdivisions. The Federal share of child support collections is deducted from Federal reimbursement to State for AFDC.

The Child Support Enforcement program (title IV-D) was effective August 1, 1975 (except for the authorization of garnishment of Federal employees' salaries for child support obligations, which was effective January 1, 1975). There are five major Federal requirements in title IV-D that are substantial changes from previous Federal practice in the area of child support. They are: the establishment of a separate organizational unit within the Department; operation of a Parent Locator Service; certifying amounts for collection by the Internal Revenue Service; certifying civil actions to the United States district courts; and conducting annual audits in each State to implement the five percent penalty provision. Principal requirements for the States are to establish or designate a unit to administer the plan; establish paternity and collect support for AFDC children; require child support to be paid to the State for distribution; make child support services available to non-AFDC families upon application and, at State option, payment of a fee; enter into cooperative arrangements with appropriate court and law enforcement officials; establish a State parent locator service; and cooperate with other States in child support enforcement.

Characteristics of the Child Support Enforcement program that impact on the budget estimates include expansion of costs and collections as State and local governments implement the legislation. Data collection and reporting problems and a lack of historical data on which to base trend analysis continue to be problems in estimating Child Support Enforcement collections. In general, only minimal adjustments have been made to State estimates of costs and collections for fiscal years 1977 and 1978 because of limited basis for such adjustments.

The estimates of costs and collections used to formulate the President's fiscal year 1977 Budget were derived from Federally adjusted States' estimates made in November 1975. At that time, States estimated net Federal share of collections at about $194.8 million for fiscal year 1977. This amount was adjusted downward to $150 million because of evidence that the States were overly optimistic. We believe that State estimating procedures have generally improved in the last year as they come to understand the program more fully, gain practical experience, and resolve problems raised by State legislatures. Thus, we have accepted most of the fiscal year 1977 State estimates made in August 1976.

Current fiscal year 1977 estimates of costs and collections are based on August 1976 States' estimates. In two small jurisdictions where no State estimates were available, Federal estimates were made on the basis of actual expenditure reports and AFDC caseload data.

The fiscal year 1978 estimate of collections is based on August 1976 States' estimates. The estimate of costs reflects State projections adjusted upward by 14 percent. A Federal estimate was made for Illinois in the absence of a State projection for fiscal year 1978.

Explanation of Changes

The estimated increases of $87.1 million in the net Federal share of collections and $23 million in the Federal share of costs between fiscal year 1977 and fiscal year 1978 are the result of accelerated State and local activity. The increased costs relate to the addition of staff in the State agencies and costs of cooperative agreements. In addition, nearly all States predict salary and cost-of-living increases. Increases in the Federal share of costs during 1978 are offset somewhat by the discontinuance of FFP for non-AFDC cases due to expire June 30, 1977.

The following summarizes the Child Support Enforcement estimates:

CHILD SUPPORT ENFORCEMENT ESTIMATES
(in millions)

	FY 1976	FY 1977	FY 1978
Total Collections	$205.0	$440.7	$632.5
Payments to recipients	36.9	10.2	7.8
Incentive to jurisdictions	26.3	65.8	85.4
Net State share	75.5	200.6	288.1
Net Federal share	66.3	164.1	251.2
Administrative Costs	130.5	236.0	266.7
State share	34.3	59.0	66.7
Federal share	96.2	177.0	200.0
Savings	11.3	126.8	268.3
State share	41.2	139.7	217.1
Federal share	-29.9	-12.9	51.2

CHILD SUPPORT ENFORCEMENT CASELOAD

	FY 1976	FY 1977	FY 1978
Average monthly number of absent parents making child support payments on behalf of:			
Families receiving AFDC	370,000	665,000	879,000
Non-welfare families	120,000	150,000	175,000

Accomplishments 1976-1977; Program Plans 1978

During FY 1976, all 54 States and jurisdictions submitted and received approval of their Child Support Enforcement plans. The District of Columbia and the States of Indiana, Mississippi, Missouri, and Nevada requested and received waivers under Section 201 of Public Law 94-88 of certain provisions of title IV-D. Indiana obtained enabling legislation and submitted a full approvable IV-D plan in March 1976.

States began implementing their child support programs rapidly. FY 1976 reported child support collections made on behalf of AFDC recipients were $205 million; collections tripled from $24 million in the first quarter to $73 million in the fourth quarter. During the fourth quarter, collections were made on behalf of 366,000 AFDC families. Collections of $118 million were made in FY 1976 on behalf of families not receiving AFDC. While case processing data are, at present, incomplete, 43 States reported that during the third quarter they successfully located 106,000 absent parents; 38 States reported establishing paternity in about 12,000 cases; and 42 States reported establishing 62,000 support obligations. During the first three quarters of FY 1976, 41 States reported terminating 23,000 AFDC cases because of child support collections.

State and local administrative costs for FY 1976 totalled $130 million, of which the Federal share was $96 million. On April 1, 1976, almost 12,000 staff were employed by State and local IV-D agencies and under cooperative agreements. This was a 38 percent increase over the estimated 8,700 staff employed July 1, 1975.

State and local child support enforcement activity has and will continue to accelerate during FY 1977. States estimate that in FY 1977 total AFDC collections will more than double over FY 1976 levels. Total administrative costs are expected to increase by about 80 percent.

Federal activities have been pursued by the Office of Child Support Enforcement to support and oversee State and local programs. The Federal Parent Locator Service began operation March 15, 1976, and in the first nine months of operation, processed 135,000 requests from States for address information. All States have the capability to access the FPLS, twenty by means of remote computer terminals. Technical assistance and guidance have been provided to States through the issuance of regulations and program manuals and on-site reviews of procedures for treatment of collections.

During FY 1978, States anticipate collecting $632 million on behalf of AFDC families. We estimate that the average number of absent parents making child support payments each month to State and local agencies on behalf of AFDC families will be 879,000. In addition, an estimated 175,000 absent parents of non-welfare families will make child support payments each month. Administrative costs are expected to increase by 13 percent over FY 1977 to about $267 million in FY 1978. The Federal share of costs is estimated to be about $200 million.

3. Medical Assistance

Program	1977 Estimate	1978 Estimate	Increase or Decrease
1. Medical Vendor Payments	$9,696,965,000	$11,190,000,000	+1,493,035,000
2. State and local Administration	496,228,000	575,000,000	+ 78,772,000
Subtotal	10,193,193,000	11,765,000,000	+1,571,807,000
3. Rural Health	15,000,000	15,000,000	---
4. Health Care Demonstration Projects	5,125,000	7,000,000	1,875,000
5. Professional Standards Review Organization	16,000,000	29,000,000	13,000,000
Total for all Activities	$10,229,318,000	$11,816,000,000	+1,586,682,000

General Statement

1978 Estimates: Requirements for this program are estimated to increase by $1,586,682,000 from 1977 to 1978. States continue to cite increasing costs of providing Medical care as the overwhelming reason for increases in program costs. More recipients are estimated in FY 1978, and utilization of services is expected to increase slightly although the impact of such increases is much less than the increases for prices.

To arrive at the total Medicaid estimate, primary emphasis was placed on the cost and beneficiary factors affecting the program. Actuarial inflation factors for Medicare hospital, nursing home, and physician cost increases were used as well as the estimated size of the Medicaid caseload, combined with the price estimates. The results of this methodology have been compared to the August State estimates after adjusting those estimates in such obvious cases as where a State's estimate reflects the Governor's budget request, not a revised estimate of likely cost, or where an arbitrary percentage increase is applied to the FY 1977 base which is not in line with prior year increases. These adjustments are necessary since the estimates are submitted before most States have completed their budget cycles. They therefore tend to be rough estimates and not at all reflective of a rigorous analysis by the States.

The comparison of the results of the two methodologies indicate that the refined methodology and the adjusted State estimates are very close to the same level of aggregate expenditures. The purpose of this dual approach is to verify the estimates and to develop a system for tracking the causes of increased Medicaid costs at both the national and State levels.

The following table represents the price, recipient, and utilization assumptions used to make this projection (note the methodology in the footnote about estimating the impact of the Transition Quarter offset-most States have not included such computations in their estimates). Also, recipient increases have been adjusted to reflect an average nine-month lag to account for (1) the lag between receipt of services and the billing of those services which may be three to six months later and (2) the cash recipient who loses his cash benefit due to increased income and is still eligible for Medicaid benefits for three months.

Budget Assumptions

Factor	Percent of Program Costs	Annual percentage change FY 1976 to FY 1977[1/]	FY 1977 to FY 1978
1. Prices (weighted)	(100.0%)	10.3	11.6
a. Hospital	(31.8%)	14.0	14.5
b. SNF/ICF	(37.8%)	8.0	10.5
c. Other	(30.4%)	9.2	10.0
2. Recipients (weighted)	(100.0%)	4.5[2/]	2.3[2/]
a. SSI	(61.6%)	5.9	3.5
b. AFDC	(38.4%)	2.2	0.3
3. Utilization (weighted)	(100.0%)	1.0[3/]	1.0[3/]
a. Hospital	(31.8%)	0.3	0.3
b. SNF/ICF	(37.8%)	0	0
c. Other	(30.4%)	3.0	3.0
TOTAL PERCENTAGE INCREASE		16.3	15.3

1/ Due to the impact of the transition quarter, the 1976 base must be adjusted to reflect comparability to the 1977 and 1978 periods (medical payments only):

'76 Actual Expenditures (MVP)	7,893
1st Quarter Expenditures (MVP)	-1,786
T.Q. Budget Estimate (MVP)	+2,230
Comparable base period (MVP)	8,337

2/ Includes "medically needy" and adjustment for billing lags
3/ BHI estimates for increased technology and expanded use of specialists

Under Medicaid, States have a great deal of flexibility to change eligibility, benefits, reimbursement rates, and scope of coverage. With the financial situations in many States being tighter than they had expected in FY 1976, a number of States had proposed cutbacks in benefits and scope of coverage. For example, on January 1, 1976, New Jersey eliminated several optional services in order to maintain their expenditures within the appropriation. However, on March 8, the Legislature passed a supplemental of $3.6 million and the State restored the service cutbacks. Connecticut eliminated several services and reduced reimbursement fees in January, 1976, but the courts subsequently issued an injunction barring the cutbacks on the grounds that they could cause irreparable harm to poor persons dependent on Medicaid.

Proposed and enacted legislation which includes cost containment measures is unlikely to result ultimately in decreased expenditures. Since January 1, 1975, more States have expanded their programs rather than reduced them. We are, therefore, reluctant to include the impact of cutbacks in States' estimates because of these experiences.

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

	1976	1977	1978
All recipients	23,894,000	24,676,000	25,000,000
Aged 65 and over	4,041,000	4,279,000	4,429,000
Blind	120,000	127,000	131,000
Permanent and total disability	2,837,000	3,004,000	3,109,000
Children under 21	11,331,000	11,578,000	11,626,000
Adults in AFDC families	5,565,000	5,688,000	5,705,000

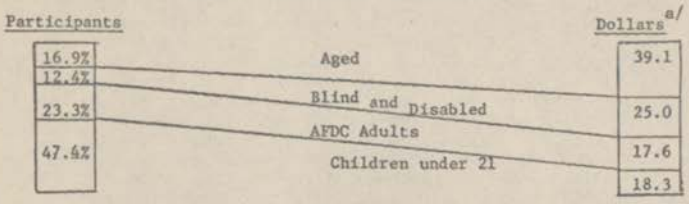
Accomplishments, 1976-1977; Program Plans for 1978: The objectives of the program for FY 1978 have not changed from the last year. Since the program is large and complex, it requires investment of significant resources in a timely manner, just to begin to see improvements. These objectives are: Persons eligible for and in need of health care need to be assured that they have access to services and that services are used appropriately; persons eligible need to understand their rights and responsibilities in using services. Health services provided to eligible persons must meet standards of quality for adequate health care equivalent to what is available to the rest of the population. Funds must be used in positive ways to influence improved methods of delivery and financing health care. Providers of health service should understand their rights and responsibilities under the program and be persuaded to participate and receive prompt compensation. Accountability to the public for expenditures of tax dollars must be assured through application of necessary and appropriate administrative controls over eligibility for services, program costs and program services.

Distribution of Federal Payments
Obligations
(dollars in millions)

Type of Service	1977 dollars	1977 percent of total vendor payments	1978 dollars	1978 percent of total vendor payments
General & TB	2,735	28.2	3,216	28.8
Mental	349	3.6	410	3.7
SNF	1,764	18.2	1,995	17.8
ICF[1/]	1,900	19.6	2,150	19.2
Outpatient[2/]	592	6.1	686	6.1
Physicians	941	9.7	1,092	9.8
Dental	262	2.7	304	2.7
Drugs	650	6.7	753	6.7
Others[3/]	504	5.2	584	5.2
Subtotal, Vendor Payments	9,697	100.0	11,190	100.0
Administration and Training	496		575	
Total	10,193		11,765	

1/ Includes ICF/MR.
2/ Outpatient includes Clinic Services and Outpatient Hospital Services.
3/ Other includes Other Practitioners Services, Laboratory and Radiological Services, Home Health Services, SMIB, Family Planning, and Other Services.

Distribution of Participants and Dollars by Category of Assistance



a/ Although based on FY 1975 statistical data, it is not expected that significant deviations from this distribution would appear.
Source: NCSS B-4 (FY 1975)

Medicaid priorities are aimed at improving the cost-effectiveness of the program through the following:

- Early and Periodic Screening, Diagnosis and Treatment (EPSDT) of eligible children under 21.
- Efforts to reduce fraud and abuse.
- Utilization control.
- Cost control reimbursement policies.
- Third party liability.
- Quality Control/Eligibility Simplification.

EPSDT: States are required to identify eligible children, inform families who are eligible about EPSDT, provide or arrange for screening, diagnostic and treatment services, including treatment for hearing, visual and dental defects and transportation to recipients who cannot otherwise obtain services. Since this is a comprehensive, preventive health care program for children, in many cases later disabling conditions and more expensive treatment may be avoided.

In FY 1977 revised penalty regulations are expected to become effective. These regulations will correct ambiguities and weaknesses in the existing regulations. With the regulatory base established, technical assistance will be provided in FY 1978 to implement the revised regulations. Monitoring will be necessary to assess the quality of implementation.

Fraud and Abuse: Efforts to reduce fraud and abuse will continue in the review of several categories of providers including nursing homes, clinical labs, and pharmacies. These reviews will be concentrated in highly populated areas where the most providers and institutions are located. Prosecution is the intended result when appropriate. It is hoped that this will provide a deterrent to potential offenders in order that general program review will be sufficient in the future. By the end of FY 1978, a capacity at the State and Regional Office level will have been developed to carry out the review function of fraud and abuse surveillance, and the Central Office will continue providing technical assistance in the area of compliance and program control.

Utilization Control: Efforts to monitor and to assist States in the process of reviewing the appropriateness of care will continue through utilization control activities. As PSROs assume responsibility for hospital reviews, the Central Office emphasis will shift to reviews of long term care facilities. Statutory changes have been recommended which will simplify penalty assessments. The Medicaid Management Information System (MMIS) is expected to be a substantial support activity since many States will have operational systems by 1978. The emphasis will be on refinement, additional systems, and effective use of information.

Reimbursement: The law requires that reimbursement be on the basis of reasonable cost of treatment for inpatient hospital care. Most States use Title XVIII methods of hospital reimbursement which set a rate at the beginning of a year. At the end of the year the actual cost of services to beneficiaries is evaluated. A final settlement is made, and the State either receives a refund from the hospital or vice versa.

Since 1971 regulations have permitted the States the option of seeking alternative methods of reimbursement which could set a reimbursement rate at the beginning of the year but not involve a final settlement at the end of the fiscal year. However, only a few States have chosen this option. Regulations have been published which require that nursing home and intermediate care facility reimbursement be on a cost-related basis.

Third-Party Liability: Third-party liability involves seeking out and collecting from other insurance, or in the case of accidents, from others who are liable for the costs of medical care. This has not been done effectively by many States. Emphasis will be placed on the level of efficiency with which States follow through with the regulation since recent studies indicate that a significant number of the medically needy population might have, or have had, access to third-party reimbursement which would cover part, or perhaps all, of the medical care.

Quality Control/Eligibility Simplification: Quality control is designed to provide accurate measures of the level and causes of ineligibility in the medically needy segment of the Medicaid service population. This segment accounts for 25 percent of all recipients and 50 percent of all Medicaid expenditures. Studies have shown that a significant amount of funds are being erroneously spent for medical claims from persons ineligible for coverage. Only 13 States have implemented a quality control program. Technical assistance will be provided, buttressed by direct appeals from the Secretary to Governors, to States slow to implement the program. In addition, in FY 1977 and FY 1978 emphasis will be placed on strengthening eligibility rules and integrating the results of quality control with the management improvement effort.

Other Activities: In addition to medical payments and administration, funds for Rural Health and Health Care Demonstration projects, and Professional Standards Review Organizations (PSRO) are included in the total budget authority.

Rural Health: The Congress has directed that $15 million of title XIX program funds be reprogrammed annually over a period of five years to the Health Underserved Rural Areas (HURA) program, established in 1975, to support the establishment of research and demonstration projects to develop models of primary care systems in medically underserved areas with emphasis on integrating financing systems with health service delivery systems. During FY 1977 and FY 1978, the HURA program will continue funding approximately 80 research and demonstration projects established in FY 1975 and FY 1976.

Health Care Demonstration Projects: In FY 1978, $7,000,000 of title XIX program funds will be used for experiments and demonstrations of various systems for incentive reimbursement to providers in order to test more cost-effective reimbursement procedures while assuring continued maintenance of quality of care. These include better methods of reimbursing hospitals, fiscal agents, health insuring organizations, EPSDT and other type providers either on a prospective basis, a performance contracting or other cost-effective incentive basis, incuding evaluation of existing arrangements. The first such prospective reimbursement experiment funded in SRS is in the State of California, $2.8 million in 1976, for the reform of the prepaid health plan program. The funding for the 28-month project will continue into 1978. Authorization for this activity is in Section 222 of P.L. 92-603.

Professional Standards Review Organizations (PSRO): PSROs review the quality and appropriateness of health care services provided under Medicaid, Medicare, and Title V. Costs of reviews by PSRO's and delegated hospitals will be reimbursed through the SSA trust funds. Medicaid will be required to restore to the trust funds its share of costs related to the number of Title XIX admissions reviewed by the Professional Standards Review Organizations.

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4. Social Services

	1977 Estimate	1978 Estimate	Increase or Decrease
Basic Title XX Program.....	$2,376,589,000	$2,401,300,000	+$24,711,000
Child Day Care Amendment (P.L. 94-401).....	200,000,000	---	-200,000,000
Program Level.....	$2,576,589,000	$2,401,300,000	-$175,289,000

General Statement

With the exception of the one time authorization for the child day care services in FY 1977, the FY 1978 budget policy for the Title XX program is to continue the provision of social services in about the same pattern as was conducted during FY 1977. The FY 1978 budget request continues the program at the current permanent $2.5 billion ceiling.

The Title XX program is aimed at the following five goals:

-- to assist eligible individuals to become or remain economically self-supporting;

-- to become or remain self-sufficient;

-- to protect children and adults who cannot protect themselves from abuse, neglect, or exploitation, and to help families stay together;

-- to prevent or reduce inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care;

-- to arrange, when appropriate, for institutional placement and for services to individuals in institutions.

This new program of social services to individuals and families began in FY 1976 with the establishment of Title XX of the Social Security Act. This new program replaced the services programs authorized under Titles IV-A and VI of the Social Security Act. (In Guam, Puerto Rico, the Northern Mariana Islands and the Virgin Islands, social services programs continue to be authorized under Titles I, IV-A, X, XIV, and XVI.)

The new law requires all States to offer in each geographic area at least one service directed toward the five goals stated in the law, as well as three services for recipients of Supplemental Security Income. In addition, States are required to offer and provide, if requested, family planning services to AFDC recipients.

To carry out the aforementioned goals, the Congress has established an annual ceiling of $2.5 billion on Federal funding for social services programs. Under this ceiling, each State receives an annual allocation in proportion to its percentage of the national population. Grants are made to States based on a matching rate of 75 percent for services, except family planning services which have a 90 percent matching rate. Unused State allocation up to $16.5 million may be reallotted in the amounts of $15 million to Puerto Rico, $500,000 to Guam, $500,000 to the Virgin Islands, and $500,000 to the Northern Mariana Islands. This special allocation is in addition to the amounts available to these Territories subject to other legislative limitations.

Public Law 94-401 temporarily increased the Title XX funding limitation by a total of $240 million; $40 million for the transition quarter and $200 million for FY 1977. We estimate that $200 million will be required in FY 1977 to cover these allocations. Additional funds are available to the States for these periods in an amount equal either to the lower amount as determined by a State's population or to a State's expenditures for its child day care program. This legislation provides matching rates in the transitional quarter of 75% for child day care services and 100% for grants to "qualified" child day care facilities who hire eligible welfare recipients. In FY 1977 the 100% matching rate applies to both child day care services and grants to qualified child day care facilities who hire eligible welfare recipients. The legislative authority for these activities at 100% funding expires at the end of FY 1977.

In addition to the $240 million made available, the legislation contains the following changes which will be implemented and will result in significant changes in the basic Title XX program:

1. Extends until October 1, 1977, the moratorium on Federal child day care staffing standards for children 6 weeks to 6 years of age who receive out-of-home day care services.

2. Permits States, under certain conditions, to provide any service except day care for non-migrant children on the basis of group eligibility determination.

3. Permits States to provide family planning services without regard to income.

4. Permits States until October 1, 1977, to provide services to drug and alcohol dependent individuals without regard to limitations that would otherwise apply regarding medical care, room and board, and services in institutions.

Accomplishments in FY 1977

The beginning of FY 1977 coincided with the beginning of the second year of social services under Title XX. During the first year numerous problems associated with a new program were resolved. Through cooperative efforts between the States, the Federal government, and concerned groups there was marked improvement in the plans for the second year and the planning process carried out for 1978. Revised regulations were issued resulting from changes toward improving the basic program, both from State and the Federal view, particularly in regard to administrative requirements. Also regulations and program guidance were provided in the implementation of the recently enacted Child Day Care Amendments, P.L.94-401.

Public Planning Process

Title XX introduced to both the Federal and State governments an entirely new approach to the administration of a public social services program. A key feature of the legislation was the mandated open planning process with public review of a State's Comprehensive Annual Services Plan. In addition, each State was given the freedom to identify and describe the services it will offer, the categories of individuals eligible to receive these services, and when and where it will deliver services. While the open planning process was one of the program's key features many State Title XX age cies did not have professional planners. To help overcome some of the difficulties, during FY 1977 technical asssistance was provided to State officals. In addition, SRS contracted for the review of the planning process in eight States. A casebook and revised manuals resulted from that study. The casebook revealed a number of current trends: (1) States are increasingly allocating money by agency rather than by needs assessment; (2) States are turning to multi-year funding to avoid instability in programs; (3) States are improving their management information systems; and (4) attention is being directed toward target groups rather specific services. These trends suggest areas where technical assistance is needed and will be directed.

Comprehensive Annual Services Plans

Evidence of some impact of the planning process can be found in the analysis of the Comprehensive Annual Services Plans (CASP) which indicate that changes in proposed and final plans for the first year occurred with respect to eligibility levels (40% of the States made changes), fee (10% made changes), and with respect to designation of the State as the geographic area. (A frequent public comment surrounding the issue of "geographic area" was the need to develop local planning and service delivery areas.)

In FY 1977 efforts will be directed towards identifying major gaps in the planning process and by developing longitudinal Title XX data. Technical assistance by Federal staff will again help States improve their planning for social services. An initial comparison will be made between CASP and Social Services Reporting Requirements (SSRR) data. This type of data will be used in analyzing social service trends, gaps in coverage, and duplication.

Fees for Services

Title XX legislation provides that States impose income-related fees for services if the family gross monthly income is more than 80 percent of the State median income or the national median income for a family of four, whichever is less, adjusted to family size. Federal financial participation is not avaialble if the family income is above 115 percent of such median income.

In the first submission of the Comprehensive Annual Services Plans (FY 1976) twenty-nine States indicated that they will charge fees for services, 25 will charge for some services, and 4 will charge for all services. Also, ninteen States will provide, without charge, services to individuals with family income below the 80 percent level. Information is not available on the remaining States.

Although an initial review of the services selected by the States in their second year plans show great diversity, many of the basic services provided under the former titles continue to be offered. They include child day care services, protective services to children and adults, foster care services, and health-related services.

Title XX Evaluation

An integral part of the Title XX legislation is the requirement for continuous evaluation of the Title XX program. By July 1, 1977, a special report of the effectiveness of the program, covering calendar years 1975 and 1976, together with any recommendations for improvement, will be submitted to Congress. This is in addition to the annual report to Congress on the results of ongoing evaluation.

Appropriateness Study

Prior to July 1, 1977, a study of appropriateness of the Federal Interagency Day Care Requirements including staffing ratios will be submitted to Congress by the Department. No parts of the FIDCR appropriateness report have been completed. However, some of the reports studies and concept papers which will be used as references have been completed. The report will deal with the role of government in setting standards, the effect of the FIDCR on children and families, and the effect on the market place.

An intra-departmental committees, composed of Office of Human Development, Social and Rehabilitation Service, and the Office of the Assistant Secretary for Planning and Evaluation is responsible for the report.

Objectives for FY 1978

FY 1978 marks the beginning of the third year under the Title XX. An increasing number of States will reach their allotment ceiling and many problems around resource allocation will require the need for technical and program assistance. This assistance will reflect the completion of an extensive evaluation effort and nearly two years planning and reporting experience. Technical assistance will be directed toward more effective delivery of service and accountability of the use of Federal funds. At the same time, monitoring and program review activities will further assure that States are conforming to requirements for Federal financial participation.

Program costs for FY 1978 are based on States' August 1976 estimates. These estimates include increased funding requirements for program expansion of nine more States at ceiling than in the prior year:

Social Services

States	States Estimates F/Y 1977	States Estimates F/Y 1978
Increasing		
1. Arkansas	23,192	24,750
2. Colorado	29,395	29,500
3. Idaho	8,396	9,750
4. Illinois	117,130	130,750
5. Maine	11,703	12,500
6. Missouri	48,285	55,750
7. Nebraska	15,781	18,250
8. New Hampshire	9,063	9,500
9. North Dakota	7,389	7,500
10. Pennsylvania	115,402	138,750
11. South Dakota	7,567	8,000
Decreasing		
1. New Mexico	13,275	13,012
2. West Virginia	21,175	20,918

The increases recognize the greater flexibility given to States in delineating services and in including broader groups of persons as eligible for services. A continuing assessment of States' requirements will be maintained with quarterly reports of these assessments submitted to Congress.

Listed below is the estimated distribution of Federal costs by fiscal years:

Federal Costs	1976	1977	1978
Service Provided to Income Maintenance Recipients:			
AFDC	$809,544,000	$979,000,000	$913,000,000
SSI	426,076,000	515,000,000	480,000,000
Services Provided to Income Eligible Recipients	681,722,000	824,000,000	768,000,000
Services Provided Without Regard to Income	213,038,000	258,589,000	240,300,000
TOTAL	$2,130,380,000	$2,576,589,000	$2,401,300,000

The following table reflects the number of primary recipients by type of service:

	1976	1977	1978
Income Maintenance Recipients			
AFDC	2,438,000	2,534,000	2,500,000
SSI	947,000	1,061,000	1,010,000
Income Eligible Recipients	1,700,000	1,858,000	1,780,000
Without Regard to Income Recipients	800,000	850,000	830,000
TOTAL	5,885,000	6,303,000	6,120,000

In FY 1978 the budget estimate has been maintained within the current ceiling of $2.5 billion. This level assumes that States will have upgraded their day care programs within the $240 million provided by P.L. 94-401.

5. State and Local Training

	1977 Estimate	1978 Estimate	Increase or Decrease
Grants.....	$79,860,000	$75,000,000	-$4,860,000

General Statement

The 1978 budget appropriation language proposes to limit the Federal share and State and local training costs to $75 million.

The Social Security Act authorizes Federal financial participation to States for training of public assistance staff as well as persons preparing for employment in specific fields of public assistance. Federal financial participation is at the rate of 75%.

Under Title XX, training is provided for training and retraining of agency personnel who are delivering services and who are involved in the overall operations of the program. Training is also extended to volunteer workers of the Title XX agency and to service delivery staff of provider agencies and organizations that have a ratified purchase of service contract.

The following table reflects State and Local Training estimated program costs:

	1976		1977		1978	
Type of Training	($000)	Number Trained	($000)	Number Trained	($000)	Number Trained
1. Costs Related to Inservice and Short-term Training.....	$37,700	220,000	$50,000	293,000	$46,000	273,000
2. Educational Leave and Preparation for Employment.....	8,000	5,000	11,000	7,000	11,000	7,000
3. Teaching Grants to Schools...	13,605	—	18,860	—	18,000	—
Total Costs	$59,305	225,000	$79,860	300,000	$75,000	280,000

Accomplishments in FY 1977: Increased numbers of eligible persons will be trained during FY 1977, an increase of 75,000 persons over FY 1976 for a total of 300,000. In addition to the training and retraining of regular public assistance staff and training of persons preparing for employment, FY 1977 training participants include newly authorized Title XX provider agency personnel.

During FY 1977 Regulations will be issued to prompt States toward improved staff training planning, a definition of the types of training to be provided and an improved manner of accounting for such training.

Objectives for FY 1978: The 1978 request is based on the need for training and retraining of agency personnel to carry their required responsibilities. In addition to training agency personnel and persons preparing for employment, training opportunities have been expanded under Title XX to include provider agency personnel, thereby increasing the total number of persons eligible for training. The following estimates are provided to reflect amounts attributable to each program.

	1976	1977	1978
Social Services	$34,219,000	$53,107,000	$50,850,000
Maintenance Assistance	25,086,000	26,753,000	24,150,000
Total	$59,305,000	$79,860,000	$75,000,000

During the five fiscal year period prior to 1976, the Federal share of State and local training costs increased from $36 million to $51 million, or 42 percent. In FY 1977, because of the new coverage and lack of a ceiling, the Federal share is estimated at about $80 million, an increase of 57 percent in two years. Most of the increase is in the Social Services area and results from expansion of the program under revised legislative authority and the increased number of persons eligible for training, primarily service deliver staff of purchased service providers.

6. Child Welfare Services

	1977 Estimate	1978 Estimate	Increase or Decrease
Grants	$56,500,000	$56,500,000	---

General Statement

The Federal government, in cooperation with State public welfare agencies, seeks to establish, extend, and strengthen the Child Welfare Services Program, Title IV-B of the Social Security Act. The overall goal of child welfare services is to strengthen family life and to assure that children are cared for and protected--without regard to economic circumstances. This care should be provided in the child's own home whenever possible. When it is not possible, such care should be made available in stable foster or adoptive homes. Each State receives a uniform grant of $70,000 and an additional grant which varies directly with the child population and, inversely, with the average per capita income. The basic statute establishes a Federal financial participation rate of from 33-1/3 to 66-2/3 percent.

Accomplishments in FY 1977: States are continuously encouraged to improve services to children in their own homes and the quality and quantity of care in foster and adoptive homes.

A guide for public social service agencies was developed to assist States in improving the administration and management of services to abused and neglected children. Training sessions were conducted during 1977 for Federal and State personnel in the use of the guide. Material was also developed for use by protective service workers on the legal aspects of providing services to abused and neglected children.

A committee made up of representatives of HEW agencies is currently engaged in developing a child welfare information system to gather essential data necessary for policy and program development.

Objectives for FY 1978: In 1978, efforts will be continued towards developing a strategy to improve the quality of child welfare service planning to align CWS planning requirements more closely with those of Title XX. This will result in a more coordinated approach to providing services for children and youth.

The regulations that govern Title IV-B are being revised to take into account the cessation of services under Title IV-A with which Title IV-B was formerly linked. Close coordination will be sought with the Office of Child Development (OCD) in their development of child welfare delivery system models of self-assessment tools to assist States in improving programs for children; and of foster care and adoption objectives designed to improve planning for children in need of supportive, supplemental or substitute care.

Continued emphasis will be placed on coordinating child abuse and neglect activities with those administered by OCD under the Child Abuse Prevention and Treatment Act, P.L. 93-247. Technical assistance will continue to be given to States so that more effective protective service may be provided to abused and neglected children and their families.

Research and demonstration projects have resulted in an impressive body of knowledge in many areas of child welfare. Of prime concern is the dissemination of the project findings, which can make a significant contribution toward improving services to children.

7. Research and Evaluation

	1977	1978	Increase or Decrease
Social Services	2,975,000	2,975,000	---
Health Services	3,000,000	3,000,000	---
Income Maintenance	2,700,000	2,700,000	---
Social Security	525,000	525,000	---
Total	9,200,000	9,200,000	---

General Statement

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

The 1978 research and evaluation program reflects a continuing emphasis on improvement of the management of the public assistance programs. Within available program development resources, efforts will continue to evaluate the Title XX, Social Services program and Title IV-D, Child Support Enforcement program. A major effort in 1978, following preliminary investigation in 1977, will be to conduct comprehensive management studies in all the public assistance programs with the goal of reducing potentially disallowable costs and promoting effective and efficient administration.

	1977 Estimate	1978 Estimate	Increase or Decrease
Social Services	2,975,000	2,975,000	---

The purpose of social services research and demonstrations, and evaluation, is to determine the impact, effectiveness and efficiency of State social services programs authorized by Title XX and Title IV-B, and to research and demonstrate alternative policies and practices to improve program performance. Evaluation activities are conducted by contract under the authority of Section 1110. Research activities are conducted by grant and contract under the authority of Sections 1110 and 426, and demonstration activities are conducted by grant under Sections 1110, 1115 and 426.

The purpose of social services R&D is to develop the analytic methodologies, the program data and the programmatic knowledge needed to assess and implement major policy and program options; and to develop the methodological and technological knowledge necessary to improve both Federal, State and local administration of, and local delivery of, social services under the current public assistance programs.

The continuing thrust of this R&D program during FY 1978 will be towards increasing the effectiveness and efficiency of social service programs, up-grading the quality of their positive impact upon individuals and families, and strengthening the capabilities of State and local social service providers, private sector as well as public. R&D efforts will be concentrated in four major areas: program/agency administration and management; political and economic dimensions of social services affecting the implementation of SRS programs; evaluative research to compare various methodologies for effective implementation of SRS programs at State and local levels; and program development tailored to the needs of particularly vulnerable target groups.

Work beginning in the evaluation of social services programs will be continued and expanded. Title XX evaluation efforts will complete the development of a microdata sampling evaluation system for use in monitoring and evaluating the impact and effectiveness of social services. In addition, a child abuse and neglect tracking system started in FY 76 will be improved and demonstrated at the state level.

	1977 Estimate	1978 Estimate	Increase or Decrease
Health Services.....	3,000,000	3,000,000	---

The purpose of health evaluation, research and demonstration is to determine the impact, effectiveness and efficiency of State Medicaid programs authorized by Title XIX and to research and demonstrate alternative policies and practices to improve program performance. Evaluation activities are conducted by contract under the authority of Section 1110. Research activities are conducted by grant and contract under the authority of Section 1110 and demonstration activities are conducted by grant under Sections 1110 and 1115.

For 1978 Health Services R&D efforts will continue in three principal areas: health care cost control, including improvements in the administration and monitoring of the Medicaid program, demonstrating the cost-effectiveness of alternatives to long-term institutional care, and demonstrating methods to improve the administrating methods to improve the administration and effectiveness of the EPSDT

programs of the States. A new research emphasis will focus on assessing the impact of expanded programs of support for health services to expanded numbers of low income individuals, including the possibility and costs of a national health insurance program. Research will focus on questions of who now bears the costs for health care services for low income individuals not now included under Medicaid, what the health status consequences are of non-coverage and what funding transfers would be under alternative expanded future programs.

Evaluation efforts in 1978 will continue to emphasize components in Medicaid management. Evaluation of the newly introduced reasonable cost-related reimbursement policy for nursing homes will be undertaken. State efforts at improving provider abuse detection and fraud control will continue to be evaluated. The integrity of State claims processing systems will continue to be examined. New approaches to utilization control will be evaluated. EPSDT will be evaluated for its impact on workability, access to health care, and service efficiency improvements. Efforts to experiment with new methods of hospital reimbursement will be continued. Finally a series of short-term projects will be undertaken to develop additional information critical to policy decisions to be made in FY 77.

	1977 Estimate	1978 Estimate	Increase or Decrease
Income Maintenance.....	2,700,000	2,700,000	---

The purpose of income maintenance evaluation, research and demonstration is to determine the impact, effectiveness and efficiency of State income maintenance programs authorized by Title IV-A and Title IV-D and to research and demonstrate alternative policies and practices to improve program performance. Evaluation activities are conducted by contract under the authority of Section 1110. Research activities are conducted by grant and contract under the authority of Section 1110 and demonstration activities are conducted by grant under Sections 1110 and 1115.

A major effort, supported by the FY 1978 Budget, will be made to study the effect of State and local agency structures and functions on administrative efficiency and program effectiveness. Projects will assess: consolidation and simplification of policy and procedures for the AFDC and related income maintenance programs; translations from research to practice of findings on staff selection, training and workload allocations; technological and analytic resources for improved management; experimentation on monthly reporting of income by recipients; technologies for forecasting AFDC costs and caseloads, and the relationship between work and welfare. In addition, studies will be conducted in Title IV-D to: measure program characteristics and results to date, establish standards for locating absent parents; and determine the cost-effectiveness of the child support enforcement program.

A major portion of the 1978 budget for this activity will be committed to conducting studies concerning intermediate welfare reform. These studies will fill in gaps in our knowledge about how the various income maintenance programs work, what kinds of regulations they serve, and how efficiently the deliver the services for which they were designed. Closely connected, is a set of analysis questions that concern how the various income maintenance programs may be improved so that they become more efficient and cost-effective.

	1977 Estimate	1978 Estimate	Increase or Decrease
Social Security	525,000	525,000	---

The purpose of the program which is authorized under Title XI of the Social Security Act is to support projects which stress those areas of primary concern to the Social Security Administration. Such research effort relates to the problems of old-age, retirement, disability, income maintenance and health care financing. The responsibilities added by enactment of P.L. 92-603 require an expanded research program on the size, characteristics, problems and approaches to dealing with the adult welfare population. The studies are conducted under grants (Section 1110). Project results are utilized as a basis for policy decisions relating to social insurance and social welfare programs for which the Social Security Administration is responsible.

In addition to projects which may be continued from FY 1977, some specific areas for study during FY 1978 are the factors affecting the long-term financial situation and impact of SSA programs; attitudes toward the potential effect of changes in the retirement age, the retirement test, and incentives for delayed retirement; the definitions of disability, the relationship between disability and economic conditions, and the potential for providing disincentives for a self-concept of disability and incentives for rehabilitation and re-employment; the impact of organizational factors, financing mechanisms, and decision-making control on costs and efficiency in the delivery of health services; factors increasing the likelihood of inadequate income and subsequent need for welfare support.

8. Training Projects (Section 426)

	1977 Estimate	1978 Estimate	Increase or Decrease
Project grants	$8,150,000	---	-$8,150,000

General Statement

Training grants for the field of child welfare, including teaching grants, are provided under authority of Section 426 of the Social Security Act. Section 426 is directed at filling the need for personnel to work in the field of child welfare and training personnel currently employed in that field. No new funds are being requested for FY 1978.

Accomplishments in FY 1977

The 1977 appropriation will be used under Section 426 to fund long-term training for child and family services through teaching grants and student financial assistance, and will also fund short-term projects to train persons currently employed in the child welfare field. Training projects will give particular attention to areas of high national and State priority such as comprehensive social services planning, improved management of child and family service programs, child care services to families and children in ethnic minority groups, and improved delivery of services to maintain children in their own homes and preserve family life for children as far as possible. An estimated 150 projects will be funded.

In fiscal year 1976, Section 426 funded 157 projects. Eighty percent of the funds were used for long-term training, including teaching grants and student assistance, and 20 percent for short-term training to improve the competence of personnel currently employed in State and local agencies.

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Social and Rehabilitation Service

Public Assistance

Program Purposes and Accomplishments

Activity: Maintenance assistance (Social Security Act, as amended, Sections 1, 401, 1001,113, 1401 and 1601: Public Law 86-571)

1977 Estimate	1978 Authorization	1978 Budget Estimate
$6,293,516,000	Indefinite	$6,657,000,000

Purpose: funds are provided for the Federal share of assistance payments made by States to eligible needy persons. The Federal share is determined by formula established by the Congress. The assistance programs, administered by State welfare agencies, are aid to families with dependent children in the 50 States, the District of Columbia, and the Territories of Guam, Puerto Rico, the Northern Mariana Islands, and the Virgin Islands and aid to the needy aged, blind, and permanently and totally disabled in the Territories only.

Explanation: The public assistance programs are administered by State welfare agencies under a State plan developed by the State in conformity with Federal requirements and regulation. Assistance standards and scope of coverage are determined by the State. Public Law 86-571 authorizes hospital care and treatment to U.S. nationals returned because of mental illness. Section 1113 of the Social Security Act authorizes assistance to citizens and their dependents whose return is due to destitution, illness, or international crisis.

Accomplishments in 1977: During FY 1977, an estimated average of 11,376,000 persons in 3,594,000 families will receive money payments made by State welfare agencies. The average monthly payment per recipient in FY 1977 will be about $75, ranging from a low of about $11.00 to a high of more than $110.00. During FY 1977, States continued to implement corrective actions further reducing the number of payment errors. Efforts at the Federal level to improve administration through simplification of State plan requirements will continue and a Federal review of States' administrative practices will be initiated to assure that States are complying with Federal legislation and regulation.

Objectives for 1978: During 1978, the number of families as well as the number of persons in need of financial assistance under the AFDC program is expected to decrease from FY 1977. The Federal share of assistance payments will be higher in 1978, however, as States are expected to raise payment levels to offset the impact of continued inflation on needy persons.

The principal objective for FY 1978 is to continue to improve the management of the AFDC program. Plans are currently underway to provide technical assitance to urban agencies to assist them to reduce erroneous payments. Also, the review of State welfare agency practice to ensure conformity with Federal requirements will be continued. Only minor legislation, dealing with the computation of income disregard for work related expenses, will be proposed.

CHILD SUPPORT ENFORCEMENT

Program Purpose and Accomplishments

Activity: Child Support Enforcement (Title IV-D of the Social Security Act)

	1977 Estimate	1978 Authorization	1978 Budget Estimate
Net Federal share of collections	- $164,131,000	Indefinite	- $251,200,000
Federal share of State and local administration	177,045,000	Indefinite	200,000,000
Net Federal Costs	+12,914,000	—	- 51,200,000

Purpose: The Child Support Enforcement program, which became effective August 1975, provides for the enforcement of support obligations owed by absent parents to their children, location of absent parents, establishment of paternity, and obtaining child support. Grants for State and local administration under title IV-D of the Social Security Act are made to States having plans approved by the Department of Health, Education and Welfare. The Federal share of child support collections made on behalf of AFDC recipients is deducted from Federal reimbursement to States for AFDC.

Explanation: The Child Support Enforcement program is administered by States with 75 percent Federal financial participation and under Federal policies and regulations. Grants are made to States quarterly based upon their estimates of the level of activity and availability of State funds.

The law requires that child support payments made by absent parents on behalf of recipients of AFDC go to the State or local agency for distribution. Until September 30, 1976, 40 percent of the first $50 collected was paid to AFDC families with no decrease in their assistance payments. The remaining collections reimburse State and Federal governments for past and current assistance payments in proportion to their respective participation in the financing of these payments. Out of the Federal reimbursement, an incentive payment is made to the enforcing and collecting political subdivisions or, in interstate cases, to the State.

Accomplishments in 1977: During 1977, child support collections of an estimated $441 million will be made on behalf of about 665,000 families receiving AFDC. Approximately $164 million in child support collections will be available to the Federal Government to reimburse assistance payments. We estimate that about 150,000 families not receiving assistance

payments will be provided child support services. States will continue to implement and improve their Child Support Enforcement programs. The estimated total cost of State and local administration will be $236 million of which the Federal share will be about $177 million.

Objectives for 1978: In 1978, child support collections are estimated at $632 million for an average of 879,000 AFDC families. The estimated Federal share will be $251 million. We estimate that child support collections will be made on behalf of about 175,000 families not receiving AFDC. The estimated total cost of State and local administration will be $267 million, of which the Federal share will be $200 million. Federal efforts will be directed toward improving States' effectiveness and conducting the first annual audit of all State programs.

Public Assistance

Program Purpose and Accomplishments

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

1977 Estimate	1978 Authorization	1978 Budget Estimate
$10,229,318,000	Indefinite	$11,816,000,000

Purpose: Grants for medical assistance under Title XIX of the Social Security Act (Medicaid) are made to States having plans approved by the Department of Health, Education, and Welfare. The purpose of Title XIX, which became effective in January 1966, is to assist States to provide medical care to their low-income population.

Explanation: Federal financial participation in State Medicaid expenditures ranges from a minimum of 50 percent to a maximum of 78.2 percent (1977), according to a formula related to the per capita income of the State. Grants are made to States quarterly based upon their estimates of need and availability of State funds; overestimates or underestimates are corrected by adjusting subsequent quarterly grant awards.

Accomplishments in 1977: In 1977, $10.2 billion is estimated for medical care for an estimated 24.7 million persons or an average of $413 per person in Federal funds. State and local funds used to match Federal funds were about $315 per person for an average total cost of $728 per person.

Objectives for 1978: The 1978 estimate provides for an estimated 25 million persons to receive Medicaid benefits at a Federal cost of $11.8 billion. This averages to a cost of about $471 in Federal funds and $357 in State and local funds for an average total cost of $828 per person.

Priorities will be aimed at improving the cost-effectiveness of the program. Efforts to reduce fraud and abuse will continue in the review of several categories of providers. By the end of FY 1978, a capacity at the State and Regional Office level will have been developed to carry out the review function of fraud and abuse surveillance, and the central office will continue providing technical assistance in the area of compliance and program control. Efforts to monitor and to assist States in the process of reviewing the appropriateness of care will continue through utilization control activities. As PSRO's assume responsibility for hospital reviews, the central office emphasis will shift to reviews of long term care facilities. The Medicaid Management Information System (MMIS) is expected to be a substantial support activity since many States will have operational systems by 1978. The emphasis will be on refinement, additional systems, and effective use of information.

SOCIAL AND REHABILITATION SERVICE

Public Assistance

Program Purpose and Accomplishments

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

	1977 Estimate	1978 Authorization	1978 Budget Estimate
Basic Title XX	$2,376,589,000	$2,500,000,000	$2,401,300,000
Child Day Care (P.L. 94-401)	200,000,000	--	--
Total	$2,576,589,000	$2,500,000,000	$2,401,300,000

Purpose: The Social Services Amendments of 1974, Title XX, authorize Federal financial participation in State and local costs of providing services to eligible individuals directed at the five goals specified in the Act. An amount equal to at least 50 percent of total Federal expenditures in each State must be for persons receiving or eligible to receive Aid to Families with Dependent Children, Supplemental Security Income, or Medicaid. Title XX replaces other provisions regarding social services except in Guam, Puerto Rico, The Northern Marianas Islands and the Virgin Islands, where services continue to be provided under Titles I, IV-A, X, XIV, and XVI.

Explanation: A ceiling of $2,500,000,000 1/ is placed on Federal funding with each State receiving an allotment in proportion to the percentage of its population to the National population. Formula grants are made to States based on matching rates of 75 percent for all services except family planning services which are matched at 90 percent.

Accomplishments in 1977: Technical assistance was provided to States relative to implementation of Title XX. Federal administration centered on providing assistance to States on program planning, reporting, financial accountability, and administration. An estimated 6,303,000 recipients were provided services during the year. This compares with a 1976 level of 5,885,000 recipients. In addition, the Congress authorized an additional $40 million for the transition quarter and $200 million for FY 1977 for costs associated with child day care activities. This budget assumes States will claim $200 million in FY 1977 of this $240 million authorization.

1/ P.L. 94-401 increased the basic ceiling by $40 million for the Transition Quarter and $200 million for FY 1977 for child day care services.

Objectives for 1978: Efforts will be directed toward assisting States in the development of their services plans and service delivery mechanisms. A program of monitoring and program review will be carried out to assure that specific conformity requirements and Federal financial participation requirements are met. In 1978, it is estimated that 6,120,000 recipients will be provided services.

SOCIAL AND REHABILITATION SERVICE

Public Assistance

Program Purpose and Accomplishments

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

1977 Estimate	1978 Authorization	1978 Estimate
$79,860,000	Indefinite	$75,000,000

Purpose: The 1962 Amendments to the Social Security Act authorize Federal financial participation in costs associated with providing training to public assistance staff and persons preparing for employment in public asssistance agencies. The 1967 Amendments added a requirement that States provide for the use of volunteers and for the training and effective use of sub-professionals as community aid.

The 1974 Social Services Amendments gives statutory authority for personnel training and retraining directly related to the provision of social services authorized under Title XX of the Act. The Title program provides for training of personnel employed by the Title XX agency, volunteers attached to the Agency and service delivery and eligibility determination.

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

Accomplishments in 1977: In 1977, approximately 300,000 individuals will receive training.

Objectives for 1978: The 1978 request would provide training for approximately 280,000 individuals. Appropriation language for FY 1978 is proposed to provide a $75 million limitation on the Federal share of costs for State and local training.

SOCIAL AND REHABILITATION SERVICE

Public Assistance

Program Purpose and Accomplishments

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

1977 Estimate	1978 Authorization	1978 Budget Estimate
$56,500,000	$266,000,000	$56,500,000

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

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

Accomplishments in 1977: The number of children expected to be served in 1977 is 215,000 at a total estimated cost of $810,000,000.

Objectives for 1978: The total number of children expected to be served in 1978 is estimated at 215,000, for a total estimated cost of $870,000,000. Although the program level is expected to be the same as 1977, total expenditures are expected to increase due to increased costs of providing child welfare services.

SOCIAL AND REHABILITATION SERVICE

Public Assistance

Program Purpose and Accomplishments

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

1977 Estimate	1978 Authorization	1978 Budget Estimate
$9,200,000	Indefinite 1/	$9,200,000

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

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

Accomplishments: In 1977, the following was accomplished by SRS Public Assistance Evaluation, Research and Demonstration activities.

Social Services: A 10 State study of the impact of Title XX--tracing the dynamic movement of policy changes and resultant cost implications--is documenting the effect of loss of Federal financial participation when Federal Interagency Day Care Requirements, amended by Title XX, are not maintained.

Projects were initiated to examine purchase of services vs direct provision of services. Projects to develop methodologies and to determine the cost effectiveness of services and of service delivery methods were also begun.

Health Services: Projects near completion are demonstrating how Medicaid paid claims data can be used to identify aberrant medical delivery patterns for corrective action. Another project has demonstrated that utilization control techniques used by three States have succeeded in reducing Medicaid program costs. A project in California is developing and demonstrating actuarially sound reimbursement formulae for prepaid health organizations.

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

In long-term,care continuing efforts appear to be demonstrating, in five States, that a community-centered coordinating committee can screen individuals at risk for placement in long-term care institutions and provide or refer them to social and health services that enable them to remain in home and community settings at less cost than for institutional placement. Other hypotheses being tested are that these services are also medically more effective. Four other projects are demonstrating that day care centers are a feasible and more cost-effective alternative to long-term institutional care, one other project that day hospitals are. A final project is exploring a methodology for finding, classifying and comparing costs for similar services in alternative long-term care settings, both institutional and ambulatory.

Income Maintenance: Comprehensive management studies of State Administration of AFDC were completed. An evaluation of corrective action of errors in AFDC cases was initiated. A project was initiated to improve the intake process and eligibility determination through a decision logic table. Studies to improve the capability to forecast AFDC costs and caseloads were completed. A project was completed on the redesign of SRS statistical system, and will be followed with a project to develop a common data element dictionary. A project was initiated to develop an automated management accounting and control system. An experiment was initiated to test the feasibility of a system of monthly reporting of income by recipients. Research was completed on using blood tests to establish paternity for child support cases. A second project will develop an operational handbook for the establishment of paternity. A grant was made to develop a Title IV-D Technology Transfer Model.

Objectives in 1978: Research and evaluation activities in 1978 will reflect a continuing emphasis on improvement of the management of the public assistance programs. Efforts will continue to evaluate the Title XX, Social Services program and Title IV-D, Child Support Enforcement program. A major effort in 1978, following preliminary investigation in 1977, will be to conduct comprehensive management studies in all the public assistance programs with the goal of reducing potentially disallowable costs and promoting effective and efficient administration.

SOCIAL AND REHABILITATION SERVICE

Public Assistance

Program Purpose and Accomplishments

Activity: Training Projects (Social Security Act, Section 426)

1977 Estimate	1978 Authorization	1978 Budget Estimate
$8,150,000	Indefinite	---

Purpose: Training grants for the field of child welfare, including teaching grants, are provided under authority of Section 426 of the Social Security Act. Section 426 is directed at filling the need for personnel to work in the field of child welfare and training personnel currently employed in that field.

Explanation: Under Section 426, training grants, including teaching grants, traineeship grants for student support, and short-term training grants, are made to public and non-profit institutions of higher learning.

Accomplishments in FY 1977: The 1977 appropriation will be used under Section 426 to fund long-term training for child and family services through teaching grants and student financial assistance, and will also fund short-term projects to train persons currently employed in the child welfare field. Training projects will give particular attention to areas of high national and State priority such as comprehensive social services planning, improved management of child and family service programs, child care services to families and children in ethnic minority groups, and improved delivery of services to maintain children in their own homes and preserve family life for children as far as possible. An estimated 150 projects will be funded.

Objectives for FY 1978: No new funds are being requested for FY 1978.

MAINTENANCE ASSISTANCE: Federal Share of State Expenditures, FY 1976

States and Territories	Aid to families with dependent children	Emergency assistance	State and local administration	Total
Alabama	$46,893,181	-	$5,035,251	$51,928,432
Alaska	6,552,917	-	1,080,673	7,633,590
Arizona	19,850,936	-	3,514,942	23,365,778
Arkansas	37,193,603	$480	1,642,599	38,836,682
California	705,447,355	-	102,207,740	807,655,095
Colorado	43,880,140	-	3,537,615	47,417,755
Connecticut	62,129,742	376,427	2,605,978	65,112,147
Delaware	11,531,862	56,195	869,891	12,457,948
Dist. of Col.	44,423,846	730,864	4,205,979	49,360,689
Florida	68,754,574	-	11,695,546	80,450,120
Georgia	89,651,245	-	9,915,644	99,566,889
Guam	755,825	-	106,422	1,086,484 1/
Hawaii	32,117,114	-	1,225,319	33,342,433
Idaho	12,978,342	-	1,270,921	14,249,263
Illinois	356,156,840	72,567	40,918,799	397,148,206
Indiana	65,403,178	-	6,602,568	72,005,746
Iowa	52,998,494	-	3,540,747	56,539,241
Kansas	35,718,583	228,442	2,266,213	38,213,238
Kentucky	94,849,864	237,045	6,305,340	101,393,049
Louisiana	70,769,600	-	8,975,315	79,744,915
Maine	32,036,248	-	1,406,414	33,442,662
Maryland	74,722,591	2,343,933	5,983,508	83,050,032
Massachusetts	197,038,306	2,739,894	7,605,699	207,383,899
Michigan	358,603,237	3,349,057	20,469,828	382,422,122
Minnesota	80,304,267	2,793,157	6,809,493	89,906,917
Mississippi	26,466,632	-	2,120,696	28,587,328
Missouri	84,825,737	-	8,933,196	93,758,933
Montana	7,991,020	30,289	673,539	8,694,848
Nebraska	15,951,361	138,005	1,150,062	17,239,428
Nevada	5,156,686	-	1,328,469	6,485,155
New Hampshire	13,778,553	-	761,821	14,540,374
New Jersey	211,505,235	604,453	16,081,117	228,190,805
New Mexico	23,870,062	-	2,856,873	26,726,935
New York	793,408,488	10,119,286	103,641,146	907,168,920
North Carolina	84,520,011	-	4,286,005	88,806,016
North Dakota	7,379,195	-	555,378	7,934,573
Ohio	234,259,925	8,272,465	12,339,721	254,672,111
Oklahoma	43,914,950	127,496	6,161,204	50,203,650
Oregon	66,420,035	290,578	5,543,344	72,253,957
Pennsylvania	353,585,731	26,781	28,592,462	382,204,974

See footnote at end of table.

MAINTENANCE ASSISTANCE: Federal Share of State Expenditures, FY 1976--continued

States and Territories	Aid to families with dependent children	Emergency assistance	State and local administration	Total
Puerto Rico.....	$12,300,666	-	$4,130,419	$19,969,069[1/]
Rhode Island.....	27,497,761	-	1,615,744	29,113,505
South Carolina....	35,245,537	-	3,992,391	39,237,928
South Dakota.....	13,289,913	$2,728	1,547,321	14,839,962
Tennessee.....	63,233,342	-	6,184,839	69,418,181
Texas.....	100,769,234	-	13,199,160	113,968,394
Utah.....	23,763,000	126	1,434,511	25,197,637
Vermont.....	17,413,457	80,941	770,343	18,264,741
Virgin Islands....	70,780	-	(54,608)	122,372[1/]
Virginia.....	79,506,973	617,118	7,000,345	87,124,436
Washington.....	79,836,187	1,756,646	6,317,332	87,910,165
West Virginia.....	37,301,109	435,807	2,935,252	40,672,168
Wisconsin.....	128,101,608	250,624	5,197,997	133,550,229
Wyoming.....	2,919,511	55,684	343,988	3,319,183
Subtotal.....	5,196,043,589	35,737,888	509,438,511	5,745,088,409[1/]
Repatriation of U.S. Nationals..				729,000
Adult Phaseout....				-9,090,421
Subtotal				5,736,726,988
Adjustments.....				+151,046,012
Total.....				5,887,773,000

1/ Includes, respectively, adult category amounts for:

Guam.....	$224,237
Puerto Rico.....	3,537,984
Virgin Islands.....	106,200
Total.....	$3,868,421

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, FY 1977
(Based on Evaluation of States' August 1976 Estimates)

States and Territories	Aid to families with dependent children	Emergency assistance	State and local administration	Total
Alabama	$52,509,000	-	$5,566,000	$58,075,000
Alaska	6,462,000	-	1,160,000	7,622,000
Arizona	18,716,000	-	3,425,000	22,141,000
Arkansas	37,310,000	-	2,239,000	39,549,000
California	808,123,000	-	112,882,000	921,005,000
Colorado	46,945,000	-	3,995,000	50,940,000
Connecticut	72,102,000	$498,000	3,469,000	76,069,000
Delaware	13,237,000	91,000	993,000	14,321,000
Dist. of Col.	45,303,000	636,000	4,387,000	50,326,000
Florida	69,933,000	-	13,121,000	83,054,000
Georgia	82,795,000	-	10,142,000	92,937,000
Guam	1,030,000	-	72,000	1,273,000 1/
Hawaii	37,000,000	-	1,490,000	38,490,000
Idaho	14,124,000	-	1,522,000	15,646,000
Illinois	367,936,000	-	45,033,000	412,969,000
Indiana	73,945,000	-	6,178,000	80,123,000
Iowa	57,672,000	-	4,363,000	62,035,000
Kansas	38,428,000	73,000	2,961,000	41,462,000
Kentucky	98,934,000	245,000	6,949,000	106,128,000
Louisiana	70,604,000	-	9,788,000	80,392,000
Maine	33,750,000	-	1,623,000	35,373,000
Maryland	77,525,000	2,561,000	6,505,000	86,591,000
Massachusetts	226,865,000	2,215,000	10,960,000	240,040,000
Michigan	411,031,000	3,179,000	24,970,000	439,180,000
Minnesota	96,539,000	2,461,000	7,246,000	106,246,000
Mississippi	26,803,000	-	3,416,000	30,219,000
Missouri	88,718,000	-	9,836,000	98,554,000
Montana	9,166,000	27,000	779,000	9,972,000
Nebraska	15,480,000	96,000	1,213,000	16,789,000
Nevada	5,102,000	-	1,443,000	6,545,000
New Hampshire	14,492,000	-	855,000	15,347,000
New Jersey	235,622,000	728,000	19,953,000	256,303,000
New Mexico	24,417,000	-	3,223,000	27,640,000
New York	840,063,000	9,852,000	119,415,000	969,330,000
North Carolina	90,378,000	-	4,355,000	94,733,000
North Dakota	8,838,000	-	612,000	9,450,000
Ohio	251,784,000	7,854,000	19,702,000	279,340,000
Oklahoma	47,754,000	147,000	6,763,000	54,664,000
Oregon	75,210,000	360,000	6,740,000	82,310,000
Pennsylvania	385,048,000	1,000	39,621,000	424,670,000

See footnote at end of table.

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, FY 1977 (Based on Evaluation of States' August 1976 Estimates) --Continued

States and Territories	Aid to families with dependent children	Emergency assistance	State and local administration	Total
Puerto Rico.....	$14,627,000	-	$5,062,000	$23,229,000 1/
Rhode Island.....	34,525,000	-	1,701,000	36,226,000
South Carolina....	35,878,000	-	4,790,000	40,668,000
South Dakota.....	13,949,000	$5,000	1,944,000	15,898,000
Tennessee.....	56,854,000	-	6,780,000	63,634,000
Texas.....	96,752,000	-	14,837,000	111,589,000
Utah.....	27,955,000	-	1,922,000	29,877,000
Vermont.....	22,222,000	260,000	826,000	23,308,000
Virgin Islands....	1,011,000	-	60,000	1,177,000 1/
Virginia.....	79,412,000	572,000	7,102,000	87,086,000
Washington.....	84,536,000	1,847,000	6,898,000	93,281,000
West Virginia.....	35,483,000	430,000	2,936,000	38,849,000
Wisconsin.....	159,114,000	-	6,066,000	165,180,000
Wyoming.....	3,272,000	57,000	352,000	3,681,000
Subtotal.....	5,643,283,000	34,195,000	590,241,000	6,271,536,000
Repatriation of U.S. Nationals..				980,000
Subtotal.....				6,272,516,000
Adjustments.....				+21,000,000
Total.....				6,293,516,000

1/ Includes, respectively, adult category amounts for:

Guam.....	$171,000
Puerto Rico.....	3,540,000
Virgin Islands.....	106,000
Total.....	$3,817,000

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, FY 1978
(Based on States' August 1976 Estimates)

States and Territories	Aid to families with dependent children	Emergency assistance	State and local administration	Total
Alabama	$52,714,000	-	$6,900,000	$59,614,000
Alaska	6,646,000	-	1,009,000	7,655,000
Arizona	18,480,000	-	3,289,000	21,769,000
Arkansas	38,792,000	-	2,622,000	41,414,000
California	846,001,000	-	115,364,000	961,365,000
Colorado	50,732,000	-	4,915,000	55,647,000
Connecticut	79,220,000	$ 505,000	3,453,000	83,178,000
Delaware	13,927,000	80,000	1,030,000	15,037,000
Dist. of Col.	42,960,000	600,000	4,908,000	48,468,000
Florida	75,603,000	-	14,566,000	90,169,000
Georgia	76,333,000	-	10,697,000	87,030,000
Guam	1,214,000	-	97,000	1,482,000 1/
Hawaii	42,415,000	-	1,509,000	43,924,000
Idaho	14,400,000	-	1,849,000	16,249,000
Illinois	354,949,000	-	38,112,000	393,061,000
Indiana	80,137,000	-	6,983,000	87,120,000
Iowa	60,888,000	-	6,580,000	67,468,000
Kansas	41,327,000	73,000	3,203,000	44,603,000
Kentucky	98,430,000	278,000	8,250,000	106,958,000
Louisiana	73,890,000	-	10,084,000	83,974,000
Maine	34,736,000	-	1,550,000	36,286,000
Maryland	81,537,000	2,526,000	8,212,000	92,275,000
Massachusetts	238,494,000	2,600,000	13,270,000	254,364,000
Michigan	442,227,000	5,715,000	29,080,000	477,022,000
Minnesota	100,981,000	3,000,000	8,656,000	112,637,000
Mississippi	25,170,000	-	2,413,000	27,583,000
Missouri	92,391,000	-	10,526,000	102,917,000
Montana	10,568,000	20,000	811,000	11,399,000
Nebraska	16,262,000	122,000	1,288,000	17,672,000
Nevada	5,076,000	-	1,404,000	6,480,000
New Hampshire	16,751,000	-	930,000	17,681,000
New Jersey	237,709,000	860,000	20,100,000	258,669,000
New Mexico	25,924,000	-	3,533,000	29,457,000
New York	892,883,000	13,349,000	122,320,000	1,028,552,000
North Carolina	95,941,000	-	5,770,000	101,711,000
North Dakota	9,864,000	-	668,000	10,532,000
Ohio	283,016,000	8,868,000	22,461 000	314,345,000
Oklahoma	50,426,000	162,000	5,252,000	55,840,000
Oregon	79,851,000	474,000	7,485,000	87,810,000
Pennsylvania	395,558,000	-	43,311,000	438,869,000

See footnote at end of table.

MAINTENANCE ASSISTANCE: Estimated Federal Share of State Expenditures, FY 1978 (Based on States' August 1976 Estimates)--Continued

States and Territories	Aid to families with dependent children	Emergency assistance	State and local administration	Total
Puerto Rico.....	$15,150,000	-	$5,225,000	$24,156,000 1/
Rhode Island.....	36,885,000	-	1,780,000	38,665,000
South Carolina....	38,006,000	-	5,509,000	43,515,000
South Dakota.....	14,432,000	$5,000	1,905,000	16,342,000
Tennessee.....	57,246,000	-	7,420,000	64,666,000
Texas.....	112,449,000	-	14,200,000	126,649,000
Utah.....	28,662,000	-	2,150,000	30,812,000
Vermont.....	25,107,000	306,000	894,000	26,307,000
Virgin Islands....	1,404,000	7,000	212,000	1,785,000 1/
Virginia.....	79,589,000	210,000	7,625,000	87,424,000
Washington.....	82,075,000	494,000	8,338,000	90,907,000
West Virginia.....	36,192,000	400,000	3,000,000	39,592,000
Wisconsin.....	181,278,000	-	7,255,000	188,533,000
Wyoming.....	3,312,000	62,000	390,000	3,764,000
Subtotal.....	5,916,210,000	40,716,000	620,363,000	6,581,403,000 1/
Repatriation of U.S. Nationals..				980,000
Subtotal.....				6,582,363,000
Adjustments.....				+74,637,000
Total.....				6,657,000,000

1/ Includes, respectively, adult category amounts for:

Guam.....	$171,000
Puerto Rico.....	3,781,000
Virgin Islands.....	162,000
Total.....	$4,114,000

CHILD SUPPORT ENFORCEMENT
Administration
Federal Share of State Expenditures

States	1976 Actual	1977 Estimate	1978 Estimate
Alabama	$ 612,000	$ 2,564.000	$ 3,344,000
Alaska	51,600	273,000	410,000
Arizona	182,000	1,164,000	1,093,000
Arkansas	118,700	175,000	167,000
California	31,463,700	40,067,000	36,253,000
Colorado	969,500	2,267,000	1,944,000
Connecticut	359,800	1,261,000	1,575,000
Delaware	334,200	556,000	604,000
District of Columbia	371,600	617,000	716,000
Florida	1,260,300	2,187,000	3,137,000
Georgia	506,100	913,000	977,000
Guam	0	52,000	0
Hawaii	308,000	834,000	850,000
Idaho	300,600	350,000	392,000
Illinois	1,440,700	2,436,000	2,352,000
Indiana	36,400	1,297,000	1,725,000
Iowa	675,100	1,419,000	1,537,000
Kansas	220,800	623,000	678,000
Kentucky	254,500	541,000	600,000
Louisiana	2,297,500	2,445,000	2,800,000
Maine	310,400	639,000	500,000
Maryland	748,700	2,382,000	2,603,000
Massachusetts	2,159,500	2,270,000	2,424,000
Michigan	5,362,500	10,008,000	11,572,000
Minnesota	3,448,300	4,603,000	4,197,000
Mississippi	127,700	367,000	800,000
Missouri	154,900	464,000	2,475,000
Montana	204,100	176,000	225,000
Nebraska	211,100	499,000	472,000
Nevada	2,500	596,000	600,000
New Hampshire	72,000	186,000	200,000
New Jersey	6,701,200	13,476,000	17,200,000
New Mexico	277,900	898,000	936,000
New York	15,690,000	37,425,000	28,000,000
North Carolina	831,800	2,015,000	2,145,000

CHILD SUPPORT ENFORCEMENT
Administration
Federal Share of State Expenditures (Continued)

States	1976 Actual	1977 Estimate	1978 Estimate
North Dakota	$ 61,400	$ 238,000	$ 220,000
Ohio	2,463,800	3,156,000	3,029,000
Oklahoma	666,700	1,257,000	1,286,000
Oregon	2,687,000	4,621,000	3,320,000
Pennsylvania	1,602,000	6,871,000	6,289,000
Puerto Rico	133,200	329,000	0
Rhode Island	460,000	556,000	500,000
South Carolina	99,500	642,000	930,000
South Dakota	417,600	872,000	956,000
Tennessee	80,100	620,000	728,000
Texas	3,144,100	8,082,000	8,776,000
Utah	779,100	1,191,000	2,013,000
Vermont	228,600	371,000	347,000
Virgin Islands	113,900	128,000	404,000
Virginia	818,500	2,248,000	1,462,000
Washington	2,501,300	3,846,000	3,748,000
West Virginia	290,300	922,000	800,000
Wisconsin	1,503,400	2,963,000	4,600,000
Wyoming	46,300	87,000	88,000
Subtotal	$ 96,163,300	$177,045,000	$174,999,000
Adjustments	+10,791,700	---	+25,001,000
Total	$106,955,000	$177,045,000	$200,000,000

CHILD SUPPORT ENFORCEMENT

Federal Share of Collections

States	1976 Actual	1977 Estimate	1978 Estimate
Alabama	$ 4,700	$ 1,208,000	$ 2,482,000
Alaska	0	0	0
Arizona	0	103,000	759,000
Arkansas	2,600	104,000	171,000
California	3,057,600	18,621,000	22,320,000
Colorado	525,800	1,101,000	1,264,000
Connecticut	3,422,700	4,300,000	5,000,000
Delaware	264,400	456,000	492,000
District of Columbia	172,400	135,000	131,000
Florida	176,500	2,561,000	5,310,000
Georgia	402,300	1,317,000	57,000
Guam	0	24,000	0
Hawaii	12,000	376,000	879,000
Idaho	533,700	793,000	847,000
Illinois	1,901,400	11,000,000	11,000,000
Indiana	0 1/	1,018,000	2,604,000
Iowa	2,581,300	2,723,000	3,842,000
Kansas	887,000	1,140,000	1,196,000
Kentucky	79,100	2,164,000	3,352,000
Louisiana	409,900	1,804,000	2,094,000
Maine	526,700	2,028,000	2,937,000
Maryland	971,700	4,300,000	5,300,000
Massachusetts	8,164,500	8,690,000	10,890,000
Michigan	14,784,500	16,600,000	19,627,000
Minnesota	1,618,600	3,315,000	3,411,000
Mississippi	0 1/	32,000	48,000
Missouri	0 1/	3,538,000	18,574,000
Montana	88,200	381,000	499,000
Nebraska	18,000	425,000	718,000
Nevada	0 1/	63,000	76,000
New Hampshire	315,400	627,000	780,000
New Jersey	2,896,600	10,100,000	13,050,000
New Mexico	256,100	911,000	1,274,000
New York	1,547,600	6,007,000	8,564,000
North Carolina	32,100	2,664,000	6,578,000

CHILD SUPPORT ENFORCEMENT

Federal Share of Collections

States	1976 Actual	1977 Estimate	1978 Estimate
North Dakota.....	$ 181,600	$ 344,000	$ 417,000
Ohio.....	3,527,000	4,834,000	5,240,000
Oklahoma.....	290,600	2,103,000	2,369,000
Oregon.....	436,800	4,579,000	4,988,000
Pennsylvania.....	4,583,300	13,100,000	19,700,000
Puerto Rico.....	0	125,000	0
Rhode Island.....	1,248,500	1,866,000	2,319,000
South Carolina.....	0	327,000	986,000
South Dakota.....	201,900	617,000	810,000
Tennessee.....	84,600	251,000	505,000
Texas.....	1,380,000	5,369,000	6,208,000
Utah.....	970,800	2,235,000	3,394,000
Vermont.....	385,200	675,000	988,000
Virgin Islands.....	12,300	174,000	186,000
Virginia.....	1,008,100	2,598,000	4,082,000
Washington.....	5,258,400	8,269,000	9,036,000
West Virginia.....	0	0	0
Wisconsin.....	1,005,400	5,837,000	9,880,000
Wyoming.....	66,700	199,000	305,000
Subtotal.....	$ 66,294,600	$164,131,000	$227,539,000
Adjustments...	+30,529,400	---	+23,661,000
Total....	$ 96,824,000	164,131,000	251,200,000

MEDICAL ASSISTANCE: Federal Share of Medical Vendor Payments, and State and Local Administration and Training; by State; FY 1976 - FY 1978. (Based on August 1976 States' Estimates)

States and Territories	FY 1976 Actual	FY 1977 Estimate	FY 1978 Estimate
Alabama	$ 128,660,589	$ 158,916,000	$ 123,515,000
Alaska	6,950,162	8,979,000	7,510,000
Arizona	---	5,652,000	47,963,000
Arkansas	96,895,250	117,851,000	133,314,000
California	965,272,792	1,189,878,000	1,236,353,000
Colorado	64,426,020	67,749,000	78,619,000
Connecticut	99,005,031	115,835,000	125,652,000
Delaware	11,240,086	13,118,000	13,155,000
Dist. of Columbia	58,714,604	65,387,000	63,626,000
Florida	112,008,423	137,975,000	143,699,000
Georgia	183,090,105	207,996,000	257,476,000
Guam	495,875	570,000	570,000
Hawaii	24,278,262	33,184,000	41,324,000
Idaho	22,834,417	26,582,000	36,152,000
Illinois	415,376,775	493,310,000	510,100,000
Indiana	125,547,171	146,386,000	161,748,000
Iowa	73,768,430	95,500,000	111,044,000
Kansas	64,753,149	78,298,000	75,798,000
Kentucky	115,670,248	140,888,000	148,102,000
Louisiana	152,416,230	198,019,000	227,719,000
Maine	55,655,801	63,598,000	62,635,000
Maryland	130,878,409	161,160,000	160,497,000
Massachusetts	339,858,022	426,025,000	420,528,000
Michigan	416,766,194	499,896,000	505,123,000
Minnesota	190,134,114	231,400,000	230,980,000
Mississippi	99,646,812	117,989,000	140,645,000
Missouri	75,818,572	99,556,000	120,134,000
Montana	21,123,801	25,324,000	28,892,000
Nebraska	38,003,746	43,563,000	42,598,000
Nevada	12,880,225	17,199,000	13,273,000

MEDICAL ASSISTANCE: Federal Share of Medical Vendor Payments, and State and Local Administration and Training; by State; FY 1976 - FY 1978. (Continued)

States and Territories	FY 1976 Actual	FY 1977 Estimate	FY 1978 Estimate
New Hampshire...	$ 22,327,747	$ 28,144,000	$ 29,539,000
New Jersey.....	212,481,040	280,342,000	344,898,000
New Mexico.....	29,319,976	36,111,000	39,356,000
New York.....	1,575,522,826	1,806,003,000	1,849,938,000
North Carolina..	159,196,944	183,864,000	168,413,000
North Dakota....	15,450,727	18,479,000	20,273,000
Ohio.....	262,536,689	378,336,000	376,121,000
Oklahoma.....	116,898,081	138,482,000	148,782,000
Oregon.....	64,786,213	80,599,000	92,484,000
Pennsylvania....	418,617,305	501,110,000	562,692,000
Puerto Rico.....	30,000,000	30,000,000	30,000,000
Rhode Island....	53,793,760	65,350,000	66,183,000
South Carolina..	81,219,524	112,436,000	124,376,000
South Dakota....	18,529,242	23,197,000	24,548,000
Tennessee.....	138,533,207	165,926,000	190,275,000
Texas.....	421,710,513	539,295,000	633,644,000
Utah.....	30,884,929	37,049,000	39,009,000
Vermont.....	28,892,181	32,185,000	32,644,000
Virgin Islands..	1,065,162	991,000	167,659,000
Virginia.....	117,178,582	144,290,000	1,000,000
Washington.....	104,303,564	132,323,000	147,061,000
West Virginia...	46,678,012	66,253,000	52,972,000
Wisconsin.....	255,439,443	319,676,000	335,586,000
Wyoming.....	4,410,194	5,969,000	6,002,000
Subtotal.....	8,311,945,176	10,114,193,000	10,760,199,000
Adjustments..	+12,108,000	+115,125,000	+1,055,801,000
Total.....	8,324,053,176	10,229,318,000	11,816,000,000

SOCIAL SERVICES

Federal Share of State Expenditures

States	1976 Actual	1977 Estimate	1978 Estimate
Alabama	$ 30,779,000	$ 37,123,000	$ 41,403,000
Alaska	3,457,000	4,205,000	3,804,000
Arizona	6,397,000	23,449,000	26,000,000
Arkansas	11,316,000	24,212,000	24,750,000
California	244,857,000	247,791,000	248,500,000
Colorado	29,213,000	32,743,000	29,500,000
Connecticut	36,210,000	36,525,000	36,250,000
Delaware	6,361,000	6,864,000	6,750,000
District of Columbia	9,000,000	8,671,000	8,500,000
Florida	83,844,000	95,592,000	98,000,000
Georgia	51,482,000	55,420,000	57,750,000
Guam	44,000	375,000	500,000
Hawaii	7,999,000	9,385,000	10,250,000
Idaho	9,250,000	10,255,000	9,750,000
Illinois	101,921,000	118,420,000	130,750,000
Indiana	8,516,000	22,208,000	27,002,000
Iowa	35,392,000	34,467,000	33,750,000
Kansas	18,302,000	22,566,000	25,125,000
Kentucky	40,584,000	39,816,000	39,750,000
Louisiana	30,998,000	42,129,000	44,750,000
Maine	10,345,000	11,841,000	12,500,000
Maryland	41,701,000	42,486,000	48,000,000
Massachusetts	84,318,000	76,868,000	68,250,000
Michigan	93,304,000	103,621,000	107,500,000
Minnesota	42,506,000	50,314,000	46,000,000
Mississippi	8,239,000	10,705,000	27,382,000
Missouri	27,081,000	46,192,000	55,750,000
Montana	8,382,000	9,077,000	8,750,000
Nebraska	18,234,000	18,251,000	18,250,000
Nevada	3,823,000	5,951,000	7,000,000
New Hampshire	6,955,000	8,944,000	9,500,000
New Jersey	79,779,000	86,700,000	85,750,000
New Mexico	10,482,000	14,328,000	13,012,000
New York	250,012,000	214,200,000	212,500,000
North Carolina	41,263,000	51,320,000	64,000,000

SOCIAL SERVICES

Federal Share of State Expenditures (continued)

States	1976 Actual	1977 Estimate	1978 Estimate
North Dakota	$ 5,369,000	$ 6,446,000	$ 7,500,000
Ohio	61,159,000	80,037,000	126,250,000
Oklahoma	26,489,000	29,894,000	31,750,000
Oregon	25,830,000	26,618,000	26,750,000
Pennsylvania	130,762,000	138,045,000	138,750,000
Puerto Rico	7,012,000	11,250,000	9,460,000
Rhode Island	11,499,000	11,075,000	10,750,000
South Carolina	26,236,000	33,366,000	33,000,000
South Dakota	6,715,000	9,268,000	8,000,000
Tennessee	27,011,000	38,536,000	48,765,000
Texas	140,922,000	152,090,000	143,500,000
Utah	9,796,000	12,217,000	14,250,000
Vermont	5,443,000	4,625,000	4,572,000
Virgin Islands	906,000	375.000	1.155,000
Virginia	38,501,000	56,357,000	58,250,000
Washington	37,369,000	38,546,000	41,500,000
West Virginia	18,159,000	22,325,000	20,918,000
Wisconsin	54,941,000	50,897,000	54,000,000
Wyoming	3,715,000	4,560,000	4,500,000
TOTAL	2,130,380,000	2,349,439,000	2,470,598,000
Adjustments	+568,518,000	+227,150,000	-69,298,000
Total	$ 2,698,898,000	$ 2,576,589,000	$ 2,401,300,000

Includes $200,000,000 for Child Day Care Services under Public Law #94-401.

. STATE AND LOCAL TRAINING COMBINED

Federal Share of State Expenditures

States	1976 Actual	1977 Estimate	1978 Estimate
Alabama	$ 1,109,000	$ 1,454,000	$ 1,508,000
Alaska	428,000	661,000	625,000
Arizona	412,000	266,000	281,000
Arkansas	271,000	545,000	675,000
California	5,664,000	5,951,000	5,366,000
Colorado	745,000	642,000	672,000
Connecticut	319,000	5,472,000	5,356,000
Delaware	83,000	86,000	91,000
District of Columbia	251,000	137,000	204,000
Florida	948,000	1,117,000	1,412,000
Georgia	821,000	1,739,000	1,932,000
Guam	17,000	19,000	25,000
Hawaii	103,000	74,000	107,000
Idaho	435,000	592.000	620,000
Iliinois	1,485,000	2,142,000	2,311,000
Indiana	298,000	138,000	144,000
Iowa	607,000	847,000	1,282,000
Kansas	750,000	942,000	844,000
Kentucky	1,649,000	1,383,000	932,000
Louisiana	1,274,000	1,882,000	1,836,000
Maine	92,000	271,000	96,000
Maryland	2,326,000	2,492,000	2,450,000
Massachusetts	579,000	838,000	681,000
Michigan	1,145,000	1,889,000	1,764,000
Minnesota	920,000	1,187,000	1,235,000
Mississippi	738,000	1,015,000	823,000
Missouri	1,448,000	1,512,000	1,679,000
Montana	1,078,000	1,416,000	1,266,000
Nebraska	152,000	235,000	199,000
Nevada	233,000	171,000	190,000
New Hampshire	23,000	21,000	35,000
New Jersey	1,971,000	3,025,000	4,881,000
New Mexico	304,000	471,000	356,000
New York	12,681,000	10,847,000	9,421,000
North Carolina	1,311,000	1,952,000	2,288,000

STATE AND LOCAL TRAINING COMBINED

Federal Share of State Expenditures (continued)

States	1976 Actual	1977 Estimate	1978 Estimate
North Dakota	$ 251,000	$ 280,000	$ 327,000
Ohio	966,000	1,208,000	1,351,000
Oklahoma	452,000	484,000	571,000
Oregon	1,102,000	2,094,000	2,351,000
Pennsylvania	3,435,000	4,084,000	4,568,000
Puerto Rico	1,000	75,000	100,000
Rhode Island	251,000	228,000	258,000
South Carolina	622,000	915,000	1,231,000
South Dakota	115,000	175,000	181,000
Tennessee	508,000	785,000	891,000
Texas	2,823,000	3,534,000	3,868,000
Utah	864,000	1,170,000	1,186,000
Vermont	162,000	269,000	280,000
Virgin Islands	11,000	30,000	12,000
Virginia	1,250,000	1,338.000	1,381,000
Washington	1,583,000	1,838,000	2,076,000
West Virginia	1,502,000	1,431,000	1,204,000
Wisconsin	637,000	1,281,000	1,475,000
Wyoming	100,000	210,000	214,000
Sub Total	59,305,000	74,860,000	77,112,000
Adjustments	+5,667,000	+5,000,000	-2,112,000
Total	$ 64,972,000	$ 79,860,000	$ 75,000,000

CHILD WELFARE SERVICES

Actual and Estimated Awards 1/

Fiscal Years 1976-1978

States	1976 Actual	1977 Estimate	1978 Estimate
Alabama	$ 1,095,825	$ 1,180,089	$ 1,180,089
Alaska	145,691	154,230	154,230
Arizona	631,054	686,376	686,376
Arkansas	648,529	712,954	712,954
California	4,091,955	4,420,291	4,420,291
Colorado	654,331	699,752	699,752
Connecticut	600,429	634,935	634,935
Delaware	182,990	191,614	191,614
District of Columbia	176,753	184,564	184,564
Florida	1,790,153	1,955,009	1,955,009
Georgia	1,386,831	1,492,687	1,492,687
Guam	104,996	118,238	118,238
Hawaii	242,112	258,371	258,371
Idaho	298,391	322,254	322,254
Illinois	2,191,368	2,345,843	2,345,843
Indiana	1,332,903	1,414,892	1,414,892
Iowa	716,095	770,259	770,259
Kansas	552,261	587,103	587,103
Kentucky	985,895	1,068,569	1,068,569
Louisiana	1,200,530	1,287,954	1,287,954
Maine	352,258	378,764	378,764
Maryland	902,962	956,876	956,876
Massachusetts	1,238,768	1,328,601	1,328,601
Michigan	2,021,492	2,169,716	2,169,716
Minnesota	993,794	1,059,188	1,059,188
Mississippi	828,299	892,309	892,309
Missouri	1,155,053	1,230,106	1,230,106
Montana	258,385	276,073	276,073
Nebraska	417,585	444,627	444,627
Nevada	184,416	195,403	195,403

CHILD WELFARE SERVICES

Actual and Estimated Awards 1/

Fiscal Years 1976-1978 (continued)

States	1976 Actual	1977 Estimate	1978 Estimate
New Hampshire	$ 233,561	$ 282,704	$ 282,704
New Jersey	1,357,979	1,438,211	1,438,211
New Mexico	426,021	459,706	459,706
New York	3,255,530	3,479,774	3,479,774
North Carolina	1,477,274	1,600,954	1,600,954
North Dakota	221,334	232,419	232,419
Ohio	2,469,370	2,654,867	2,654,867
Oklahoma	747,150	800,588	800,588
Oregon	587,388	628,487	628,487
Pennsylvania	2,552,237	2,729,585	2,729,585
Puerto Rico	1,339,738	1,505,158	1,505,158
Rhode Island	271,290	284,076	284,076
South Carolina	895,367	967,275	967,275
South Dakota	251,212	266,025	266,025
Tennessee	1,157,334	1,258,768	1,258,768
Texas	3,209,566	3,475,706	3,475,706
Utah	452,878	493,593	493,593
Vermont	200,241	209,004	209,004
Virgin Islands	105,435	112,530	112,530
Virginia	1,206,365	1,298,321	1,298,321
Washington	819,851	889,983	889,983
West Virginia	535,140	577,528	577,528
Wisconsin	1,178,139	1,265,928	1,265,928
Wyoming	160,226	171,163	171,163
Sub Total	52,492,730	56,500,000	56,500,000
Adjustments	+7,270	---	---
Total	$ 52,500,000	$ 56,500,000	$ 56,500,000

1/ Each State receives a uniform grant of $70,000 and an additional grant which varies directly with child population under 21 and inversely with average per capita income.

Appropriation Estimate

WORK INCENTIVES

For carrying out a work incentives program, as authorized by part C of Title IV of the Social Security Act, including registration of individuals for such program, and for related child care and other supportive service, as authorized by section 402(a)(19)(G) of the Act, including transfer to the Secretary of Labor, as authorized by section 431 of the Act, [$370,000,000] *$365,000,000*, which shall be the maximum amount available for transfer to the Secretary of Labor and to which the States may become entitled pursuant to section 403(d) of such Act, for these purposes.

WORK INCENTIVES

Appropriation Language	Explanation
...which shall be the maximum amount available for transfer to the Secretary of Labor and to which the States may become entitled pursuant to section 403(d) of such Act, for these purposes.	Appropriation is authorized under Title IV, Sec. 431(a): Language is written to insure the limitation of expenditures incurred in the fiscal year, consistent with the closed end appropriation nature of the program as opposed to the open-ended nature of the authorizing legislation.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Work Incentives

Amounts Available for Obligation

	1977	1978
Appropriation	$370,000,000	$365,000,000
Total, obligations	$370,000,000	$365,000,000

Summary of Changes

1977 Estimated Obligations	$370,000,000
1978 Estimated Obligations	365,000,000
Net change	- 5,000,000

	1977 Base Pos.	1977 Base Amount	Change from Base Pos.	Change from Base Amount
Increases:				
A. Built-in				
1. Within-grade promotions				+71,000
2. Administrative and program support	255	13,005,000	---	+89,000
(Working capital fund, ADP conversion)				(+38,000)
(Travel cost increase)				(+51,000)
Subtotal				(+160,000)
Total increases				+160,000
Decreases:				
A. Built-in				
1. One less day of pay		4,981,000		-17,000
2. Administrative and program support	255	13,005,000	---	-143,000
(Less working capital fund needs)				(-129,000)
(Offset in project contracts for absorption of net mandatory increases)				(- 14,000)
Subtotal				-160,000
B. Program				
1. Grants to States	---	356,995,000	---	-5,000,000
Subtotal				-5,000,000
Total decreases				-5,160,000
Net change				-5,000,000

Obligations by Activity

Page Ref.		1977 Estimate Pos.	1977 Estimate Amount	1978 Estimate Pos.	1978 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
87	Grants to States	---	$356,995,000	---	$351,995,000	---	$-5,000,000
92	Program Direction and Evaluation	255	13,005,000	255	13,005,000	---	---
	Total obligations	255	$370,000,000	255	$365,000,000	---	$-5,000,000

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Total number of permanent positions	255	255	---
Full-time equivalent of all other positions	1	1	---
Average number of all employees	246	246	---
Personnel compensation:			
Permanent positions	$4,516,000	$4,566,000	$+50,000
Positions other than permanent	38,000	38,000	---
Other personnel compensation	12,000	12,000	---
Subtotal, personnel compensation	4,566,000	4,616,000	+50,000
Personnel benefits	415,000	419,000	+4,000
Travel and transportation of persons	433,000	484,000	+51,000
Transportation of things	16,000	16,000	---
Rent, communication and utilities	1,252,000	1,252,000	---
Printing and reproduction	128,000	128,000	---
Other services	921,000	830,000	-91,000
Projects contracts	5,146,000	5,132,000	-14,000
Supplies and materials	77,000	77,000	---
Equipment	51,000	51,000	---
Grants, subsidies, and contributions	356,995,000	351,995,000	-5,000,000
Total obligations by object	370,000,000	365,000,000	-5,000,000

Authorizing Legislation

	Amount Authorized	1978 Budget Request
Social Security Act as amended Section 431--Work Incentive Program for Recipients of Aid to Families with Dependent Children; and Section 401--Child Care (Related to Work Incentive Program).....	Indefinite	$365,000,000

Work Incentives

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1968	$40,000,000	$10,000,000	$10,000,000	$10,000,000
1969	135,000,000	135,000,000	100,000,000	117,500,000
1970	129,640,000	129,640,000	100,000,000	120,000,000
1971	170,180,000	120,180,000	98,180,000	98,180,000
1972	275,198,000	259,198,000	259,198,000	259,198,000
1973	290,420,000 1/	2/	455,133,000	290,420,000 3/
1974	543,434,000	384,434,000	340,443,000	340,443,000
1975	280,000,000	280,000,000	210,000,000	210,000,000
1976	330,000,000	400,000,000 4/	400,000,000	400,000,000
1977	315,000,000	370,000,000	370,000,000	370,000,000
1978	365,000,000			

1/ Comparable revised request shown for 1973.

2/ House did not consider request.

3/ No appropriation received; comparable funds received under a continuing resolution.

4/ Includes $70 million supplemental appropriation in the 1976 Continuing Resolution.

Justification

Work Incentives

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Grants to States	---	$356,995,000	---	$351,995,000	---	-$5,000,000
Program Direction and Evaluation	255	13,005,000	255	13,005,000	---	
Total	255	$370,000,000	255	$365,000,000	---	-$5,000,000

General Statement

The Work Incentive Program (WIN), authorized under Title IV of the Social Security Act, as amended, is designed to encourage and assist recipients of Aid to Families with Dependent Children (AFDC) to achieve self-support through a program of training, work experience, and employment, emphasizing direct placement and labor market exposure. Child care and other supportive services, as authorized by the 1971 Amendments to the Social Security Act, are provided to all WIN registrants who have been certified as needing such care or services to permit them to accept training or employment. In addition to child care, supportive services may include family planning, counseling and vocational rehabilitation services, medical, remedial and health-related care services. Training and incentives activities are administered by the Department of Labor and child care and supportive services by the Department of Health, Education, and Welfare. State expenditures are matched by Federal payments at the rate of 90 percent.

In 1978, funding and the budget request activity structure for WIN will be modified to reflect the appropriation request for a single sum for program funds without regard to designation for child care and supportive services or training and incentives activities. The new consolidated program budget activity will be "Grants to States." A second budget activity, "Program Direction and Evaluation," will include those funds retained at the national office level for overall program development, evaluation,

research and administration. Of the total funds to be appropriated for Fiscal Year 1978 and allocated by the Departments of Health, Education, and Welfare and Labor for Grants to States, the States will be allowed the flexibility to designate which portions of those funds will be utilized for supportive services including child care, and which portion will be utilized for training and incentives services, subject to the provisions of Section 431(b) and (c) of the Social Security Act.

Funds are appropriated directly to the Department of Health, Education, and Welfare which retains a portion of those funds for Federal Grants to State welfare agencies, which provide the child care and other supportive services. HEW also transfers to the Department of Labor sufficient funds to carry out the training and incentives activities portion of the WIN program in 54 States or jursidictions including some 300 local projects. The transferred funds in the form of Federal grants covering 90 percent of the costs of employment and training activities are made to the State employment and training agencies. Fifty percent of the transferred funds are distributed among the States based on each State's percentage of Work Incentives registrants during the preceding January. The remaining funds in each year are distributed at the Secretary of Labor's discretion, based on performance. The employment and training agencies provide for the registration of individuals, program orientation, testing, counseling (including the development of an employability plan for each WIN participant), job referral services, job development, direct job placement, and follow-up of all employed participants. These agencies also negotiate sub-contracts with local employers and educational and training facilities to provide on-the-job training, subsidized public service employment, work experience and institutional training. Collocation between the Departments of Labor and Health, Education, and Welfare at national, regional, State and local levels is continuing to better serve the needs of registrants entering work and training opportunities.

The Work Incentive Program is the major resource of employment and training services for the recipients of Aid to Families with Dependent Children who will be required to register for employment and work-related training. Therefore, the primary emphasis of WIN remains that of placing the maximum number of participants in self-supporting employment, thus reducing the cost of the nation's welfare assistance.

Work Incentives

The following data indicate the 1978 planned workload and program levels in comparison with Fiscal Years 1976 and 1977.

Workload

	1976	1977	1978
Registration/Labor Market Exposure1/	1,294,000	1,302,000	1,302,000
Appraisal/Employability Planning	674,677	555,000	555,000
Intensive Manpower Services/ Direct Placement	192,522	345,000	345,000
Man-years of work and training	30,605	27,800	27,800
Placements2/	211,185	220,000	220,000
Average number of children receiving child care	83,847	85,000	85,000
Average number of persons receiving supportive services	122,611	125,000	125,000

1/ Average on-board in 1976, new registrants in 1977 and 1978.
2/ Placements in 1977 and 1978 are based on individuals. Placements in 1976 are based on transactions. In 1976, 183,378 individuals were placed in permanent employment lasting 30 days or more.

Cost/Budget Authority
(dollars in thousands)

	1976	TQ	1977	1978
New Obligational Authority	$330,000	$80,000	$370,000	$365,000
1976 Continuing Resolution (enacted)	70,000	---	---	---
Program costs funded in prior years	47,882	91,030	85,449	90,449
Less unobligated balance lapsing	---	-5,299	---	---
Adjustments and reversions	-35,000	4,740	---	---
Program costs funded for subsequent year	-91,030	-85,449	-90,449	-90,449
Current year program costs	321,852	85,022	365,000	365,000

Program costs of $365,000,000 represent the level of program activity to be conducted during 1978 from new budget authority and from funds obligated in prior years to continue training and employment activities for WIN participants. For Fiscal Year 1978, $365,000,000 in new budget authority will be required in addition to funds obligated in 1977 to continue the training and employment of those participants on board at the beginning of 1978. The program levels are discussed in detail in the following pages.

Grants to States

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Grants to States..	---	$356,995,000	---	$351,995,000	---	-$5,000,000
Total	---	$356,995,000	---	$351,995,000	---	-$5,000,000

1978 Program

The primary objective of the WIN program in 1978 will continue to be the placement of AFDC recipients into unsubsidized employment resulting in self sufficiency and welfare savings. This will be achieved through a program of training, work experience and employment combined with child care and other supportive services and emphasizing direct placement and labor market exposure. WIN plans to place 220,000 WIN registrants into unsubsidized employment in 1978, while focusing considerable attention on increasing the wage and retention rates of those entering employment.

The WIN program in 1978 will undertake to implement new program activities. One proposal will require persons who are mandatory AFDC recipients to actively engage in job search activity. WIN will develop specific job search requirements and levels of activity and provide necessary supportive and manpower services. The WIN program will also act to implement changes in the certification procedure. Certification has traditionally implied that necessary supportive services have been arranged for or provided. Registrants in 1978 will be provided necessary services on an as needed basis, making them available for immediate referral to training or employment without paperwork delays. The WIN program will also endeavor to take actions to clarify and tighten sanction authority. In 1978, WIN will implement a unified funding process whereby States will be allowed the flexibility to designate which portion of their funds will be utilized for child care and supportive services and which portion for training and incentives services.

The projected workload of the 1978 WIN program is expected to be approximately the same as for the 1977 program. WIN will register 1.3 million AFDC applicants, of which 555,000 will be appraised. The work and training portion of the program will continue to call for 27,800 man-years of activity. WIN again is expected to place at least 220,000 individuals in unsubsidized employment in 1978.

The WIN social service activities for 1978 will remain substantially the same as for 1977, 85,000 years of child care and 125,000 man-years of supportive services. These activities support the WIN placement and training goals. Emphasis will be placed on maximizing available resources within such programs as Comprehensive Employment and Training program (CETA) and Social Services (Title XX) to meet the WIN goals.

A total of $365 million is being requested for all WIN activities in 1978. Of that amount, $352 million is being requested for the Grants to States activity in addition to unspent prior year funds of $90 million. The $90 million unspent prior year funds are partially comprised of unexpended amounts committed to trainees already enrolled in training for services not yet fully delivered. It also includes unspent funds for contracting work and training activities which require financing extending beyond the fiscal year accounting period. Of the $352 million of 1978 Grants to States funds, $127 million is earmarked for obligation by State welfare agency Separate Administrative Units (SAU's) for child care and other supportive services, and $225 million is earmarked for obligation by State employment and training agencies for training and incentives activities. That portion of the appropriation allocated to the States for training and incentives activities is subject to the provisions of Section 431 (b) and (c) of the Social Security Act. The actual split of the total appropriation between training and incentives activities and child care and other supportive services activities may differ because of State shifts to balance available resources with program needs. Grants to States expenditures in 1978 will remain at the 1977 level of $352 million, an estimated $225 million for training and incentives activities and an estimated $127 million for child care and other supportive services.

1977 Program

The primary objective of the WIN program in 1977 is the placement of AFDC recipients into unsubsidized employment, which will result in self-sufficiency and welfare savings. WIN plans to place 220,000 WIN registered AFDC applicants or recipients into unsubsidized employment. The WIN program will continue efforts to improve retention rates of those entering employment as well as wages of the registrants entering employment.

In 1977, WIN will focus on improving the operational efficiencies of the program. The comprehensive registration process will assure that an estimated 1.3 million new registrants receive labor market exposure, and will emphasize the importance of individual initiative in the job market. The National Coordination Committee (NCC) will provide leadership in emphasizing the importance of program linkages between State and local WIN sponsors and other employment and training and social service program sponsors such as those under the Comprehensive Employment and Training Act (CETA) and Title XX agencies. WIN will continue to sponsor pilot cooperative projects which further our goals for AFDC recipients.

The WIN social service activities support the WIN placement and training goals which will enable 220,000 registrants to enter unsubsidized employment. The welfare managers will continue to search for

economical options to provide child care which meets Federal day care standards in the face of rising costs. The higher minimum wage will affect nearly 50 percent of the day care provided. This economic fact is encouraging States to provide more family day care centers as a less expensive child care option. Because welfare budgets will be receiving increased scrutiny, the supportive service managers will also be working closely with the WIN sponsors to improve relationships and use of other welfare sources such as Title XX and vocational rehabilitation agencies. This will help to assure that community service programs will be provided as economically as possible.

The 1977 projected workload is similar to that of 1976. WIN will register an estimated 1.3 million AFDC applicants, of which 555,000 will be appraised. An estimated 85,000 years of child care and 125,000 man-years of supportive services will be provided in 1977. The 1977 man-years of work and training will decrease from 1976 levels by a net of 2,800 man-years to 27,800, including a reduction of approximately 3,700 man-years of institutional training.. However, increased placement from the improved intake process and the increased suspension of WIN registrants to other manpower work and training programs will provide unsubsidized employment for at least 220,000 individual registrants. To expand job opportunities for the 73 percent of WIN registrants who are women, nontraditional jobs for women will be identified.

A total of $357 million will be obligated for Grants to States in 1977. Of that total, $230 million will be obligated for training and incentives activities, in addition to unspent prior year funds of $85 million, and $127 million will be obligated for child care and other supportive services. The $85 million unspent prior year funds are partially comprised of unexpended amounts committed to trainees already enrolled in training for services not yet fully delivered. It also includes unspent funds for contracting work and training activities which require financing extending beyond the fiscal year accounting period. Grants to States program expenditures will increase from a 1976 level of $310.5 million to a level of $352 million, an increase of over 13 percent. Expenditures are estimated at $225 million for training and incentives activities and $127 million for child care and other supportive services.

1976 Program

The primary objective of the WIN program in 1976 continued to be the placement of AFDC applicants and recipients into unsubsidized employment in an effort to increase self-sufficiency and promote welfare savings. In 1976, WIN activities resulted in more than 211,000 entries into unsubsidized employment. This was an increase of nearly 24 percent over 1975. Improvements in wage and retention rates were instrumental in attaining additional reductions in welfare grants. The implementation of the modified WIN program improved the WIN program's ability to accomplish program goals.

More than 942,000 persons were newly registered by WIN in 1976, and increase of nearly 103,000 over 1975. Average on-board registrant strength was 1,294,000. Work and training man-years totaled 30,605. In addition, WIN suspended over 54,500 participants into other employment

and training programs such as the Comprehensive Employment and Training Act (CETA) programs, an increase of 15 percent over 1975. The average starting wages for men increased over 19 percent to $3.50 per hour and the average starting wage for women increased nearly 4 percent to $2.57 per hour.

The revised WIN regulations, issued September 18, 1975, modified the WIN program by requiring improved employment and training services to AFDC applicants and recipients at the time of WIN registration. The effective date of these regulations was March 16, 1976. The new regulations shifted WIN registration responsibilities from the Income Maintenance Unit of the State or local welfare agency to the WIN employment and training sponsor. Registration now includes gathering a work history, exposing registrants to work and training opportunities, and whenever possible, joint appraisal. This process demonstrates to all AFDC applicants the importance of job seeking as a condition on continued eligibility for AFDC benefits. Other major program changes included: (1) States, at their option, may add an intensive manpower services component for the near job ready; (2) the WIN sponsor also deregisters individuals from the program thereby improving the timeliness of response and insuring immediate grant reductions and corresponding welfare savings; (3) necessary supportive services are available for 30 days for employed registrants after the start of unsubsidized employment and services may be extended up to 90 days at the discretion of the staff if necessary for job retention; (4) a registrant who fails to appear for an appraisal of his/her employability, may be deregistered from the program; and (5) appropriate work criteria are expanded to include part-time, temporary, and seasonal employment as well as full-time employment, thus expanding the availability of work for the recipients.

The WIN social services activities provided the child care and supportive services necessary to enable 211,000 WIN registrants to enter employment leading to self-sufficiency and resulting in welfare savings.

Limitations on the availability of resources required concentration of services on the more employable registrants. As the new regulations expanded the program, larger numbers of persons required child care and supportive services. The new WIN regulations define the specific social services for WIN registrants. The regulations emphasize providing child care services which meet current Federal day care standards and are responsive to the registrants use of employment and training services. States were encouraged to provide more family day care centers as a less expensive option to the higher cost of private day care centers resulting from the increased minimum wage. In addition, cost effective models which met Federal day care standards were promoted as alternatives to existing methods of providing day care services. Necessary services continue for 30 days after the start of unsubsidized employment. At the SAU's discretion, the services may extend to a maximum of 90 days.

The limits of entitlement for child care and supportive services were based on the performance factors of the DOL allocation as well as the level of previous HEW expenditures. Collocation of the two agencies at the national, regional, State and local level continued to improve the service to registrants entering work and training opportunities.

To assure coordinated programs at the local level, WIN project managers were encouraged to establish linkages with appropriate Comprehensive Employment and Training Act (CETA) prime sponsors for training and employment activities.

In 1976, a total of $342.8 million was obligated for Grants to States in addition to unspent prior year funds of $47.8 million. Of the $342.8 million, $229.0 million was obligated for training and incentives activities and $113.8 million for child care and other supportive services. WIN Grants to States expenditures totaled $310.5 million in 1976, $196.7 million for training and incentives and $113.8 for child care and supportive services. The $47.8 million unspent prior year funds were partially comprised of unexpended amounts committed to trainees already enrolled in training for services not yet fully delivered. It also included unspent funds for contracting work and training activities which require financing extending beyond the fiscal year accounting period.

Welfare grant reductions of approximately $200 million were realized in 1976. This amount is exclusive of decreased costs of food stamps and medicaid payments and services.

Program Direction and Evaluation

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Program Direction and Evaluation	255	$13,005,000	255	$13,005,000	---	---
Total	255	$13,005,000	255	$13,005,000	---	---

The program direction and evaluation activity provides the Federal support necessary for overall program development, research, evaluation and administration of the WIN program. This activity provides funding for the salaries and expenses of 255 Department of Labor national and regional office support positions, technical assistance and training, management information systems, Labor Market Advisory Councils, as well as research and evaluation.

1978 Program

Program direction and evaluation activities in 1978 will continue to provide the Federal support necessary in order to achieve the WIN program goal of placing AFDC recipients into unsubsidized employment. WIN will continue to sponsor pilot cooperative projects which further our goals for welfare recipients. WIN began an extensive analysis of research and evaluation studies during 1976. This analysis has been continued into 1977 and should identify significant areas which will require further research in 1978 and following years.

The NCC initiated special models program will be extended to 1978. The special models are developed and operated by State and local WIN projects and may be new or modified operations or techniques that have not yet been fully tested. It is also anticipated that both the project to analyze the composition and experience of unassigned recipients and the special mail surveys of WIN sponsors will be extended into 1978. The extent and direction in 1978 of research into health problems as it relates to WIN will be determined by the outcome of the Health Rehabilitation Study which will be completed in 1977. It is expected that the WIN/CETA projects initiated in 1976 to assess various options for increased coordination between the WIN and CETA programs will continue into 1978. The WIN/Job Corps demonstration center project is also expected to continue into 1978. It was initiated in 1976 to achieve the goal, through a program of job training and remedial education, of forestalling the development of a cycle of dependency in 16-21 year old mothers receiving AFDC.

A total of $13 million is being requested for this activity in 1978, the same level as will be obligated for 1977. Expenditures will be the same as in 1977, $13 million. The amount requested will provide funding for 255 Federal Department of Labor administrative support positions.

1977 Program

Pilot testing of the management indicators for local WIN managers will be completed and evaluated. If expanded implementation of the management indicators system is indicated, implementation will begin during the year. WIN will work to demonstrate the utility of labor market analysis for improved employment of WIN clients. The WIN and welfare tax credit study will be available for policy guidance and modification. The collocated employment and training and welfare staffs will continue joint planning activities, as well as working together to improve the reporting systems introduced in 1976. To sustain the thrust of improving administration and management in the program, bi-regional financial management training sessions will be conducted in 1977. The sessions will be regionally oriented, and State WIN personnel from both HEW and DOL will participate. This training will be related to subsequent data systems training. WIN will continue to sponsor pilot cooperative projects which contribute to our goal of unsubsidized employment for welfare recipients.

The WIN/Job Corps demonstration center project, initiated in 1976, will continue through 1977. In addition, the WIN/CETA projects initiated last year to assess various options for increased coordination between the WIN and CETA programs will continue through 1977.

National and regional office Federal staff will provide the overall program and administrative support. A total of $13 million will be obligated for program direction and evaluation activities in 1977. The expenditure level will also be $13 million.

1976 Program

Pilot studies for selected local offices were initiated to determine the effect on program management. A long range assessment of the WIN and welfare tax credits study was begun to determine the relative impact of the AFDC and WIN tax and the extent to which an expanded public information program can improve the public usage of tax credits. WIN completed the job option training at local levels to assure increased opportunity for the nontraditional jobs for women. The management indicators project, designed to improve program management was pilot tested in four States with completion of the field test and evaluation scheduled for 1977.

The WIN/Job Corps demonstration center in Atlanta, Georgia, initiated in 1976, is a project aimed at 16 to 21 year old mothers with one or two children who are receiving AFDC. Initially this project will concentrate on mothers who only have one child. These mothers would be volunteers in WIN. The goal is to forestall the development of a cycle of dependency in this young female population through an intensive program of job training and remedial education. In addition, all day child care would be offered at the Job Corps site.

Six WIN/CETA demonstration projects have currently been funded and a seventh is under consideration. These demonstration projects provide a wide spectrum of WIN/CETA coordination, from relatively simple efforts in which one or two aspects of coordination are involved to some very comprehensive efforts. These projects were funded to (1) test the effectiveness of different options of program management or sponsorship, (2) identify problems and practical solutions in developing program linkages, and (3) determine the impact of legislative and regulatory requirements on delivery of services to WIN and CETA clients. Information and findings gathered as a result of the operation of these WIN/CETA demonstration projects will be used in revising the current WIN/CETA Technical Assistance Guide. The revision is expected to be completed in September 1977.

National and regional office Federal staff continued to provide the overall program development and administrative support for the WIN program, with emphasis on improving the operational efficiences of the program. Funds were provided for 255 positions. A total of $13.1 million was obligated in 1976 for program direction and evaluation activities. Expenditures for the same period totaled $11.4 million.

Program Direction and Evaluation

Summary of Changes

1977 Estimated Obligations	$13,005,000
1978 Estimated Obligations	$13,005,000
Net change	-0-

	1977 Base Pos.	1977 Base Amount	Change from Base Pos.	Change from Base Amount
Increases:				
A. Built-in				
1. Within-grade promotions				+71,000
2. Administrative and program support	255	13,005,000	---	+89,000
(Working capital fund, ADP conversion)				(+38,000)
(Travel cost increase)				(+51,000)
Subtotal				(+160,000)
Total increases				+160,000

Program Direction and Evaluation

Summary of Changes (Cont'd)

	1977 Base Pos.	1977 Base Amount	Change from Base Pos.	Change from Base Amount
Decreases:				
A. Built-in				
1. One less day of pay		4,981,000		-17,000
2. Administrative and program support	255	13,005,000	---	-143,000
(Less working capital fund needs)				(-129,000)
(Offset in project contracts for absorption of net mandatory increases)				(- 14,000)
Subtotal				-160,000
Total decreases				-160,000
Net change				-0-

WORK INCENTIVES
PROGRAM COSTS FUNDED
(total costs in thousands)

	FY 1976 Actual		
	Workload	Unit Cost	Total Cost
1. Grants to States			
Training and Incentives (DOL)			
Intake/Services	68,500	$15	$1,028
IMU Medical Verification	1,294,000 1/	20	25,880
Registration/Labor Market Exposure	674,677	33	22,264
Appraisal/Employability Planning Orientation	113,201	21	2,377
Intensive Manpower Services/Direct Placement	192,522	171	32,921
Adjudication	19,024	78	1,484
			85,954
Work and Training			
On-the-job Training	9,572	5,170	49,487
Public Service Employment	4,039	7,819	31,581
Institutional Training	13,324	1,732	23,077
Work Experience	3,670	1,785	6,551
	30,605 M/Y		110,697
Child Care and Supportive Services (HEW)			
Child Care	83,847	610	51,147
Supportive Services	122,611	511	62,671
			113,818
Total, Grants to States costs			310,469
2. Program Direction and Evaluation (DOL)			11,383
Total, WIN costs			321,852
(DOL costs)			(208,034)
(HEW costs)			(113,818)

	DOL	HEW	Total
New Obligational Authority	214,845	115,155	330,000
1976 Continuing Resolution (enacted)	35,000	35,000	70,000
Less unobligated balances lapsing	---	---	---
Adjustments and reversions		-35,000	-35,000
Program Costs Funded Prior Years	47,882		47,882
Total Availability	297,727	115,155	412,882
Program Costs Funded Subsequent Years	89,693	1,337	91,030
Costs	208,034	113,818	321,852
Outlays	199,859	107,454	307,313

1/ Average on-board in 1976; new registrants in 1977 and 1978.

WORK INCENTIVES
PROGRAM COSTS FUNDED
(total costs in thousands)

	Transition Quarter		
	Workload	Unit Cost	Total Cost
1. Grants to States			
Training and Incentives (DOL)			
Intake/Services			
IMU Medical Verification	17,133	$15	$257
Registration/Labor Market Exposure	206,011	20	4,120
Appraisal/Employability Planning	123,600	33	4,079
Orientation	19,529	21	410
Intensive Manpower Services/Direct Placement	41,912	171	7,167
Adjudication	6,826	78	532
			16,565
Work and Training			
On-the-job Training	2,963	5,170	15,319
Public Service Employment	1,589	7,819	12,424
Institutional Training	3,761	1,732	6,514
Work Experience	982	1,785	1,753
	9,295 M/Y		36,010
Child Care and Supportive Services (HEW)			
Child Care	21,820	610	13,310
Supportive Services	31,963	511	16,333
			29,643
Total, Grants to States costs			82,218
2. Program Direction and Evaluation (DOL)			2,804
Total, WIN costs			85,022
(DOL costs)			(55,379)
(HEW costs)			(29,643)

	DOL	HEW	Total
New Obligational Authority	52,600	27,400	80,000
Less unobligated balances lapsing	-128	-5,171	-5,299
Adjustments and reversions	-1,337	6,077	4,740
Program Costs Funded Prior Years	89,693	1,337	91,030
Total Availability	140,828	29,643	170,471
Program Costs Funded Subsequent Years	85,449		85,449
Costs	55,379	29,643	85,022
Outlays	54,493	31,968	86,461

WORK INCENTIVES
PROGRAM COSTS FUNDED
(total costs in thousands)

	FY 1977 Estimate		
	Workload	Unit Cost	Total Cost
1. Grants to States			
Training and Incentives (DOL)			
Intake/Services			
IMU Medical Verification	59,000	$23	$1,357
Registration/Labor Market Exposure	1,302,000	22	28,644
Appraisal/Employability Planning	555,000	33	18,315
Orientation	150,000	21	3,150
Intensive Manpower Services/Direct Placement	345,000	183	63,120
Adjudication	29,000	86	2,494
			117,080
Work and Training			
On-the-job Training	9,900	4,782	47,342
Public Service Employment	5,000	6,912	34,560
Institutional Training	9,600	2,181	20,938
Work Experience	3,300	1,538	5,075
	27,800 M/Y		107,915
Child Care and Supportive Services (HEW)			
Child Care	85,000	672	57,125
Supportive Services	125,000	559	69,875
			127,000
Total, Grants to States costs			351,995
2. Program Direction and Evaluation (DOL)			13,005
Total, WIN costs			365,000
(DOL costs)			(238,000)
(HEW costs)			(127,000)

	DOL	HEW	Total
New Obligational Authority	243,000	127,000	370,000
Program Costs Funded Prior Years	85,449		85,449
Total Availability	328,449	127,000	455,449
Program Costs Funded Subsequent Years	90,449		90,449
Costs	238,000	127,000	365,000
Outlays	238,000	127,000	365,000

WORK INCENTIVES
PROGRAM COSTS FUNDED
(total costs in thousands)

	FY 1978 Estimate		
1. Grants to States	Workload	Unit Cost	Total Cost
Training and Incentives (DOL)			
Intake/Services			
IMU Medical Verification	59,000	$23	$1,357
Registration/Labor Market Exposure	1,302,000	22	28,644
Appraisal/Employability Planning	555,000	33	18,315
Orientation	150,000	21	3,150
Intensive Manpower Services/Direct Placement	345,000	183	63,120
Adjudication	29,000	86	2,494
			117,080
Work and Training			
On-the-job Training	9,900	4,782	47,342
Public Service Employment	5,000	6,912	34,560
Institutional Training	9,600	2,181	20,938
Work Experience	3,300	1,538	5,075
	27,800 M/Y		107,915
Child Care and Supportive Services (HEW)			
Child Care	85,000	672	57,125
Supportive Services	125,000	559	69,875
			127,000
Total, Grants to States costs			351,995
2. Program Direction and Evaluation (DOL)			13,005
Total, WIN costs			365,000
(DOL costs)			(238,000)
(HEW costs)			(127,000)

	DOL	HEW	Total
New Obligational Authority	238,000	127,000	365,000
Program Costs Funded Prior Years	90,449		90,449
Total Availability	328,449	127,000	455,449
Program Costs Funded Subsequent Years	90,449		90,449
Costs	238,000	127,000	365,000
Outlays	238,000	127,000	365,000

SOCIAL AND REHABILITATION SERVICE

Work Incentives

Program Purpose and Accomplishments

Activity: Grants to States (Social Security Act, Sections 401 and 431)

1977 Estimate		1978		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$356,995,000	Indefinite	---	$351,995,000

Purpose: The 1971 amendments to the Social Security Act authorize a work incentive program designed to encourage and promote employment, work experience and training of recipients of Aid to Families with Dependent Children, and that child care and other supportive services be provided to all WIN registrants who need such care and services to enable them to accept work or training.

Explanation: In 1978, funding and the budget request activity structure for WIN will be modified to reflect the appropriation request for a single sum for program funds without regard to designation for child care and supportive services or training and incentives activities. The new consolidated program budget activity will be "Grants to States." Federal support funds are included in a second activity, "Program Direction and Evaluation." Federal grants covering 90 percent of the costs of employment and training activities, and related child care and other supportive services, are made to the State employment and training agencies and to the Separate Administrative Units of the State welfare agencies respectively. All non-exempt and voluntary recipients of Aid to Families with Dependent Children (AFDC) are registered and given labor market exposure. Those with employment potential are certified and provided such services as job counseling, orientation, employability planning, on-the-job training, public service employment, institutional training, work experience, and, as necessary, supportive services, including child care.

Accomplishments in 1977: By September 30, 1977, the Department of Labor plans to have registered 1,302,000 AFDC recipients and provide them labor market exposure. It is estimated that 555,000 of the recipients will be appraised and provided employability planning; 27,800 man-years of work and training will be provided; and that 85,000 years of child care and 125,000 man-years of supportive services will be also provided. In 1977, 220,000 WIN registrants are expected to enter unsubsidized employment.

Objectives in 1978: The WIN program will maintain approximately the same levels of activity in 1978 as in 1977. During 1978, it is estimated that 1,302,000 AFDC recipients will be registered and receive labor market exposure; 555,000 will be appraised and provided with employability planning; 27,800 man-years of work and training will be provided; and that 85,000 years of child care and 125,000 man-years of supportive services will also be provided. In 1978, 220,000 WIN registrants are expected to enter unsubsidized employment.

SOCIAL AND REHABILITATION SERVICE

Work Incentives

Program Purpose and Accomplishments

Activity: Program Direction and Evaluation (Social Security Act, Sections 431, 432, 435, 441 and 442)

1977 Estimate		1978		
				Budget Estimate
Pos.	Amount	Authorization	Pos.	Amount
255	$13,005,000	Indefinite	255	$13,005,000

Purpose: Funds for this Federal support sctivity are used to provide the overall program development, research, evaluation and administration for the Work Incentive Program (WIN).

Explanation: Previously included as a sub-activity under Training and Incentives, this new activity provides for the funding of salaries and expenses for 255 Department of Labor support positions, contractual and in-house research and evaluation, technical assistance and training, management information systems and Labor Market Advisory Councils. The activity structure change in 1978 reflects the appropriation request for a single sum for program funds, under the Grants to States activity, without regard to designation for child care and supportive services or training and incentives activities.

Accomplishments in 1977: Pilot testing of the management indicators for local WIN managers will be completed and evaluated. The WIN and welfare tax credit study will be available for policy guidance and modification. Bi-regional financial management training will be conducted in 1977. The WIN/Job Corps demonstration center project for AFDC mothers 16-21 years of age, and the WIN/CETA projects to assess options for increased coordination between WIN and CETA programs will be continued. WIN will work to demonstrate the utility of labor market analysis for improved employment of WIN clients.

Objectives for 1978: The estimate of $13 million, the same level as for 1977, will provide the Federal support necessary to achieve the WIN program goal of placing AFDC recipients into unsubsidized employment.

Work Incentives

GRANTS TO STATES

a) Actual and Estimated Awards for Training and Incentives Activities
Fiscal Years 1976-1978

State	1976 Actual	1977 Estimate	1978 Estimate
Alabama	$ 1,796,005	2,377,717	2,377,717
Alaska	569,782	713,801	713,801
Arizona	2,789,888	1,745,084	1,745,084
Arkansas	1,734,432	1,295,202	1,295,202
California	28,686,496	35,981,626	35,981,626
Colorado	4,339,097	4,255,746	4,255,746
Connecticut	2,202,180	2,093,183	2,093,183
Delaware	806,961	328,549	328,549
Dist. of Col.	1,969,598	2,280,379	2,280,379
Florida	3,588,662	3,748,128	3,748,128
Georgia	5,354,069	3,262,229	3,262,229
Guam	221,414	223,914	223,914
Hawaii	1,143,959	1,016,975	1,016,975
Idaho	986,949	820,583	820,583
Illinois	10,404,909	12,784,234	12,784,234
Indiana	3,783,253	1,914,882	1,914,882
Iowa	2,582,770	1,629,641	1,629,641
Kansas	1,453,009	1,443,829	1,443,829
Kentucky	2,339,621	1,555,493	1,555,493
Louisiana	2,111,078	1,683,272	1,683,272
Maine	1,792,899	768,825	768,825
Maryland	5,912,841	3,956,527	3,956,527
Massachusetts	5,985,585	5,804,830	5,804,830
Michigan	15,080,698	12,173,736	12,173,736
Minnesota	4,748,286	3,816,154	3,816,154
Mississippi	2,357,930	2,115,813	2,115,813
Missouri	4,686,081	3,627,543	3,627,543
Montana	1,071,063	1,297,128	1,297,128
Nebraska	679,582	711,813	711,813
Nevada	657,429	385,554	385,554
New Hampshire	498,596	225,632	225,632
New Jersey	7,005,865	6,273,953	6,273,953
New Mexico	1,180,362	1,016,949	1,016,949
New York	22,472,854	19,956,641	19,956,641
North Carolina	1,871,922	1,838,516	1,838,516

Work Incentives

GRANTS TO STATES

a) Training and Incentives Activities - cont'd

State	1976 Actual	1977 Estimate	1978 Estimate
North Dakota	$ 659,699	$ 591,016	$ 591,016
Ohio	11,918,687	10,999,272	10,999,272
Oklahoma	1,158,844	1,148,770	1,148,770
Oregon	5,126,945	5,526,333	5,526,333
Pennsylvania	13,422,074	6,045,734	6,045,734
Puerto Rico	2,985,505	1,139,433	1,139,433
Rhode Island	790,770	1,456,034	1,456,034
South Carolina	1,365,666	1,298,768	1,298,768
South Dakota	1,098,366	1,107,234	1,107,234
Tennessee	2,434,144	2,365,772	2,365,772
Texas	5,990,763	4,619,467	4,619,467
Utah	3,180,729	3,060,838	3,060,838
Vermont	582,119	1,720,961	1,720,961
Virginia	2,686,112	1,597,407	1,597,407
Virgin Islands	144,139	222,776	222,776
Washington	6,349,847	7,242,890	7,242,890
West Virginia	3,604,942	4,560,813	4,560,813
Wisconsin	8,776,801	6,884,552	6,884,552
Wyoming	459,631	339,659	339,659
Total	$228,001,908	$207,051,810	$207,051,810

Work Incentives

GRANTS TO STATES

b) Actual and Estimated Awards for WIN Social Services
Including Child Care and Administration
Fiscal Years 1976-1978

State	1976 Actual 1/	1977 Estimate	1978 Estimate
Alabama	$1,295,158	$1,365,566	$1,365,566
Alaska	498,441	452,820	452,820
Arizona	1,408,235	1,406,294	1,406,294
Arkansas	817,517	955,900	955,900
California	8,226,461	16,412,649	16,412,649
Colorado	1,500,000	2,153,383	2,153,383
Connecticut	1,245,000	1,385,848	1,385,848
Delaware	420,000	381,575	381,575
Dist. of Col.	1,656,185	1,716,865	1,716,865
Florida	1,737,432	2,160,946	2,160,946
Georgia	3,394,515	2,933,786	2,933,786
Guam	31,279	90,000	90,000
Hawaii	427,765	688,185	688,185
Idaho	589,686	606,715	606,715
Illinois	3,556,291	6,435,222	6,435,222
Indiana	1,105,000	1,556,056	1,556,056
Iowa	1,183,000	1,325,134	1,325,134
Kansas	1,006,724	1,116,417	1,116,417
Kentucky	1,214,134	1,258,384	1,258,384
Louisiana	999,532	1,110,819	1,110,819
Maine	613,359	624,992	624,992
Maryland	2,275,448	2,663,915	2,663,915
Massachusetts	2,827,296	3,711,049	3,711,049
Michigan	11,429,240	8,249,142	8,249,142
Minnesota	2,052,392	2,744,392	2,744,392
Mississippi	660,000	1,212,736	1,212,736
Missouri	2,408,436	2,707,803	2,707,803
Montana	494,452	637,610	637,610
Nebraska	484,288	521,658	521,658
Nevada	214,876	322,250	322,250
New Hampshire	230,741	288,854	288,854
New Jersey	6,506,397	4,524,796	4,524,796
New Mexico	415,493	647,345	647,345
New York	11,487,014	12,726,430	12,726,430
North Carolina	1,702,311	1,500,500	1,500,500

Work Incentives

GRANTS TO STATES

b) Social Services Including Child Care and Administration - cont'd

State	1976 Actual 1/	1977 Estimate	1978 Estimate
North Dakota	316,899	377,117	377,117
Ohio	3,028,236	5,759,228	5,759,228
Oklahoma	950,140	917,662	917,662
Oregon	2,083,599	3,029,806	3,029,806
Pennsylvania	4,544,020	5,338,359	5,338,359
Puerto Rico	1,180,581	1,196,156	1,196,156
Rhode Island	918,418	873,014	873,014
South Carolina	1,046,127	987,418	987,418
South Dakota	577,847	633,252	633,252
Tennessee	1,121,300	1,336,013	1,336,013
Texas	3,615,493	3,215,666	3,215,666
Utah	1,625,958	1,867,840	1,867,840
Vermont	600,354	840,107	840,107
Virginia	1,375,000	1,624,010	1,624,010
Virgin Islands	45,000	65,000	65,000
Washington	2,590,155	3,571,768	3,571,768
West Virginia	1,957,122	2,394,995	2,394,995
Wisconsin	3,712,042	4,149,330	4,149,330
Wyoming	159,627	227,223	227,223
Total	$107,562,646	$127,000,000	$127,000,000

1/ Amounts as adjusted thru 9/30/76.

Appropriation Estimate

PROGRAM ADMINISTRATION

For expenses necessary for the administration of public assistance programs [$71,084,000] *$74,535,000*.

DEPARTMENT OF HEALTH, EDUCATIO. AND WELFARE

Social and Rehabilitation Service

Program Administration

Amounts Available for Obligation

	1977	1978
Appropriation	$62,895,000	$74,535,000
Proposed pay raise supplemental	1,855,000	---
Proposed Fraud and Abuse supplemental	6,334,000	---
Subtotal	71,084,000	74,535,000
Comparative transfers	-333,000	---
Total	$70.751.000	$74,535,000

Summary of Changes

1977 Revised estimated obligations	$71,084,000
1978 Estimated obligations	74,535,000
Net change	+ 3,451,000

	1977 Base Pos.	1977 Base Amount	Change from Base Pos.	Change from Base Amount
Increases:				
Built-in:				
1. Annualization of new positions funded part-year 1977	60	$413,000	--	+$1,387,000
2. Annualization of base positives funded part-year 1977	--	--	--	+ 2,028,000
3. Statutory within grade increases	--	--	--	+ 442,000
Total increases				+ 3,857,000
Decreases:				
Built-in:				
1. Comparative transfer of positions to Department	11	333,000	-11	- 333,000
2. Non recurring equipment purchases	--	485,000	--	- 73,000
Total decreases			-11	- 406,000
Total, Net Changes			-11	+$3,451,000

Obligations by Activity

Page Ref.		1977 Appropriation	1977 Revised Request	1978 Estimate	Increase or Decrease
114	Program direction and support activities.....	$62,895,000	$70,751,000	$74,535,000	+$3,784,000
	Positions.....	2,124	2,173	2,173	---

Obligations by Object

	1977 Revised	1978 Estimate	Increase or Decrease
Total number of permanent positions	2,173	2,173	---
Full-time equivalent of all other positions	69	69	---
Average number of all employees	2,034	2,156	+122
Personnel compensation:			
Permanent positions	$40,298,000	$43,402,000	+$ 3,104,000
Positions other than permanent	1,170,000	1,182,000	+ 12,000
Other personnel compensation	488,000	496,000	+ 8,000
Subtotal personnel compensation	41,956,000	45,080,000	+ 3,124,000
Personnel benefits	3,780,000	4,058,000	+ 278,000
Travel and transportation of persons	3,839,000	4,740,000	+ 901,000
Transportation of things	247,000	230,000	- 17,000
Rent, communications and utilities	5,837,000	5,977,000	+ 140,000
Printing and reproduction	728,000	751,000	+ 23,000
Other services	5,433,000	5,067,000	- 366,000
Contracts	8,119,000	7,870,000	- 249,000
Supplies and materials	327,000	350,100	+ 23,000
Equipment	485,000	412,000	- 73,000
Total obligations by object	70,751,000	74,535,000	+ 3,784,000

Program Administration

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1966	$16,974,000	$15,748,000	$16,198,000	$16,138,000
1967	17,651,000	17,027,000	17,027,000	17,027,000
1968	19,326,000	18,266,000	18,398,000	18,266,000
1969	21,980,000	20,746,000	20,746,000	20,746,000
1970	25,996,000	21,125,000	23,636,000	22,380,000
1971	33,887,000	31,809,000	29,996,000	30,932,000
1972	38,688,000	34,555,000	35,388,000	34,555,000
1973	55,225,000	55,225,000	55,225,000	52,575,000
1974	66,837,000	66,837,000	58,037,000	60,237,000
1975	61,137,000	59,594,000	51,453,000	51,453,000
1976	63,361,000	57,878,000*	60,878,000	60,378,000
1977	63,095,000	63,095,000	62,878,000	62,895,000
Supplemental**	8,189,000			
1978	74,535,000			

* House acted on $59,061,000 initial request, not on $63,361,000 amended request.

** Proposed supplemental; includes $1,855,000 in pay raise costs and $6,334,000 in Fraud and Abuse supplemental request.

Justification

Program Administration

	1977 Appropriation	1977 Revised	1978 Estimate	Increase or Decrease
Program direction and support activities.....	$62,895,000	$70,751,000	$74,535,000	+$3,784,000
Positions.....	2,124	2,173	2,173	---

General Statement

The Program Administration appropriation finances the administrative support costs for carrying out various grant and contract activities associated with the provision of social and rehabilitative services within the Maintenance Assistance, Medical Assistance and Social Services programs. Support activities, aimed at assuring the integrity of the Social and Rehabilitation Service (SRS) programs, include technical and financial management assistance and consultative services to State and management activities. Also included are monitoring and review activities designed to insure effective and prudent use of Federal funds by grantees, the conduct of research and the collecting, processing and disseminating of statistical data and review of accomplishments of program activities.

The FY 1978 budget request provides the administrative support costs for 2,173 positions, including the 60 positions requested in the FY 1977 supplemental. Also, the FY 1978 staffing reflects the transfer of 12 OCSE positions to Office of the General Counsel, and 1 position to SRS from the Department's Division of Central Payroll as a result of a shift in responsibility for the preparation of certain personnel information documents.

Accomplishments and Objectives

The following summary reflects SRS's short term operating objectives for fiscal years 1977 and 1978. These objectives relate to the implementation of the Congressionally mandated IV-D Audit program and to SRS's continuing efforts to promote effective management and program controls at the Federal, State and local levels.

Medicaid

Management Initiatives - Operational priorities in Medicaid for FY 1977 primarily address the two overriding and inter-related problems of escalating costs and improving management through a comprehensive and coordinated Federal approach. Emphasis will be placed on key program areas that will contain costs and promote cost effectiveness. This effort will complement and follow-through on responsibilities in policy development and interpretation, penalty and compliance monitoring. States will be assisted in identifying organizational and operational weaknesses, and in adopting exemplary practices of other States. Management tools will be developed, such as performance standards, review guides, and guidance manuals; and the States will be assisted in implementation. Some of the key program areas covered by these assistance activities will be: reimbursement systems, third party liability fraud and abuse control, Early and Periodic Screening, Diagnosis, and Treatment (EPSDT), utilization control, data systems and utilization, and State eligibility policies and systems. Some innovative Medicaid practices being demonstrated and evaluated in FY 1977 will be ready for partial implementation in FY 1978: such as new approaches to purchasing institutional services.

Provider Fraud and Abuse - States will be assisted in the detection, investigation, and prevention of fraud and abuse through on-site reviews, training, Federal development and refinement of model computerized control systems, and management tools useful to the States. In addition, closer coordination of investigatory activities between Medicare and Medicaid should be operational by FY 1978.

Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) - States will continue to be assisted in the development of comprehensive, quality preventive health programs for poor children. Major responsibilities will be assisting States in complying with penalty regulations which are scheduled for revision during FY 1977, improving quality and comprehensiveness of services, and improving program management. A model management information system should be completed during FY 1977 and States will be assisted with implementation during FY 1978. Interagency coordination of program objectives will be stressed at the Federal, State, and local levels.

The Office of Information Systems will evaluate and provide comments on advance planning documents, requests for proposals, contracts, and State implementation plans submitted by the State agencies regarding the development of a State Medicaid Management Information System (MMIS), perform on-site technical assistance visits to States developing and implementing MMIS; and perform certification reviews of State Medicaid Management Information Systems.

The MMIS gives a State increased capability to improve the efficiency and effectiveness of its Medicaid management controls. These controls are critical to a State's ability to effectively regulate cost, quality, quantity, level, and access to medical care and services authorized under a State's Medical Assistance Plan.

Utilization Control - During FY 1977, utilization control focus wil be emphasized in four specific areas: 1) supporting single State agencies during the transfer of certain utilization control requirements from the single State agencies to the PSRO's; 2) clarifying the regulatory and policy requirements

of the utilization control program (Section 1903 (g)(1) of the Social Security Act; 3) the developing and conducting of quarterly surveys geared toward more comprehensive assessment of specific utilization control components (as required by Section 1903 (g)(2) of the Social Security Act); and 4) developing and disseminating of information on a utilization control management reporting system which will build onto the Medicaid Management Information System (MMIS). The activities which will be carried out with regard to items one and three will continue to require considerable manpower, both centrally and regionally in FY 1978. It is anticipated that, while the developmental aspects of items two and four will be completed in FY 1977, the information dissemination responsibilities and technical assistance activities in these two areas will increase in FY 1978. As the Institute for Medicaid Management expands, it will be able to support these information exchange and technical assistance activities.

Medicaid Cost Control (Quality Control) - Efforts will be directed toward implementation of an effective Medicaid Eligibility Quality Control program in all States which will reduce ineligibility and recipient liability errors with the result that States will be able to provide either more services to those eligibile or, if faced with fiscal constraints on their program, result in less need to make program cuts.

Aid to Families with Dependent Children

In FY 1977, emphasis will be placed on improved management of the maintenance assistance programs in the States in several ways. The information obtained from reviews of States' eligibility processes in FY 1976 will be analyzed and evaluated. This will lead to an increased level of technical assistance with the States on the specific problems uncovered by the reviews.

A parallel sequence of activity will take place to review, in all States, their processes for redetermining eligibility and maintaining the Aid to Families with Dependent Children (AFDC) cases on a current basis. This year will also include the extensive preliminary work for a review in the States of their administrative costs in AFDC: existing data will be analyzed, decisions made about which variables are significant, and survey instruments designed which permit measurement and evaluation of these variables. Work will also be carried out this year, on an intensified and systematic basis and in concert with the individual States, to focus corrective efforts on those areas which quality control data and other management information have identified as persistent sources of inaccurate payments to recipients. This will require Federal involvement in problem analysis and the development and application of necessary and, it is hoped, cost-beneficial solutions to a degree we have not yet approached because so much of the interaction about corrective action has been at arms length while the issue of sanctions was dominant.

The Assistance Payments Administration (APA) will also be heavily involved in all aspects of the initiatives to design and gain support for incremental improvements and reforms in the AFDC program. APA will reactivate work with the States on compliance by the selection of two areas of program operations for highly focused attention in all States.

Efforts in FY 1978 will include the analysis and evaluation of the FY 1977 reviews of redetermination and case maintenance processes in the States, and the consequent work with States to effect improvements. Also, efforts will include the conduct in all States of the comprehensive reviews of administrative costs in their AFDC programs. On the basis of the experience with problem analysis and resolution in FY 1977, this aspect of corrective action will be extended and intensified. The major implementation of the compliance strategy to be designed and inaugurated in FY 1977 will be carried out in FY 1978.

AFDC Quality Control - In FY 1977, Federal Quality Control staff will continue to review a sub-sample of State Quality Control reviews to validate State findings. Federal staff will perform management reviews of State AFDC-QC systems and provide technical assistance to remedy system deficiencies. Since the Department's method for taking disallowances for erroneous expenditures has been challenged in court and by several States we are negotiating with several public interest groups on a redesign of the QC system. Results of these negotiations will be incorporated in regulations or proposed legislation during FY 1977. Staff will evaluate the effectiveness of State Corrective Action activities and provide technical and program assistance to eliminate regulations, policies, procedures and operations which are error producing. State Corrective Actions are continuing to improve program administration. Errors have declined from 41.1 percent during the April-September 1973 period to 26.7 percent for the July-December 1975 period. Erroneous expenditures between April 1973 and January 1976 have been reduced $717 million.

Social Services

In FY 1976, staff assisted the States in implementing a viable social services program under Title XX, which became effective October 1, 1975. Proposed amendments to clarify the intent of some aspects of the existing regulations, to eliminate or simplify administrative requirements on States, provide a method for correcting deficiencies in services plans, and to relieve the States of complicated systems for costing out services and training were published as proposed rule making August 26, 1976.

Efforts in FY 1977 and FY 1978 will be directed toward improving the management of social services under Title XX in the following areas of emphasis:

(a) Improving linkage of Title XX with other programs amd improve State/local relationships. This will involve development and implementation of an assessment strategy relating to States' planning processess, dissemination and utilization of results of Section 426 training programs, and linkage of resources of other Human Services agencies with Title XX programs.

(b) Provide model instruments and training to all States and territories to strengthen their abilities to monitor out-of-home child day care services programs.

(c) Provide continuing evaluation of States' services programs and strengthen each State's evaluation capability.

(d) Monitor full phase-in of the Social Services Reporting Requirements in all State's (required by October 1977), and design additional Social Services Reporting Requirements (SSRR) output reports. Staff have been working with States over the past several years on conceptualization and development of reporting requirements that would meet Federal needs and would be feasible for States.

(e) Develop initiatives and assist States in extending and improving child welfare services under Title IV-B to families and children. This program has been closely tied to services under Title IV-A (AFDC). With the passage of Title XX, new and separate regulations and new State plans will need to be developed to make this a separate and viable program, assuring linkages with Title XX services, increasing public understanding, and assisting State agencies in needs assessment, effective delivery systems, and improved reporting.

Child Support Enforcement

Title IV-D Implementation: The Child Support Enforcement program (Title IV-D) was effective August 1, 1975 (except for the authorization of garnishment of Federal employees' salaries for child support obligations, which was effective January 1, 1975).

There are five major Federal requirements in Title IV-D that are substantial changes from previous Federal practice in the area of child support. They are: the establishment of a separate organizational unit within the Department; operation of a Parent Locator Service; certifying amounts for collection by the Internal Revenue Service; certifying civil actions to the United States District Courts; and conducting annual audits in each State to implement the five percent penalty provision.

Principal requirements for the States are to establish or designate a unit to administer the plan; establish paternity and collect support for AFDC children; require child support to be paid to the State for distribution; make child support services available to non-AFDC families upon application and payment of a fee; enter into cooperative arrangements with appropriate court and law enforcement officials; establish a State parent locator service and cooperation with other States in child support enforcement.

Office of Child Support Enforcement (OCSE) achievements in FY 1976 include: establishment in both Central and Regional Offices of a separate organizational unit, hiring staff, publishing regulations and guidelines, implementing the Federal Parent Locator Service and assisting States to establish their Parent Locator Services, reviewing and approving State plans, developing program manuals, conducting training sessions, reviewing State and county procedures for treatment of collections in selected States, developing audit procedures, and initiating public relations activities. During FY 1977, the Office of Child Support Enforcement will complete implementation of the program at the Federal level, provide technical assistance

to the States, and complete all preparation for carrying out the Federal audit of each State's program as required by law. More specifically, OCSE will fill all remaining positions; provide assistance to States in operating effective programs of locating absent parents, establishing paternity, and obtaining child support; provide guidance to States in properly managing and accounting for collections and expenditures; continue operating and enhance the Federal Parent Locator Service; develop and publish regulations on audit criteria and the penalty provision; develop and test the audit guide; and hire and train audit staff.

The FY 1978 Child Support Enforcement objectives are to continue operation of the Federal program, to carry out the first annual Federal audit of each State's program based on implementation plans developed in FY 1977, and, where appropriate, recommend imposition of penalties. The audit will determine whether the program is effective and meets the requirements of the Federal statute. Failure to pass the audit would result in a 5 percent reduction of a State's reimbursement from the Federal government for its program of Aid to Families with Dependent Children. The first period that must be audited under the statute is from January 1, 1977, through September 30, 1977. The actual activity will commence on October 1, 1977.

Statistics and Reporting

Simplify and improve SRS program statistical and financial reporting systems: During FY 1977 the Office of Information Systems (OIS) will review all current statistical reports for the purpose of simplifying and improving such reports. OIS, together with the Office of Management, will coordinate this effort to achieve statistical reporting and financial reporting which are consistent. During this same time period, Region IV as the lead region will spear-head the consolidation of three reporting systems (SRS-OFM-65, SRS-OA-41, and SRS-OA-25) into a single reporting system. These efforts will be coordinated with the appropriate program and staff offices. A coordinated effort will be made to decrease the reporting burden on State agencies through simplification of statistical and financial reports with the use of common definitions, similar time periods, and similar classifications of applicable items. Field testing and implementation of the new reporting documents will be initiated in FY 1978 and completed in FY 1979.

Special Claims

Under the provisions of Section 1116(d) of the Social Security Act, a State dissatisfied with the disallowance of Federal financial participation in its expenditure may request and receive reconsideration of the disallowance. The disallowances result from review of new claims by the Social and Rehabilitation Service or from audits by GAO or the HEW Audit Agency. At the present time about 200 separate cases are under reconsideration amounting to $1.6 billion, of which $0.6 billion has been paid; $1.0 billion has never been paid.

In addition about $1 billion in unpaid social service claims remain unpaid awaiting a hearing on approvability of the State plan requirements.

Regulations to govern the handling of these claims had been published in the Federal Register, and a special division in the Office of Financial Management has been established to assure that reconsideration of all of these disallowances is handled in the prescribed manner and on a consistent basis founded on law and regulation. The procedure provides an opportunity for both the State and the Regional Office to present their views and evidence in writing and for the State to present its views orally to the Administrator or the Deputy Administrator before the final decision is made.

SOCIAL AND REHABILITATION SERVICE

Program Administration

Program Purpose and Accomplishments

Activity: Program Administration

1977 Revised Request			1978 Estimate	
Pos.	Amount	Authorization	Pos.	Amount
2,173	$70,751,000	Indefinite	2,173	$74,535,000

Purpose: Funds are used for the Federal administration of Social and Rehabilitation Service programs. These programs provide basic support, medical assistance, and services for the needy, disabled, aged, and other disadvantaged persons in our population.

Explanation: Funds included in this appropriation provide for the operational costs related to program administration activities. Costs include salaries of Federal employees and related costs for travel, communication, supplies and equipment. Services for administrative and management contracts are also supported.

Accomplishments in 1977: The basic thrust of the SRS activities for 1977 is in the areas of medicaid cost control, medicaid fraud and abuse, implementation of the new Child Support Enforcement program in Title IV-D and Social Services in Title XX of the Social Security Act and improved management of the AFDC program.

Objectives for 1978: The Medicaid quality control, EPSDT, utilization control systems, and fraud and abuse will continue to be emphasized in 1978 as part of the overall efforts to improve Medicaid management. Particular attention will be directed at problems related to fraud and abuse in Medicaid activities.

Efforts will continue in the AFDC quality control area with attention aimed at implementing corrective action plans. Major activities will include providing assistance to States in implementing recent legislation for title XX Social Services, title IV-D Child Support Enforcement, and activities relating to early screening of children through the Medicaid program, review of day care standards, and increasing emphasis on job placements in the Work Incentives Program.

MONDAY, MARCH 28, 1977.

CUBAN REFUGEE ASSISTANCE

WITNESSES

DON I. WORTMAN, ACTING ADMINISTRATOR, HEALTH CARE FINANCING ADMINISTRATION
DAVID HURWITZ, ACTING COMMISSIONER, ASSISTANCE PAYMENTS ADMINISTRATION
LAWRENCE McDONOUGH, SPECIAL ASSISTANT TO THE ACTING ADMINISTRATOR
SAMUEL E. MARTZ, ASSISTANT ADMINISTRATOR FOR FINANCIAL MANAGEMENT, SOCIAL AND REHABILITATION SERVICE
PHILIP A. HOLMAN, DIRECTOR, REFUGEE ASSISTANCE STAFF, SOCIAL AND REHABILITATION SERVICE
ANNA L. PERKINS, DIRECTOR, DIVISION OF BUDGET, SOCIAL AND REHABILITATION SERVICE
VICTOR KUGAJEVSKY, DIRECTOR, OFFICE OF SPECIAL INITIATIVES
WILFORD FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. FLOOD. We now have the refugee assistance program.

[The biographical sketch and statement follow:]

BIOGRAPHICAL SKETCH

NAME: Don I. Wortman

POSITION: Acting Administrator, Health Care Financing Administration

BIRTHPLACE AND DATE: Lakota, Iowa
November 10, 1927

EDUCATION: Macalester College, St. Paul, Minnesota
B.A., Economics, 1951

University of Minnesota
M.A., Public Administration, 1952

Industrial College of the Armed Forces
Fort McNair, 1961-1962

MILITARY SERVICE: Army Specialist Training Program, July 1945 - January 1946

Army Air Force, January 1946 - November 1947

EXPERIENCE:

March 8, 1977- PRESENT — Acting Administrator, Health Care Financing Administration

January 1977- March 7, 77 — Acting Administrator, Social and Rehabilitation Service

July 1976 - January 77 — Director, Office of Regulatory Review and Special Assistant to the Secretary for Regulatory Reform

Responsible for implementing the Secretary's policies to achieve a) improved public participation in the development of regulations; b) better internal management of regulations to assure their timely issuance; and c) the review of regulatory documents before Secretary signature. This is a major reform effort in the Department.

January 1976- June 1976 — Acting Administrator, Social and Rehabilitation Service

1973 - January 76 — Deputy Assistant Secretary for Program Systems, Department of Health, Education, and Welfare

Development and operation of the Department's policy planning and policy coordination actitivies; design of activities to strengthen capacity of state and local government to plan and manage human resource programs; provision of and planning for data processing and statistical services for the Office of the Assistant Secretary for Planning and Evaluation. Served in a variety of special assignments for the Secretary: Conference on Inflation, Energy Coordinator and Director, HEW Refugee Task Force.

1971-1973 — Economic Stabilization Program
Administrator, Office of Price Monitoring, Cost of Living Council; Director, Office of Operations, Price Commission--

Review and action on requests for price increases, interpretations of the regulations and for monitoring profit margin performance of companies with annual sales over $50 million. Personally created and directed staff of 250 auditors, accountants, economists, and lawyers to do this regulatory job.

1965-1971 — Office of Economic Opportunity
Controller; Director, Office of Community Action Support; Associate Director for Program Operations, Community Action Program; Deputy Assistant Director for Research, Plans, Programs and Evaluation; Chief, Programs and Evaluation Division--

For the first two years at OEO, performed planning, program analysis, policy development and budget responsibilities. For the next four years, served as an operating official in the Community Action Program in administering programs through ten Regional Offices. Concluded OEO phase as Controller.

1953-1965 Atomic Energy Commission

Director, Requirements and Facilities Division, Albuquerque Operations Office; Director, Budget Division, ALO; Deputy Assistant Manager for Program Analysis and Budget, Division of Military Application; Management Intern through Senior Program Analyst--

Develop professional skills in budget in a variety of assignments in the atomic weapons program both in Washington and in Albuquerque. Last assignment in AEC was directing staff of engineers in assessing production capacities and capabilities in meeting future workloads and new weapon designs.

CIVIC AND CHURCH ACTIVITIES: Member, Rockville Citizens for Good Government, 1958, 1962, and 1965

Leader in various capacities in Rockville United Church, 1969 to Present

Member, Rockville Human Relations Committee, April 1970 - November 1971

Creator of major fellowship program in honor of Dr. Dupre, former Dean of Macalester College

HONORS AND AWARDS:
1970 -- Distinguished Citizen Award from Macalester College
1972 -- Distinguished Service Award - Price Commission
1973 -- Meritorious Service Award, Federal Government Accountants Association
1975 -- HEW Secretary's Special Citation
1975 -- Certificate of Appreciation, the President of the United States

OTHER: Married, father of 3 sons.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
STATEMENT BY THE ACTING ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
ON
"CUBAN REFUGEE ASSISTANCE"

Mr. Chairman and Members of the Committee:

I am pleased to present the appropriation request for the Cuban Refugee Program for fiscal year 1978. An appropriation of $67,700,000 is requested for 1978 -- a reduction of $14,300,000 as compared with the $82,000,000 requested and appropriated for 1977.

The present request proposes that a gradual phasedown of the Cuban Refugee Program begin in 1978 and be continued on a step-by-step basis until the end of fiscal 1981, when the program would be terminated.

A phasedown was recommended by Congress in 1972, but subsequent proposals which the Department made were not accepted. The present proposal provides for a much more gradual phasedown than the proposals made in earlier years.

This program was established in 1961. The principal aspects have been reimbursement to the States for 100 percent of the cost of refugee welfare and medical assistance -- accounting for about 82 percent of the 1977 budget -- and aid to the Dade County, Florida, public schools to offset part of the cost of educating refugee school children -- which accounted for about 15 percent of the budget.

Since 1959, a total of almost 700,000 Cuban refugees have entered the U. S. and the overwhelming majority are taxpaying members of their communities. Those refugees requiring cash assistance have steadily declined since 1972. Based on past experience this figure is expected to decrease significantly over the next 3-5 years.

A study of the tax contributions of Cubans in Florida, where about half of the refugees reside, which was carried out for us last year by Arthur Young and Company, Certified Public Accountants, found that although Cuban per capita income is below that of the total population, the difference has been reduced by half during the last few years and the present difference of 20 percent can be expected to be further sharply reduced during the next 3 to 5 years. The study further indicated that the $12,400,000 in Federal Cuban Refugee Program aid to the Dade County, Florida, public schools was at least $3,800,000 above the actual net impact of refugee pupils.

Also, during the past fiscal year, a Department of HEW Review Team made an exhaustive study of program operations and recommended that the program be phased out within a 5-year period.

In the light of considerations such as these, we believe that it is appropriate to begin a gradual phasedown of the Cuban Refugee Program in fiscal year 1978 and to look toward step-by-step reductions in the program over a 4-year period, with final termination projected for the end of fiscal 1981.

The first step in the phasedown is very gradual. It would require the States initially to fund a small part of the cost of Cuban refugee welfare and medical assistance in 1978. This would be accomplished by transferring eligible refugee cases to the regular AFDC and Medicaid programs. Budget estimates in the public assistance area include $7 million in the Maintenance assistance program and $15 million in the Medicaid program to provide for the regular Federal share under these programs. Federal CRP funds would then be

used to complete 90 percent of the State share for such cases, plus 90 percent of the total cost of refugee "general assistance" cases. We would then contemplate reducing this 90 percent figure on a step-by-step basis in future years: to 75 percent in 1979, 50 percent in 1980, and 25 percent in 1981.

With respect to the aid to the Dade County public schools, we are proposing a funding level of $10,400,000 in 1978 as compared with $12,400,000 annually in recent years. While we recognize that this reduction does not fully offset the surplus funding reported in the Arthur Young study, we believe that it is preferable to avoid too large a reduction in a single year. As in the case of the funding for welfare assistance and services, we would contemplate additional annual reductions in the Dade County school aid during the following 3 years.

The size of the proposed reductions in Federal funding is relatively small, but we believe it is important that a phasedown be initiated so that we can proceed toward the termination of the program by the end of 1981, which will be more than 20 years since it began.

It should also be noted that $8,000,000 of the amount requested for 1978 is for the purpose of reimbursing States for anticipated expenditures for refugee welfare assistance and services in 1977, for which sufficient funds are not available. If this present estimated shortfall does not materialize, these funds would revert to the Treasury. We consider it important to be able to live up to the commitment of full reimbursement for the States' 1977 costs prior to beginning a phasedown in 1978.

Thank you, Mr. Chairman. I will be pleased to answer any questions that you and the Members of the Committee may have.

BACKGROUND ON REFUGEE PROGRAM

Mr. FLOOD. This is a new activity for this subcommittee. There will be a couple of questions on the background before taking a look at the assistance.

Can you tell us the total number of Cubans who migrated to the United States since 1965, the number who are registered under the Cuban refugee program, and the number currently receiving assistance under the 1977 appropriation?

Mr. WORTMAN. I will let Mr. McDonough respond.

Mr. MCDONOUGH. Approximately 700,000 Cubans have entered the country since January 1959. About 465,000 are registered with the Cuban program. Approximately 26,000 are receiving cash assistance nationally.

DISTRIBUTION OF CUBAN REFUGEES

Mr. FLOOD. How are these refugees distributed over the United States? For the record we would like you to show State by State, but right now give us the top four or five.

Mr. MCDONOUGH. The bulk of the Cubans are living in Florida. There are about a half million in Miami-Dade County. The other States with significant numbers are California, New York, New Jersey, and Illinois.

[The information follows:]

LOCATION OF CUBAN REFUGEES BY STATE 4219a

The following table, reporting on the number of Cuban aliens who registered with the Immigration and Naturalization Service in January 1976, provides the latest available data on the location of Cuban refugees by State. Excluded from these data are the approximately 200,000 Cuban refugees who have subsequently become United States citizen.

STATE	TOTAL	PERMANENT RESIDENTS	OTHER THAN PERMANENT RESIDENTS
TOTAL	399,317	319,325	79,992
ALABAMA	138	110	28
ALASKA	12	12	-
ARIZONA	131	116	15
ARKANSAS	29	26	3
CALIFORNIA	32,895	25,140	7,755
COLORADO	341	257	84
CONNECTICUT	2,398	1,787	611
DELAWARE	210	162	48
DISTRICT OF COLUMBIA	199	161	38
FLORIDA	226,206	184,137	42,069
GEORGIA	1,422	1,039	383
HAWAII	34	33	1
IDAHO	10	7	3
ILLINOIS	11,036	8,514	2,522
INDIANA	476	341	135
IOWA	91	81	10
KANSAS	244	184	60
KENTUCKY	113	94	19
LOUISIANA	3,489	2,678	811
MAINE	26	23	3
MARYLAND	1,759	1,333	426
MASSACHUSETTS	2,688	2,198	490
MICHIGAN	1,498	1,177	321
MINNESOTA	133	95	38
[illegible]	36	30	6
MISSOURI	257	202	55
MONTANA	6	3	3
NEBRASKA	137	105	32
NEVADA	1,394	1,060	334
NEW HAMPSHIRE	65	49	16
NEW JERSEY	49,826	37,353	12,473
NEW MEXICO	97	72	25
NEW YORK	36,719	30,406	6,313
NORTH CAROLINA	419	358	61
NORTH DAKOTA	16	13	3
OHIO	654	547	107
OKLAHOMA	174	122	52
OREGON	358	265	93
PENNSYLVANIA	1,511	1,155	356
RHODE ISLAND	249	187	62
SOUTH CAROLINA	164	135	29
SOUTH DAKOTA	5	5	-
TENNESSEE	134	108	26
TEXAS	3,830	2,991	839
UTAH	22	19	3
VERMONT	16	10	6
VIRGINIA	1,081	840	241
WASHINGTON	215	190	25
WEST VIRGINIA	32	22	10
WISCONSIN	171	128	43
WYOMING	5	4	1
U.S. TERRITORIES & POSSESSIONS	13,928	11,404	2,524
GUAM	12	12	-
PUERTO RICO	13,869	11,350	2,519
VIRGIN ISLANDS	47	42	5
ALL OTHER 1/	2,218	1,837	381

1/ ADDRESS IN THE UNITED STATES COULD NOT BE IDENTIFIED.

IMPACT OF REFUGEE PROGRAM

Mr. FLOOD. I believe you just concluded a study of the impact of this Cuban refugee program on the southern Florida communities. Could you describe the result of that study?

Mr. MCDONOUGH. Yes, sir.

A review team went down for HEW and there was a study we commissioned with Arthur Young. What they did was try and look at the number of Cubans who were working and paying taxes. There were approximately half a million Cubans living in Miami-Dade County. There are about 12,000 receiving cash assistance. We provide moneys not only through the State of Florida for welfare and medical assistance, but also to Dade County to assist in the education of the youngsters in the elementary and secondary schools, as well as some moneys for adult education programs, English language training and professional education programs.

What the Arthur Young study found was that the Cubans as a group were paying taxes and, rather than being a burden on the State of Florida, were pulling their fair share, you might say.

If you have a population of over 500,000 in Florida and just 12,000 receiving cash assistance, that is comparable to the rate nationally.

We did some calculations on a national figure regarding cash assistance, AFDC, and general assistance. There is about 5 to 6 percent of the population nationally on AFDC or general assistance.

SMALL PERCENTAGE OF REFUGEES RECEIVING ASSISTANCE

Mr. FLOOD. What percentage of the Cuban refugees are receiving public assistance nationally?

Mr. MCDONOUGH. About 6 percent.

Mr. FLOOD. What percentage would be eligible for the Federal welfare programs if they applied for them?

Mr. MCDONOUGH. We have accurate information from Florida. We estimate about half would be eligible for the AFDC program.

Mr. FLOOD. You talk about the direct grant to the Dade County school system. Other than that, is the majority of this appropriation we are talking about used to pay the public assistance costs for the refugees by reimbursing the full cost to States?

Mr. MCDONOUGH. Yes, sir.

PHASEDOWN PROPOSAL

Mr. FLOOD. In this budget that we are reviewing here, you propose to gradually reduce that 100-percent level of reimbursement to the States?

Mr. MCDONOUGH. Correct.

Mr. FLOOD. Could you describe to us how this phasedown would work both for Federal and for the general assistance cases—for both of them?

Mr. MCDONOUGH. What we would do, and we have already alerted the States of this proposal, would be to ask the States between now and the beginning of fiscal 1978 to identify those Cuban refugees who would be eligible under the regular AFDC-medicaid program. We would then ask that they be transferred to that program effective the first day of fiscal 1978.

The moneys requested in the budget would assist the States to meet the non-Federal-share requirement as these individuals are transferred onto the regular program.

Mr. FLOOD. It would appear to the subcommittee that that 100 percent match to State costs is an entitlement under the 1962 law. Is it legal to phase this program out through the appropriation process? How is that legal?

Mr. MCDONOUGH. I don't believe it is an entitlement.

Mr. FLOOD. Not under the 1962 act?

Mr. MCDONOUGH. No, sir. It was money that was appropriated by the foreign aid assistance committees in the House and Senate to assist the States to meet the financial burden. The 1962 act is broad authority and we use it for the Cubans, but it is not a guarantee.

Mr. FLOOD. What is the additional cost to the States during each of these years you are talking about for the phasing out program?

Mr. MCDONOUGH. For fiscal 1978, based on the estimates we have, if the cash assistance caseload stays at about what we estimate it to be, it would cost the States approximately $5.3 million. About half of that, of course, would be in Florida.

Mr. FLOOD. As we understand your proposal, the refugees who would be eligible, they could be transferred to the regular Federal-State welfare program and a portion of these refugee funds would be used to pay the States' share of that cost.

Mr. MCDONOUGH. That is correct.

Mr. FLOOD. Would this violate the basic law for payments to States—would that be violated?

Mr. MCDONOUGH. It would not violate the formula. We would need from Congress some clear language in the report that this was brought before the Congress and they agreed with this as an equitable and fair reduction schedule.

But as long as in the report language they would allow the matching of Federal moneys to meet a non-Federal share requirement, we have been told by our general counsel that that would be correct.

COST OF FULL FUNDING

Mr. FLOOD. On fully funding, if the program were to be fully funded as we have done in previous years, what would be the total amount required in fiscal year 1978?

Mr. MCDONOUGH. $67 million, I believe.

Mr. FLOOD. For 1978? We did this in previous years. What would it be for 1978?

Mr. MCDONOUGH. $95 million.

REDUCTION IN STAFF

Mr. FLOOD. You are asking for a reduction in your staff from 35 to 20 positions. Is that reduction strictly the result of a slowing down of the immigration or is part of this associated with the phase-down we are talking about?

Mr. MCDONOUGH. It is both. The reduction in staff would reduce and close the reception center down in Miami which now has about 25 to 30 people. We have projected a figure of 20 in the budget, but

we would hope to phase the program out in a humane way and not terminate people prematurely, some of whom have worked on the program for a number of years.

We would try to absorb as many as we could into ongoing programs in Miami-Dade County.

Mr. FLOOD. Have you appointed a director in the Miami Center since Nunez left?

Mr. MCDONOUGH. No, sir.

Mr. FLOOD. Won't the lack of a program director hamper your activities under this phaseout operation?

Mr. WORTMAN. I don't think so, sir. We have some capable people that are in the Center now. There is a Cuban-American who is the Acting Administrator of that Center, Mr. Fleitas, who has done that before. We have full confidence that we can continue to operate.

SURPLUS AID TO DADE COUNTY PUBLIC SCHOOLS

Mr. FLOOD. About the Arthur Young study, it talks about a surplus benefit to the Dade County schools of about $4 million. How did that happen and can it be recovered?

Mr. MCDONOUGH. The Federal Government gave the Miami-Dade County School System about $13 million. The study found that the net amount of impact after taking taxes into account would be $9 million. The difference is approximately $3 or $4 million that is a surplus. That cannot be recovered. But the tax study showed that the Cuban population in Miami-Dade County which is rather significant, over half a million, the bulk of whom are paying taxes and working, are paying for the services that any other individual down in Miami-Dade County gets through the school system.

So there is a surplus when you put in the amount of money the Federal Government provides and 100 percent to the Dade County School System. The ratio is over 500,000 Cubans working self-sufficient, making money and paying taxes as opposed to just 12,000 requiring some special assistance.

ADULT TRAINING

Mr. FLOOD. You have about $800,000 here in this request for special adult education programs. Keeping in mind the large amount of money that we appropriate directly for vocational and adult education programs, why do you want this special money?

Mr. MCDONOUGH. We have for a number of years provided special moneys through the Miami-Dade County School System for English language training and refresher training for certain occupations. There are still some refugees coming in, a trickle but some still coming in. We are asking for $800,000 to provide English language training and short-term refresher type training.

Mr. FLOOD. We appropriate very large sums to the Office of Education for these programs.

Mr. MCDONOUGH. Yes, sir. Part of the problem with having a categorical program, and the reason we are suggesting a phaseout for the Cuban program, is this: Many times you will find situations where if there is a special program for a particular category of persons—be

they Cuban refugees or whatever—then those persons are denied access to programs available for the general population simply because there is a special program for them.

Why we are suggesting a phaseout is to get them eligible for the adult programs. Because of the special nature of the programs, many Cubans have been denied access to them, not intentionally but sort of unintentionally.

EFFECT OF CUTBACK

Mr. FLOOD. Apart from your argument about whether the educational assistance will be going to Dade County or not, have you studied the effects of this large cutback is likely to have on the tax rate or the educational programs in Miami?

Mr. MCDONOUGH. I don't understand, sir.

Mr. FLOOD. You have a big cutback here. How does it affect Dade County, what about the tax rate and the whole educational program in Miami?

Mr. WORTMAN. The point we would make, of course, is that we would try to phase this so that adjustments can be made so that there is not one severe shock. Your view is, would this require a property tax increase in Dade County?

Mr. FLOOD. That is right; that is what we are asking?

Mr. WORTMAN. The Dade County school system must have a budget—I am not sure—but let's say in the quarter billion dollar range. I assume our $2 to $3 million cutback is something they can plan ahead for.

PERSONNEL COSTS, TRAVEL, AND LOANS

Mr. FLOOD. On the object class schedule, there are a couple of questions on that object class table that you have on page 7 of your justifications.

There are two items there, benefits for former employees and investments and loans. Can you explain these?

Mr. MCDONOUGH. Benefits for former personnel would be severance pay for any employees that would be RIFed because we do have a decrease in positions.

Mr. FLOOD. What about the investments on loans?

Mr. MCDONOUGH. The investments and loan item is strictly student loans, discontinued after 1977.

Mr. FLOOD. I notice you are cutting your staff by about 40 percent but your travel budget remains the same. Why shouldn't that be cut? Down goes the staff 40 percent, but the travel budget remains the same.

Mr. WORTMAN. Basically it was the idea that we are closing down the center in Maimi and relocating staff, even the reduced staff in Washington.

Mr. FLOOD. Mr. Natcher?

TOTAL COST OF PROGRAM

Mr. NATCHER. What has been the total cost of the Cuban refugee assistance since the program started?

Mr. MCDONOUGH. Approximately $1.2 billion since the program began in 1961.

Mr. NATCHER. In answer to one of the chairman's questions, you said some 700,000 have entered this country. Isn't this money in the foreign aid appropriation bill for this program?

Mr. MCDONOUGH. No, sir.

Mr. NATCHER. I served for 10 years on that subcommittee. At one time we used to have considerable money in the bill. But there is no longer any money in the bill, it is all in this one?

Mr. MCDONOUGH. That is correct.

PREVIOUS PHASEOUT PROPOSALS

Mr. NATCHER. In previous years you have submitted legislative proposals to phase out the program by amending the basic refugee law. Will that be submitted against this year?

Mr. MCDONOUGH. No, we are not planning to submit any legislation to amend the authorization.

Mr. FORBUSH. I don't think we did in the past either. Our past phaseout proposals were always through administrative action as well. This is a different approach, but we have never proposed to change the basic law.

Mr. NATCHER. And there will be no change during the fiscal year of 1978 that you know about?

Mr. FORBUSH. No, sir.

CUBANS SELF-SUFFICIENT AS A GROUP

Mr. NATCHER. According to your studies, the Cuban refugees are rapidly becoming self-sufficient as a group. How much of your phasedown would likely be accomplished during the next 4 years, anyway, through improvements in the refugees employment situation, any?

Mr. MCDONOUGH. I would assume yes. What we are trying to put before Congress is a fair and equitable phasedown which takes into account the State and local costs and alterting the States as to a gradual phaseout over a 4-year period. There are some that would say let it alone, it will go away. But I think you would have to make it necessary for the States, by reducing th amount of moneys available to them, perhaps to tighten up some of the opportunities to participate in a program which is a 100-percent federally-funded one.

We have a closed appropriation, but in the past we have been able to, through asking for supplementals or otherwise, provide 100-percent reimbursement to the States. It is very difficult to run an open-ended program with a closed-end appropriation. You would have to start the process over a 4-year period in providing some fiscal relief to the States by allowing them to use some of the moneys for the non-Federal share requirements.

But I think you have to nudge a little to get it going and not just allow it to happen as some people have said it will happen.

REFUGEE ARRIVALS AND RESETTLEMENTS

Mr. NATCHER. According to your justification, some 3,000 or 4,000 refugees arrive each year. Is that about right?

Mr. MCDONOUGH. Those are the figures we got from INS.

Mr. NATCHER. If you reduce your staff now, how are you going to take care of resettlement problems for these people?

Mr. McDonough. The 3,000 or 4,000 that come in come in through family reunification. There are some boat cases who come in with no guarantees of work and no family to assist them or provide for them. Those few cases, we think, can be assisted and absorbed by the voluntary agencies, through their normal processes.

FULL FUNDING FOR 1977 COSTS

Mr. Natcher. Your justifications indicate that some $8 million is to be used in 1978 to repay 1977 fiscal year costs. Do you have that authorization in the basic law? How do you go about this?

Mr. Forbush. There is some slip in the submission of bills for welfare and medical costs. Some of the bills have occurred in 1977 and will be paid in 1978. That is all that it is.

[The following additional information was supplied to the committee by Mr. Forbush:]

ADDITIONAL INFORMATION ON PRIOR-YEAR COSTS

The identified request for the $8 million is for the specific purpose of clarifying that these funds would be used to provide full reimbursement, up to that total, for these costs which were incurred by States in fiscal 1977—that is, that the phasedown proposed to begin in fiscal 1978 would not relate to costs incurred by the States for assistance and services provided in fiscal 1977.

Mr. Natcher. But that is not a matter of borrowing in 1 fiscal year to repay bills in a previous fiscal year?

Mr. Forbush. No.

Mr. Natcher. You are sure about that?

Mr. Forbush. Pretty sure, yes.

Mr. Natcher. Thank you, Mr. Chairman.

Mr. Flood. Mr. Patten?

WELFARE REFORM

Mr. Patten. Discussing welfare goes on ad infinitum, with papers, with every administrator, everybody who runs for Governor or President has solutions. So I will confine myself really to one question.

As I started as a mayor in 1934 with 8,000 unemployed, we had to raise the money voluntarily from among the citizens. We had no State plan. There was no social security. There was no Federal aid. We needed $1 million to give them about $41 a month. There were many suicides.

The question is this: In Sweden and Denmark, they have a minimum income. I think in Sweden anybody gets $51 month if they have no income. Is there any validity to suggesting that if we abolish all of this and under social security or whatever every American would get a minimum income of so much and that is it. Is there any thought to going that way?

Mr. Wortman. In the current dialog within the Department which we are also doing in terms of a lot of public groups of welfare reform, some of the options like negative income tax or like a family allowance would go in that direction. That is the basic income level and then whatever the economy or jobs programs, public or private jobs programs, would work on top of that sort of income level, depending upon where you set that figure, of course, is where the price tag comes in.

Even when the family assistance plan was proposed in the first year of President Nixon's term and they set a figure of, I think, around $34 or $36,000, even that had a considerable additional cost to the country. A lot of people didn't feel that that was adequate.

Thank you, Mr. Chairman.

Mr. FLOOD. The meeting will be recessed.

The following questions were submitted by members of the subcommittee with the request that they be answered for the record.

CUBAN REFUGEE PROGRAM

Mr. MICHEL. I'm glad to see you are trying to phase this program out. What percentage of the Cuban refugees are currently on welfare?

ANSWER. Between 5 and 6 percent—just about the same as the percent of the total U.S. population on welfare.

Mr. MICHEL. How does that figure compare with previous years?

ANSWER. The number has been decreasing each year in recent years, and we expect that trend to continue.

Mr. MICHEL. Last year's appropriation was $82 million and this year's request is $67 million. But $8 million of the $67 million will really be added to the $82 million to make up for a shortage. So really the difference between the 2 years is $90 million and $59 million, is it not?

ANSWER. Yes, sir. Basically, that is correct. While the $8 million is for assistance and services provided in fiscal 1977, normally there would be late billings by the States to us in fiscal 1978. We wanted to make clear that the reimbursement for assistance and services provided in fiscal 1977 is not subject to the phasedown provisions which would go into effect in fiscal 1978. I also want to point out, Mr. Chairman, that the budget assumes that in addition to the funds requested in this appropriation, an additional $22 million in Federal funds would be available to the States for fiscal year 1978 from the regular public assistance programs, making a total of $81 million for 1978 compared with the $90 million level for 1977.

Mr. MICHEL. How confident are you that the amount you are requesting will be sufficient to cover the cost requirements under your phasedown formula?

ANSWER. With the approval of the phasedown, including congressional authorization for Cuban refugee program funds to be used to offset part of the non-Federal share for refugee AFDC and medicaid cases, we are confident that the request will be sufficient.

We are, of course, assuming a favorable economic situation and that, as in recent years, few new Cuban refugees will arrive in the United States.

Mr. MICHEL. Have you had any feedback from the States regarding this proposed phasedown?

ANSWER. The present phasedown proposal is more gradual than the proposal which was contained in President Ford's budget for fiscal 1978. A formal notification has not yet been sent to the States, and therefore we do not yet have any feedback on this specific proposal. However, we forwarded a letter to the States in mid January outlining the slightly less moderate proposal contained in the Ford budget. As of this date we have received negative reactions from two States.

CUBAN REFUGEE ASSISTANCE

Mr. CONTE. How many people are presently receiving assistance under the Cuban refugee assistance program?

ANSWER. A total of about 26,400 are receiving cash assistance, and an additional 45,000 are eligible for medical assistance only. The latter are mostly refugee SSI recipients for whose medical assistance the Cuban program reimburses the States.

Mr. CONTE. Aren't most Cuban refugees eligible for the regular assistance programs? How many would not be, and why?

ANSWER. We estimate that all except about 13,000 would be eligible for the regular AFDC and medicaid programs. The 13,000 are the so-called general assistance type recipients who do not meet the categorical requirements for AFDC and medicaid, such as older single individuals or couples who are not old enough or disabled enough to be eligible for SSI. Many, but not all, of these

recipients would be eligible under State or locally funded general assistance programs.

Mr. CONTE. As you know, administrations have tried to phase out this program before. Is there any evidence, any information available this year that would cause the Congress to reverse a decision made last year and several years before that regarding the continuation of this program?

ANSWER. The study of tax contributions of Cubans in Florida, which was conducted by Arthur Young, has provided strong evidence that the Cubans are providing taxes nearly proportionate to their percentage of the population and that any existing differences will be eliminated during the 4-year phasedown period we have proposed. In addition, the study concluded that we provided the Dade County school system with $3.8 million more in fiscal year 1975 than the tax-contribution figures, if they had been available, would have indicated to be appropriate.

Another very important factor in the present phasedown plan is that its impact is much more moderate than the earlier proposals which were not accepted.

In addition, 4 more years have passed since the original phasedown was proposed to begin, and these have been years in which relatively few new Cuban refugees reached the United States.

Mr. CONTE. Have there been any new Cuban refugee arrivals this year? How many?

ANSWER. During fiscal year 1976, 2,675 new refugees registered with the refugee program.

Mr. CONTE. What States participate in this program? Would they all be phased down proportionately?

ANSWER. Twenty-seven States and the District of Columbia are participating, and they would all be phased down proportionately. For the record we would like to provide a list of those States.

[The information follows:]

STATES PARTICIPATING IN CUBAN REFUGEE PROGRAM

California
Colorado
Connecticut
Delaware
District of Columbia

Florida
Georgia
Illinois
Iowa

Kansas
Kentucky
Louisiana
Maryland
Massachusetts

Michigan
Missouri
Nevada
New Jersey
New York

Ohio
Oklahoma
Oregon
Pennsylvania
South Carolina

Texas
Virginia
Wisconsin

JUSTIFICATION OF THE BUDGET ESTIMATES

Appropriation Estimate

CUBAN REFUGEE ASSISTANCE

For expenses necessary to carry out the provisions of the Migration and Refugee Assistance Act of 1962 (Public Law 87-510), relating to aid to Cuban refugees within the United States, including hire of passenger moter vehicles, [and services as authorized by 5 U.S.C. 3109, 1/ $82,000,000] *$67,700,000. (Foreign Assistance Related Programs Appropriations Act, 1977).*

Explanation of Language Change

1/ Special language not required. Authority already provided by General Provisions of the Appropriations bill.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Cuban Refugee Assistance

Amounts Available for Obligation

	1977	1978
Appropriation	$82,000,000	$67,700,000

Summary of Changes

1977 estimated obligations	$82,000,000
1978 estimated obligations	67,700,000
Net Change	-14,300,000

	Base	Change from Base
A. Program Decreases:		
1. The decrease in welfare assistance and services is due primarily to beginning a phaseout plan in 1978	$67,500,000	-$12,000,000
2. The decrease in education costs is due to a reduction of $2,000,000 in assistance to Dade County (Miami) public schools as part of phaseout plans to begin in 1978	$13,200,000	-$2,000,000
3. The decrease in other services is related to fewer positions and decreased services such as those related to resettlement	$1,300,000	-$300,000
Total, decrease and net change	---	-$14,300,000

Obligations by Activity

Page Ref.		1977 Estimate Pos.	1977 Estimate Amount	1978 Estimate Pos.	1978 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
	Welfare assistance and services.....	--	$67,500,000	--	$55,500,000	--	-$12,000,000
	Education.....	--	13,200,000	--	11,200,000	--	-2,000,000
	Other services.....	35	1,300,000	20	1,000,000	--	-300,000
	Total obligations.....	35	$82,000,000	20	$67,700,000	--	-$14,300,000

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Total number of permanent positions	35	20	-15
Full-time equivalent of other postions	1	--	-1
Average number of all employees	33	20	-13
Personnel compensation: Permanent positions	$570,000	$370,000	-$200,000
Positions other than permanent	10,000	--	-10,000
Other personnel compensation	4,000	4,000	--
Subtotal, personnel compensation	584,000	374,000	-210,000
Personnel benefits	58,000	55,000	-3,000
Benefits for former personnel	--	56,000	+56,000
Travel and transportation of persons	15,000	15,000	--
Transportation of things	5,000	10,000	+5,000
Rent, communications, and utilities	261,000	240,000	-21,000
(GSA)	(108,000)	(95,000)	(-13,000)
Printing and reproduction	2,000	2,000	--
Other services	13,260,000	11,440,000	-1,822,000
Supplies and materials	9,000	6,000	-3,000
Equipment	4,000	2,000	-2,000
Investments and loans	300,000	--	-300,000
Grants, subsidies, and contributions	67,500,000	55,500,000	-12,000,000
Total obligations	82,000,000	67,700,000	-14,300,000

Authorizing Legislation

	Amount Authorized	1978 Budget Request
Migration and Refugee Assistance Act of 1962, Public Law 87-510.....	Indefinite	$67,700,000

Cuban Refugee Assistance

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1968 1/	$49,000,000	$49,000,000	$49,000,000	$49,000,000
1969 2/	72,665,000	72,509,000	72,509,000	72,509,000 3/
1970 4/	87,412,000	87,412,000	87,412,000	87,412,000
1971	112,130,000	112,130,000	112,130,000	112,130,000
1972	144,103,000	100,000,000	139,000,000	139,000,000
1973	161,000,000	145,000,000	161,000,000	145,000,000
1974	90,000,000	129,000,000	129,000,000	129,000,000
1975	78,000,000 5/	90,000,000	90,000,000	90,000,000
1976	85,000,000 6/	85,000,000	85,000,000	85,000,000
1977	82,000,000	82,000,000	82,000,000	82,000,000
1978	67,700,000			

1/ Plus $4,500,000 of prior year unobligated funds for each of the amounts shown. Data also exclude $1,800,000 made available from the AID Contingency Fund.

2/ All data include $1,800,000 which was transferred to AID Contingency Fund to replace funds used to meet 1968 requirements.

3/ Includes an amount of $2,700,000 transferred from "Economic Assistance," Agency for International Development, and $35,000 for pay increase in fiscal year 1969 transferred from the Public Health Service in lieu of supplemental appropriation.

4/ All data includes $90,000 transferred from a PHS account and $40,000 made available as an indefinite appropriation under P.L. 91-305 for pay increases in fiscal year 1970.

5/ Includes a budget amendment of $18,000,000.

6/ Includes a budget amendment of $44,700,000.

Justification

Cuban Refugee Assistance

General Statement

The Cuban Refugee Program was established by the President in 1961 to provide assistance and services to help refugees build new lives in the United States and, through the provision of Federal funds, to help offset the impact of refugees on States and localities. The present legislative basis for the program is the Migration and Refugee Assistance Act of 1962.

The program has continued through various phases of the refugee situation which have included: Commercial air flights between Cuba and Miami, until October 1962; Cuban refugee airlift, December 1965 - April 1973; expanded parole program to permit arrival in U.S. of backlog of Cuban refugees in Spain and other third countries, October 1973 - October 1974. Very few Cuban refugees are currently arriving in the United States or are anticipated in the future.

While some 700,000 Cuban refugees have entered the U.S. since Castro came to power in 1959, a total of 465,250 refugees have registered with the Cuban Refugee Center in Miami (3,209 during fiscal 1976), of whom 299,763 had been resettled to other localities of the United States as of June 30, 1976. Registration with the program is one of the conditions for receiving assistance through it.

During the 16 years since the Cuban Refugee Program was established, it has provided a wide range of funding to or on behalf of Cuban refugees, including financial and medical assistance, education, and resettlement services. Two major areas now account for most of the programs expenditures: over 97.4 percent of the 1977 budget of $82,000,000 was for reimbursement to State/local welfare agencies for maintenance and medical assistance provided needy refugees ($67,500,000) and for educational assistance to Dade County (Miami) public schools ($12,400,000).

The flow of refugees from Cuba has virtually ceased; the overwhelming majority of Cuban refugees who have entered this country over the past 16 years have been fully self-supporting, tax-paying members of their communities on the same basis as other residents for a number of years. Increasingly, Cuban refugees cease to present a special burden on State and local government resources.

During Fiscal Year 1976 a study was conducted by Arthur Young and Company, under contract, to determine State and local taxes paid by Cubans in Florida. This study documented the extent to which the refugees have borne an increasing share of the tax burden thereby reducing the magnitude of impact upon non-Cuban taxpayers. The study noted that the Cubans have become integrated into the economic mainstream and have achieved remarkable economic progress. Approximately one-half of the difference between Cuban and non-Cuban per capita income was eliminated between 1970 and 1976, the study indicated. Moreover, the study indicated that the present difference (approximately 20 percent) "will probably be reduced sharply over the next 3 to 5 years."

Also, during the past fiscal year, a Department of HEW Review Team made an exhaustive study of program operations and recommended that the program be phased out within a 5-year period. Therefore, a gradual and systematic phase-out is scheduled to begin in FY 1978 and to continue through FY 1981.

In the welfare area, current estimates of program costs for 1977 exceed the $82 million appropriation by $8 million. Maximum allocations will be made to each State for 1977 within the $82 million appropriated. It is proposed to fund from 1978 funds the $8 million shortage including approximately $3 million for medical claims which would normally be reported in 1978.

Prior to the beginning of fiscal 1978, the Department will instruct all States to determine the eligibility of refugee assistance recipients for the regular programs of Aid to Families with Dependent Children and Medicaid and to place eligible refugee recipients on those programs no later than October 1, 1977. States would then be eligible for the regular Federal funding for such recipients, and Cuban Refugee Program funds in FY 1978 could be utilized to meet a portion of the required non-Federal costs for participation under the Public Assistance titles of the Social Security Act. This special use of Cuban Refugee program funds in meeting a portion of the non-Federal share of Public Assistance costs for eligible Cuban Refugees would continue through the duration of the phase out of the program. Nationwide, it is estimated that Public Assistance costs for eligible Cuban Refugees total $40,600,000, for which the States would receive $22,000,000 in Federal Public Assistance grants. In addition to these "categorical" type public assistance costs, however, it is estimated that welfare funds being expended on behalf of refugees for the "general assistance" type cases, not eligible for the Federally-aided categorical public assistance programs, will approximate $34,200,000.

This budget assumes that grants to the States in 1978 from Cuban Refugee Program funds will be based on 90 percent of the State/local costs for categorically eligible refugee welfare and medical assistance cases and "general assistance" type cases. In subsequent years, all of the participating States would be reduced below the 1978 level.

The other major phaseout proposal in 1978 is a reduction in educational assistance to Dade County public schools by about 16 percent -- from $12,400,000 million in 1977 to $10,400,000 in 1978. The Arthur Young tax study indicated that the Dade County schools received a surplus benefit of $3.8 million in FY 1975. The study also noted that the size of the surplus may actually be understated, for in computing the $3.8 million figure, $8.1 million was attributed to the "need for construction of new facilities caused by the increase of [Cuban] student population," despite the fact that "a relatively high percentage of non-Cubans are actually occupying the new schools." Although this reduction does not fully offset the surplus funding reported in the Arthur Young study, it is preferable to avoid too large a reduction in a single year. As in the welfare funding we would further reduce the Dade County funding in subsequent years.

Federal staff reductions are also projected during FY 1978. The Miami Center staff will work with State officials on the absorption of eligible Cuban refugees into regular Federal/State programs. Because of the substantial reduction in Center operations since 1974, the Miami Center is expected to close by the end of fiscal year 1978.

The several activities of the program and more detail concerning funding levels and phaseout proposals for each activity are discussed under the three budget activities which follow.

1. Welfare Assistance and Services

	1977 Estimate	1978 Estimate	Increase or Decrease
Total obligations	$67,500,000	$55,500,000	-$12,000,000

Funds requested for this activity would be utilized in the following manner:

Reimbursement to States for refugee welfare assistance and services costs incurred but not reimbursed for fiscal year 1977.....$8,000,000

Grants to States based on 90 percent of refugee welfare assistance and services costs not covered by Federal funding under the public assistance titles of the Social Security Act.....$47,500,000

During 1977, the program was continued on the basis adopted in 1961, when the program was established, of providing reimbursement to the States for refugee welfare and medical assistance costs. It is estimated that funds available for 1977 will be approximately $8 million less than the costs incurred by the States. Since the appropriation for 1977 was predicated on continuation of the 100 percent reimbursement policy throughout the year, it is considered fair and equitable to endeavor to fully meet the 1977 needs of the States. A change of policy in mid-year 1977, with little advance notice, would not give State legislatures sufficient opportunity to consider additional funding requirements. It is also considered important to be able to fully meet the Federal commitment for 1977 prior to the initiation of the phasedown policy for 1978.

During 1978, funds would be based on 90 percent of the State/local cost of refugee welfare and medical assistance. This reduction from full coverage of such costs constitutes the first step in the planned phasedown of the Cuban Refugee Program.

Prior to the beginning of fiscal 1978, the Department will instruct all of the 28 States currently participating in the program to determine the eligibility of refugee assistance recipients for the regular programs of Aid to Families with Dependent Children and Medicaid and to place eligible refugee recipients on those programs no later than October 1, 1977. States would then be eligible for the regular Federal funding for such recipients, and FY 1978 Cuban Refugee Program funds could be utilized to meet a portion of the required percentages of non-Federal costs for participation under the Public Assistance titles of the Social Security Act.

Cuban Refugee Program funds would be granted on the basis of 90 percent of the non-Federal costs for categorically eligible cases and 90 percent of the costs of refugee "general assistance" cases which are funded entirely from State/local resources.

The Department will establish and issue "maximum allocations" for the States for 1978. These allocations will constitute the maximum amount available to a State and will provide a means for limiting Federal refugee program costs to the amount available under the appropriation.

The following table, showing the percentages of State/local costs on which Cuban Refugee Program grants would be based, presents the proposed step-by-step phasedown projected for the program:

Fiscal Year			
1978	1979	1980	1981
90%	75%	50%	25%

Under this plan, the Cuban Refugee Program grants would terminate completely at the end of fiscal year 1981.

The following table presents program caseload and cost estimates for both fiscal years 1977 and 1978 on a comparable basis before application of the phaseout effect. The data provide the basis for the estimated impact of the phaseout shown in the next table, on which the budget estimate is based.

	Fiscal Year 1977	Fiscal Year 1978
Florida		
Maintenance:		
Average monthly No.	12,300	12,300
Average monthly payment	$53	$54
Total cost	$7,800,000	$8,000,000
Medical costs	$26,000,000	$26,800,000
Administrative and social service costs	$4,700,000	$5,100,000
Subtotal, Florida (program cost)	$37,500,000	$39,900,000
Other States		
Maintenance:		
Average monthly No.	14,100	13,500
Average monthly payment	$112	$113
Total cost	$19,000,000	$18,300,000
Medical costs	$15,300,000 1/	$12,600,000
Administration	$3,700,000	$4,000,000
Program cost	38,000,000	34,900,000
Unfunded	-8,000,000 2/	+8,000,000 2/
Subtotal, Other States	$30,000,000	$42,900,000
Total, welfare assistance and services	$67,500,000	$82,800,000
Less Public Assistance grants	--	-22,000,000
Less State/local costs	--	-5,300,000
Total obligations	$67,500,000	$55,500,000

1/ Includes estimated accrued medical costs.

2/ The $8 million requested in 1978 would be used for meeting costs in 1977 in order to continue the 100 percent reimbursement policy through 1977. Thus, the Cuban Refugee Program funding level is actually $75,500,000 in 1977 and $47,500,000 in 1978. The $47,500,000 in 1978 is augmented by $22,000,000 in Federal PA assistance and $5,300,000 in non-Federal PA assistance for total support of $74,800,000 in 1978.

Fiscal Impact of Phaseout in Fiscal Year 1978 - Welfare/Medical

	Total Cost	Federally-Aided Program Costs	General Assistance Type Costs
Florida			
Total estimate	$39,900,000	$28,600,000	$11,300,000
Federal PA Grants share (56.55%)	-16,000,000	-16,000,000	---
Remaining costs	23,900,000	12,600,000	11,300,000
Cuban Refugee Program Grant for State/local type costs (90%)	-21,500,000	-11,300,000	-10,200,000
Estimated State/local costs	2,400,000	1,300,000	1,100,000

The data for Florida on categorical PA eligible cases are based on classification of caseloads this State has made. It should be noted that the relatively higher medical estimates for Florida -- and the higher categorical eligible funds -- reflect the large number of aged Cuban refugees living in this State receiving maintenance payments through the Supplemental Security Income program, rather than the Cuban program; the Cuban program has borne the medical costs for this group, numbering about 25,000.

Other States	Total Cost	Federally-Aided Program Costs	General Assistance Type Costs
Total estimate	$34,900,000	$12,000,000	$22,900,000
Federal PA Grants share (50%)	-6,000,000	-6,000,000	---
Remaining costs	28,900,000	6,000,000	22,900,000
Cuban Refugee Program Grant for State/local type costs (90%)	-26,000,000	-5,400,000	-20,600,000
Estimated State/local costs	2,900,000	600,000	2,300,000

Based on estimates from the largest States, approximately 35 percent of Cuban program expenditures are categorical type and 65 percent are "General Assistance" type. The 50 percent matching rate has been used since most of the funds -- over 90 percent -- are identified to States with the 50 percent Federal match.

All Participating States	Total Cost	Federally-Aided Program Costs	General Assistance Type Costs
Total estimate.....	$74,800,000	$40,600,000	$34,200,000
Federal PA Grants share.....	-22,000,000	-22,000,000	---
Remaining costs.....	52,800,000	18,600,000	34,200,000
Cuban Refugee Program Grant for State/local type costs.....	-47,500,000	-16,700,000	-30,800,000
Estimated State/local costs...	5,300,000	1,900,000	3,400,000

2. Education

	1977 Estimate	1978 Estimate	Increase or Decrease
Total obligations.....	$13,200,000	$11,200,000	-$2,000,000

A total of $11,200,000 requested for the Education activity for fiscal 1978 includes $10,400,000 for aid to the Dade County (Miami, Florida) public schools to help offset part of the cost of educating refugee school children. The children who are funded are those who have been in the school system for less than five years. In addition to the basic costs, these funds also provide special "English as a Second Language" teachers and other personnel such as counselors to help with the special needs of these children.

The remaining $800,000 will be utilized for adult English and vocational training and professional refresher training. The adult program has emphasized English and vocational training to enable adult refugees, particularly those receiving welfare assistance, to become self-supporting. A number of projects providing short-term refresher training for professionals have also been provided to enable refugee professionals to qualify to practice their professions in the United States.

The following table presents the proposed funding phasedown projected for the program:

Fiscal Year
(Dollars in Millions)

1978	1979	1980	1981
$10.4	$8.0	$5.6	$2.4

Under this plan, the Cuban Refugee Program grants would terminate completely at the end of fiscal year 1981.

3. Other Services

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amt.	Pos.	Amt.	Pos.	Amt.
Total obligations	35	$1,300,000	20	$1,000,000	-15	-$300,000

The request for 1978 relates to Federal program administration. Of the currently authorized staffing of 35 positions, a total of 31 are located in Miami and 4 in Washington. With the diminishing operation of the program, a cut of 15 positions is projected during fiscal year 1978; with a total cut to eight positions by the end of the first quarter of fiscal year 1979. Specific plans on how to effect these reductions will be developed during the current fiscal year. It is projected that the Miami Center will close by the end of FY 1978.

Substantial reductions have been made during the last few years in this activity, which includes Federal direction and day-to-day operation of the program, including a variety of services for newly arriving refugees as well as those already in the U.S. Provision is made for reception, registration, feeding, lodging, etc., that might be necessary for any new arrivals by small boats or other means. For Cuban refugees in the Miami area, continuing emphasis is placed on training and employment and assuring that barriers to achieving self-support are dealt with as effectively as possible.

Refugee resettlement activities have been greatly reduced in recent years since the termination of the Cuban refugee airlift in April 1973 and the completion of the Expanded Parole Program for Cuban refugees stranded in third countries in October 1974. Termination of the resettlement arrangements with the national voluntary resettlement agencies which have participated in the program since its inception is planned at the end of fiscal 1977.

CUBAN REFUGEE ASSISTANCE

Program Purpose and Accomplishments

Activity: Welfare assistance and services (Migration and Refugee Assistance of 1962, Public Law 87-510)

1977 Estimate	1978 Estimate		
Amount	Authorization	Pos.	Amount
$67,500,000	Indefinite	--	$55,500,000

Purpose: State and local public welfare and health agencies are reimbursed for providing needy Cuban refugees with financial assistance, essential medical care, and certain other related welfare services.

Explanation: Since inception of the Cuban Refugee Program in 1961 States have been reimbursed on a 100 percent basis from funds appropriated for the Cuban Refugee Program for the purpose outlined above.

Accomplishments in 1977: An average monthly number of about 26,400 needy refugees are expected to receive assistance with their basic maintenance requirements through this program; some 50,000 are eligible for medical assistance.

Objectives for 1978: To begin a phaseout of the program by converting all eligible cases to the categorical federally-aided programs no later than October 1, 1977, and to reduce costs to this program to the extent Federal matching is available for such cases and also by reducing non-Federal costs available under the program.

CUBAN REFUGEE ASSISTANCE

Program Purpose and Accomplishments

Activity: Education (Migration and Refugee Assistance Act of 1962, Public Law 87-510)

1977 Estimate		1978 Estimate		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
--	$13,200,000	Indefinite	--	$11,200,000

Purpose: Assistance is provided to help Cuban refugees obtain English, vocational, and academic (including professional refresher) training; and to help offset the impact of large Cuban refugee enrollments in public schools (Dade County, Florida).

Explanation: Student loans have been made over the years; the phaseout of this part of the program will be completed in 1977. Vocational and English training has been funded in the Miami area over the years; it is currently limited to those receiving welfare for whom employment plans exist. Projects for professional retraining courses for refugees are funded. In recognition of the substatial impact of the large Cuban refugee enrollment in the public school system of Dade County (Miami), Federal assistance is provided that school system to help offset some of the fiscal impact.

Accomplishments in 1977: An estimated 800 refugees will be assisted through training projects and loans. A payment of $12,400,000 in recognition of the impact on Dade County public schools of Cuban refugee children is planned.

Objectives for 1978: An amount of $800,000 project grants to continue to assist about 800 Cuban refugees with training needs is projected. A 4-year phaseout of educational assistance to Dade County schools is scheduled to begin with fiscal year 1978: the estimated payment to the system is $10,400,000 compared with $12,400,000 for 1977.

CUBAN REFUGEE ASSISTANCE

Program Purpose and Accomplishments

Activity: Other Services (Migration and Refugee Assistance Act of 1962, Public Law 87-510)

1977 Estimate		1978 Estimate		
Pos.	Amount	Authorization	Pos.	Amount
35	$1,300,000	Indefinite	20	$1,000,000

Purpose: This activity covers Federal administration of the Cuban Refugee Program, including a variety of services for incoming refugees as well as those already in the country. Resettlement activities, now a very small part of the program, is included.

Explanation: All of the funds included under this activity relate to program administration costs for 1978.

Accomplishments in 1977: Program administration, including a variety of functions such as community relations, registration of refugees, data processing and records maintenance, liaison with other Federal and State/local agencies, will be carried out. Emphasis will be placed on developing and implementing program phaseout plans.

Objectives for 1978: It will be necessary to complete analyses and effect plan for reduction of program operations and staff; a cut of 15 positions during 1978 is projected.

TUESDAY, MARCH 29, 1977.

PAYMENTS TO THE SOCIAL SECURITY TRUST FUNDS

WITNESSES

JAMES B. CARDWELL, COMMISSIONER OF SOCIAL SECURITY
ROBERT P. BYNUM, ASSOCIATE COMMISSIONER, OFFICE OF PROGRAM OPERATIONS
FRANCIS D. DeGEORGE, ASSOCIATE COMMISSIONER, OFFICE OF MANAGEMENT AND ADMINISTRATION
THOMAS M. TIERNEY, DIRECTOR, BUREAU OF HEALTH INSURANCE
ROBERT L. TRACHTENBERG, DIRECTOR, BUREAU OF HEARINGS AND APPEALS
FRED SCHUTZMAN, DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
LOUIS R. PONSI, BUDGET OFFICER, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
MICHAEL STURMAN, DIRECTOR, WELFARE BUDGET ANALYSIS DIVISION, OFFICE OF THE SECRETARY

Mr. FLOOD. Now we have the Social Security Administration. The presentation will be made by James B. Cardwell, Commissioner.

We have your biographical sketch, Mr. Cardwell, which we will place in the record at this point, as well as your summary statement and the statement on "Payments to the trust funds."

[The biographical sketch and statements follow:]

87-936 O - 77 - 14

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Social Security Administration

Name: JAMES B. CARDWELL

Position: Commissioner of Social Security, Social Security Administration, Department of Health, Education, and Welfare since October 10, 1973.

Former Positions: Began his Federal service in 1942 as a clerk in the Public Housing Administration. Served with the United States Army in the European Theater of Operation during World War II, and returned to the Public Housing Administration in 1945 where he served in administrative and budget assignments until 1954.

Joined the Department of Health, Education, and Welfare in 1955 and served as a budget officer in the Office of Vocational Rehabilitation until 1957. From 1957 to 1958, was a budget examiner with responsibility over the Department's health budget in the Office of the Secretary. Was Assistant Commissioner for Administration in the Food and Drug Administration during the period 1958 to 1965.

Appointed in 1965 as Deputy HEW Comptroller and Departmental Budget Officer, and served from 1970 to 1973 as Assistant Secretary and HEW Comptroller.

Education: Graduated in 1955 with a Bachelor of Commercial Science Degree from Columbus University.

Awards: DHEW Superior Service Award in 1961; the FDA Award of Merit, 1965; the HEW Distinguished Service Award, 1967; HEW Secretary's Special Citation, 1968; and the HEW Certificate of Outstanding Performance, 1968. Received the National Civil Service League Career Service Award in 1971; the Rockefeller Public Service Award, 1974.

Personal: Born in the District of Columbia. Married to the former Mary Louis Sheppard of Kansas City, Kansas. Resides in Rockville, Maryland. Four children: James Jr., Mark Edward, David Bryan and John Richard.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

Statement by the Commissioner of Social Security
(Summary Statement)
on

1978 Appropriation Requests

Mr. Chairman and members of the committee, I am pleased to have this opportunity to discuss the Social Security Administration's 1978 appropriation requests. I will read a brief general statement outlining our budget requests and their major emphasis, and report on the status of administration of the programs for which we are responsible. I would like to submit for the record a longer overall statement and short individual statements for each appropriation request.

Before I begin my statement, I'd like to state that Secretary Califano's recently announced reorganization of HEW will significantly affect the scope of SSA's responsibilities. It will establish a new organization to be known as the Health Care Financing Administration, which will be responsible for the oversight of the Medicare and Medicaid programs and related quality control functions. SSA's Bureau of Health Insurance will become part of this new organization. The second action directly impacting on this agency is the consolidation of all cash assistance payment programs under SSA. This will be accomplished by transferring responsibility for the Aid to Families with Dependent Children and the Child Support Enforcement programs from the Social and Rehabilitation Service to SSA.

The SSA budget request before you is based on our pre-reorganization structure and responsibilities, as is the statement I am about to read. We will, of course, inform the committee of the details of these changes as they become known.

SSA Budget Requests

The Social Security Administration's appropriation requests total $17.4 billion. These include general fund appropriations of $8 billion for Payments to Social Security Trust Funds, $968 million for Special Benefits for Disabled Coal Miners, and $5.8 billion for the Supplemental Security Income program. Our requests from the trust funds are for $2.7 billion for the Limitation on Salaries and Expenses, which is our basic appropriation for administrative costs, and $14.6 million for the Limitation on Construction.

In the aggregate, total SSA outlays in the Carter budget are $123.1 billion. That is nearly 27 percent of the President's $459.4 billion proposed outlays for fiscal year 1978, and is $11.4 billion higher than SSA's 1977 level. The most significant factors of increase are the automatic cost-of-living benefit adjustments, projected at 4.9 percent in July 1977 and 5.5 percent in July 1978. These account for about $5.8 billion of the $11.4 billion SSA increase. Other factors include normal growth in the numbers of beneficiaries, higher average monthly payments due to higher average covered wages, and higher medical care costs. These increases are offset partially by legislative proposals which modify some provisions of the cash benefit and Medicare programs.

Major Program Emphases

The most significant programmatic issue facing SSA is the financial integrity of the social security system itself. The Secretary of HEW is personally involving himself in proposing legislation to address this problem, and plans to make his recommendations to the President in April. Also of major importance is the need to constrain the runaway costs of health care in this country--a need specifically addressed in the President's legislative proposals transmitted to the Congress in February.

Major Administrative Emphases for 1977-1978

SSA's budget reflects our efforts to improve the quality of service to the public while at the same time increasing the accuracy and efficiency of our operations. I'd like to address some of these management emphases briefly:

Improvement in SSI Payment Accuracy and Efficiency:

Since January 1974, SSA has had to place major emphasis on improving management of the Supplemental Security Income program, and in particular on improving SSI payment accuracy.

By redetermining each recipients' eligibility and payment amount every year, we detect and correct overpayments or underpayments, and remove ineligibles from the rolls. In addition to being SSA's best way of correcting errors resulting from inaccurate or incomplete beneficiary reporting, the redetermination process also provides a method by which

recipients are reminded of their own reporting responsibilities. Other factors also have contributed to the reduction in errors:

--We have expanded and improved the automated SSI payment system, and are continuing efforts in this area.

--We have improved the interface between social security and SSI payment records.

--We have increased the agency's emphasis on training and revision of instructional materials.

We estimate that in 1976 $50 million in SSI benefits were saved because of corrective actions taken under SSA's error reduction program. Our goal is to reduce the error rate to 15 percent by December 1977, from the level of 19.1 percent reported for the six month period ending June 1976 by SSA's quality assurance system. Consistent with achieving this goal, SSA has budgeted benefit savings of $180 million in 1977 and $270 million in 1978. More than half of these savings will result from correcting payment errors through the redetermination process.

Continued Emphasis on Training:

Improved employee training and instructional material remains an important part of the SSI error reduction program. However, additional training is required in the social security programs as well. Special emphasis on the SSI program since its implementation in January 1974 has resulted in a decrease in the accuracy and timeliness of many other services provided

by SSA. Some of these deficiencies can be attributed to short-cuts in training new employees and lack of sufficient on-going training in social security programs.

We have made considerable progress in the past year in updating entry level training courses, and in providing additional training to term appointees who have been converted to full-time permanent positions. The budget continues to emphasize training, and provides an increase in man-years for training over the amount accomplished in 1976.

Emphasis on Quality Assurance Activities:

In the past 2-years we have made quality assurance activities a high priority. The Office of Quality Assurance was created as the focal point to direct and emphasize our continuing efforts to upgrade overall quality.

Quality assurance activities involve all programs and range from operational end-of-line claims review in the trust fund programs to centralized claims processing quality review and payment validation in the SSI program.

Strengthening Relationships with Medicare Contractors

In June 1974, the Advisory Committee on Medicare Administration, Contracting and Subcontracting (the Perkins Committee) released a report that contained numerous recommendations designed to improve the efficiency and economy of our administration of the Medicare program. As a result of one recommendation, on July 14 and 15 last year we held the first of

what we expect will be a series of annual meetings between the Commissioner of Social Security, his top Medicare staff, and top executives from the contracting community. Responses from contractor executives indicate that the conference was highly successful as a vehicle for government/ contractor communications, and we plan to conduct future meetings on at least an annual basis.

Emphasis on Detection and Prevention of Medicare Fraud and Abuse

We plan to place increased emphasis on detecting and preventing Medicare fraud and abuse in 1977 and 1978, and have included an expansion of resources for this effort in SSA's budget request for both the Medicare contractors and SSA. The occurrence of potential fraud and abuse situations and the need to investigate them is certainly not new; however, as the use of Medicare services rises, one can anticipate a corresponding increase in the number of cases which warrant investigation.

Improved Approaches to Medicare Reimbursement

Under the authority of the 1967 and 1972 amendments, the Social Security Administration has undertaken a series of experiments and evaluations to test alternative methods of Medicare reimbursement in an effort to contain increasing costs of health care delivery. Although final results from most experiments are not yet available, preliminary evidence from completed evaluations suggests that prospective reimbursement has a containing effect on revised hospital costs. SSA has reported its findings to the Congress periodically in the past and we will continue to keep the Congress informed of our progress.

Stabilization of Hearings Workloads

SSA reduced hearings backlogs significantly during FY 1976 and the transition quarter--from 111,169 in June 1975 to 86,473 in September 1976. After remaining backlogs are eliminated, a lower on-going level of hearings work will exist. For this reason the budget projects a gradual reduction of the pending cases to a level equal to the number of hearings received in a 13-week period by the close of 1979. This will permit efficient use of resources as well as satisfactory service to the public.

Increasing Efficient and Economical Use of Manpower

SSA's administrative budget emphasizes more efficient and effective use of agency manpower through maintaining a stable full-time permanent workforce, reducing reliance on overtime and restraining growth in staff-type functions.

SSA's use of overtime rose to abnormally high levels as a result of the 1972 amendments, which included the SSI program. A high level of overtime may be reasonable and necessary in the short run, but it is inefficient and expensive on an on-going basis. The revised estimate for 1977 projects a decrease of 1,900 man-years of overtime from 1976, and the 1978 budget projects a further decrease in overtime of 1,200 man-years, down to a ratio of 3.2 percent of total man-years.

SSA's 1978 budget also addresses the distribution of manpower between staff and workload operations, and holds staff man-years in 1977 and

1978 very close to actual 1976 experience. We expect to limit increases in the number of employees in staff functions through efforts directed toward more efficient utilization of existing staff. In this way we can insure that priorities within staff areas are met without diverting manpower resources from workload processing operations.

Advanced Systems Planning and Use of ADP Resources

Before concluding my statement I would like to address an area of special concern to me--long range advanced systems planning.

Through the years, SSA has implemented and absorbed several major new programs, and responded to various legislative mandates, such as general benefit increases. Although SSA has taken on the new workloads by increasing personnel and by expanding existing computer capabilities, it was often impossible due to lack of time, to implement the necessary changes in a totally planned fashion. As a result, present processes have become fragmented and are not always responsive to the needs of the agency or the public. As a short range solution to this problem, we have undertaken several initiatives to improve the use of our current computer equipment. For example:

--We have contracted with the Mitre Corporation to do an extensive analysis of SSA's computer systems,

--We have hired a recognized authority on computer systems to assist us in-house,

--We have taken steps to examine and tighten our entire records security arrangement at headquarters and in the field.

However, on the matter of improving our major systems, as I have said before, Mr. Chairman, the only way to fully resolve SSA's systems problems, both as to cost and future efficiency, is through a total and integrated redesign of the entire process. The advanced systems planning project, which began in fiscal year 1976 has this as its ultimate objective. By 1978, we will be spending 159 man-years in SSA's Office of Advanced Systems and $14.7 million in contracts for outside expertise and assistance.

Mr. Chairman, this concludes my general statement.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Statement by the Commissioner of Social Security

on

"Payments to Social Security Trust Funds"

The first appropriation request totals $7,955,144,000 and covers four Federal fund payments to the social security trust funds. Three of the payments are necessary to place the trust funds in the same position they would have been in had they not borne the cost of benefits chargeable to Federal funds. The fourth payment is a Federal fund matching of the premiums of enrollees in the voluntary supplementary medical insurance program--the part of Medicare which covers physician and other medical and health services. In all four situations, the amounts paid to the trust funds derive from individuals exercising their rights under the law, and the payments are not subject to administrative control.

Components of Request

The total request of $7,955,144,000 for fiscal year 1978 is made up of the following:

--A Federal payment for supplementary medical insurance of $6,383,000,000. This payment, together with premiums paid by an estimated 25,359,000 aged or disabled enrollees in the program, must be sufficient to finance all medical insurance benefits and administrative costs.

--A payment of $687,941,000 for hospital insurance benefits for the uninsured. When Medicare began, the Congress decided that

people already age 65 but not insured under social security or railroad retirement also should receive hospital insurance coverage. The Federal fund payment finances the cost of covering this steadily declining group of uninsured individuals. It provides protection for approximately 837,000 persons in fiscal year 1978, compared to 937,000 persons in 1977.

--A payment for noncontributory military service credits of $656,000,000. This payment finances the additional costs of paying benefits which are based on military service for which no social security contributions were made. It includes a $587,000,000 annual installment related to military service during World War II and part of the post war period before servicemen received regular coverage under social security. This year's request also includes $5,000,000 for a one-time reimbursement to the trust funds for payments based on noncontributory wage credits for U.S. citizens of Japanese ancestry who were interned at any time during the World War II era. The remaining $64,000,000 is for estimated benefit payments based on noncontributory credit for wages-in-kind--such as food, shelter, and medical services--which has been granted members of the Armed forces for services performed after 1956.

--A payment of $228,203,000 to reimburse the old age and survivors insurance trust fund for special benefits paid during fiscal year 1976 to certain persons age 72 and over. These persons were not

eligible for regular monthly social security benefits primarily because they retired before the enactment of social security legislation or before their occupations were covered by social security. At the end of fiscal year 1976, 198,000 persons were receiving benefits under this program.

Explanation of Increase Over 1977 Request

The total request for 1978 is $1,241,242,000 more than the amount estimated for 1977. Most of this increase is for fiscal year 1978 Federal matching payments for supplementary medical insurance. As I said earlier, these payments, together with monthly premiums paid by enrollees, must be sufficient to finance the supplementary medical insurance program. Regardless of how much program costs may increase in total, the law limits the increase in the monthly premium which enrollees pay to no more than the percentage by which monthly social security benefits increase. Because of this limitation, the premium will rise by only 6.4 percent effective this July--from $7.20 to $7.70--even though the social security actuaries are projecting increases of 9 percent in physician fees and 3 percent in the utilization of services during FY 1978. This means that in order to adequately finance the program, the Federal matching payment which we are requesting must increase by a greater percentage than the increases in program costs.

The 1977 appropriation was based on total supplementary medical insurance program costs, enrollee premiums, and required matching Federal contributions, as estimated in December 1975. Based on current experience, the

enrolled population will be greater in 1977 than previously estimated. Also, physician fees have increased faster than projected in the 1977 budget. We therefore have increased our total program cost estimate for the year.

Since the enrollee premium rate is limited by law, and premium collections plus Federal matching payments must be sufficient to finance total program costs, an additional $220,000,000 in Federal matching payments will be required for fiscal year 1977. In our 1978 appropriation, we have requested this $220,000,000 plus an interest adjustment of $12,000,000 for a total of $232,000,000. This is consistent with our approach to provide funds in each year's appropriation request to cover adjustments between amounts previously appropriated and actual experience with the program, or revised estimates of program costs. In this year's appropriation request, these adjustments represent $253,674,000 of the total year-to-year increase.

As I have just mentioned, $232,000,000 of this relates to underfinancing of the Federal matching activity in fiscal year 1977. The remainder is for similar underfinancing for this activity in prior years and for the hospital insurance for the uninsured activity, and adjustments related to special benefits for certain uninsured persons.

The balance of the increases for this appropriation over our 1977 request includes $18,900,000 for hospital insurance for the uninsured due to higher hospital costs per patient day in 1978, partially offset by a decrease in the number of beneficiaries, and $34,000,000 for

military service credits. Partially offsetting the increases I have described is a $27,332,000 decrease for special benefits paid to certain persons age 72 and over. These persons are primarily aged individuals who are not eligible for regular social security benefits because they retired before the enactment of social security legislation. The decrease in costs for this activity reflects a constantly declining beneficiary population. Also, in last year's budget, we included $150,000,000 to cover the cost of hospital insurance for the uninsured during the transition period--a one-time cost not repeated in this year's request.

This concludes my statement on Payments to Social Security Trust Funds.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Statement by the Commissioner of Social Security
(FULL STATEMENT)
on

1978 Appropriation Requests

Mr. Chairman and members of the committee, I am pleased to have this opportunity to discuss the Social Security Administration's 1978 appropriation requests.

SSA Budget Requests

The Social Security Administration's appropriation requests total $17.4 billion. These include general fund appropriations of $8 billion for Payments to Social Security Trust Funds, $968 million for Special Benefits for Disabled Coal Miners, and $5.8 billion for the Supplemental Security Income program. Our requests from the trust funds are $2.7 billion for the Limitation on Salaries and Expenses, which is our basic appropriation for administrative costs, and $14.6 million for the Limitation on Construction.

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In the aggregate, total outlays in the 1978 Carter budget for programs administered by SSA, funded by both trust funds and general revenues, amount to $123.1 billion. That represents nearly 27 percent of the President's $459.4 billion proposed outlays for fiscal year 1978. The $123.1 billion in SSA outlays is $11.4 billion higher than the estimated 1977 level of $111.7 billion. The most significant factors

of increase are the automatic cost-of-living benefit adjustments for social security and SSI recipients, scheduled to be paid beginning July 1977 and July 1978. These adjustments, projected at 4.9 percent in July 1977 and 5.5 percent in July 1978, account for about $5.8 billion, or more than half of the $11.4 billion SSA increase. Other factors include normal growth in the numbers of OASDI and SSI beneficiaries and increases in the average monthly benefits paid to them due to higher average covered wages. For the Medicare program, increases are due primarily to higher medical care costs and gradual increases in the size of the covered population. These increases are offset partially by the legislative proposals in the President's 1978 budget, which modify some provisions of the cash benefit and Medicare programs.

Major Program Emphases

I would like to discuss briefly what I consider to be the major programmatic issues facing social security during the next several years and the way in which President Carter's legislative program deals with these issues.

Issues--First, the need to constrain the runaway costs of inpatient hospital care.

Hospital cost increases were outstripping overall cost-of-living increases for many years prior to the introduction of Medicare. Indeed, the increasing burden of hospital costs on the aged was the major impetus to the enactment of Medicare. Since the introduction of Medicare and Medicaid, the average cost of a day's stay in a hospital has more than tripled--from $44 a day in 1965 to $154 a day in 1976. That compares with a 70 precent increase in the overall cost-of-living in the same period.

In 1976 alone, while the Consumer Price Index climbed 7 percent, the cost of a hospital stay jumped 15 percent. Every available projection indicates similar increases in the years immediately ahead unless action is taken.

The legislation being proposed would direct the HEW Secretary, working with a broadly representative national advisory committee, to establish limits on increasing in hospital reimbursements from all sources--Medicaid, Medicare, Blue Cross, commercial insurers and individuals--beginning in October 1977. It is my feeling that only by approaching hospital cost containment through both the Federal and private sectors can we hope to achieve any restraint in the overall growth of hospital costs, and from a more limited perspective, restrain the growth of Medicare expenditures. The Secretary also will work in consultation with the Congress and with the advisory committee in developing a permanent cost containment system.

The Administration has submitted two additional Medicare proposals to the Congress which are intended to:

--Expand Medicare coverage to include clinic services provided by nurse practitioners and physician assistants in underserved areas; and,

--Freeze the premium for supplementary medical insurance at its current level of $7.20 per month to lighten the burden on social security beneficiaries of financing the Medicare program. This freeze would be effective through fiscal year 1978--September 1978. The reduction in enrollee premiums that this action would cause would be made up by general revenues through the "Payments to Social Security Trust Funds" appropriation request. Should Congress enact the freeze this appropriation request will have to be increased by $220 million in FY 1978.

Issues--Second, the need to simplify and make more equitable certain provisions of the Social Security cash benefits program. The 1978 budget contains several proposals which will simplify or improve equity in the social security cash benefits program. Two of them have been endorsed by previous Social Security Advisory Councils. One is a proposal to limit lump-sum payments of retroactive benefits where this would cause a permanent reduction in a beneficiary's future monthly payments--payment on which he has to depend for the rest of his life. The second would eliminate the monthly measure of the retirement test. The monthly measure allows some beneficiaries with substantial earnings from relatively

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--Freeze the premium for supplementary medical insurance at its current level of $7.20 per month to lighten the burden on social security beneficiaries of financing the Medicare program. This freeze would be effective through fiscal year 1978--September 1978. The reduction in enrollee premiums that this action would cause would be made up by general revenues through the "Payments to Social Security Trust Funds" appropriation request. Should Congress enact the freeze this appropriation request will have to be increased by $220 million in FY 1978.

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short work periods during the year to receive full benefits during the months in which they do not work, while others with the same annual earnings spread evenly throughout the year receive no benefits at all. The budget also contains 12 other technical proposals.

Another proposal affecting the social security cash benefit program deserves the Committees attention. I refer to the plan to limit the annual amount of the student benefit under social security to the maximum payable under the Basic Educational Opportunity Grant program. The maximum grant will be $1,400 in FY 1978--payable for the 1977-1978 school year--and $1,600 in FY 1979--payable for the 1978-1979 school year. At present, the amount of a student benefit is based on the parent's average earnings under social security. The limit would affect only students who reach age 18 after June 1977 and whose annual social security benefits are higher than the maximum BEOG grant amount.

Issues--Third, the most significant issue affecting Social Security is the financial integrity of the system, both short- and long-range.

Social security financing has received extensive publicity in recent years. Both the report of the 1975 Advisory Council on Social Security and the 1976 Trustees' Report outlined the actuarial imbalance of the system. Proposals to address this imbalance were put forth by the prior Administration in the 1977 and 1978 budgets.

I believe we are all aware of and concerned with the basic problems facing the social security cash benefits program.

Indeed, because of the seriousness and complexity of these problems, the new Administration chose not to make any hasty decisions during the compressed budget revision process. Alternatives to address the social security financing problem are being reviewed carefully within HEW. In April, the Secretary will send his proposal to the President for approval and submission to the Congress.

Major Administrative Emphases for 1977-1978

SSA's budget reflects our efforts to improve the quality of service to the public while at the same time increasing the accuracy and efficiency of our operations. SSA's major administrative and management emphases for 1977 and 1978 are:

--Improvement in the accuracy and efficiency of SSI payments.

--Continued emphasis on training in all programs administered by SSA.

--Improvement of present quality assurance activities.

--Strengthening of communications with Medicare contractors.

--Detection and prevention of Medicare fraud and abuse.

--Improved approaches to Medicare reimbursement.

--Stabilization of hearings workloads.

--Increasing efficient and economical use of manpower.

--Advanced systems planning and improved use of ADP resources.

Improvement in SSI Payment Accuracy and Efficiency:

Since January 1974, SSA has had to place major emphasis on improving management of the Supplemental Security Income program, and in particular on improving SSI payment accuracy. Improvement has already occurred in SSI payment accuracy as a result of initiatives taken. As reported to the committee by letter on November 22, 1976, the total so called case error rate--which includes payments to ineligibles, overpayments, and underpayments--was 19.1 percent for the 6-month period ending June 1976. This represents a drop from the 24.8 percent reported for the 6-month period ending December 1974.*

A major reason for improvements in payment accuracy is the redetermination process. By redetermining each recipients' eligibility and payment amount every year, we detect and correct overpayments or underpayments, and remove ineligibles from the rolls. In addition to being SSA's best way of correcting errors resulting from inaccurate or incomplete beneficiary reporting, the redetermination process also

*Figures are not exactly comparable. A change in definition of error to recognize the lag between reporting beneficiary changes and the next practicable payment date that could include the effect of the change was made between these report periods.

provides a method by which recipients are reminded of their own reporting responsibilities. Other factors also have contributed to the reduction in errors:

--We have expanded and improved the automated SSI payment system.

--We have improved the interface between social security and SSI payment records.

--We have increased the agency's emphasis on training and revision of instructional materials.

We estimate that in 1976 $50 million in SSI benefits were saved because of corrective actions taken under SSA's error reduction program. We expect improved administration performance and further reduction in the SSI case error rate during both 1977 and 1978. Our goal is to reduce the error rate to 15 percent by December 1977, from the level of 19.1 percent reported by SSA's quality assurance system for the 6-month period ending June 1976. Consistent with achieving this goal, SSA has budgeted benefit savings of $180 million in 1977 and $270 million in 1978. More than half of these savings will result from correcting payment errors through the redetermination process.

Further enhancements and additions to the SSI automated system also will contribute to error reduction in the SSI program. Perhaps the most significant project now underway is the development of automated data exchange systems with Federal pension files. The initial phase

of an interface with the Veterans Administration was implemented effective October 1976. As a result of matching VA payment records with individual recipient income information in the SSI system, we adjusted SSI payments, where necessary, to reflect accurate and current VA benefit data. Of course, complete due process procedures were offered to SSI recipients before any benefit reductions were made. By correcting VA benefit information in the SSI system, we decreased SSI payments for the month of October by $3.2 million. We are continuing to improve the interface and update the SSI payment system with VA benefit data as needed. By correcting processing exceptions and interfacing new VA accretions, we have increased the monthly savings mentioned above to over $4 million. In addition, the initial phase of the interface with the Railroad Retirement Board payment system was completed in early January 1977 and reflected in SSI checks and recipient notices for February 1977. Further refinements in the RRB interface are necessary and should be completed in time for the July 1977 RRB benefit increase. Negotiations are underway to extend the data exchange process to Civil Service Commission pension files.

Other techniques designed to improve accuracy in the SSI program are:

--Experimentation with different organizational and work processing arrangements.

--Development of specialized corrective action plans based on specific State or regional problems.

--Refinement of the interview process to place more emphasis on error-prone eligibility factors.

Continued Emphasis on Training:

Improved employee training and instructional material remains an important part of the SSI error reduction program through fiscal year 1978. However, additional training is required in the social security programs as well. Special emphasis on the SSI program since its implementation in January 1974 has resulted in a decrease in the accuracy and timeliness of many other services provided by SSA. Some of these deficiencies can be attributed to short-cuts in the training of new employees and lack of sufficient on-going training in social security programs.

SSA is now in a much stronger position regarding training. Considerable progress has been made in the past year in updating entry level training courses, and in providing additional training to term appointees who have been converted to full-time permanent positions. The budget for 1977 and 1978 continues to emphasize training and provides an increase in man-years for training over the amount accomplished in 1976.

Emphasis on Quality Assurance Activities:

In the past 2 years, we have made quality assurance activities a high priority. The Office of Quality Assurance was created as the focal point to direct and emphasize our continuing efforts to upgrade

overall quality. These efforts involve all programs and range from operational end-of-line claims review in the trust fund programs to centralized claims processing quality review and payment validation in the SSI program. In SSA's district offices, operations analysts work with managers to improve procedures quality on the local level. Random sampling, observation, and special studies are used to identify areas which require corrective action, usually through training.

The budget provides for the development of an integrated agency-wide reporting system. Quality appraisal systems have come into existence as specific program needs required them. As a result, the systems have developed to meet unique program manager needs. The development effort will integrate the current systems so that top SSA management can be informed in a better way on the overall quality of agency performance.

The agency also is exploring the possibility of developing an end-of-line payment validation system to include all payments made in the retirement and survivors insurance, disablility insurance, supplemental security income, and health insurance programs. The major indicators to be reported are; the accuracy of all payment actions and non-payment decisions, such as denials and terminations; and the timeliness of actions. The budget includes funds to continue this major effort to revise and redefine the agency's quality assurance efforts.

Strengthening Relationships with Medicare Contractors

In June 1974, the Advisory Committee on Medicare Administration, Contracting and Subcontracting (the Perkins Committee) released a report that contained numerous recommendations designed to improve the efficiency and economy of our administration of the Medicare program. Over the past several years, many of the recommendations contained in the report have been implemented and activities have been initiated to implement others. One of the recommendations in the report was that the Commissioner of Social Security meet periodically with chief executive officers and top officials of the contracting organizations. As a direct result of this recommendation, on July 14 and 15 of last year, we held the first of what we expect will be a series of annual meetings between the Commissioner of Social Security, his top Medicare staff, and top executives from the contracting community. The conference provided an excellent opportunity to review the rather unique relationship that has evolved between the Government and the private sector in administration of the Medicare program and to discuss how that arrangement might be improved. It also provided a forum for exchange of ideas on how to contain rising costs of medical care. Responses from contractor executives indicated that the conference was highly successful as a vehicle for government/contractor communications, and we plan to conduct future meetings on at least an annual basis.

I believe that this idea of annual meetings with the policy makers at both the Federal and private sector levels should be made a permanent part of Medicare administration.

Emphasis on Detection and Prevention of Medicare Fraud and Abuse

We plan to place increased emphasis on detecting and preventing Medicare fraud and abuse in 1977 and 1978, and have included an expansion of resources for this effort in SSA's budget request for both the Medicare contractors and SSA. I should point out that this is an expansion of already existing efforts and not a totally new undertaking. The occurrence of potential fraud and abuse situations and the need to investigate them is certainly not new; however, as the use of Medicare services rises, one can anticipate a corresponding increase in the number of cases which warrant investigation. We feel that SSA must be in a position to respond adequately to such casses.

In the Medicare contractors, the additional funds requested for fraud and abuse detection and prevention will be used in various ways. In some cases, these funds will be used by the contractors to finance investigation of certain practices that they believe may be indicators of fraud or abuse. For example, a consistently high ratio of short stays occurring in a provider may indicate to the contractor, based on experience, that some of the stays may not have been medically necessary. In this instance, the contractor will monitor the provider's activities and take whatever action is necessary. Other contractors will develop diagnosis-based ranges of costs for ancillary charges and then review and monitor exceptions

to these ranges. In still other contractors, these funds will be used to generally upgrade capacity to detect fraud or abuse.

In SSA, in addition to processing the expected increase in the fraud and abuse workload, we plan to use these funds to reduce our pending case level by about half by the end of 1978. In some categories of fraud development, current pending levels exceed one year's work.

Reduction of the pending level is particularily important in this area in view of the age and physicial condition of Medicare beneficiaries, who are often our main source of information. Any delay in development may jeopardize completion of a case.

Before leaving this subject, I'd like to comment briefing on Public Law 94-505 enacted October 15, 1976, which will impact on SSA's fraud and abuse activities. This new law establishes an Inspector General for HEW, whose office will have specific responsibility for anti fraud and abuse activities related to both Medicare and Medicaid. The Secretary of HEW is empowered to transfer to the new Inspector General those offices, functions or duties within HEW which he determines are properly related to the function of the Inspector General. This means that some of SSA's responsibilities in the fraud and abuse area will quite properly be transferred eventually to the Inspector General's office. Appropriate reprograming notices will, of course, be sent to the Committee.

Improved Approaches to Medicare Reimbursement

Under the authority of section 402 of Public Law 90-248 enacted in 1967 and sections 222 and 245 of Public Law 92-603 enacted in 1972, the Social Security Administration has undertaken a series of experiments and evaluations designed to test alternative methods of Medicare reimbursement in an effort to contain increasing costs of health care delivery. Our activities include studies of:

--Hospital reimbursement, including the testing of incentive reimbursement systems and prospective rate setting systems.

--Alternative reimbursement systems for long-term care facilities.

--Physician reimbursement experiments and demonstration projects including negotiated fee schedules.

--Ambulatory care facilities.

--Incentives for home dialysis in end stage renal disease.

--Reimbursement, cost, and other implications of expanded provider status, including physician extenders, clinical psychologists.

--Alternative reimbursement methods for durable medical equipment.

--The impact of medical malpractice insurance on physicians and hospitals.

In addition, we are proceeding with our responsibilities under the National Health Planning and Resources Development Act which include the development of uniform systems for health service institutions and providing grants to State agencies to demonstrate their effectiveness in regulating rates for the provision of health care.

Although final results from most experiments are not yet available, preliminary evidence from completed evaluations suggests that prospective reimbursement has a downward effect on hospital costs. SSA has reported its findings to the Congress periodically in the past and we will continue to keep the Congress informed of our progress.

Stabilization of Hearings Workloads

SSA reduced hearings backlogs significantly during FY 1976 and the transition quarter--from 111,169 in June 1975 to 86,473 in September 1976. After remaining backlogs are eliminated, a lower on-going level of hearings work will exist. For this reason, the budget projects a gradual reduction of the pending cases to a level equal to the number of hearings received in a 13-week period by the close of 1979. This will permit efficient use of resources as well as satisfactory service to the public.

The hearings workload projections in the budget assume a net decrease in hearing receipts due to enactment of P.L. 94-202 on January 2, 1976, which changed the time limitation for filing for a hearing to 60 days, from the previous 6 months for title II and 1 month for title XVI. However, preliminary data based on our recent experience under this new law indicate that it may not cause hearing receipts to decline. Also, additional resources for hearings may be required if new black lung legislation similar to H.R. 10760

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considered by the last Congress is enacted and SSA must reexamine previously denied black lung claims.

Increasing Efficient and Economical Use of Manpower

SSA's administrative budget request for 1978 emphasizes more efficient and effective use of agency manpower. We plan to achieve this goal by maintaining a stable full-time permanent workforce, reducing reliance on overtime and restraining growth in staff-type functions.

Our experience with term employment in 1976 demonstrated that a stable full-time permanent workforce is essential for accurate and efficient administration of the social security and SSI programs. We have converted term employees to full-time permanent positions as they became eligible. As of February 25, 1977, only 307 employees remained on-duty under term appointments, and efforts are continuing to convert the remaining terms to full-time jobs in compliance with procedures established by the Civil Service Commission.

In addition to conversion of terms to permanents, the 1977 President's budget proposed an increase of 1,950 in authorized positions so that SSA could staff up early in 1977, and by attrition come down to the 1976 end-of-year employment level by September 30, 1977. The purpose of this plan was to obtain more full-time permanent man-years from our employment ceiling, and to prepare in advance for anticipated workload peaks.

Because of some of the administrative problems associated with "peaking" staff and because of SSA's relatively level man-year requirements in 1977 and 1978, we have reassessed this plan. When workloads remain relatively level, the most reasonable staffing plan is one that remains relatively level. For this reason, SSA's employment request for 1977 and 1978 provides for a stable full-time permanent workforce over the 2 year period.

A stable level of staff from fiscal year 1977 to fiscal year 1978 also will enable SSA to further reduce reliance on overtime. SSA's use of overtime rose to abnormally high levels as a result of the 1972 amendments, which included the SSI program. The proportion of total man-years achieved through overtime reached 7.8 percent in 1974, and then declined somewhat to 6.7 percent of total man-years by 1976. A high level of overtime may be reasonable and necessary in the short run, but it is inefficient and expensive on an on-going basis. The revised estimate for 1977 projects a decrease of 1,900 man-years of overtime from 1976, and the 1978 budget projects a further decrease in overtime of 1,200 man-years, down to a ratio of 3.2 percent of total man-years. I believe this would provide sufficient overtime to handle the seasonal or peaking workloads for which overtime is appropriate.

SSA's 1978 budget also addresses the distribution of manpower between staff and workload operations. Staff manpower includes positions closely tied to claims processing operations but not measured as a direct part of these operations, such as computer programmers and procurement specialists, as well as purely administrative positions such as those in personnel and financial management. The 1978 budget holds staff man-years in 1977 and 1978 very close to actual 1976 experience. We expect to limit increases in the number of employees in staff functions through efforts directed toward more efficient utilization of existing staff. In this way, we can insure that priorities within staff areas are met without diverting manpower resources from workload processing operations.

Advanced Systems Planning and Use of ADP Resources

Before concluding my statement, I would like to address an area of special concern to me--long range advanced systems planning. The committee has expressed interest in the progress of this endeavor to resolve the problems associated with SSA's computer systems.

Through the years, SSA has implemented and absorbed several major new programs, and responded to various legislative mandates, such as general benefit increases. Although SSA has taken on the new workloads by increasing personnel and by expanding existing computer

capabilities, it was often impossible due to lack of time, to implement the necessary changes in a totally planned fashion. As a result, present processes have become fragmented and are not always responsive to the needs of the agency or the public. The situation has become particularly apparent and acute since the advent of the SSI program, and today SSA is approaching the point at which its major systems and processes will fail to provide an acceptable level of service. As a short range solution to this problem, we have undertaken several initiatives to improve the use of our current computer equipment. For example, we recently awarded a contract to the Mitre Corporation to do an extensive 1-year analysis of SSA's computer systems, including an analysis of computer utilization, and identification of inefficient processes or uses, and recommendations for corrective action.

Also, we have hired a recognized academic authority on computer systems to assist SSA in-house in its improvement activities. We are investigating improved methods of tracing hardware failures, correcting systems deficiencies and "fine tuning" systems for maximum efficiency.

In addition, we have taken steps--prompted by the Congress--to prevent unauthorized access to social security data bases using the SSA Data Acquisition and Response System. We are now examining our entire records security arrangement, both at headquarters and

in the field. To the best of our knowledge, there has been no unauthorized use of our telecommunications networks. Nevertheless, since we did uncover some gaps in the security programming that could result in such access, we have tightened the security of the system.

On the matter of improving our major systems, as we have said before, Mr. Chairman, the only way to fully resolve SSA's systems problems, both as to cost and future efficiency, is through a total and integrated redesign of the entire SSA process. The advanced systems planning project reported to the Committee last year has this as its ultimate objective. The project began in fiscal year 1976. By 1978, we will be spending 159 man-years in SSA's Office of Advanced Systems and $14.7 million in contracts for outside expertise and assistance.

The first phase of the project, which is the conceptualization of a future SSA-wide process, will be completed this spring.

We have contracted with the National Academy of Sciences to have a group of outstanding experts in the fields of engineering and data processing to review and critique our work, including a detailed review and assessment of the next phase--requirements definition--which will define the automated and manual processes for SSA services. This phase will also produce detailed performance specifications.

Broadly stated, the basic goal of the project is to design a process which will maximize efficiency, curtail increasing personnel requirement, improve service to the public, and maximize the use of advanced technology.

Specific objectives include:

--Replacement of hardcopy files by automated records.

--Development of systems which will have an integrated data base, and will be on-line to our District Offices.

--Accumulation of the information associated with any individual in a single data base that is accessible for any SSA program or service.

--Making entitlement decisions and input of data at the local offices.

We will periodically report to the committee our progress in this endeavor and will be pleased to review with you the results of the conceptualization phase as soon as it is completed.

Mr. Chairman, this concludes my general statement.

Mr. FLOOD. I see you have some people with you there that you would like us to meet.

Commissioner CARDWELL. Yes, sir. To my immediate left, Francis DeGeorge, Associate Commissioner, Office of Management and Administration. To his left, Fred Schutzman, Director, Office of Financial Management, Office of Management and Administration. To his left, Louis R. Ponsi, Budget Officer, Office of Financial Management, Office of Management and Administration.

To my immediate right, Robert P. Bynum, Associate Commissioner, Office of Program Operations. To his right, Thomas M. Tierney, Director of Bureau of Health Insurance. And to the far right, Robert L. Trachtenberg, the Director of the Bureau of Hearings and Appeals.

Mr. FLOOD. You certainly have the varsity with you.

Commissioner CARDWELL. Yes, sir, I think so.

Mr. FLOOD. You should know.

SOCIAL SECURITY ADMINISTRATION EMPLOYEE MORALE

Mr. FLOOD. Mr. Cardwell, I don't think you will be surprised I will ask you this statement this morning. I would like to ask you about those very disturbing articles on social security which have been appearing in the Washington Post the last few days. They talk about a number of problems we will be discussing in some detail later on with respect to computers, facilities, and so on. What is most disturbing about those articles is not the specific problems, however. What they say about the general attitude of the social security employees about their work concerns me most. Can you tell me whether morale is really as bad as the Post makes it out to be and, if so, what can be done about these problems?

Commissioner CARDWELL. Mr. Chairman, as I said to Secretary Califano when he took office, in my judgment the No. 1 objective of the Commissioner of Social Security, whoever he might be, and the Secretary of HEW should be to upgrade the self-esteem of the Social Security Administration and its employees, in an attempt to renew the strong self-respect that the Agency has always enjoyed.

It is my experience that events of the last 3 or 4 years—perhaps some of the causes go beyond that time—have had a severe effect on the attitude of the social security work force.

In saying that, I think it is important that I not emphasize the negative. I do not think many people, including Members of Congress, appreciate how much SSA has done for the American people, how much the Agency has done out of its own sense of importance of its mission.

The SSI program put a tremendous burden on the Agency. The work force worked night and day for a year and a half. They just struggled to get ahead of the job.

Looking back on it now, 3 years later, I think they did get ahead of the job. I think they did quite a commendable job.

The press, and advocates for special interests have from time to time emphasized such things as errors, confusion, and complications. All of those things did, indeed, occur. They occur in all large enterprises. They occur in modern life.

What has not been emphasized, though, are the accomplishments of the Agency. We did, as I told this committee before, quite successfully convert 3 million elderly poor and disabled poor from 1,300 State agency rolls to the social security system. We have clearly established that the Agency does have the capacity—and it is a demonstrated capacity—to deliver cash, in the form of checks, on a monthly basis, month in and month out, without ever having missed a month to some 34 million people. Those are very significant accomplishments.

NEWSPAPER ARTICLE ON SOCIAL SECURITY

Haynes Johnson, of the Post, first talked to me several months ago. He was interested in doing a series which he hoped to develop into a book about the complexity of Government today, not just the Social Security Administration, but the complexity of our entire system, growing out of an enlarging and complex society.

Very frankly, at the time I did not know he was going to concentrate on social security. He will be talking about other Government operations in some articles that are still to be published.

He had a point of view which was to emphasize the complexity, the trauma that Government agencies go through in an enlarging effort on the part of the Government to provide more service to more people. In doing so, I think he emphasized some positive, and some negative, and some who talked to him, including myself, obviously talked about problems.

CONFLICTING OBJECTIVES ASSIGNED TO AGENCIES

I think, looking at the series, we should have talked more about accomplishments. I think we need a balanced point of view. We have made Government very complex. We have assigned to Government agencies, such as social security, some conflicting objectives. We want to be absolutely and totally accountable for every dollar we spend for every moment, and quite literally that is not achievable.

At the same time we want to treat people humanely and provide that extra benefit for their special problem, and that is not always achievable. Quite often even those broad objectives conflict with each other. Those of us in the executive branch who take on these assignments find ourselves quite often caught between these competing forces. That should not be taken to say we cannot do the job we are committed to do, that we do not have a strong feeling and a strong sense of responsibility about the job. I think we do, and it is true of all of us in social security.

EMPLOYEE MORALE

Mr. FLOOD. You noticed in my question to you, I recognize many of these things, but I stressed especially for the purpose of my question now the matter of morale of the personnel. What is your reaction to that?

Commissioner CARDWELL. I do not think this particular series will help the morale. It is, in effect, a net loss. I think the low point in our morale was probably reached about a year and a half ago. I think our morale has been slowly, but steadily improving since then.

Let us talk about some of the things that can make it improve even more.

At the local level, the largest single factor in the lowering of morale has been overwork. We have overworked the field work force in the Social Security Administration for a good 4 years steady. We still have many offices where Saturday is a regular workday. It is not a weekend day, it is still a regular workday. One of the objectives before you is to reduce the need for overtime. As we reduce our reliance on overtime, I think that we will improve morale.

Another morale factor, and this is probably the most important of all, is the fact that the SSI program has turned out to be very complex, and very difficult to understand on the part of our employees. They cannot, as individuals, always identify with some of the rules.

Let me give you an example. I visited the Cambridge District Office in Cambridge, Mass., a week ago tomorrow. There I talked with younger employees. The thing that was bothering them the most was explaining to poor, elderly people that since they had earned interest on $1,500 savings accounts during the last 6 months, they had to be cut off of the SSI rolls. The interest had caused them to exceed the resource limits set by the law.

Here you had a group of people saying, "I can't explain that to old people and make them believe it because I, myself, don't believe it."

When you put an employee in that position, it does not encourage morale. SSI is fraught with such individual assignments to individual employees.

FISCAL STATUS OF TRUST FUNDS

Mr. FLOOD. Suppose we start off with a few questions on the fiscal status of the various trust funds as you project them in the 1978 budget. Given your current economic forecast, could you describe briefly for us the status of each one of these funds, including the rate at which the reserves are being depleted?

Commissioner CARDWELL. Yes, sir.

With your permission, I would like to summarize for the years 1977 and 1978 the income-outgo and net change in the fund for the old age survivors insurance and disability insurance trust funds combined.

In 1977, the current fiscal year, those two funds combined will take in about $80.8 billion. They will pay out $84.7 billion, for a net deficit—in other words a greater payout than income—of $3.9 billion. That will leave on hand in the reserves of the trust fund $39.6 billion, that amount being available to carry over into 1978.

In 1978, income will go up to $88.9 billion, but outlays will go up even faster to $93.4 billion, and the net loss for that year, 1978, will be $4.5 billion. That will reduce the reserves to $35.1 billion.

What happens, each year thereafter, the rate of deficit—that is, the excess of outgo over income—will increase to a point where, by 1982, that deficit will be $8.4 billion. In other words, we will be spending $8.4 billion more that year than we take in. By that time, the assets will be down to a point of about $11 billion. At that rate, by 1983 the funds will be exhausted.

One point to emphasize is in the case of the disability trust fund—bear in mind I have been combining these two funds—its reserves at the present levels would be exhausted by the end of 1978. Therefore,

the most critical part of the financing picture is disability, and it occurs in 1978.

The year 1978 is not necessarily a critical year, though, for the two trust funds together, depending on other considerations such as the President's current attempts to stimulate the economy. That must be taken into account when we look at the Social Security System. Hence, we might want to consider a reallocation of the tax rate between old age and survivors insurance and disability insurance trust funds, in order to give disability insurance a larger share of the total.

ALTERNATIVE ECONOMIC ASSUMPTIONS

Mr. FLOOD. If there are any alternative projections based upon a more or less optimistic economic assumption, would you describe those for us?

Commissioner CARDWELL. Yes, sir. The Board of Trustees of the Social Security System, chaired by the Secretary of the Treasury, consisting also of the Secretary of Labor and the Secretary of HEW, are at this moment reviewing these data that I have just described to you, and they will be gaged against the administration's latest economic and demographic assumptions.

In about a month, they will publish and furnish to the Congress an updated report. I think that may show some changes, but I doubt that it would show any significant change, nor any change that would affect significantly the facts that the funds are experiencing deficits and will continue to experience deficits, and that the disability insurance trust fund will probably be exhausted by the end of 1978 or by 1979 at the latest.

Mr. FLOOD. We have been told time and again that the short-term financing problems would be eliminated if unemployment were reduced. What would that unemployment rate have to reach in order to make any real difference?

Commissioner CARDWELL. It is true that as unemployment is lowered the deficit situation would improve because income to the trust funds would increase. However, lower unemployment offers little or no potential to help us in the short term because there is no way for unemployment to be lowered fast enough and at a level low enough to avoid the default of the disability trust fund by 1978 or 1979.

DISABILITY PROGRAM FUNDING

Mr. FLOOD. Why is the disability program in worse condition than the old age and survivors program? Why?

Commissioner CARDWELL. Basically, it all comes back to one reason.

When the disability tax system was last adjusted in 1973, the predictions were that the incidence of disability, and the number of people filing claims for disability and becoming entitled would be at a lower level than the actual experience shows.

What has happened is that the actuaries have revised upward their predictions of disability incidence.

This is occurring in the private insurance industry as well. There is a phenomenon in the society wherein more workers of younger and middle age are becoming disabled. Thus they are eligible for either

social security or private insurance or a combination of the two benefits.

Mr. FLOOD. I think we should emphasize this very important point. What do you consider the earliest point that this subcommittee might be faced with a financial emergency regarding any of these funds?

Commissioner CARDWELL. As I said, I think the administration and the Congress together must do something about the disability insurance trust fund by 1978. We can postpone additional revenue development for the other trust funds—old age and survivors insurance and hospital insurance—but we have to put some additional revenue into the disability insurance trust fund by 1978 to avoid a default in that particular part of the system. That could be achieved, as we indicated earlier, by transferring moneys between the funds. The executive branch does not have the authority to do that. It would require legislative action on the part of the Congress.

TRUST FUND FINANCING LEGISLATION

Mr. FLOOD. You describe a package of amendments to address the overall financing problem of social security. Can you tell us when you anticipate transmitting to the Congress the various pieces of legislation?

Commissioner CARDWELL. The Secretary of HEW is working toward a goal of presenting to the President his proposals for social security financing, as he puts it, "as soon after Easter as possible." He has so advised the House Ways and Means Committee.

Mr. FLOOD. Mr. Michel.

Mr. MICHEL. Thank you, Mr. Chairman.

NUMBER OF DISABLED WORKERS

Taking up on the chairman's line of questioning with respect to the disabled, Mr. Cardwell, did I hear you say there was an increasing number of workers getting disability?

Commissioner CARDWELL. Yes.

Mr. MICHEL. To what do we attribute that?

Commissioner CARDWELL. I frankly do not believe anybody has a good answer to the question.

I will try not to take up too much of your time.

Bear in mind, first, the social security definition of eligibility requirements is very tough compared to private insurance requirements and compared to State requirements for short-term disability and workmen's compensation. They are the toughest rules of the road anywhere. The current social security rules are extremely tough and difficult when you compare them against other eligibility requirements of other programs.

Yet, there has been a steady rise starting in the late 1960's in the number of people who filed disability claims and the number of people who became entitled to benefits. Even though there has been a slight decline in the percentage of claims that have been allowed in the last several years, the net increase in the number of disabled beneficiaries on the roll seems to be the result of a rapid and sharp increase in the number of claims filed. One reason for the increase seems to be related to the rise in unemployment since 1970. Most economists believe

there is a direct relationship between the increase in disability claims filed and a weakening economic environment, although we have not established it statistically and cannot prove it.

Also, in the 1960's generally and the early 1970's, I think there was a greater public awareness of and acceptance of such benefits.

CAUSES OF DISABILITY IN WORKERS

Mr. MICHEL. Do we have any kind of statistics showing the reasons most of the disability benefits are applied for in descending order, such as due to a heart attack?

Commissioner CARDWELL. I think in terms of physical cause, I would have to give you data for the record.

I don't think there are any significant leads there. Heart disease still ranks very high. Accident-caused trauma—permanent disability coming out of accidents—is still a significant share.

Mr. Trachtenberg and Mr. Bynum may know more about this, but I believe that mix has stayed fairly constant.

Mr. MICHEL. We have OSHA supposedly making things safer for the workers. With all the problems we have had with that thing and we still end up with more workers being disabled, if it could be shown that this is attributed to dangerous worksites as distinguished from——

Commissioner CARDWELL. Probably not. It is more the congenital incidence of morbidity in the population.

Mr. MICHEL. Why don't you try to fill out the record with any information you have.

[Information follows:]

CAUSES OF DISABILITY

The most common causes of disability, based on the most recent statistical data for processed disability determinations are:

	Percent
1. Heart disease/circulatory problems	25.0
2. Muscular skeletal (including arthritis)	18.6
3. Mental illness	12.3
4. Accidents	9.5
5. Neoplasms (tumors)	7.3
6. Respiratory ailments	6.9
7. Nervous system, senses	6.1
8. Endocrine/metabolic processes	4.3
9. Digestive tract diseases	4.9
10. All other causes	5.1
Total	100.0

ADMINISTRATIVE COSTS

Mr. MICHEL. I have been disturbed about reading the articles on the Social Security Administration in the Washington Post in the past few days.

While I know social security tends to be the whipping boy when you are back home—the worst run Government program—and I quickly come to your defense and say the record does not show that—I think you can probably show the best administrative cost factor ratio of any program in Government.

Can you still say that, Mr. Cardwell?

Commissioner CARDWELL. Yes.

Mr. MICHEL. What is that ratio?

Commissioner CARDWELL. And that may be some of our problem. To this extent I think I would have to take some of the responsibility.

It may be that we have tried too hard to prove that we could carry on programs like SSI with fewer workers than, say, the States employ and maybe that was a mistake in the first place.

It is very possible.

Mr. MICHEL. When you are asked specifically what that administrative cost is percentagewise——

Commissioner CARDWELL. Our total administrative costs are 2 percent of the benefits we pay out, which is very favorable compared to the insurance industry and the like.

Of course, we don't have the cost of sales.

LIST OF DOCTORS EARNING OVER $100,000 FROM MEDICARE

Mr. MICHEL. My first couple of questions have to do with that recent release of your agency of physicians who received over $100,000 in medicare payments.

I had some physicians in my district who suffered significant damage to their reputations because of major errors in that list.

I understand an AMA survey found that 80 percent of the items listed were erroneous.

How was it possible that we could have a Government agency put out a list in which individuals were named without first doublechecking for their accuracy?

Commissioner CARDWELL. Let's underscore why the lists were released at all.

They had never been released previously.

The Congress amended the Freedom of Information Act last fall requiring effective on March 12, 1977 that certain data which the Social Security Administration had always held from the public view under a provision of its act be overruled.

The Secretary was left with no choice but to release the data.

The data had been accumulated by the medicare carriers and intermediaries.

It was drawn together by the Bureau of Health Insurance and released routinely.

I would say that I have great sympathy for the American Medical Association on this point, and I think it is disturbing that there were as many errors in the data as there appear to be. However, I don't believe the error rate is as high as 80 percent.

It is probably less than 10 percent. I would like to ask Mr. Tierney to speak to that.

Mr. MICHEL. Are you making any effort——

Commissioner CARDWELL. The whole list will be gone back over again and reconstructed. It means going out to the carriers and the intermediaries and looking at their files?

Mr. MICHEL. When will that be completed?

Mr. TIERNEY. In a couple of weeks, and I would like to put that in perspective.

Mr. MICHEL. I am frank to say on this side of the table that when it came to an individual physician, and there were these outlandish funds paid to him, I thought that ought to be exposed to public view.

I guess really where we run into our problem area is where there is a consortium or a group and one doctor takes the burden for a number of doctors.

But, go ahead.

Mr. FLOOD. If the gentleman will yield, I concur.

After this 10-minute session was over, that was going to be the very next question we were going to ask, so the committee in concerned.

Mr. TIERNEY. The point you made is important to make, Mr. Michel.

Of the objections to the publication of the listing so far, we have only four alleging anything wrong with the amount of money involved for one identifying number.

It is inevitable because of the very nature of the medicare program. We have to publish both the payments made directly to the doctor under assignment and the payments made to the patient himself in those situations in which the doctor does not accept assignment. There is no way of knowing whether the patient ever paid the doctor, so you will always run the risk of some cash error. But it is significant that to date there have been only four errors where the money amount was wrong. The listing was compiled from two files, computer files, a provider reference file and a payment record file. The provider reference file contains an identifying number for every single physician. We have separate identifying numbers for solo physicians, group physicians, clinic physicians, these various categories.

Now, what happened in virtually all of the instances was that the clinic or the group had elected to provide one doctor's provider identification number and that is the number under which payments to all physicians in the group or clinic are recorded in the file.

What actually happened, of course, was that those payments were then dispersed among the doctors in the group. I would agree with you that prior to publication, it would have been well to have ascertained that every one of those numbers was correct. But the numbers were supplied by the carriers. Carriers are required each 6 months to update them and reflect changes from solo to group or group to clinic, or any other changes which occur.

So, it was not totally a gaff on our part. It was unfortnuate, however.

Commissioner CARDWELL. I think I know how AMA could say 80 percent and we say it is a smaller number. I suspect this is the way it worked: AMA may have gone to physician "X" who does not take medicare assignments.

As far as he is concerned, he is not billing medicare often, if at all, for reimbursement. Nevertheless, he is treating patients who are eligible for medicare.

The patient makes a claim against medicare and we record a claim for services rendered by that doctor.

When we run that list we are running claims against this doctor. He looks at his records and says, "No, I never received that much." He says, "I received $1,000," and the list shows that he received $100,000.

He is unable to add up the amounts his patients claim for treatment he provided. You can have this kind of misunderstanding. I think they understand it a little better than they say they do.

Mr. TIERNEY. You might say why don't you record only the direct payments to the doctor. That is the assignment way. Under the rules, if a doctor takes assignment he agrees to take the medicare payment in full.

If he does not, then he can charge the patient anything he wants. Obviously, if we publish only the assignment amounts, there is tremendous pressure on the doctors not to take any assignments and that is to the detriment of the beneficiaries.

Commissioner CARDWELL. This activity comes under the new Health Care Financing Administration from this point forward. I would hope they could define a classification scheme for publishing the data so the public understands there are different kinds of doctors here.

HEW REORGANIZATION

Mr. MICHEL. Will medicare be totally transferred to the new Health Care Financing Administration?

Commissioner CARDWELL. The Bureau of Health Insurance would be totally transferred, but there are other aspects of the Social Security Administration which are intricately involved in medicare support.

The Bureau of Data Processing keeps all of the basic medicare records. That would remain with the Social Security Administration.

Our field offices and teleservice centers will take claims of eligibility from a social security beneficiary.

Mr. MICHEL. Will your recordkeeping and computer processing all stay in the same spot?

Commissioner CARDWELL. Yes, sir.

Mr. MICHEL. Were you consulted on this reorganization plan personally?

Commissioner CARDWELL. Putting aside the word "consulted" for a moment, the Secretary had made an assignment to a group to work on the question of reorganization.

I was not a part of that group. I was not privy to it. He introduced me to that group. By the time they presented their ideas and proposals to me, they were quite well downstream.

I did express my views to the Secretary on the subject. He had, I think——

Mr. MICHEL. Do you have reservations about what is being proposed?

Commissioner CARDWELL. I have reservations about all reorganizations.

I don't think there is any such thing as a perfect reorganization. If there is, I have never seen one.

The Secretary's plan is reasonable and logical. I think it was driven—and these are my views and not necessarily his—largely by a concern for what I believe to be the No. 1 problem in the Department at the time the Secretary took office and that is the rapid rise and uncontrollability of health costs in this country.

I think that is what led the Secretary in his thinking to put medicare and medicaid together. I think there is a potential for significant achievement by putting those two together. Once he made that step, it invited, I think, the steps that followed.

I think he was also advised that by putting the policymaking and leadership role for cash assistance together, he could merge some rules

and systems that are designed to manage the quality of the program, to develop some common rules, some common criteria, and I think that also has potential.

Mr. FLOOD. Mr. Natcher?

STUDENT BENEFITS

Mr. NATCHER. Mr. Cardwell, your legislative package before the committee proposes to limit maximum student benefits to the $1,600 premium under the basic educational opportunity grant program.

Changes in these benefits seems to run contrary to the whole concept of an earned insurance benefit.

If private insurance carriers did something like this, it would probably cause considerable trouble.

Why do you think it is acceptable for Social Security to change the benefits after the wage earner has paid his premium?

Commissioner CARDWELL. It may develop in the wisdom of Congress that it is not acceptable. We will find out. It is one of equity between citizens in the same circumstance.

The student benefit is a benefit that participants in the program have been led to believe their dependent children should expect should they retire, become disabled, or die.

The concept behind the proposal is that social security beneficiaries in the same economic or better economic circumstances were receiving more from the Government in support of their education than other students supported by the Government.

It would be introduced gradually taking newly entitled student beneficiaries for the first time in 1978 and each year thereafter.

SUPREME COURT EQUAL RIGHTS DECISION

Mr. NATCHER. Mr. Cardwell, as you know, the Supreme Court has recently ruled that widowers are entitled to social security benefits the same as widows.

Can you tell us what the fiscal implications are for social security as a result of this decision?

Commissioner CARDWELL. I will have to give you an exact figure, Mr. Natcher.

The last figure I saw would put it in the range of $500 million in fiscal year 1978. This estimate depends on how one defines the rules.

We think the result will center largely on those two kinds of benefits that did require proof of dependency on the part of the male.

Under the Supreme Court decision to date, widowers and husbands would no longer have to prove dependency and would automatically be eligible. The figure identified relates to those two kinds of beneficiaries.

Mr. NATCHER. Are there other social security programs that would be affected by this decision?

Commissioner CARDWELL. The court dealt initially with the widower and has also just extended it to the husband.

We do not anticipate any other major social security cash benefits will be affected by this decision although we are looking into several minor provisions of the law where men and women are not treated equally.

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TAMPERPROOF UNIVERSAL IDENTIFICATION CARDS

Mr. NATCHER. The new Secretary of Labor has been quoted as saying that he favors a new tamperproof social security card of the same type used by banks. In the past, some of your associates have disapproved of this type of card.

How do you feel about it at this point?

Commissioner CARDWELL. I think it raises a serious question of societal tradeoffs. I would urge the Secretary of Labor and anyone else who is interested in the proposition to proceed with caution.

I think it is a much more complex question than appears on the surface. His interest obviously is to do something about the number of aliens who are in the labor force today illegally.

There is no question an improved identifier would make a significant impact on that problem but there are administrative and, I think, sociological implications of a national identifier that need to be weighed very carefully.

SOCIAL SECURITY CARDS FOR ILLEGAL ALIENS

Mr. NATCHER. Is there any system you could use at this time to prevent illegal aliens from securing social security numbers and cards?

Commissioner CARDWELL. There are some things we think we could do to tighten our own evidentiary requirements for a social security card.

We don't think there is anything we can do to prevent counterfeiting the card. It is easily counterfeited. It is like pushing a pillow. If we tightened our evidentiary requirements, we really invite the counterfeiter to fill in the gaps, but there are some things we think we can do with our existing authority and we are engaged at the moment in those kinds of actions.

I know of no foolproof arrangement.

I would mention that INS is engaged in a fairly significant study. They have designed a card they believe to be essentially foolproof. It is built, as I understand it, on the bank-type of card. They have an experiment going on involving, I think, some 700,000 cards.

That should give us some answers to your question. I personally don't know the result as it stands today.

Mr. NATCHER. As far as the card itself is concerned, it is not any unusual paper content or anything like the dollar bill?

Commissioner CARDWELL. No, sir; it does not even have a watermark.

It has a background stamp of the HEW seal. It is quite easily duplicated.

Mr. NATCHER. Mr. Cardwell, last January the Domestic Council circulated a report on the whole problem of illegal aliens which raised some question about social security's responsibility in this area.

Are changes in the social security policy contemplated as a result of this particular report?

Commissioner CARDWELL. I would like to have Mr. Bynum speak to that.

Mr. BYNUM. We have set up much more stringent rules in part as a result of that but primarily as a result of congressional action a couple of years ago.

So far as the issuance of social security numbers is concerned, these rules require evidence of age and evidence of citizenship before we will issue a social security number.

The problem with that is not just in the counterfeiting of the social security card, as the Commissioner indicated, but also the counterfeiting of these pieces of evidence that we require before we will issue the number. An illegal alien even under our tightest restrictions, if he has an illegal birth certificate or some other evidence which is acceptable for our purposes, will still be issued a social security card because the evidence looks real to us.

We have a working relationship with INS through which we notify them of the issuance of cards of individuals who are identified as people coming into this country on a legal basis.

We do not issue cards, obviously, to people whom we determine are here on an illegal basis and we advise them of that.

ONE-TIME PAYMENT FOR JAPANESE-AMERICANS

Mr. NATCHER. Your justifications indicate $5 million to credit the account of Japanese-Americans who were interned during World War II.

Can you give me any idea how many people would benefit, approximately?

Commissioner CARDWELL. We estimate that approximately 500 people will benefit from this one-time payment.

Mr. FLOOD. Mr. O'Brien?

Mr. O'BRIEN. Mr. Cardwell, I would just like to say this is my fifth year in Congress and like other Congressmen we have had troubles with social security but of all the agencies that have responded, yours replied the best.

Commissioner CARDWELL. Thank you very much. It is nice to hear someone say that.

Mr. O'BRIEN. Also, you are in the papers regularly and I think it is interesting to read about yourself.

Commissioner CARDWELL. No, I don't like it.

EFFICIENCY OF THE SOCIAL SECURITY ADMINISTRATION

Mr. O'BRIEN. If you put too much of a load on a highly efficient lamp, you burn it out.

I would hate to think the efficiency of your administration will deteriorate because of the burdens put on your administration and I am not entirely satisfied that you were in on it at the beginning.

Do you have any concerns about that yourself?

Commissioner CARDWELL. I don't think there is any one person in the Government today at least in the Batlimore-Washington axis that would be more concerned about overloading the Social Security Administration than I.

I express that concern perhaps too much. Perhaps that is why so many people view us as having a problem because I have been so free in identifying the problem.

Frankly, I do not see the reorganization in the present form putting a burden on the overburdened part of the agency.

For example, this is really quite a different activity than the normal social security or SSI activity. It does not involve any direct services between our district office personnel, our claims representative, our service representatives, our district office managers and the public assistance clientele.

That is managed by the States. The State agencies interact with that population.

The interaction of the State agencies would, under the plan as it now stands, be conducted from the Assistance Payments Administration, the people who manage AFDC at the Federal level from either Washington or one of the 10 HEW regional offices.

The burden and the responsibility that shifts is really one of policy-making, philosophy, and emphasis, the national attitude about public welfare.

In that sense, I still have a very healthy respect for the Social Security Administration.

I think we can bring some class, to that operation.

Interestingly enough, when I went over to meet with the Assistance Payments Administration people to introduce myself and talk to them, I assumed they would not be very happy about relocating. Most workers are not.

However, I sensed they were relatively pleased with the idea of becoming part of the Social Security family.

So, I don't think this reorganization necessarily implies additional burden on the most burdened part of our operation at this time.

I can't tell you where it might go downstream. Those who come in to replace us might reason we should put some of these things together.

I can't tell you what welfare reform might imply as it evolves.

My feeling at the moment is that it should not put an additional strain on the Social Security Administration.

I am not so sure our own employees appreciate that and I think they are quite restless. I don't want them to be restless because they have enough to worry about.

INTRODUCING COMPETITION INTO THE HOSPITAL FIELD

Mr. O'BRIEN. With regard to medicare reimbursement, I have been advised by many hospitals in my district about their concerns about costs and the cap.

I have the impression that Mr. Califano is determined to go for a cap willy-nilly.

I can assume also that some hospitals are run better than others, but for those that are run rather well, do you have any idea how they might be encouraged to continue or supply the absence that Mr. Califano referred to as competition?

Commissioner CARDWELL. You are moving me into an area where my jurisdiction ceased as of March 8.

However, Tom Tierney from the Bureau of Health Insurance is here and I would like to give him an opportunity to answer that question.

Mr. TIERNEY. When you talk about introducing competition into the hospital field, I can't say I see anything that is being done, or planned, or can be done.

Mr. O'BRIEN. I quite understand that, but Mr. Califano said there is none and perhaps he is right, but we are discussing the question of what might be utilized as a method to achieve the same effect maybe competition does.

For example, if you run Silver Cross in Joliet as opposed to St. Joseph's and you run it better, shouldn't you get some consideration for being good?

Wouldn't that supply what competition ordinarily does?

Mr. TIERNEY. You can argue that, yes, it always gets down to what is it that you do. You give this hospital a $50,000 prize or they get less restriction on their reimbursement. What do they do with that? They invest it in more plant or something of that sort. I am not trying to fence with you, but I am trying to tell you that in the private and public sector in the last 25 years people have had a difficult time trying to define an incentive that seems workable.

One of the things that you talk about is very dangerous—just establishing a cap.

Mr. O'BRIEN. I agree with that.

Mr. TIERNEY. The approach being utilized now does take into consideration the size of the hospital, the geographic location, the scope of service, the administrative costs, and the wage and salary levels in the various hospitals all across the Nation in an effort to get uniformity in classification where you are talking about similar institutions.

If after you have done that much, you still are faced with the fact that hospital costs are rising twice as fast as the other parts of the economy, then I am afraid you have to do something rather arbitrary about it. You have to stop it.

Mr. O'BRIEN. In that context, going back to what you said first about this $50,000 bonus, I see nothing particularly wrong with that.

In one of my hospitals they have dialysis machines. They don't have enough to go around. Would it not be better to put some money in there to take care of an 80-year-old as well as a 40-year-old?

Second, I think a lot of the costs a hospital has to face—and I cannot help be biased because I feel so strongly about it—they have little to say about it.

For example, say the doctor was concerned with malpractice, or if the laundry bill is going up, the cost of Coke machines is going up, the hospital has to provide it.

I just don't have the notion that the Secretary, Mr. Califano, is determined to keep the hospital system as good as it is.

I think if he does not, I think it will deteriorate and we will all suffer.

RISING HOSPITAL COSTS

Mr. TIERNEY. I feel certain of his desire not to impair the quailty of the hospital system, but here is the problem, Mr. O'Brien:

Inpatient hospital costs have been rising dramatically—the most recent was 19 percent in calendar year 1976.

Now, even when the wage and price controls were in effect costs continued to rise. True, they only went up about 10 percent but they did rise. When a couple of the States said no more, costs have nevertheless continued to increase, but the increase was held down considerably.

Everything you say is true, but how are you going to answer the question on the other side?

Then with regard to this award you talk about in buying the dialysis machine, there is a tremendous move that you can't turn over capital to these institutions without a planning agency to make decisions as to where the dialysis machines go.

Mr. O'BRIEN. I understand that.

I was not referring to that as a way to do it. I just think they should be encouraged if they are really trying to watch the dollar to live within it.

Mr. TIERNEY. I think the way to avoid inflexibility in any type of control system is to make some provision for granting exemptions under appropriate circumstances where it can be demonstrated there is efficiency and effectiveness, but nevertheless the need.

Mr. O'BRIEN. Do you think PSRO's may have some effect?

Mr. TIERNEY. I don't think PSRO's will control cost. That, of course, was one of the expectations when they originally started out. Already they are being characterized as educational and qualify assurance programs and that is very good, but I just think we are kidding ourselves if we think they are going to cut costs.

Mr. O'BRIEN. Thank you, Mr. Chairman.

HOSPITAL COST CONTAINMENT PROPOSAL

Mr. FLOOD. This medicare-hospital reimbursement proposal has certainly generated a tremendous amount of controversy.

Have you resolved how the allowable level of the cost increase is to be determined?

Commissioner CARDWELL. No, sir, the Secretary has not yet made his decisions.

He has been talking to various people trying to generate ideas.

In his original proposals, he talked about negotiating. I frankly do not know how it is going to come out.

I think he is getting very close to the time when he will have to come forward with his proposal to the public and the Congress, but I cannot tell you.

Mr. FLOOD. From your statement we have, it appears that this hospital proposal would apply charges to all patients, not just to the Federal beneficiaries; is that right?

Commissioner CARDWELL. That is right. In that sense it is a very significant departure from past executive branch interest in this general subject.

Up to this time, we have tried to control the rising costs of medicare and medicaid by putting in constraints at the Federal level.

What we think we have been doing is pushing the cost on over to the private sector. I happen to believe very strongly that the time has come to deal with the entire delivery system on a national basis.

It would be a mistake and disservice to the Federal programs if we just continued to try to control it through those routes.

Mr. FLOOD. Are you considering variations in your hospital costs for different areas of the country, rural and urban facilities, et cetera?

Commissioner CARDWELL. Those differences are recognized by the people who are doing the planning.

How they will treat them, I cannot say.

Mr. FLOOD. Are you considering the idea of similar limitations for physicians and drugs, et cetera?

Commissioner CARDWELL. Not at this time.

It is my guess that it is only a matter of time before the Government does enter those fields, too.

Mr. FLOOD. Your statement uses the term permanent cost containment proposal. How does that differ from what we are talking about today?

Commissioner CARDWELL. I don't think it does. I don't know anything about the final shape, size, or character of the proposal.

I can say the Secretary and the administration generally does not propose at this time to deal with physicians in the same way that it would deal with hospitals.

PHYSICIAN ASSISTANTS AND NURSE PRACTITIONERS

Mr. FLOOD. We understand your proposal would also be proposing to reimburse physician assistants and nurse practitioners.

The problem with this concept—and we talked about that before, you remember—was State medical practice statutes.

Are you proposing to preempt the State laws?

Mr. TIERNEY. Mr. Chairman, there are now 16 States which do have licensure and examination provisions for "physician extenders."

The proposal that is in this package is to make it possible for those people to participate in public clinics, community clinics in rural places such as the Appalachian area where it is very difficult to get a doctor and where, at the moment, because we don't have these people operating under the direct supervision of a doctor, we can't pay them.

Mr. FLOOD. You used the term "paramedics" for a while?

Mr. TIERNEY. Yes, sir. There are lots of terms, but I think we are talking about the same thing.

PART B MEDICARE PREMIUMS

Mr. FLOOD. The budget also proposes to freeze the part B medicare premiums at the current rate of $7.20.

What portion of the costs of the program are now borne by the General Treasury?

Commissioner CARDWELL. The Treasury bears approximately $14 for the aged and $31 for the disabled. In other words, the Treasury is bearing the difference between the monthly cost per enrollee and the premium.

Mr. FLOOD. What would the premium have to be in order to be self-supporting?

Commissioner CARDWELL. More specifically, in order to keep the amount funded by general revenues at the current levels of $14.20 and $30.80 through June 1978, the premium would have to be $10.40 for the aged and $19.20 for the disabled against what would have been $7.70 for each.

Mr. FLOOD. What would the premium have to be in order to maintain that 50 percent matching rate that was originally evisioned for part B?

Commissioner CARDWELL. For the period July 1977 through June 1978 that would be $12.30 for the aged and $25 for the disabled.

AFDC UNDER SOCIAL SECURITY

Mr. FLOOD. Mr. Cardwell, in neither the budget nor the statement that you have that we talked about, is there any mention of the imminent transfer of aid to families with dependent children (AFDC) to your office?

Commissioner CARDWELL. Yes, sir.

Mr. FLOOD. If there is anything I am sure about it is that you have spent considerable time considering the future of that program under social security.

What do you think the main problems will be in assuming these additional responsibilities?

Commissioner CARDWELL. I think the main problem will center on the Office of the Commissioner.

Perhaps the main difficulty will involve interaction between the Social Security Administration and the State welfare agencies.

We work with them directly, one on one now, in those States where we administer supplemental security income supplements on their behalf.

We do not have a strong base for dealing with State welfare agencies. We are now engaging in consultative arrangements with the States, trying to establish a line of communication with them.

We have brought in as an adviser to the Commissioner a former State welfare director who should have insights into State agency problems and their arrangements.

I think we will improve our communications with these agencies and I hope rather quickly. It is the area that will receive the most attention and I think needs the most attention.

We want to do everything we can, as I mentioned to Mr. O'Brien, not to impose any of this work on our district offices.

I don't think there will be any need to.

INCREASE IN SMI FEDERAL MATCHING PAYMENTS

Mr. FLOOD. The increase in the payments for the supplementary medical benefits this year are 26 percent. Can you tell us what portion of this increase is because of more people in the program, what portion is higher utilization of the program, and what portion is just inflation?

Commissioner CARDWELL. Do you have that, Mr. Tierney?

Mr. TIERNEY. Mr. Chairman, $163 million is for the increase in the population covered by the program.

There is $949 million for increases in the Federal matching rates for the program. The rate increases reflect both higher utilization and inflation. With inflation accounting for most of the increase.

Then there are some adjustments to previously related costs.

But a very significant portion is related to the point the Commissioner was talking about that the beneficiary no longer pays 50 percent of the part B premium and the Government is picking up a higher portion.

RENTAL AND PURCHASE OF MEDICAL EQUIPMENT

Mr. FLOOD. Last year at our hearing, you will recall, we spent some time on the excessive costs associated with the rental and purchase of medical hardware and equipment.

Have you been able to make any progress in getting more control of these expenditures?

Mr. TIERNEY. Yes; I think we have done one thing of significance, Mr. Chairman, and that is to require that the maximum cost recognized by the program in any area for this durable medical equipment be the lowest cost at which equipment of similar quality can be readily obtained in the community so that we have a cap in each community on how much the program will pay. Previously we did not have this kind of control. Now the payment level is established at the minimum cost for which quality equipment can be secured.

RENAL DIALYSIS

Mr. FLOOD. What is the total cost of the renal dialysis program for the people with that disease?

What is the total cost?

Mr. TIERNEY. Could you pass that and I will get it for you? I am sure I have it here.

Mr. FLOOD. Fine.

[The information follows:]

CHRONIC RENAL DISEASE PROGRAM DATA[1]

Fiscal year	Average number of people covered by program	Benefits paid
Hospital insurance:		
1976 actual	15,000	71,000,000
1977 estimate	19,000	93,000,000
1978 estimate	22,000	115,000,000
Medical insurance:		
1976 actual	15,000	198,000,000
1977 estimate	19,000	297,000,000
1978 estimate	22,000	386,000,000

[1] These data are for persons eligible for medicare as a result of sec. 2991 of the 1972 Social Security Amendments. These individuals are eligible solely because they have chronic renal disease. Additional persons receive hospital and medical services for treatment of chronic renal disease but these individuals are eligible for medicare as a result of other provisions of the law (old age or disability).

Commissioner CARDWELL. I would indicate the budget estimates that on the hospital side we would pay out $115 million affecting 22,000 people.

On the medical insurance side, it would be about $386 million.

Mr. FLOOD. The Bureau of Quality Assurance told us just last month they are proposing to curtail their activities to support the renal disease information management system.

What effect is that going to have on your ability to handle or manage the program?

Commissioner CARDWELL. That would be a matter for the new Health Care Administrator. He is not available to come before you at this time.

Mr. TIERNEY. Mr. Chairman, we have finally established, as the original legislation contemplated, so-called networks in each area of the Nation.

Mr. FLOOD. That phrase was used time and again.

Mr. TIERNEY. It is the hope now that these organizations are in the position that they can do largely a responsible job in the analysis of need in the community so that you won't need this former effort by the Bureau of Quality Assurance.

HOME DIALYSIS

Mr. FLOOD. One of the complaints we hear a good deal about in this renal disease program is that it discourages home dialysis which is cheaper.

There was a recent article in the paper suggesting savings could be as high as $200 million annually.

Do you plan in your regulations to encourage home treatment in view of that?

Mr. TIERNEY. We started out only providing renal dialysis machinery and we did not provide any dressings or anything like that. We now contemplate providing that. There is a point at which you have to get some professional expertise into the home. The present thinking is maybe we can start financing so-called dialysis aides who can go into the home.

Dialysis is not just like plugging in your electric razor. It can be a very traumatic experience. A lot of people would much prefer not to go through it, particularly where dialysis centers are available.

You have to also remember that these locations are always, in the final analysis, prescribed by the attending physicians.

So, the best thing we can do is to see to it there are no disincentives to home dialysis, recognizing that it will never be a very popular thing, however.

ADMINISTRATIVE COSTS OF THE DISABILITY PROGRAM

Mr. FLOOD. Mr. Cardwell, with respect to the disability program, can you tell us what proportion of total cost of that program will be for administrative expenses?

Commissioner CARDWELL. On disability insurance, the administrative expenses for 1977 would run about 3.2 percent of benefits.

In 1978, it is estimated at about 3 percent. If you take it against trust fund income—essentially the disability dedicated tax—the data would be 3.7 percent in 1977 and 3.5 percent in 1978.

DISABILITY DETERMINATIONS

Mr. FLOOD. We understand you have contracts with the States to do these disability determinations.

Commissioner CARDWELL. Yes, sir.

Mr. FLOOD. Are you satisfied with the service that the State agencies give you on these determinations?

Commissioner CARDWELL. I would like to ask Mr. Bynum to speak to that.

We have been working on that of late.

Mr. BYNUM. Generally, we are reasonably well satisfied. We have variations among the States. Some States do a better job in this connection than others. But, as we look at the total operation, the total processes through which disability claims go on both the social security side and the supplemental security income side, the States don't look too bad.

There are some additional steps that we are taking, working more closely with them at the regional level to assure that the most efficient and effective practices in some States are picked up and adopted in other States, but generally that relationship and that arrangement is working pretty well.

Mr. FLOOD. Are you satisfied with the reimbursement which these States request of you for all of these disability determinations?

Do you think they are all entirely legitimate?

Mr. BYNUM. Yes; they are legitimate.

They are reviewed by budget people in the regional offices and headquarters.

You have the usual give and take which cuts out some items and goes along with others, but I think that working arrangement is going along well.

MEDICARE EXPERIMENTS

Mr. FLOOD. Mr. Cardwell, you talk about a number of medicare experiments being conducted under section 222 of the Social Security Act.

What is the total cost of the projects you will support in fiscal year 1978?

Commissioner CARDWELL. About $9.35 million.

Mr. FLOOD. Would you describe maybe a couple of the most useful results from these section 222 medicare experiments.

Also, for the record, insert a list of the specific projects currently to be supported and the amount of money for each project.

[Information follows:]

Social Security Administration

Health Insurance Experiments and Demonstration Projects

The following outline contains brief descriptions and funding levels associated with research and experimentation presently being conducted under the authority of section 402(a) of P.L. 90-248 (as amended by section 222(b) of the Social Security Amendments of 1972), sections 222(a) and 245 of the 1972 amendments, and sections 1526 and 1533(d) of P.L. 93-641. Planned projects for the balance of fiscal year 1977 are listed at the conclusion of this outline. The funding levels shown are the total cost of each project, including obligations from prior years.

I. PROSPECTIVE REIMBURSEMENT

A. Rhode Island--$504,780

The 3-year Rhode Island project is scheduled for completion in September 1977. The basic features of this project include: (1) a negotiated statewide limit or "maxicap," on allowable increases in total hospital operating expenses; (2) "bottom-line" operating expense budgets; (3) provision for mediation and binding arbitration; (4) restrictions on new or expanded medical programs; and (5) provision for year-end adjustments to individual hospital budgets and the maxicap.

B. Western Pennsylvania

1. Ongoing--$1,054,644

Blue Cross of Western Pennsylvania (BCWP) and SSA have completed the first 3 years of a 4-year contract. Through the waiver process, SSA agreed to pay the prospectively established rates for services rendered to Medicare beneficiaries. The final year for which prospective rates were set ended June 30, 1976. Under this program, each hospital was required to submit a budget which had been approved by its board of directors. The budget was then reviewed in detail for reasonableness utilizing screens to identify and isolate budget items showing questionable increases. If the hospital agreed to the revised budget, a variety of external controls were also applied to determine the final payment rate.

2. New contract--$552,503

In October 1976, BCWP was awarded a 3½-year new contract to test the viability of a prospective reimbursement program employing a multiple regression model which uses those factors shown to have an effect on cost to predict a hospital's total allowable operating cost for the prospective year. The predicted cost is then used as a screen to determine the reasonableness of a hospital's total budgeted operating expenses. The hospitals submit budgets which are reviewed and adjusted to allowable costs and then screened against the predicted cost model. A 5-percent limit is used as a screen to determine the reasonableness of a hospital's total budgeted operating expenses.

C. Washington--$1,391,583

The 4-year Washington State Hospital Commission program, which began October 1, 1976, will enable evaluation of the effects of three alternative reimbursement methods on hospital cost behavior. The approximately 116 hospitals participating in the experiment will be randomly assigned to one of three cells. Hospitals in the first cell will be reimbursed based on a prospectively approved total hospital budget. The second group of hospitals will be reimbursed through a prospectively approved schedule of rates per unit of service, and the remaining group will be reimbursed retrospectively through the existing principles of reimbursement for Medicare, Medicaid, Blue Cross, and other payers. Under this program, Washington hospitals will prepare a budget based on a uniform budget package, to be reviewed by the Commission staff and compared to a peer group of hospitals on the basis of a series of cost, productivity, and intensity screens.

D. Connecticut--$236,403

In October 1976, the Connecticut Commission on Hospitals and Health Care (CHHC) entered into a 1-year contract with SSA to establish a prospective reimbursement system based on review and approval of hospital budgets. During the course of this contract, the CHHC will study and develop: an inflation factor, a fixed/variable formula, standards and criteria to determine the appropriateness of volume changes in individual hospitals (joint effort with the Professional Standards Review Organization), grouping and productivity screens, hospital financial requirements, and a mechanism for monitoring the hospital budget review system.

E. Massachusetts--$676,135

SSA signed a 2-year contract with the Massachusetts Rate Setting Commission in November 1976 to develop methods of controlling hospital expenditures by restricting hospital revenues to the level reasonably required to produce services needed by the public. The program will have three main features: (1) a review by the Rate Setting Commission to determine whether the proposed costs for hospital services are, in fact, reasonable; (2) a review by Commission staff of the projected utilization levels and, if needed, a review of the volume projections by the appropriate Health Systems Agency for verification of the reasonableness of large projected volume increases; and (3) approval of charges which, according to approved projected utilization levels, should produce sufficient, but not excessive, revenues to cover approved costs.

F. New Jersey--$1,481,011

The prospective payment system to be developed by the New Jersey State Department of Health, under a 2-year contract which began in November 1976, will utilize a classification system which allocates patients' diagnostic classification (obtained from medical abstracts) to groupings known as Diagnostic Related Groups (DRG's) of general acute care hospital patients. The groups will contain diagnoses which require similar levels of care and similar resource inputs. Total costs will be adjusted for approved increases which the hospitals will incur during the prospective rate period. Adjustments may also be made for quality and productivity. Finally, an economic index to reflect the general rate of inflation in the economy will be applied to establish the prospective rate.

G. Blue Cross Association--$613,482

SSA is supporting developmental efforts begun December 1976 by the Blue Cross Association, the Hospital Association of New York, the Finger Lakes Health Systems Agency, and the Blue Cross Plans of Rochester, and Central New York. This project will attempt to prospectively link the amount a hospital should be paid to: (1) a community health service plan, and (2) to a community budget for hospital care. The community budget should determine the amount of dollars that can be allocated for hospital care. The health service plan defined what types and amounts of hospital services are needed in the community.

H. Maryland--$709,369

On July 20, 1976, a 2-year contract was signed between SSA and the Maryland Health Services Cost Review Commission (MHSCRC) to join in a developmental/experimental project. The first phase of the project extends over the entire life of the contract and involves the development of a methodology for establishing prospective rates of reimbursement for skilled nursing facilities. The second phase of the contract permits the conduct of a prospective ratesetting experiment. SSA has reserved the right to decide whether or not to proceed with the second phase of the experiment. If a decision is made to proceed, hospital rates of reimbursement for the Medicare program will be set by the Commission through the review and approval of hospital budgets and rate structures. Medicare's total payout would be protected during phase II by total statewide expenditures test which may not exceed what would have occurred under existing Medicare principles of reimbursement.

I. South Carolina

1. University of South Carolina (demonstration)--$1,385,787

This 3½-year project involves three basic aspects--budget-review guidelines, cost savings measures and measurements, and rating criteria for new venture capital expenditures programs. The 16 hospitals participating in the project are required to prepare a forecast budget outlining their financial requirements for the upcoming budget year. The budget is then submitted for review and approval by a budget-review board. In addition to the forecast budget, each hospital submits a plan for the implementation of cost savings programs and a projection of the resultant savings. The forecast budget is then reduced by the amount of the projected savings to form an operating budget for the hospital.

2. Abt Associates (evaluation)--$299,234

Abt Associates is attempting to measure the program's impact on cost, net revenues, productivity, scope and intensity of services, factor prices, and quality of care.

J. Prospective Case Payment--$452,934

Yale University began work under SSA contract to develop a prospective reimbursement system for acute care hospitals based on diagnosis-specific case costs in March 1975. Phase I of this project involved the association of hospital costs with the diagnostic classes of patients. Cost profiles were generated showing the consumption of each diagnostic group for all of the hospital departments. With historical data on the number and proportion of patients treated in each diagnostic group, a forecast may be made on the casemix for the budgeted period. Budgets can

then be computed from cost profiles and revenues determined from charging profiles. The effect on revenues of different reimbursement mechanisms can also be projected as a function of the casemix. This system has been set up for demonstration and evaluation at the Yale - New Haven Hospital during Phase II of the project. For the last phase of the contract, Yale will document the prospective reimbursement system and the hospital budgeting and cost control system to guarantee their transportability to other settings.

K. Study of the California Health Facilities Commission--$72,929

SSA awarded the Rand Corporation a 1-year contract (resulting from an RFP) to analyze the process followed by the State of California in attempting to contain rising health care costs since 1971, focusing on an examination of the political, legal, interorganizational, and sociological factors which have influenced the creation, development, operational character, and authority of the California Health Facilities Commission.

II. LONG TERM CARE

A. Utah Cost Improvement Program (UCIP)

1. Utah Division of Health, Department of Social Services (demonstration)--$311,586

This 4-year project is designed to test a reimbursement formula which would reduce a hospital's acute care cost while alleviating two problems prevalent in many rural communities: low occupancy rates in community hospitals and the shortage of long-term care beds. The efficient use of a hospital's existing resources is emphasized in trying to solve these problems. Important side benefits include better continuity of care (because the patient can receive both acute and long-term care in the same institution), a reduction in travel (because the patient can receive his long-term care locally), and conservation of capital expenditures (because few, if any, new free-standing long-term facilities would need to be built).

2. University of Colorado (evaluation)--$342,000

The 3-year evaluation of UCIP focuses on financing, patterns of care, and administration.

B. Reducing Acute Care Costs (RACC)

1. Texas Hospital Association (demonstration)--$534,441

2. Blue Cross of Western Iowa and South Dakota (demonstration)--$134,535

Based on the initial data from the Utah cost improvement program, SSA decided to replicate the Utah experiment. Medicare reimbursement for skilled nursing patients has been set at a fixed rate negotiated between the contractor and SSA. The Medicare rate does not exceed the Medicaid rate for the highest level of long-term care. Participating hospitals are eligible to receive financial incentives, defined as 50 percent of the difference between the Medicare long-term care reimbursement rate and the incremental cost of providing long-term care.

3. University of Colorado (evaluation)--$429,546

This 2½-year contract to conduct the evaluation of the RACC projects was recently awarded via competitive procurement and will

follow the general scheme of the UCIP evaluation. However, more emphasis will be placed on an examination of the quality of skilled care in participating hospital.

C. Blue Cross of Iowa--$20,000

In November 1975, Blue Cross of Iowa (BCI) submitted an unsolicited proposal to conduct a swing-bed project which would permit 24 rural Iowa hospitals to provide Medicare skilled nursing services in their institutions without establishing a distinct-part SNF. BCI offered to assume most of the costs associated with administering this 2-year project, which was initiated in January 1977. There will be no incentive payment during the experiment, unlike the two ongoing RACC experiments. Therefore, a direct comparison of Western Iowa-South Dakota and Blue Cross of Iowa results will permit a determination of whether an incentive is necessary to obtain the cooperation of the small rural hospital in providing SNF level of care services in their institutions, or whether it is sufficient to permit hospitals to use "swing-beds" to provide long-term care. Another unique feature of the BCI project is that a penalty will be imposed when a hospital exceeds its previous highest level of full-time equivalent personnel.

D. Prospective Reimbursement for Nursing Home Facilities

1. Abt Associates (area 1)--$186,469

2. Batelle Memorial Institute (area 2)--$197,038

3. The Urban Institute (area 3)--$95,611

As the initial stage in developing a prospective reimbursement system for nursing home facilities, SSA issued a request for proposals (RFP) in May 1976, to conduct indepth studies to develop standardized cost measurement factors to facilitate the ratesetting process. Twelve-to-eighteen-month contracts were awarded in April 1977 in three areas: (1) cost studies of routine services and ancillary services, (2) examination of rates of return on equity, capital, and risk, and (3) selected care studies of State Medicaid prospective reimbursement systems.

III. PHYSICIAN REIMBURSEMENT

A. Physician Billing Behavior in California--$295,546

The contractor for this study, the Urban Institute, is examining 1972-1975 claims experience from several thousand California physicians reporting Medicare and Medicaid claims to California Blue Shield (the subcontractor).

B. Analyses of customary and prevailing fees, carrier administrative practices and the supply response of physicians--$741,570

Harvard University, the contractor for this 3-year study which began in February 1976, is examining paid claims records from a sample of Medicare and private health insurers, as well as information gathered on their administrative practices used to establish their customary and prevailing fee screens.

C. Billing and collection analysis of uninsured persons and services by fee-for-service physicians--$121,000

For this SSA-funded study, American Health Systems is examining 12 months of billing and approximately 18 months' related collection experience

from several hundred physicians in Minnesota, Arkansas, and Florida who were clients of a common billing agent.

D. Costs, revenue, services, physicians' compensation, and inputs in departments run by hospital-based physicians--$403,000

Arthur Andersen, the SSA contractor for this 1½-year study which began in January 1976, is gathering data on revenues, charges, costs, service quantities, and physician input and compensation methods from 120 to 125 representative hospitals with departments employing hospital-based physicians.

E. Procedural Terminology Studies--$193,746

A 1½-year contract with the Commonwealth of Virginia is currently underway to analyze how the conversion of the Virginia medical assistance program's procedural terminology and coding system to one based on the third edition of Current Procedural Terminology (as developed and recommended by the American Medical Association) would affect the Virginia program's administrative system and benefit expenditures.

F. Price Behavior of Physicians

1. Pennsylvania Blue Shield--$440,447

2. University of Southern California--$123,000

DHIS has initiated two new projects to determine the impact of physician pricing behavior on the level and distribution of program benefit outlays. The first project employs Pennsylvania Blue Shield paid claims data for Medicare and private beneficiaries from 1970 through 1976. The second will involve a nationwide sample of private health insurance data held by the National Association of Blue Shield Plans to be analyzed by the University of Southern California.

G. Administrative Costs in Physicians' Offices--$408,821

In June 1975, SSA contracted with Abt Associates to conduct a survey of physicians in the five largest specialties from a sample of 2,000 physicians practicing in solo or small-to-median group settings. Analysis of the survey data by the contractor will attempt to determine the following: (1) principal practice cost elements; (2) details of administrative cost; (3) customary fees for selected services and typical third-party remuneration; and (4) attitudes toward Medicare participation, acceptance of Medicare benefit assignments, and participation in private health insurance.

H. Teaching Hospital Studies--$175,965

In July 1976, SSA contracted with the Institute of Medicine to expand on their original study of Medicare payment for services provided by physicians in teaching hospitals for an additional year. The new tasks being performed by the IOM through June 1977 include: (a) examination of the relationship between methods of physician compensation and the distribution of physician time in different activities, (b) investigation of methodological approaches for estimating the cost of graduate medical education and the implications of alternative methods of financing graduate medical education, (c) analysis of Medicare prevailing charges, particularly within large metropolitan and underserved areas, and (d) a time-series study of changes in Medicare prevailing charges.

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IV. EXPANDED PROVIDER STATUS

A. Physician Extender Reimbursement Study

1. University of Southern California--$450,000

The baseline study for this experiment is being conducted by the University of Southern California, under contract with SSA. Specific data collected include professional characteristics of physicians and PE's, types and volume of services delivered by them, charges for services, and patient characteristics. A group of comparison practices not employing PE's is also participating in the baseline activity, and these practices are matched to the PE practices by practice location, practice arrangement, speciality, and size of staff.

2. Systems Science, Inc.--$478,000

Data collected at a subsample of PE and comparison practices will provide information on differences in quality of care and on practice cost attributable to PE employment. SSA has contracted, via competitive procurement, with Systems Science, Inc., to conduct this portion of the evaluation of the Physician Extender Reimbursement Study.

B. Clinical Psychology/Expanded Mental Health Coverage

1. Colorado Medical Service/Colorado State Department of Health (demonstration)--$216,000

This 2-year demonstration which began in October 1976, is designed to determine the effects of covering clinical psychologists as independent practitioners and the effects of raising the Part B outpatient mental health limitation on reimbursement from $250 (50 percent coinsurance) to $400 (20 percent coinsurance). During the demonstration, Medicare beneficiaries in Colorado will be randomly assigned to one of four groups which will be eligible to receive the following benefits: (1) current Medicare outpatient mental health coverage (control group); (2) current 50 percent coinsurance and coverage of service of independently practicing clinical psychologists; (3) 20 percent coinsurance and current coverage of clinical psychologists; or (4) 20 percent coinsurance and coverage of service of independently practicing clinical psychologists.

2. Stanford Research Institute (evaluation)--$518,000

This contract, which resulted from a competitive procurement, was signed in October 1976 to evaluate the clinical psychology/expanded mental health coverage demonstration. It will focus on three areas: cost and utilization, quality of care, and administration.

V. ALTERNATE CARE MODALITIES

A. Ambulatory Care

1. Prospective Case-Payment for Outpatient Costs--$423,600

In May 1975, under contract with SSA, Yale University began to develop a system for prospective reimbursement of acute care hospitals based on diagnosis-specific care costs. Last July, the Yale project was expanded to include outpatient costs and reimbursement mechanisms.

2. Study of surgical services in a prepaid health plan--$195,000

This 2-year study, which began in January 1977, is designed to determine the economic and medical consequences of a policy decision to shift the delivery of surgical services within a prepaid health plan from an inpatient basis to a nonadmitting mode. Specifically, the cost and quality of surgical services provided to nonadmitted patients will be compared with the cost and quality of similar services provided on an inpatient basis. This project will be conducted by the Health Services Research Center of the Kaiser Foundation Health Plan in Portland, Oregon.

3. Ambulatory Surgery

a) Experiment--$27,000

The Medicare statutes currently provide for payment of the facility fee associated with the provision of outpatient surgical services where such services are offered in a facility which has been qualified as a provider of services by the Medicare program. Payment of facility fees for outpatient surgical services is made to qualified providers on a reasonable cost basis. If outpatient surgical services are provided in a facility which is not a Medicare-qualified provider of services, the facility fee is not reimbursed. DHIS is conducting a demonstration to determine whether Medicare policy should be modified to permit reimbursement of a facility fees to free-standing ambulatory surgical centers (FSASC). In April 1974, as a result of a waiver of certain Medicare principles of reimbursement, SSA entered into an arrangement with the Surgicenter of Phoenix to pay facility costs in accordance with principles applicable to outpatient services in a hospital. In October 1975, five additional FSASC's were selected to participate in the demonstration: Ambulatory Surgical Facility of Hollywood, Florida; Northwest Surgicare of Arlington Heights, Illinois; Fort Wayne Surgical Center of Fort Wayne, Indiana; Bailey Square Surgical Center of Austin, Texas; and Minor Surgery Center of Wichita, Kansas.

b) Evaluation--$491,389

To determine whether services provided by FSASC's result in more economical provision and more effective utilization of services, SSA contracted with Orkand Corporation in June 1974 to conduct a 2½-year evaluation of the cost, quality, and system effects of ambulatory surgery performed in alternative settings.

B. Health Maintenance Organizations--$24,400

SSA has arranged to enter into a contract with the Group Health Cooperative (GHC) of Puget Sound to test the effects of two experimental variables in a risk-sharing HMO setting: First, the requirement that Medicare beneficiary enrollees have 3 days of inpatient hospitalization prior to receipt of covered skilled nursing facility services will be waived. Second, Medicare enrollees will be permitted to receive reimbursable services outside the HMO plan that are neither emergency nor urgently needed. The contract with GHC also presents an opportunity to test a prospective capitation rate setting system to help determine whether section 1876 of the Social Security Act should be modified to provide such a system in place of the present retrospective capitation rate setting system for risk-sharing HMO's.

VI. OTHER REIMBURSEMENT ISSUES

A. Malpractice

An Economic Analysis of Medical Malpractice--$117,000

In September 1976, SSA signed a 2-year contract with Rand Corporation to estimate the impact of various factors on variation across States and over time in the frequency of malpractice claims, the size of awards and the level of malpractice insurance premiums. Factors of specific interest are: (1) patient characteristics, (2) State malpractice statutes, and (3) attitudes towards risk. The study should provide data on the effects of changes in the tort system and of regulation of the legal profession and insurance industry.

B. Durable Medical Equipment

Lump Sum and Rental Conversion--$620,685

In September 1976, a 3-year contract was awarded to Exotech Research and Development Corporation to conduct a durable medical equipment (DME) reimbursement experiment. This reimbursement experiment involves lump-sum payment for both new and used equipment, based upon the anticipated need; and a rental-purchase conversion procedure whereby the purchase price is reduced, dependent upon the length of prior rental. In addition, the 20 percent coinsurance is waived whenever the purchase price of used equipment is at least 25 percent less than the reasonable charge for new.

Other projects expected to be implemented in fiscal year 1977 include:

Prospective Reimbursement

1. Evaluation of State ratesetting demonstrations

2. Casemix Studies

Uniform Systems (section 1533(d) of P.L. 93-641)

1. Audit and data support for States experimenting with the SSA Uniform Accounting System

2. Study of differential pricing for third party payers

Long Term Care

Waiver of 3-day prior hospitalization requirement for skilled nursing facilities demonstration

Physician Reimbursement

1. Health credit card demonstration

2. Second surgical opinion program demonstration

Alternative Care Modalities

Freestanding radiation therapy center reimbursement demonstration

Durable Medical Equipment

1. Evaluation of lump sum and rental conversion demonstration

2. End stage renal disease reimbursement demonstration

Mr. FLOOD. Just pick out one now.

Commissioner CARDWELL. We have implemented a number of useful studies and experiments related to reimbursement for long-term care facilities. We are preparing to experiment with negotiated fee schedules for physicians. Fees are negotiated in advance with physicians so that they will accept certain reimbursement rates for certain levels and courses of treatment.

There are some ambulatory care projects to determine if such facilities result in more economic provision of health care and more effective utilization of services.

There have been several that go along the lines that Mr. O'Brien was interested in by trying to identify incentives that would work on behalf of the hospital without influencing downstream costs. However, preliminary findings seem to indicate that monetary incentives are not in themselves sufficient to control hospital costs. We have moved to the testing of prospective reimbursement systems in hospitals.

There are several planned, dealing with home dialysis and end stage renal disease.

There is an experiment for durable medical equipment reimbursement.

Mr. FLOOD. We are very interested in that subject.

Commissioner CARDWELL. We will put in a brief description of the major projects.

Mr. FLOOD. Mr. Michel?

Mr. MICHEL. Thank you, Mr. Chairman.

MISCELLANEOUS EXPENSES

What is the total number of checks social security mails out in the course of a year?

Commissioner CARDWELL. It is now in excess of 34 million a month. That includes the SSI cost.

Mr. MICHEL. How much is the paper cost just on which the paper checks are printed?

Commissioner CARDWELL. Treasury takes care of that.

Mr. MICHEL. Just supply that information, if you would.

Also, can you get the postage calculated?

[Information to be supplied.]

PAPER AND POSTAGE COSTS OF CHECKS ISSUED FOR SOCIAL SECURITY ADMINISTERED PROGRAMS

In March 1977, the number of paper checks issued to recipients under social security administered programs was 30,344,000. In addition, some 5,064,000 payments were made to beneficiaries by means of electronic fund transfer to their accounts in financial institutions.

The estimated anual cost of paper stock on which the paper checks are printed is $2,021,000. This represents the paper costs for an annual volume of 364,128,000 paper checks at a unit cost of $5.55 per thousand paper checks.

The unit postage cost of mailing paper checks is 13 cents. The annual postage cost of mailing over 364 million paper checks is about $47.4 million.

Mr. BYNUM. There are something over 400 million checks going out so I would say $40 or $50 million.

Commissioner CARDWELL. Our payment for Treasury Department's disbursement of social security checks is $40 or $50 million a year including postage and processing costs.

Mr. MICHEL. How many checks are actually mailed to foreign countries?

Mr. BYNUM. About a quarter of a million, I believe, but let us furnish that for the record.

Mr. MICHEL. What approximate dollar amount involved in those checks going outside the country is for social security payments—give us that.

Mr. BYNUM. Those benefits are about the same.

[Information follows:]

SOCIAL SECURITY CHECKS SENT TO BENEFICIARIES RESIDING IN FOREIGN COUNTRIES

In January 1977, the volume of monthly benefit checks mailed to recipients in foreign countries as 258,000. The dollar amount in benefits related to these checks was $46.5 million.

ILLEGAL ALIENS

Mr. MICHEL. Isn't it possible for an illegal alien to get a social security card, qualify for benefits, go back to a country of his origin and get his payment and all the time he was an illegal alien. In other words, he qualifies for benefits and we send it to him in his country of origin?

Commissioner CARDWELL. If he remained in this country long enough to establish a work record, with that much continuity to it, that is possible.

It can happen.

Mr. MICHEL. I have to express the same concern of my colleague, Mr. Natcher, as to what we can do to really get hold of this thing.

Even if the President were to be very magnanimous as he was to Vietnam veterans and just declare all of a sudden we are going to have an amnesty of some kind from this day forward, I would bet there would be umpteen thousand come across the border and we would have no way of checking up on that.

Commissioner CARDWELL. INS could tell you better than I but I don't think so.

Mr. BYNUM. We do have a procedure which requires individuals at age 18 and over to provide us evidence of identity, of citizenship, those kinds of things.

Mr. MICHEL. You spoke earlier of the fraudulent identification.

Do you have any authority in that regard?

Do we have any mechanism for coming back and filing charges against the individual?

Mr. BYNUM. We have identified thousands and thousands of fraudulent case leads. There have been no successful prosecutions of any of those.

HEW REORGANIZATION

Mr. MICHEL. Let me get back to reorganization. The local social security offices will still be responsible for dealing with medicare benefits and any problems they may have?

Commissioner CARDWELL. To the extent that they now do that, yes.

Mr. MICHEL. Wouldn't this result in personnel in those offices taking directions not only from you but from the health care financing administration as well?

Commissioner CARDWELL. No, sir. our plan would be to follow—I hate to mention this in front of the chairman—the general arrangement that we have with the Department of Labor for the taking of the black lung claims where they do the adjudication, they set the policy, and we do just the initial paperwork.

In other words, we would have an agreement, a contract, if you will, with the new Health Care Financing Agency. They would prescribe the policy governing levels of the program, who the carriers are, and that sort of thing, but all the instructions and directions come from employees within the Social Security Administration.

Mr. MICHEL. You have had quite a few problems in administering the SSI program. Can you really tackle the additional load with respect to the AFDC without reducing effective administration in both areas?

Commissioner CARDWELL. As I said in response to Mr. O'Brien, the AFDC program should not impose any additional work on our local district offices. The additional work, I think, will center largely at the Commissioner's level. We will transfer over an organization in toto. One day the administrator reported to SRS, and the next day he reports to me. So far, the way it has worked, I have dealt with regulatory changes which come to me for signoff, questions raised by a particular State over a contested claim or something of that sort. None of that would impact on the local office. It would impact on the top staff of the Social Security Administration.

Recognize we are losing the Bureau of Health Insurance, which is a larger administrative organization, but I think we come out even in terms of administrative burden.

Mr. MICHEL. Will the AFDC records and personnel remain in Washington?

Commissioner CARDWELL. The Assistance Payments Administration and its staff would remain in Washington. It would be about 200 people. I cannot say that some day they will not be merged and moved to Baltimore, but we do not plan it, and I would not predict it.

I think the same would be true for the Bureau of Health Insurance in Baltimore.

INCREASED SOCIAL SECURITY BENEFITS

Mr. MICHEL. In your social security statement you project increases of 4.9 percent for this July and 5½ percent in 1978. What does your crystal ball say?

Commissioner CARDWELL. The crystal ball says the July figure will probably be higher. The data for that are about a month away. We are running a little over 5 percent on the actual as we know it right now. It could be as much as 5.9 percent.

Mr. MICHEL. How can you speak with such certainty for 1978? Is it just because we have been accustomed to thinking in those terms?

Commissioner CARDWELL. Yes.

LEGISLATIVE PROPOSALS

Mr. MICHEL. If the legislative proposals designed to modify some of the provisions of the cash benefit and medicare programs are not

enacted by the Congress, do you have any idea how much that is going to increase the budget?

Commissioner CARDWELL. About $1.4 billion.

Mr. MICHEL. In total?

Commissioner CARDWELL. In total.

If I may go back, you made a reference to AFDC records. If you were talking about beneficiary client records, they all reside in the States, and they would stay there.

HEW REORGANIZATION

Mr. MICHEL. But the administration that you currently have here in Washington would remain here in Washington rather than going to Baltimore with the caveat, as you said, down the road apiece that it may prove out it would be better to bring them all under one roof.

Commissioner CARDWELL. That is right.

Mr. MICHEL. I think that is all I have, Mr. Chairman.

[The following questions were submitted by members of the subcommittee with the request that they be answered for the record:]

MEDICARE PART B MODEL SYSTEM

Mr. FLOOD. We have recently received information that the Social Security Administration's (prior to the announced reorganization) Bureau of Health Insurance is actively considering the possibility of completely redesigning the medicare part B model system. We further understand that the costs associated with the proposed redesign would run from $300 thousand to $500 thousand and would entail the use of up to 26 man-years.

This activity appears to be directly contrary to the recommendations of the 1974 HEW Advisory Committee on Medicare Administration (the Perkins Committee) which recommended a policy to end government support of maintenance of the model B system.

It appears to us that the Perkins recommendation was on sound footing and that any maintenance or enhancement of the system should be done through the competitive procurement process involving the private sector, and not by direct or unilateral Government action.

Mr. Commissioner, would you comment on this development. If you are suggesting continued Government involvement, how much is the redesign to cost, where is the item in the proposed budget, and what specific justification in there for this item in view of the Perkins Committee's recommendation and concerns which many of us have that the Government should not compete with the private sector?

Answer. The Perkins Committee, in its report to the Secretary of Health, Education and Welfare, recommended that SSA's objective be to withdraw from maintenance of the Part B Model System. Although favoring this recommendation and its intent of fostering competition for subcontracted data processing services, we also have been concerned that such withdrawal should not reduce the carrier's options, nor needlessly escalate system maintenance costs and cost to the government. Therefore, a final decision on continuing or discontinuing BHI maintenance of the model B system has been deferred until we have experience with other alternatives for maintenance of the system.

The Bureau of Health Insurance has not made specific plans to redesign the model B system. It did undertake a study of how best to improve the operational efficiency of the users of the model system, and concluded that a redesign would be the most cost effective method. However, BHI will proceed with the redesign only if the final decision is to continue to provide maintenance support to users of the model B system.

As a step towards compliance with the Perkins Committee recommendation, in December 1975 BHI allowed each user of the model system the options of performing their own maintenance, subcontracting for maintenance, or continuing to rely on BHI for maintenance support. Since July 1976 approximately half of the carriers have decided to perform the maintenance themselves or to sub-

contract for it. BHI's final decision of whether or not to withdraw completely from direct maintenance of the model system will be influenced to some extent by the relative cost experience of those who have withdrawn from BHI maintenance support of the system. BHI is evaluating that experience now, and expects to make a decision on the maintenance issue by the end of this calendar year.

HOSPITAL COST CONTROL

Mr. CONTE. As you mentioned in your opening statement, one of the most serious problems in this area is the rising cost of health care. You mentioned legislation which is being proposed by the administration to establish limits on increases in hospital reimbursements. I'm wondering whether that is the right way to attack this problem. Wouldn't that simply squeeze the health providers—the hospitals—between their own costs and limitations on their ability to collect on those costs? Or are you claiming that this is a case where the hospitals are making overly large profits?

Answer. The President has proposed placing immediate limits on hospital care costs reimbursable through all sources of payment, including medicare, medicaid, Blue Cross, commercial insurers, and individuals. The President proposed imposition of these limitations because he believes there is an urgent need to set a course of action designed to contain the rapid and disturbing rise in the cost of health care. These costs continue to increase much more rapidly than the overall cost of living, and abatement is not likely unless strong actions is taken. He recognizes, however, that a ceiling on increases in hospital reimbursement can be inappropriate for changing conditions over a long period of time. Thus the proposal further authorizes the Secretary of Health, Education, and Welfare to work with the health industry and other interested parties to develop a more permanent cost-containment strategy.

Instead of putting a squeeze on hospitals, the intent of the proposal is to encourage increased hospital efficiency and productivity, and improvements in the patterns of use of hospital personnel.

Mr. CONTE. Aren't there real dangers in putting cost controls on just one segment of the economy—dangers that you will be building the wrong kinds of price signals into the health care area?

Answer. We do not believe that the proposed hospital cost-increase limitations constitute price controls in the true sense. As I noted earlier, the cost-increase ceilings will not be arbitrarily set in Washington, but will be developed in consultation with a broadly representative group of advisers—including hospital administrators and private third-party payers. By working together with representatives of the industry HEW hopes to develop a mutually acceptable strategy for containing hospital costs without adversely affecting the providers' role in the overall economy.

Mr. CONTE. If health costs were selectively controlled, how much of an increase in utilization would be likely?

Answer. It is questionable that this proposal could encourage people to use more hospital services and result in some increase in the use of these services. In most instances, sick people are admitted to hospitals on the order of a physician who has determined that the individual's medical condition requires hospital care. Cost is seldom a deterrent to necessary hospital treatment; its impact is essentially a financial one. Even with the cost limits proposed, hospital care is expensive and, as a practical matter, we don't foresee any significant encouragement for increased utilization.

STUDENT BENEFITS

Mr. CONTE. What is your justification for limiting the annual amount of the social security student benefit to the maximum payable under the basic education opportunity program?

Answer. Under the basic education opportunity grant (BEOG) program, the Federal Government provides assistance to students at institutions of higher education in relation to their needs. The social security benefit to a child aged 18–22 in consideration of his or her being a student at such an institution can be viewed as a form of educational assistance through a different statutory medium. The administration believes that such educational assistance should not be greater than that provided for a needy student under theBEDG program.

Mr. CONTE. You mentioned that in April the Secretary will be sending his proposals for dealing with the social security financing problem to the Congress.

Can you provide any information about the kinds of options which are being examined by the Department?

Answer. The Department is examining all available options for dealing with the social security cash benefits financing problem. These include an increase in the social security tax rate, an increase in the taxable earnings base above the levels it will reach under the automatic adjustment provisions of present law, and the possible use of some general revenues to help meet the cost of the program. The decisions as to what option or options to recommend to the Congress have not been made.

AUTOMATIC TRUST FUND EXPENDITURES

Mr. CONTE. In the case of the funds requested for payments to the social security trust funds, am I correct in assuming that these amounts are not subject to discretion or administrative control, and so in some cases are automatic expenditures?

Answer. You are correct in assuming that these payments are automatic expenditures. Three of the four activities are payments to reimburse the trust funds for the cost of benefits which the law requires to be paid from general revenues. The fourth is Federal fund matching of the premiums paid by people enrolled in the supplementary medical insurance program. The general revenues combined with the premiums paid by the enrollees, and interest earned by the SMI trust fund must be sufficient to cover all costs of the program. In all four situations, these payments to the social security trust funds are the direct result of people becoming entitled under these provisions of the law, and, as such, are not administratively controllable.

SMI FEDERAL MATCHING PAYMENTS

Mr. CONTE. If present legislation is not changed, would you have any projections on how much we will be paying for Federal matching payments for supplementary medical insurance 5 or 10 years from now?

Answer. Our budget projections indicate that in 1982 Federal matching payments will contribute $10.9 billion to the total income of the supplementary medical insurance trust fund. This compares with enrollee premium income of $3.1 billion, and represents over 75 percent of the cost of financing the program.

Mr. CONTE. Are there any indications that the amounts may stabilize at any time in the future?

Answer. No. By law the premium rate paid by enrollees cannot be increased by a greater percent than social security cash benefits. Since health costs are increasing at a faster rate than these benefits enrollee premiums will not keep up with program costs. Since the Federal matching payments must make up the difference between enrollee premiums and total program costs, we anticipate that the Federal share will continue to grow.

SPECIAL BENEFITS OF 72-YEAR-OLD BENEFICIARIES

Mr. CONTE. How many people were covered last year in the category of those 72 and over eligible for any special benefits?

ANSWER. As of June 30, 1976, 198,000 people were receiving these special benefits. The high point in beneficiary enrollment was 723,000 in December 1967.

Mr. CONTE. How will the number of people eligible for such benefits change over the next several years?

Answer. We estimate that the beneficiary population will decline to 161,000 by September 30, 1977; 131,000 by September 30, 1978; and 99,000 by September 30, 1979. The number of beneficiaries will continue to decline gradually as the aged population meeting the eligibility requirements decreases.

JUSTIFICATION OF THE BUDGET ESTIMATES

Appropriation Estimate

Payments to Social Security Trust Funds

For payment to the Federal Old-Age and Survivors Insurance, the Federal Disability Insurance, the Federal Hospital Insurance, and the Federal Supplementary Medical Insurance Trust Funds, as provided under sections 217(g), 228(g), 229(b), *231(c)*,[1/] and 1844 of the Social Security Act, and sections 103(c) and 111(d) of the Social Security Amendments of 1965, [$6,713,902,000] *$7,955,144,000*.

Explanation of Language Changes

1/ Section 231 (c) provides for a one-time reimbursement to the trust funds for payments based on noncontributory wage credits for U.S. citizens of Japanese ancestry who were interned any time during the period December 7, 1941, through December 31, 1946. Section 231 of the Social Security Act provides that these individuals shall, after December 1972, have their internment time considered in determining entitlement to, and the amount of, any social security benefit. This section of the Act specifies that funds are authorized to be appropriated to the trust funds during fiscal year 1978 to place the funds in the position they would have been if the provisions of Section 231 had not been enacted.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Payments to Social Security Trust Funds

Amounts Available for Obligation

	1977	1978
Appropriation	$6,713,902,000	$7,955,144,000

Obligations by Activity

Page Ref.		1977 Estimate	1978 Estimate	Increase or Decrease
10	Federal payments for supplementary medical insurance	$5,053,000,000	$6,383,000,000	+$1,330,000,000
15	Hospital insurance for the uninsured	803,000,000	687,941,000	-115,059,000
18	Military service credits	622,000,000	656,000,000	+34,000,000
20	Special payments for certain uninsured persons	235,902,000	228,203,000	-7,699,000
	Total obligations	$6,713,902,000	$7,955,144,000	+$1,241,242,000

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Grants, subsidies, and contributions	$5,053,000,000	$6,383,000,000	+$1,330,000,000
Insurance claims and indemnities	1,660,902,000	1,572,144,000	-88,758,000
Total obligations by object	$6,713,902,000	$7,955,144,000	+$1,241,242,000

Summary of Changes

1977 estimated obligations	$6,713,902,000
1978 estimated obligations	7,955,144,000
Net change	+$1,241,242,000

Increases	1977 Base	Change from Base
A. Built-in		
1. Federal payments for supplementary medical insurance	$4,946,000,000[1]	+$1,112,000,000
a. Increase in the population covered by SMI (at prior year's matching rate)		(+163,000,000)
b. Increases in the Federal matching rates for the aged in the SMI program		(+673,000,000)
c. Increases in the Federal matching rates for the disabled in the SMI program		(+276,000,000)
2. Hospital insurance for the uninsured	606,000,000	+18,900,000
3. Military service credits	622,000,000	+34,000,000
4. Adjustments related to prior years costs	150,205,000	+253,674,000[2]
Total increases		+$1,418,574,000
Decreases		
A. Built-in		
1. Special payments for certain uninsured persons	$239,697,000	-$27,332,000
2. Transition period cost for hospital insurance for the uninsured	150,000,000	-150,000,000
Total decreases		-$177,332,000
Total net change		+$1,241,242,000

1/ This number represents the amount approved by Congress for 1977, adjusted by +$220,000,000 for Federal payments for supplementary medical insurance, to reflect current estimates of 1977 program costs.

2/ This number represents the change (1978 over 1977) in adjustments related to prior years costs as described below:

Type of Adjustment		Increase
Federal Payments for Supplementary Medical Insurance		
Adjustments in 1978 to cover underfinancing.....		+$218,000,000
Adjustment to base period prior to 1978.....	-15,000,000	
Adjustment in 1978 to cover the underfinancing in 1977 (includes $9 million in interest).....	+233,000,000	
Hospital Insurance for the Uninsured:		
Adjustment in 1978 to cover underfinancing.....		+16,041,000
Special Benefits for Certain Uninsured Persons:		
Adjustment due to change in prior years program costs.		+19,633,000
Total.....		+$253,674,000

Authorizing Legislation

	1978 Amount Authorized	1978 Appropriation Requested
Payments to Social Security Trust Funds (sections 1844, 217(g), 229(b), 231(c), 228(g) of the Social Security Act, as amended, and sections 103(c) and 111(d) of the Social Security Amendments of 1965).....	Indefinite	$7,955,144,000

Payments to Social Security Trust Funds

Year	Budget Estimate To Congress	House Allowance	Senate Allowance	Appropriation
1968	$1,384,659,000	$1,384,659,000	$1,384,659,000	$1,384,659,000
1969	1,690,772,000	1,690,772,000	1,690,772,000	1,690,772,000
1970	2,014,564,000	2,014,564,000	2,014,564,000	2,014,564,000
1971	2,599,886,000	2,599,886,000	2,599,886,000	2,599,886,000
1972	2,465,297,000	2,465,297,000	2,465,297,000	2,465,297,000
1973	2,389,075,000	2,389,075,000	2,389,075,000	2,389,075,000
1974	3,110,181,000	3,110,181,000	3,110,181,000	3,110,181,000
1975	3,345,323,000	3,345,323,000	3,345,323,000	3,345,323,000
1976 1/	4,112,747,000	4,112,747,000	4,112,747,000	4,112,747,000
1977	6,713,902,000	6,713,902,000	6,713,902,000	6,713,902,000
1978	7,955,144,000			

1/ Payments to the Federal Buildings Fund have been excluded in order to permit comparability with all other years. The 1976 appropriation was the only fiscal year in which these payments were included.

Justification

Payments to Social Security Trust Funds

	1977 Estimate	1978 Estimate	Increase or Decrease
Payments to social security trust funds...	$6,713,902,000	$7,955,144,000	+$1,241,242,000

General Statement

This appropriation request covers four Federal fund payments to the social security trust funds. Three of the four payments, totaling $1,572,144,000 are to put the trust funds in the same financial position they would have been had they not borne the cost of benefits chargeable to Federal funds. The fourth payment, which totals $6,383,000,000, is for Federal fund matching of premiums paid by or for individuals enrolled in the voluntary supplementary medical insurance program. Each year's appropriation request provides for adjustments between amounts previously appropriated and actual experience with the program or revised estimates of program costs. The adjustments are discussed in the following explanations by activity.

Federal Payments for Supplementary Medical Insurance

	1977 Estimate	1978 Estimate	Increase or Decrease
Federal payments for supplementary medical insurance....	$5,053,000,000	$6,383,000,000	+$1,330,000,000

Background

The Social Security Act provides a voluntary medical insurance plan for which almost all persons aged 65 and over are eligible. Also eligible are those under age 65 who have been entitled for at least 24 months to social security or railroad retirement benefits because they are disabled or who have been receiving treatment for chronic renal disease for 3 months.

Medical insurance benefits and administrative expenses are financed from monthly premiums paid by enrollees in the voluntary supplementary medical insurance program and from matching Federal contributions. The premium rate is promulgated each December by the Secretary of Health, Education, and Welfare for the year beginning the following July 1. The amount of the monthly premium is based on an actuarial determination of the amount required to finance the incurred costs of the program for that year.

The premium rate may be increased if there is a general monthly cash benefit increase under social security, and the premium can increase by no more than the percentage by which cash benefits were increased in June of the preceeding year. Therefore, the monthly enrollee premium beginning July 1, 1977, will be $7.70, an increase of 6.4 percent (to reflect the June 1976 automatic cost-of living benefit increase) over the current premium of $7.20. The monthly premium is projected to rise to $8.10 in July 1978 based on an estimated automatic cost-of-living benefit increase of 4.9 percent in June 1977. The Federal matching rate is determined so that total premium collections plus the Federal matching payments will cover total projected program costs. Although the premium rate is the same for the aged and disabled, the Federal payments per capita for the disabled are higher than those for the aged in order to cover the higher medical costs per capita which the disabled incur. For this reason, and because total program costs have generally increased faster than the premium rate, the Federal matching payments have become the principal source of financing for this program. Exhibit A displays the growth in total program revenues over time, by source. As shown by the chart, Federal matching payments will provide 70 percent of the total revenues of the SMI trust fund in 1978.

Explanation of Fiscal Year 1978 Estimate

Projected SMI program costs assume that physician fees recognized by the program in 1978 will be 9 percent higher than in 1977, and that utilization of physicians services per capita will be about 3 percent higher. Other assumptions include increases in the cost, quality, and utilization of other services covered by the program (such as outpatient hospital and home health services).

The estimate of $6,383,000,000 is composed of:

1. 1978 requirements	$6,058,000,000
2. Adjustment for underfinancing of 1976 requirements (including interest)	71,000,000
3. Adjustment for underfinancing of transition quarter requirements (including interest)	22,000,000
4. Adjustment for underfinancing of 1977 requirements (including interest)	232,000,000
Total, 1978 request	$6,383,000,000

1978 Requirements

The estimate of $6,058,000,000 for 1978 requirements is composed of:

1. Federal matching of premiums of aged enrollees	$4,770,000,000
2. Federal matching of premiums of disabled enrollees	1,288,000,000
Total, 1978 requirements	$6,058,000,000

A conceptual description and explanatory table follow:

The difference between the monthly cost per enrollee and the monthly premium rate paid by each enrollee represents the amount which must be matched per enrollee from Federal funds. For example, during the period July 1, 1977-June 30, 1978, it is projected that the cost per aged enrollee will be $24.60 per month. Since the enrollee will be paying a monthly premium of $7.70 during that period, the difference, or $16.90 per month, must be paid from Federal funds to finance the program. This latter amount is the Federal matching rate for that period for aged enrollees. To estimate the total amount of Federal payments required during a period one can multiply the average number of enrollees times the Federal matching rate times the number of months in that period. This calculation must be done separately for aged and for disabled enrollees. In addition, because the Federal matching rates must be promulgated by the Secretary for 12-month periods from July to June, while the new fiscal year covers October to September, the calculation involves two different premium and Federal matching rates during each fiscal year for aged and for disabled enrollees. The following summarizes the key elements of this calculation for FY 1978:

	Aged	Disabled
1. Estimated monthly cost per enrollee		
July 1977 - June 1978	$24.60	$50.00
July 1978 - June 1979	$26.80	$56.00
2. Monthly premium rate		
July 1977 - June 1978	$7.70	$7.70
July 1978 - June 1979	$8.10	$8.10
3. Federal matching rate (estimated cost per enrollee less premium rate)		
July 1977 - June 1978	$16.90	$42.30
July 1978 - June 1979	$18.70	$47.90
4. Average number of enrollees		
October 1977 - June 1978	22,808,000	2,413,000
July 1978 - September 1978	23,201,000	2,572,000

5. Federal matching amount (average number of enrollees x Federal matching rate x months in period)

October 1977 - June 1978	$3,469,000,000	$919,000,000
July 1978 - September 1978	$1,301,000,000	$369,000,000
Total	$4,770,000,000	$1,288,000,000

We would like to emphasize that the preceeding explanation is conceptual and is a simplified version of the actuarial analyses required by law.

Adjustment for Underfinancing of 1976 Requirements

The adjustment for underfinancing of 1976 Federal matching payments is $71,000,000. The components of the adjustment are:

Actual 1976 Federal matching requirements	$2,970,000,000
Amounts previously appropriated for 1976 program:	
In 1976 appropriation	2,899,000,000
In 1977 appropriation	9,000,000
Total, 1976 matching payments previously appropriated	2,908,000,000
Difference (amount underfinanced)	62,000,000
Interest on underfinancing	9,000,000
Total adjustment for underfinancing of 1976 program	$71,000,000

The primary reason for this underfinancing is a higher than previously estimated 1976 enrollee population (24,083,000 vs. 23,890,000).

Adjustment for Underfinancing of Transition Quarter Requirements

The adjustment for underfinancing of transition quarter Federal matching payments is $22,000,000. The components of the adjustment are:

Actual transition quarter Federal matching requirements	$1,169,000,000
Amounts previously appropriated for transition quarter program:	
In 1976 appropriation	878,000,000
In 1977 appropriation	271,000,000
Total, transition quarter matching payments previously appropriated	1,149,000,000
Difference (amount underfinanced)	20,000,000
Interest on underfinancing	2,000,000
Total adjustment for underfinancing of transition quarter program	$22,000,000

The primary reason for this underfinancing is a higher than previously estimated transition quarter enrollee population (24,645,000 vs. 24,448,000).

Adjustment for Underfinancing of 1977 Requirements

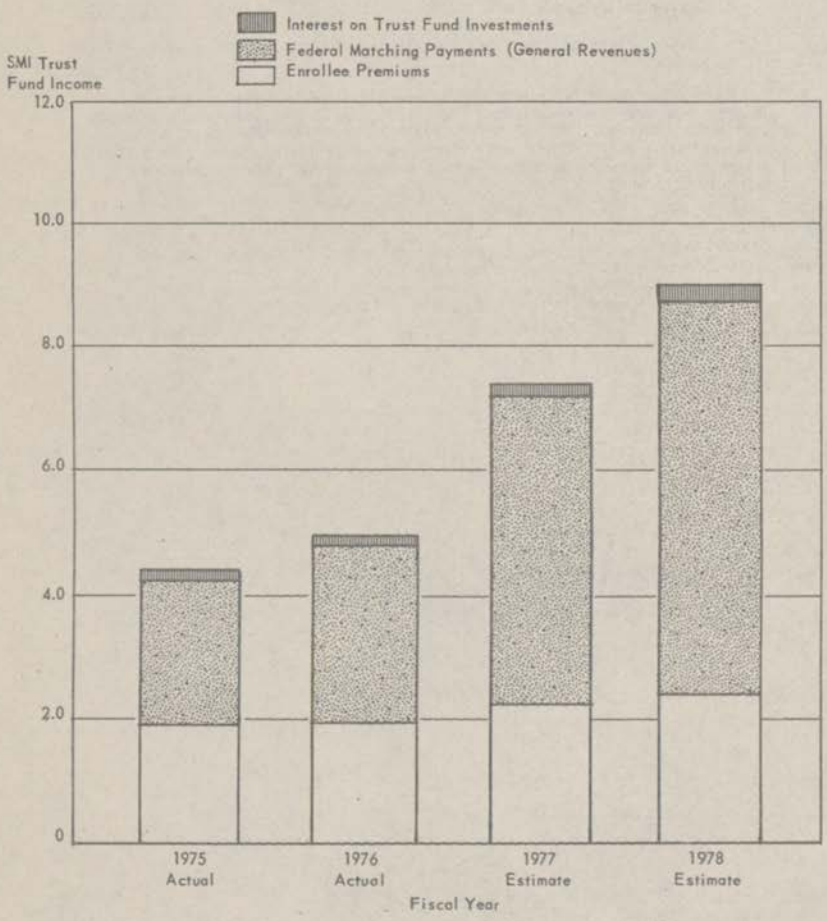
The adjustment for underfinancing of 1977 Federal matching payments is $232,000,000. The components of the adjustment are:

Current estimate of 1977 Federal matching requirements.....	$4,946,000,000
Amount requested in 1977 appropriation.....	4,726,000,000
Difference (amount underfinanced).....	220,000,000
Interest on underfinancing.....	12,000,000
Total adjustment for underfinancing of 1977 program....	$232,000,000

The reasons for this underfinancing are: (1) the enrollee population will be higher than previously estimated (24,645,000 vs. 24,448,000 for the 12-month period ending June 30, 1977, and 25,221,000 vs. 25,070,000 for the 12-month period beginning July 1, 1977) and (2) program costs for physician fees will increase by 13.4 percent or approximately 1.7 percentage points more than previously estimated.

Exhibit A

Financing the SMI Program
SMI Trust Fund Income by Source FY 1975–1978
(1978 President's Budget)
(dollars in billions)



Hospital Insurance for the Uninsured

	1977 Estimate	1978 Estimate	Increase or Decrease
Hospital insurance for the uninsured.....	$803,000,000	$687,941,000	-$115,059,000

Background

The Social Security Act provides a hospital insurance plan to pay, for most individuals age 65 and over, the costs of hospital and related post-hospital services, subject to certain deductibles and coinsurance requirements. Coverage extends to all persons age 65 and over entitled to social security or railroad retirement benefits, and to practically all other aged persons even through not entitled to benefits under those systems. At the beginning of Medicare, Congress provided hospital insurance coverage to people who were already age 65 or over and who were not insured under the social security or railroad retirement programs, on the theory that most of these people had an insufficient opportunity to obtain program coverage. The hospital insurance benefits and administrative costs for persons on the social security or railroad retirement rolls are financed from a separate payroll tax on employees, employers, and self-employed persons. Costs of providing benefits to certain aged individuals not entitled to cash benefits under the social security or railroad retirement programs are financed with Federal funds.

For uninsured persons attaining age 65 before 1968, no wage credit under social security is required for this federally funded coverage. For men attaining age 65 after 1967 and before 1975 (before 1974 for women), wage credits on a sliding scale are required for federally funded entitlement. For men attaining age 65 after 1974 (after 1973 for women) the requirements for entitlement to hospital insurance benefits are identical to the requirements for social security or railroad retirement benefits. Thus, a gradually decreasing number of uninsured persons are eligible for hospital insurance benefits financed from general revenues. Uninsured aged individuals who cannot meet these wage credit requirements still can obtain hospital insurance protection, but must pay monthly premiums covering the approximate cost of their coverage. The monthly rate was $45 for the year beginning July 1, 1976. Effective July 1, 1977, the rate is expected to increase to $54; and on July 1, 1978, to $63.

Explanation of Fiscal Year 1978 Estimate

The estimate of $687,941,000 is composed of:

1. 1978 requirements.....	$624,900,000
2. Adjustment for underfinancing of prior period costs (including interest).....	63,041,000
Total, 1978 request.....	$687,941,000

1978 Requirements

The estimate of $624,900,000 is composed of:

1. Benefit payments	$612,000,000
2. Administrative costs	12,900,000
Total	$624,900,000

Benefit Payments

Benefit payments for 1978 are expected to total $612,000,000 which is an increase of $17,000,000 over 1977. The increase occurs principally because the cost of covered services is estimated to rise at an annualized rate of 14.5 percent in 1978. Also, utilization of covered services for the uninsured group increases at a faster rate than utilization by all hospital insurance beneficiaries because the average age of this group is increasing, and its members can be expected to require more services per capita.

Partially offsetting the increased cost and utilization of covered services is the expected decrease in the number of uninsured individuals on the hospital insurance benefit rolls. During fiscal year 1978, there will be an average of 837,000 uninsured beneficiaries compared with 937,000 in 1977.

Administrative Costs

Detail supporting the estimate of administrative costs for the hospital insurance program for both the insured and uninsured groups is contained in SSA's justification for its limitation on Salaries and Expenses. The agency allocates administrative costs to the uninsured group based mainly on the ratio of benefit payments for the uninsured to total hospital insurance benefit payments for the aged. Estimated administrative costs in 1978 are $12,900,000.

Adjustments for Underfinancing of Prior Period Costs

The adjustments for the underfinancing of prior period costs ($63,041,000) are as follows:

1. We have adjusted costs estimated for 1976 upward to reflect the overall increase in hospital insurance benefit payments actually experienced through 1976. This increase was caused mainly by sharp rises in cost per patient day and utilization of hospital services by Medicare enrollees.

Adjustment for 1976 Costs ($9,331,000)

	Benefit Payments	Administrative Costs	Total
1976 Program			
Total estimated requirements...	$571,000,000	$11,900,000	$582,900,000
Total previously appropriated..	563,000,000	12,000,000	575,000,000
Difference.....	+8,000,000	-100,000	+7,900,000
Interest on adjustment.....	+1,238,000	+193,000	+1,431,000
Total, 1976 adjustment.....	+$9,238,000	+$93,000	+$9,331,000

2. Final adjustments have been made for program costs in 1971, 1972, and 1973 based on an actual tabulation of bills and final cost settlements made with hospitals for the above years, compared with previous cost estimates upon which the amount appropriated for those years were based. These final adjustments are made to reflect the completed data received for fiscal years 1971, 1972, and 1973.

Final Adjustment for 1971, 1972, and 1973 Costs ($53,710,000)

	FY 1971	FY 1972	FY 1973	Total
Total estimated requirements.....	$521,112,000	$511,940,000	$517,996,000	$1,551,048,000
Total appropriated...	533,000,000	499,000,000	482,000,000	1,514,000,000
Difference (adjustment).....	-11,888,000	+12,940,000	+35,996,000	+37,048,000
Interest on adjustment.....	-6,779,000	+7,491,000	+15,950,000	+16,662,000
Final adjustment...	-$18,667,000	+$20,431,000	+$51,946,000	+$53,710,000

Military Service Credits

	1977 Estimate	1978 Estimate	Increase or Decrease
Military service credits.....	$622,000,000	$656,000,000	+$34,000,000

Background

The 1946 Social Security Amendments provided for payment of benefits to World War II veterans and their survivors based upon noncontributory wage credits of $160 for each month of the veteran's active military service. Subsequent amendments extended the period for which noncontributory wage credits were granted through December 1956. For that period, the Social Security Act did not require contributions to the trust funds based on the wages of individuals in the military service. The Servicemen's and Veteran's Survivor Benefits Act of 1956 further amended the Social Security Act to provide for contributions based on military service wages beginning January 1957.

To finance the additional costs incurred in paying benefits which are based on periods of military service for which no contributions were made, the Social Security Act provides for reimbursement to the Old-Age and Survivors Insurance, the Disability Insurance, and the Hospital Insurance Trust Funds from the general fund of the Treasury. Section 217(g), added by the Social Security Amendments of 1965, established a 50-year period for reimbursement. The Secretary of Health, Education, and Welfare was instructed to determine by September 1965 (and each fifth September afterwards, ending September 2010) the amount of reimbursement in equal annual installments necessary to place the trust funds in the same position on September 30, 2015, that they would have been if noncontributory military service credits had not been provided. After September 30, 2015, annual appropriations for current costs are authorized.

The Social Security Amendments of 1967 added section 229(b) of the Social Security Act, affecting credit for military service performed after December 1967. The pay of a person in the uniformed services after December 1967 is deemed to be up to $300 more than his basic pay in each calendar quarter, in order to cover the value of wages-in-kind, such as food, shelter, and medical services. The Social Security Amendments of 1972 further amended the law to provide noncontributory wage credits of $300 per quarter for military service performed after 1956. Under the law, the Secretary of Health, Education, and Welfare is instructed to determine annually the amount of the additional cost of paying social security benefits resulting from these noncontributory credits, which must be reimbursed from the general fund of the Treasury.

Estimated Annual Payment

The amount requested for this appropriation includes the following:

1. $587,000,000 for reimbursement to the trust funds for noncontributory military service credits under section 217(g) of the Social Security Act. This is the annual amount previously determined by the Secretary of Health, Education, and Welfare for the 5-year period beginning with 1977.

2. $64,000,000 for reimbursement to the trust funds for payments based on noncontributory credits for military service performed after December 1956 under section 229(b) of the Social Security Act. This is an increase of $29,000,000 over the 1977 appropriation and represents costs through fiscal year 1977 (plus interest), adjusted to take account of prior reimbursement.

3. $5,000,000 for a one-time reimbursement to the trust funds for payments based on noncontributory wage credits for U.S. citizens of Japanese ancestry who were interned any time during the period of time from December 7, 1941, through December 31, 1946. Section 231 of the Social Security Act provides that these individuals shall, after December 1972, have their internment time considered in determining entitlement to, and the amount of any social security benefit. This section of the Act specifies that funds are authorized to be appropriated to the trust funds during fiscal year 1978 to place the funds in the position they would have been if the section 231 provisions had not been enacted.

The total payment of $656,000,000 will be distributed by trust fund as follows:

OASI trust fund	$385,000,000
DI trust fund	128,000,000
HI trust fund	143,000,000
Total	$656,000,000

Special Payments for Certain Uninsured Persons

	1977 Estimate	1978 Estimate	Increase or Decrease
Special payments for certain uninsured persons...	$235,902,000	$228,203,000	-$7,699,000

Background

Benefits were authorized in a 1966 amendment to the Social Security Act (the Prouty Amendment) to afford some protection for certain persons who retired before the enactment of social security legislation or before their occupations were covered by social security. To be eligible under the Prouty amendment, an individual must have attained age 72 before 1968, or meet certain minimal insured status requirements if he attained age 72 in 1968 or later. The benefit was first paid in fiscal year 1967, and amounted to $35 a month for an individual plus $17.50 for an eligible wife. Since then, there have been several increases in the benefit amounts. The most recent increase, triggered by the automatic cost of living provision of the law, was effective for June 1976, and raised benefit levels to $74.10 for an individual and $37.10 for an eligible wife. For individuals receiving a governmental pension, payments under a federally-aided public assistance program or payments under the Supplemental Security Income Program, Prouty benefits have been reduced or withheld, as required by law. The number of persons receiving benefits under the Prouty amendment reached a peak of 723,000 in December 1967, and since then has been decreasing gradually as the size of the aged population meeting the eligibility requirements decreases. As of June 30, 1976, there were 198,000 persons receiving benefits under this program as compared to 240,000 on June 30, 1975.

Explanation of Funding

Section 228(g) of the Social Security Act, as amended, authorizes an annual appropriation of Federal funds to place the Federal Old-Age and Survivors Insurance Trust Fund in the same position as it would have been if the special monthly benefits paid from the trust fund during the second preceeding fiscal year and all prior years to persons with fewer than three quarters of coverage had not been made. However, the special payments made to persons with three or more quarters of coverage are to be funded from the trust fund and not from general revenues. The first authorized general fund appropriation was for the year ending June 30, 1969, for payments made in the year ending June 30, 1967. Similar appropriations are authorized for each year thereafter.

Explanation of Fiscal Year 1978 Request

The 1978 request is for payment of $228,203,000 to the Federal Old-Age and Survivors Insurance Trust Fund for program costs incurred in fiscal year 1976, plus some adjustments to prior years' costs. Program costs include benefit payments actually made, related administrative expenses for establishing entitlement to such benefits and maintaining the beneficiary roll, and interest lost to the trust fund.

Explanation of Fiscal Year 1978 Request

The estimate of $228,203,000 is composed of:

1.	Reimbursement for 1976 program costs:	
	a. Benefit payments	$180,361,000
	b. Administrative costs	2,223,000
	c. Interest lost to the trust fund	29,781,000
	Subtotal 1976 program	$212,365,000
2.	Adjustments in reimbursement for 1967-1975 program costs:	
	a. Benefit payments	-$3,634,000
	b. Administrative costs	-18,000
	c. Interest lost to the trust fund	19,490,000
	Subtotal adjustments for 1967-1975 programs	$15,838,000
	Total reimbursements	$228,203,000

The adjustments in benefit payments and administrative costs for the 1967-1975 programs are principally related to program costs which were previously charged to Federal funds, but which should have been borne instead by the trust fund. This occurred when benefits were paid to persons who met the age requirement and who had fewer than three quarters of coverage, but who later acquired at least three quarters of coverage or became eligible for a regular social security benefit. Adjustments are necessary for the benefit payments, related administrative costs, and interest charged to Federal funds before these changes could be reflected in the benefit accounting records. The adjustment in interest lost to the trust fund also includes a total of $20,952,000 for reimbursements for fiscal years 1974 and 1975 which should have been included in the determination of the December 1975 and December 1976 transfer amounts.

SOCIAL SECURITY AIMINISTRATION

Payments to Social Security Trust Funds

Program Purpose and Accomplishments

Activity:	1977 Estimate	1978 Authorization	1978 Budget Estimate
1. Federal Payments for supplementary medical insurance (Section 1844 of the Social Security Act....	$5,053,000,000	Indefinite	$6,383,000,000
2. Hospital insurance for the uninsured (section 103(c) and 111(d) of the Social Security Amendments of 1965)..	803,000,000	Indefinite	687,941,000
3. Military service credits (Section 217(g), 229(b), and 231(c) of the Social Security Act).....	622,000,000	Indefinite	656,000,000
4. Special payments for certain uninsured persons (Section 228(g) of the Social Security Act).....	235,902,000	Indefinite	228,203,000
Total.....	$6,713,902,000		$7,955,144,000

Purpose: Three of the four activities represent payments to reimburse the trust funds for the cost (including administrative costs and interest) of benefits chargeable to Federal funds. The fourth is for Federal fund matching of premiums paid by or for aged and disabled individuals enrolled in the voluntary supplementary medical insurance (SMI) program. In all four situations, the amount of payments to be made derives from the exercise by individuals of their rights under the law, and is not subject to administrative control.

Explanation: The amount of funds required for Federal matching of premiums paid by or for aged or disabled persons in the SMI program is dependent upon the number of persons enrolled in the program, the premium rates promulgated by the Secretary of Health, Education, and Welfare and the estimated cost of the program. The Federal payments, combined with premiums paid by or for the enrollees, and interest earned by the supplementary medical insurance trust fund, must be sufficient to finance the estimated incurred cost of benefits and administration for the period covered. Although per capita cost of medical care for the disabled is greater than that for the aged, the law provides that the disabled shall pay the same standard monthly premium as the aged. Therefore, the Federal matching payment for the disabled is greater, per capita, than that for the aged.

Appropriation estimates for payments to the trust funds for the cost of hospital insurance for the uninsured, noncontributory military service credits and special payments for certain uninsured persons aged 72 and over are based on benefits paid or to be paid to individuals protected by these provision of law and the related administrative and interest costs.

Accomplishments in 1977: During fiscal year 1977, the average number of enrollees in the supplementary medical insurance program is estimated at 24,790,000 (22,507,000 aged and 2,283,000 disabled). Of these, 14,836,000 are expected to receive reimbursed medical services (13,459,000 aged and 1,377,000 disabled). It is estimated that $5,999,000,000 in SMI benefits will be paid in 1977 ($4,980,000,000 for the aged and $1,019,000,000 for the disabled). An average of 937,000 uninsured persons will be eligible for hospital insurance benefits during 1977 and benefits for this group are estimated at $595,000,000.

The reimbursements to the trust funds for hospital insurance for the uninsured, military service credits, and special payments for certain uninsured persons are for the purpose of placing the trust funds in the same position they would have been had they not borne the cost of benefits chargeable to Federal funds.

Objectives for 1978: The average number of enrollees in the supplementary medical insurance program is expected to grow to 25,359,000 (22,906,000 aged and 2,453,000 disabled). Of these, 15,634,000 are expected to receive reimbursed services (14,110,000 aged and 1,524,000 disabled). It is estimated that $7,325,000,000 in SMI benefits will be paid in 1978 ($6,008,000,000 for aged and $1,317,000,000 for the disabled). An average of 837,000 uninsured persons will be eligible for hospital insurance benefits during 1973 and benefits for this group are estimated at $612,000,000.

The reimbursements to the trust funds for hospital insurance for the uninsured, military service credits, and special payments for certain uninsured persons are for the purpose of placing trust funds in the same position they would have been had they not borne the cost of benefits chargeable to Federal funds.

SPECIAL BENEFITS FOR DISABLED COAL MINERS

WITNESSES

JAMES B. CARDWELL, COMMISSIONER
ROBERT P. BYNUM, ASSOCIATE COMMISSIONER, OFFICE OF PROGRAM OPERATIONS
FRANCIS D. DeGEORGE, ASSOCIATE COMMISSIONER, OFFICE OF MANAGEMENT AND ADMINISTRATION
ROBERT L. TRACHTENBERG, DIRECTOR, BUREAU OF HEARINGS AND APPEALS
FRED SCHUTZMAN, DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
LOUIS R. PONSI, BUDGET OFFICER, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, FINANCIAL MANAGEMENT

Mr. FLOOD. We will now turn to the black lung program which is not new to me. Mr. Cardwell, your statement will be included at this point.

[The statement follows:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Statement by the Commissioner of Social Security

on

"Special Benefits for Disabled Coal Miners"

Our next appropriation request totals $967,623,000 and is for "Special Benefits for Disabled Coal Miners." The request is financed from general revenues, and includes $960,000,000 for benefit payments and $7,623,000 for administrative costs. It does not include reimbursable work done for the Department of Labor, which is budgeted for by that Agency.

Program Authorization

The black lung program was authorized by title IV of the Federal Coal Mine Health and Safety Act, enacted December 30, 1969, and amended by the Black Lung Benefits Act of 1972. Title IV provides for the payment of monthly cash benefits to coal miners who are totally disabled because of pneumoconiosis, commonly referred to as black lung disease, and to widows of miners who were entitled to these benefits or whose deaths were due to this disease. Payments to miners or widows are increased for dependents--a spouse or child. Benefits also are payable to surviving children of miners and in certain circumstances to totally dependent surviving parents, brothers, and sisters.

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Responsibility for Administration

The Social Security Administration was responsible for taking, processing and paying claims for miners' benefits filed from December 30, 1969 through June 30, 1973. Since June 30, 1973, SSA has continued to take miners' claims, but has sent them to the Department of Labor for adjudication and payment. The Social Security Administration still has jurisdiction for some new claims from survivors of miners who were on the SSA roll at the time of death; and SSA will continue to pay benefits and to maintain the beneficiary roll for the lifetime of all persons who filed with SSA during its jurisdiction.

We expect the beneficiary roll--and the administrative cost of maintaining it--to decline gradually in years to come. The size of the beneficiary roll and amount of manpower require to maintain it will depend primarily on the death rate for miners and their widows, and the remarriage of widows. At the end of fiscal year 1978, 452,000 miners, widows, and dependents will be receiving monthly benefits paid by the Social Security Administration from this appropriation. This is a decline of 21,000 from the estimated number of beneficiaries at the end of fiscal year 1977.

Work to be Done

Since the beginning of the program, SSA has processed over 600,000 claims under its jurisdiction. In addition, we reprocessed 192,000 claims under the provisions of the Black Lung Benefits Act of 1972 which required us to reexamine all unadjudicated and previously denied claims. About 497,000 miners and their dependents are receiving payments. Many applicants found

ineligible for benefits have exercised their right to appeal. In total, about 73,000 persons have requested review of their cases by Administrative Law Judges in the Bureau of Hearings and Appeals, and most of these also have been processed. In 1977 SSA had budgeted to process the remaining 1,000 hearings, about 2,000 requests for review before the Appeals Council of claims denied by Administrative Law Judges, and about 600 court cases remanded to the Bureau of Hearings and Appeals by Federal courts. In 1978, SSA has budgeted to process an estimated 100 court cases still pending at the end of fiscal year 1977.

However, as I stated in my earlier testimony before this committee, current data shows we have already underestimated the number of appeals and remands which will be received and processed in fiscal year 1977 and this could mean an additional 400 or 500 court cases pending at the beginning of fiscal year 1978. The courts have about 7,500 cases pending now and they will send more cases back to SSA in 1977 and 1978 for further consideration of new evidence or for reconsideration of how we applied the Black Lung regulations. It could increase our requirements for 1978 beyond what we are currently requesting. However, our present assumption is that it wouldn't be significant. I hope we will not have any cases left for 1979; but when a workload like this drops off. there are always a few new cases showing up from some place. SSA's primary role in FY 1978 will be maintaining the records and making the monthly benefit payments to individuals who filed claims while the program was under SSA's jurisdiction.

FY 1977 Supplemental Request

We have submitted a separate detailed justification for a supplemental appropriation of $48,068,000 for 1977. The supplemental includes $41,865,000 for increased benefit payments and $6,203,000 for higher administrative costs than origianlly budgeted for 1977. I should summarize for you the reasons for the supplemental.

The increase in benefits is due to:

--higher than budgeted average payments based on an analysis of actual data for fiscal year 1976 and the transition quarter;

--a greater than budgeted automatic increase in benefits October 1976. Instead of the budgeted increase of 3 percent benefits were raised by 4.4 percent, based on the Federal pay increase which went into effect for the GS-2 salary level;

--funds drawn from the 1977 appropriation for payment of benefits in 1976 and the transition quarter; and

--a larger than budgeted number of beneficiaries who will be on the roll in 1977.

The increase of $6,203,000 in administrative costs in 1977 is due to:

--a higher than budgeted number of appellate actions to be processed in 1977 and

--an increase in man-years and money necessary for maintenance of the Black Lung beneficiary roll, based on a reevaluation of costs allocated to this appropriation in 1976.

1978 Budget Estimate

We expect benefit payments to be $960,000,000 in 1978, an increase of $22,000,000 over the 1977 level. Three offsetting factors produce the increase. The budget projects a 6.5 percent benefit increase effective October 1977, which will increase payments by $59,000,000. This is partially offset by a decrease of $34,000,000 for the lower number of beneficiaries which I mentioned earlier and a decrease of $3,000,000 for a reduction in the number of black lung claims with retroactive payments.

In the budget we estimated that administrative expenses will decline from $14,100,000 in 1977 to $7,623,000 in 1978 as a result of completing all black lung hearings and almost all other appeals work during fiscal year 1977. As I indicated before, we won't complete all of the appellate cases in 1977. While this could increase our requirements in 1978 over the budget, our present assumption is that it won't be significant.

PROGRAM COSTS

Mr. FLOOD. First, do you have a long-term projection of the costs now to social security on this program as the number of beneficiaries goes down or declines?

Commissioner CARDWELL. We do not have a long-term projection past 1978. We could submit the information for the record.

[The information follows:]

SOCIAL SECURITY ADMINISTRATION ESTIMATE OF PROGRAM AND ADMINISTRATIVE COSTS FOR BLACK LUNG PROGRAM

The 5-year estimate of program and administrative costs for the black lung program is shown below. While the number of beneficiaries will decline, the benefit payment obligations will increase as the result of projected benefit increases of about 6 percent each year.

[Dollar amounts in millions]

	Estimate of average number of beneficiaries receiving benefits (thousands)	Benefit payment obligations	Administrative cost	Total costs
Fiscal year:				
1978	463	$960	$8	$968
1979	441	976	7	983
1980	418	989	7	996
1981	397	997	6	1,003
1982	375	999	6	1,005

Note: Excludes reimbursable work performed for Department of Labor.

BLACK LUNG HEARINGS AND APPEALS

Mr. FLOOD. Some of these budget requests are based upon erroneous assumptions, I am talking about the number of black lung hearings and appeals in 1978. I am well acquainted with this subject. Can you tell us what the situation is and what effect that will have on this request we have here in dollars and positions? Suppose we talk about jobs.

Commissioner CARDWELL. Our current estimates on workload are that in 1977, the current fiscal year, we would have about 800 new hearing receipts for the year. We have already received 513 new hearings, so the receipts may end up for the year being higher than originally estimated. In 1977 we have estimated we will process about 2,134 hearings. We have already processed 764 hearings through February. As I indicated in my statement, we have underestimated the number of hearings, appeals and remands which will be received and processed in 1977 and this could mean additional work to process in fiscal year 1978. This could increase our requirements for 1978 beyond what we are currently requesting; however, our present assumption is that it wouldn't be significant.

BLACK LUNG MAN-YEARS AND MONEY

Mr. FLOOD. I was concerned with the effect on dollars and positions.

Commissioner CARDWELL. On full-time permanent positions for 1977, we show 526. For 1978 we are requesting 366 permanent positions

at the end of the year, a decrease of 160 positions. However, this decrease includes a reduction of 73 permanent positions for the Office of the General Counsel. This has been included in our budget for the last few years. The actual decrease for SSA will be 87 permanent positions.

Mr. FLOOD. Under the circumstances, do you think that is a lot?

Commissioner CARDWELL. I think it is a lot, but I would ask Mr. Trachtenberg what he thinks.

COURT REMANDS

Mr. TRACHTENBERG. The most difficult part of this workload will be the court cases. Frankly, these court cases take longer to process than a regular hearing does——

Commissioner CARDWELL. Remands from the court.

Mr. TRACHTENBERG. In addition, the court remands. Last month we received about 300 court remands, which is quite high for 1 month. About 90 were for the black lung program. It really takes—you could do five hearings in the length of time it takes you to do one court remand.

ALJ APPOINTMENTS

Mr. FLOOD. In this budget request you propose to eliminate the bill language under the black lung account which allows the hearing officer to be appointed without going through the normal administrative procedures for law judge criterion. Are you still proposing to drop that language?

Commissioner CARDWELL. I assume that the hearings would be completed by the end of this fiscal year. That is the reason for dropping the language.

Mr. TRACHTENBERG. All the black lung ALJ's have been converted except one who was a retired annuitant. So there is no work force of ALJ's for black lung except that annuitant. At the expiration of the language, he will just leave.

BLACK LUNG ONGOING MAN-YEAR REQUIREMENTS

Mr. FLOOD. After all these hearings and appeals have been completed, what do you think will be the ongoing manpower requirements to manage the black lung beneficiary rolls?

Commissioner CARDWELL. We would have the claims work we do on behalf of the Department of Labor, and that would be charged to them. We also have to maintain the current beneficiary rolls for changes in addresses, family status, deaths, and the like. I will have to give you an estimate of the ongoing costs for the record; a continuing requirement.

[The information follows:]

ESTIMATE OF MAN-YEARS FOR MAINTAINING THE BLACK LUNG BENEFICIARY ROLL IN SSA

The man-years needed to maintain the black lung beneficiary roll under SSA's jurisdiction is directly related to the number of miners, widows, and dependents on the beneficiary rolls. The actuary has projected that SSA's black lung beneficiary roll will continue to decrease by about 5 percent each year between fiscal years 1978 and 1982. Based on this projection, the man-year estimates for maintaining the black lung beneficiary roll in SSA for fiscal years 1978 through 1982 are:

Fiscal year:	Man-years
1978	398
1979	378
1980	359
1981	341
1982	324

In addition to maintaining the black lung beneficiary roll, SSA may continue to take new part C claims on behalf of the Department of Labor until December 31, 1981, the end of the first quarter in fiscal year 1982. The fiscal year 1978 budget estimate is 24,000 claims. Given that assumption, SSA district offices will continue to take about 24,000 part C claims each year between fiscal year 1978 and fiscal year 1981, and 6,000 claims during the first quarter of fiscal year 1982 for the Department of Labor, on a reimbursable basis. This would require 52 man-years each year for fiscal year 1979 through fiscal year 1981 and 13 man-years for the first quarter of fiscal year 1982 for the reimbursable work.

ADMINISTRATIVE PROBLEMS BETWEEN DOL AND SSA

Mr. FLOOD. Last year we discussed some of the problems between the Department of Labor and your agency and the shared problems of black lung claims. Have those problems all been resolved, or are you still unhappy with each other?

Commissioner CARDWELL. Those problems rarely are ever entirely solved. It is a matter of continuing to try to work out our relationship with the Department of Labor. I think we may be more satisfied than they are at this stage. I am not sure.

Mr. FLOOD. Here we have two agencies now running the program. Is there any difference in the way individual recipients might be treated by the Department of Labor versus the way your shop would have treated an application filed there?

Commissioner CARDWELL. We take very few claims in our part of the program now. SSA takes and adjudicates survivors' claims filed within 6 months after the date of the death of a miner or widow already on the beneficiary roll maintained by SSA. SSA has experienced frustration in its efforts to administer the program with Labor. Although SSA accepts the claim, agreement provides that the applicant look to Labor in Washington, D.C., for any assistance or questions relating to the claim after the district office completes its action. The split jurisdiction of claims taking and adjudication has resulted in considerable criticism of what claimants and the public construe as an apathetic and unsympathetic attitude by SSA toward black lung claimants.

Another issue lies with the Department of Labor. I think they feel that the claims that we take and prepare for their adjudication still leaves them with too much followup work to do, still too many questions to ask the claimant. We are trying to work with the Department of Labor to work out more definitive standards of just what we will include in our claims taking process.

REORGANIZATION OF BLACK LUNG PROGRAM

Mr. FLOOD. With all of this reorganization talk going on all over town these days, is any thought being given to transferring your responsibilities to the Department of Labor or vice versa? Has that popped up?

Commissioner CARDWELL. It has not, and it is not under active consideration by the Executive branch. As you know, there is a recent House bill that would enlarge and liberalize the black lung benefits program. As I remember, that would still continue the dichotomy. Labor would still have one part of the program, and we would go back and review the 170,000 part B claims that are still denied.

BLACK LUNG WIDOWS BENEFIT

Mr. FLOOD. We understand that under the program an eligible widow will lose her benefit if she remarries, but she becomes reeligible if she becomes single again. What is the legal basis for that decision?

Mr. BYNUM. I guess it is the law itself.

Mr. O'BRIEN. Don't you think we should give her every encouragement?

Mr. FLOOD. That is what you call a leading question.

Mr. BYNUM. We have done some things that inadvertently have a bad result, but I do not think we have done that one.

Mr. FLOOD. Mr. Michel.

MAINTENANCE OF THE ROLLS COST

Mr. MICHEL. Your statement indicates the beneficiary roll and the administration cost to maintain the roll will decline gradually in years to come. Can you give us an idea of what kind of time frame we are talking about?

Commissioner CARDWELL. This is similar to the question the chairman was asking us. We will have to give you a long range forecast for the record. We would have to maintain the rolls, keep them up to date with changes of addresses, changes of family circumstances, and I would have to estimate for you what that would be.

[The information follows:]

The man-years needed by SSA to maintain the black lung beneficiary roll is directly related to the size and composition of the beneficiary roll under SSA's jurisdiction. The most recent actuarial estimate shows that the number of beneficiaries on the roll will decrease at the rate of about 5-percent per year between fiscal years 1978 and 1982. The fiscal year 1978 budget estimate includes 398 man-years for the maintenance of the black lung beneficiary roll in SSA. The estimated man-years that SSA will require for this function for selected years. in the future, assuming the decrease in beneficiaries continues at about 5-percent per year, are:

	Man-years	Fiscal year 1978 man-year estimate (percent)
Fiscal year:		
1978	398	100.0
1983	308	77.4
1988	238	59.8
1993	183	45.9

BLACK LUNG FINANCING

Mr. MICHEL. I know there are these proposals before the legislative committee to tax tons of coal in the future. That is where it should have all been initially, but not having recognized it at the time and now playing catchup ball, it seems to me from this day forward that would be the more realistic way of treating that.

Commissioner CARDWELL. I think this will be a nominal manpower cost to the Government.

BLACK LUNG APPEALS

Mr. MICHEL. How about those 73,000 who have appealed? What about their cases? Have all those 73,000 been in the last year?

Commissioner CARDWELL. We processed about 15,000 in 1974, and the bulk of them in 1975, about 44,000 of them, and another 29,000 in 1976.

Mr. MICHEL. In what percentage of the cases appealed have the administrative law judges found in favor of the beneficiary?

Mr. TRACHTENBERG. About 30 percent of the cases.

Mr. MICHEL. Likewise, in what percentage of the cases appealed to the Appeals Council has the decision come down in favor of the beneficiary?

Mr. TRACHTENBERG. About 10 percent.

Commissioner CARDWELL. About 10 percent is at the court level, too.

BENEFIT INCREASES

Mr. MICHEL. You have a 6.5-percent benefit increase in October 1977. What is the basis for that?

Commissioner CARDWELL. This is related to the projected 6.5-percent increase for Federal employees in step 1, grade GS–2 in October 1977. The basic black lung rate benefit is 50 percent of the minimum monthly benefit under the Federal Employees Compensation System for a totally disabled employee in step 1, grade GS–2 Federal classification pay scale. Every time it goes up, the benefit has to go up.

Mr. FLOOD. Mr. O'Brien.

TRUST FUND FINANCING

Mr. O'BRIEN. I do not have any further questions on black lung, Mr. Cardwell, but if we modified or removed the mandatory retirement age, would that give some strength to the position of the trust fund? Do you think that would be a good thing?

Commissioner CARDWELL. I personally believe that reconsideration of the retirement age is something that planners for Social Security should put on their agenda. I would hope, that the next Advisory Council, which should be designated this year, would consider this subject in their submittal to the Congress in 1979.

When you look at the reconfiguration of the work force with fewer working-age people relative to the population after the turn of the century, that suggests to me we should consider changing the retirement age. If you push the retirement age out into the future, that would certainly reduce the cost of the system. It would also enable

these people to contribute to the work force. Those things need to be thought about and worked on. A lot of data needs to be developed that has not yet been developed about the various dependency costs to society.

If these things are true about older people and workers, it will also affect students in schools, and there are a number of tradeoffs that have to be looked at there.

Mr. O'BRIEN. Thank you, Mr. Chairman.

BENEFICIARY TRAVEL COSTS

Mr. FLOOD. Your appropriation for the black lung account allows for the payment of travel costs for claimants.

Can you tell us how that system works and the total costs of applicant travel, say, during the current fiscal year?

Commissioner CARDWELL. I doubt that we have travel cost data with us today.

We can put it in the record for you.

[Information follows:]

The costs involved are for travel to obtain medical examinations required by SSA and travel for claimants, their representatives and witnesses to attend reconsideration interviews and hearings.

At the request of the claimant, we reimburse him for such expenses based on Federal rates and rules. In fiscal year 1976, when SSA processed about 28,000 black lung hearings, we spent slightly more than $3,000 for claimant travel expenses for the black lung program. In fiscal year 1977, we expect to process about 2,100 black lung hearings and the claimant travel costs will be minimal.

Mr. FLOOD. Thank you. We will move on.

JUSTIFICATION OF THE BUDGET ESTIMATES

Appropriation Estimate

Special Benefits for Disabled Coal Miners

For carrying out title IV of the Federal Coal Mine Health and Safety Act of 1969, as amended, including the payment of travel expenses either on an actual cost or commuted basis, to an individual for travel incident to medical examinations, and to parties, their representatives and all reasonably necessary witnesses for travel within the United States, Puerto Rico, and the Virgin Islands, to reconsideration interviews and to proceedings before administrative law judges, [$913,897,000]: *$967,623,000 Provided,* That after July 31 such amounts for benefit payments as may be necessary may be charged to the subsequent year appropriation.

1/[Whenever the Commissioner of Social Security finds it will promote the achievement of the provisions of title IV of the Federal Coal Mine Health and Safety Act of 1969, as amended, qualified persons may be appointed to conduct hearings thereunder without meeting the requirements for administrative law judges appointed under 5 U.S.C. 3105, but such appointments shall terminate not later than March 31, 1978: *Provided,* That no person shall hold a hearing in any case with which he has been concerned previously in the administration of such title.]

Explanation of Language Change

1/This language is no longer necessary because all Black Lung hearings cases are expected to be processed before the end of fiscal year 1977. Other appellate actions, new court cases or court cases remanded to the Bureau of Hearings and Appeals by Federal courts, will still be processed in SSA in FY 1978; however, this workload will not require special administrative law judges.

Language Analysis

Language Provision	Explanation
Provided, That such amounts as are required shall be available to pay travel expenses either on an actual cost or commuted basis, to an individual for travel incident to medical examinnations, and to parties, their representatives and all reasonably necessary witnesses for travel within the United States, Puerto Rico, and the Virgin Islands to reconsideration interviews and to proceedings before administrative law judges under title II, XVI, and XVIII of the Social Security Act:	Authorizing legislation did not specify whether or not travel incident to medical examinations and for claimants, their representatives, and witnesses to attend reconsideration interviews and hearings was a necessary administrative expense. This provision which permits the payment of these travel expenses, reduces financial hardship to claimants.
Provided, That after July 31 such amounts for benefit payments as may be necessary may be charged to the subsequent year appropriation.	This provision provides that benefit payments under title IV of the Act for the last two months of a fiscal year can, if necessary, be made from funds of the next fiscal year. This language provides the authority needed to finance unanticipated and uncontrollable benefit costs from subsequent appropriations and insures that no black lung beneficiary will fail to receive a benefit payment because of a shortage of funds.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Special Benefits for Disabled Coal Miners

Amounts Available for Obligation 1/

	1977	1978
Appropriation	$913,897,000	$967,623,000
Proposed Supplemental	48,068,000	---
Subtotal, appropriations	$961,965,000	$967,623,000
Obligations incurred in prior periods but charged to 1977 appropriation 2/	-9,865,000	---
Total, obligations	$952,100,000	$967,623,000

1/ Excludes work done under a reimbursable agreement with the Department of Labor which will require 52 positions, 52 man-years and $888,000 in 1977 and 52 positions, 52 man-years and $888,000 in 1978. Funding for this work is included in the Department of Labor's budget.

2/ The Special Benefits for Disabled Coal Miners Appropriation for 1976 provided for charging benefit payments for the last two months of the year to the appropriation for the succeeding year if necessary. Under this authority, $9,183,000 of the June 1976 benefit (paid July 3, 1976) was funded from the Fiscal Year 1977 appropriation. Under similar authority granted in P.L. 94-439 for the transition quarter, $682,000 of the September 1976 benefit (paid October 1, 1976) was funded from the Fiscal Year 1977 appropriation.

Summary of Changes

1977 Estimated obligations	$952,100,000
1978 Estimated obligations	$967,623,000
Net change	+$15,523,000

	1977 Base		Change from Base	
	Man-years	Amount	Man-years	Amount
Increases:				
A. Built-in:				
1. Projected 6.5 percent benefit increase effective October 1977	--	$938,000,000	--	$59,000,000
Total, increases				$59,000,000
Decreases:				
A. Built-in:				
1. Reduction in benefit payments due to a decrease of 21,000 in the number of beneficiaries				-34,000,000
2. Reduction in retroactive payments for months prior to the beginning of the fiscal year				-3,000,000
B. Program:				
1. Reduction in administrative costs due to completion of hearings and almost all of the remaining appellate actions in FY 1977, and a reduction in the size of the beneficiary roll	647	$14,100,000	-221	-$6,477,000
Total, decreases			-221	-$43,477,000
Total, net change			-221	+$15,523,000

Obligations by Activity 1/

Page Ref.		1977 Estimate	1978 Estimate	Increase or Decrease
36	Benefit payments:			
	Amount	$938,000,000	$960,000,000	+$22,000,000
38	Administration:			
	Amount	14,100,000	7,623,000	-6,477,000
	Positions	526	366	-160
	Standard Level User Charge:			
	Amount	(366,000)	(195,000)	(-171,000)
	Total Obligations	$952,100,000	$967,623,000	+$15,523,000
	Positions	526	366	-160

1/ Excludes work done under a reimbursable agreement with the Department of Labor which will require 52 positions, 52 man-years and $888,000 in 1977 and 1978.

Obligations by Object 1/

	1977 Estimate	1978 Estimate	Increase or Decrease
Total number of permanent positions	526	366	-160
Full-time equivalent of all other positions	32	2	-30
Average number of all employees 2/	615	398	-217
Personnel Compensation:			
Permanent Positions	$8,618,000	$5,216,000	-$3,402,000
Positions other than permanent	280,000	12,000	-268,000
Other personnel compensation	532,000	450,000	-82,000
Subtotal, personnel compensation	9,430,000	5,678,000	-3,752,000
Personnel benefits	952,000	564,000	-388,000
Travel and transportation of persons	135,000	32,000	-103,000
Transportation of things	49,000	32,000	-17,000
Rent, communication and utilities	954,000	580,000	-374,000
Printing and reproduction	70,000	40,000	-30,000
Other services	2,327,000	573,000	-1,754,000
Supplies and Materials	162,000	106,000	-56,000
Equipment	21,000	18,000	-3,000
Insurance claims and indemnities	938,000,000	960,000,000	+22,000,000
Total obligations by object	$952,100,000	$967,623,000	+$15,523,000

1/ Excludes work done under a reimbursable agreement with the Department of Labor which will require 52 positions, 52 man-years and $888,000 in 1977 and 1978.

2/ Excludes overtime equivalent as follows: 32 28 -4

Authorizing Legislation

	Amount Authorized	1978 Budget Request
Federal Coal Mine Health and Safety Act of 1969:		
Title IV.....	Indefinite	$967,623,000

Special Benefits for Disabled Coal Miners

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1970	---	---	$10,000,000	$10,000,000 1/
1971	---	---	---	--- 2/
1972	$933,945,000	$933,945,000	933,945,000	933,945,000 3/
1973	1,526,500,000	1,526,500,000	1,526,500,000	1,526,500,000
1974	1,013,925,000	1,013,925,000	1,013,925,000	1,013,925,000
1975	957,740,000	957,740,000	957,740,000	957,740,000
1976	999,778,000	999,778,000	999,778,000	999,778,000
1977	913,897,000	913,897,000	913,897,000	913,897,000
Supplemental	48,068,000			
1978	967,623,000			

1/ In 1970, $10,000,000 was appropriated in the Federal Coal Mine Health and Safety Act of 1969 to begin implementation of the program. Of this amount, $7,250,000 was allocated to the Social Security Administration for title IV purposes and $2,750,000 was allocated to the Environmental Control Administration. In addition, the 1970 HEW Appropriation Act contained language which authorized additional obligations and expenditures of funds for benefit payments and administrative expenses for title IV of the Federal Coal Mine Health and Safety Act of 1969, and provided that such charges be made to subsequent appropriations.

2/ The 1971 HEW Appropriation Act contained language which authorized the obligation and expenditure of funds for benefit payments and administrative expenses for title IV of the Federal Coal Mine Health and Safety Act of 1969, and provided that such charges be made to subsequent appropriations.

3/ Includes funds to cover obligations incurred in 1970 and 1971.

Justification

Special Benefits for Disabled Coal Miners

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Special benefits for disabled coal miners.	526	$952,100,000	366	$967,623,000	-160	+$15,523,000

General Statement

The Federal Coal Mine Health and Safety Act of 1969, enacted on December 30, 1969, established nationwide health and safety standards for the coal mining industry. In addition, title IV provided for the payment of cash benefits to coal miners who are disabled due to coal worker's pneumoconiosis (black lung) and to their widows and certain other dependents. Black Lung is defined as a chronic dust disease of the lung resulting from working in the Nation's coal mines. The Black Lung Benefits Act of 1972 (P.L. 92-303) broadened and liberalized the original legislation.

Jurisdiction

Under the amended Act, the Social Security Administration is responsible for the processing and payment of claims for miners' benefits filed from December 30, 1969 through June 30, 1973. During the period July 1, 1973 through December 31, 1973, termed the transition period, SSA continued to take miners' claims but forwarded them to the Department of Labor for adjudication and payment. This arrangement will continue into the future, but as of January 1, 1974, SSA became an agent for Labor on a reimbursable basis. The jurisdictional transition is different for survivors' claims. SSA is responsible for the processing and payment of all survivors' claims filed through December 31, 1973. After that, nearly all survivors' claims are the responsibility of Labor, with one exception--the death of a miner or widow already on the beneficiary roll maintained by SSA. In this case, SSA maintains jurisdiction of survivor's claims filed within 6 months after the date of the miner's death. However, beginning early in fiscal year 1975, survivor's whose dependency has previously been established are automatically entitled without having to file an application, and are the responsibility of SSA. The Social Security Administration also acts as an agent for the survivor's claims that fall within Labor's jurisdiction after December 31, 1973. SSA's district offices take the claims and then mail them directly to Labor for all further processing including adjudication, the appellate process, and benefit payment. Costs incurred by the Social Security Administration in taking claims for the Department of Labor are reimbursed by Labor and are included in Labor's appropriation.

The Social Security Administration will continue to pay benefits and maintain the beneficiary roll for the lifetime of all persons who have filed during its jurisdiction.

Benefit Payments

	1977 Estimate	1978 Estimate	Increase or Decrease
Benefit payments...	$938,000,000	$960,000,000	+$22,000,000

The basic benefit rate is 50 percent of the minimum monthly benefit under the Federal Employees Compensation System for a totally disabled employee in step 1, grade GS-2. The disabled miner or the eligible widow receives the basic benefit--currently $205.40. If the disabled miner or widow has dependents, the benefit increases with the number of dependents--an additional 50 percent for one dependent, 75 percent for two dependents and 100 percent for three or more dependents. Benefits also are paid to orphans and in certain circumstances to dependent parents, brothers or sisters.

The request of $960,000,000 for 1978 is $22,000,000 higher than the 1977 level as a result of the following factors:

1. Projected 6.5 percent benefit increase effective October 1977	+$59,000,000
2. Reduction in the number of beneficiaries	-34,000,000
3. Reduction in the number of claims with retroactive payments	-3,000,000
Net Increase	+$22,000,000

The projected benefit increase reflects the economic assumptions on which the Federal budget is based. Under present law, the salaries of Federal employees are adjusted periodically to insure comparability with the wages of employees working in the private sector of the economy. The economic assumptions of the budget include a 6.5 percent pay increase for Federal employees at step 1, GS-2. This triggers a comparable 6.5 percent black lung benefit increase effective October 1977.

The number of beneficiaries on the roll will decline in years to come as a result of the death rate for miners and their widows, and the remarriage of widows. The estimates of the number of persons receiving benefits at the end of fiscal years 1977 and 1978 follow:

Beneficiaries	FY 1977	FY 1978
Miners	148,000	136,000
Widows	144,000	146,000
Other Dependents	181,000	170,000
Total	473,000	452,000

Benefit payment obligations for fiscal years 1970 through the transition quarter and estimates for 1977 and 1978 follow:

Fiscal Year	Obligations for Benefit Payments (in millions)
1970	$ 10
1971	$320
1972	$408
1973	$938
1974	$975
1975	$940
1976	$978
Transition quarter	$231
1977 estimate	$938
1978	$960

1977 Supplemental Request

A detailed supplemental appropriation justification has been submitted for 1977 for increased benefit payments. A summary of the major changes follows:

1.	Increase in average benefits based on analysis of 1976 and TQ actual data	+$19,000,000
2.	Increase in benefit payments due to the 4.3 percent Federal pay raise effective October 1976 instead of the budgeted rate of 3 percent	+12,000,000
3.	Funds drawn from the 1977 appropriation for payment of benefits in 1976 and the TQ	+9,865,000
4.	Increase in number of beneficiaries	+1,000,000
	Total	+$41,865,000

Administration 1/

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Administration	526	$14,100,000	366	$7,623,000	-160	-$6,477,000

Administrative Tasks

The Social Security Administration's responsibility for black lung claims under its jurisdiction in fiscal year 1978 are: (1) completing the last of the appellate actions on miners' claims filed when the program was under SSA's jurisdiction, and (2) making changes to the continuing beneficiary roll to assure proper and correct payment of benefits.

Workload and Beneficiary Data

	FY 1977 Estimate	FY 1978 Estimate
Major Workloads Processed		
Hearings	1,000	---
Appeals	2,664	112
Maintenance of the Rolls		
Number of beneficiaries at the end of the year	473,000	452,000

Man-year and Position Requirements

The man-years will be derived as follows:

	Man-Years		
	Fiscal Year 1977	Fiscal Year 1978	Change
Permanent full-time	583	396	-187
Temporary	32	2	-30
Overtime	32	28	-4
Total	647	426	-221

1/ Excludes reimbursable activities carried out by this account.

The following table shows positions requested for the black lung program:

	Positions		
	Fiscal Year 1977	Fiscal Year 1978	Change
Permanent full-time	526	366	-160
All other	2	2	0
Total	528	368	-160

The man-years and positions used in fiscal year 1977 will complete the remaining black lung hearings, work off almost all of the appeals work, make changes in the benefit amounts as necessary and assure the correct benefit is paid. In fiscal years 1977 and 1978 the major activity will be maintaining and changing the beneficiary roll as required. Maintaining the roll involves assuring proper and correct payment of benefits, reflecting additions to the roll, reflecting deletions which result from the death of a beneficiary or remarriage of a widow, posting changes of address, and responding to beneficiary inquiries.

1977 Supplemental Request

A detailed supplemental appropriation request has been submitted for 1977 to finance higher administrative expenses. The major reasons are:

	Man-years	Amount
1. Increase to process the remaining hearings and appeals pending at the end of September 1976, and the increased number of additional court cases expected to be reviewed and processed in FY 1977	+147	+$3,590,000
2. Increase for maintenance of the Black Lung beneficiary roll, based on a reevaluation of the man-years charged to this appropriation in FY 1976	+185	+$2,062,000
3. Increase for the Federal pay raise that was effective in October 1976	--	+551,000
Total	+332	+$6,203,000

SOCIAL SECURITY ADMINISTRATION

Special Benefits for Disabled Coal Miners

Program Purpose and Accomplishments

Activity: Special Benefits for Disabled Coal Miners (Federal Coal Mine Health and Safety Act of 1969, Title IV as amended)

1977 Estimate		1978		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
526	$961,965,000	Indefinite	366	$967,623,000

Purpose: Funds are used: (1) to provide monthly benefits to coal miners who are totally disabled due to pneumoconiosis, to the widows of miners whose deaths were due to this disease, to dependents, to orphaned children of miners, and to certain dependent parents, brothers and sisters of miners; and (2) to administer title IV of the Federal Coal Mine Health and Safety Act of 1969, as amended.

Explanation: The Social Security Administration is responsible for the processing and payment of claims for miners' benefits through June 30, 1973 and for survivors' claims through December 31, 1973. SSA now takes applications for the Department of Labor on a reimbursable basis.

The Social Security Administration will continue to pay benefits and maintain the beneficiary roll for the lifetime of all persons who filed during its jurisdiction.

Accomplishments in 1977: The Social Security Administration's projected accomplishments for the black lung program in 1977 are to:

1. Pay accurately and timely $938,000,000 in benefits. Doing this requires that the beneficiary roll be kept up-to-date by reflecting additions to the rolls, deletions which result from the death of a beneficiary or the remarriage of a widow, the posting of new addresses and responding to beneficiary inquiries.

2. Process the remaining hearings, and most of the appeals, reducing this latter backlog to about 112 cases.

Objectives in 1978: The Social Security Administration's primary objective for the black lung program is to:

1. To process the remaining appellate cases and to pay accurately and timely $960,000,000 in benefits. To do this will require that the beneficiary roll be kept up-to-date by reflecting additions to the roll, deletions which result from death of a beneficiary or from remarriage of a widow; the posting of new addresses, and responding to beneficiary inquiries.

SUPPLEMENTAL SECURITY INCOME PROGRAM

WITNESSES

JAMES B. CARDWELL, COMMISSIONER
ROBERT P. BYNUM, ASSOCIATE COMMISSIONER, OFFICE OF PROGRAM OPERATIONS
FRANCIS D. DeGEORGE, ASSOCIATE COMMISSIONER, OFFICE OF MANAGEMENT AND ADMINISTRATION
FRED SCHUTZMAN, DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT, MANAGEMENT AND ADMINISTRATION
LOUIS R. PONSI, BUDGET OFFICER, OFFICE OF FINANCIAL MANAGEMENT, MANAGEMENT AND ADMINISTRATION
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, FINANCIAL MANAGEMENT

Mr. FLOOD. We will now take up the supplemental security income program. The statement will be inserted at this point.

[The statement follows:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Statement by the Commissioner of Social Security

on

"Supplemental Security Income Program"

Our next appropriation request is for $5,750,000,000 from general revenues of the Treasury to finance the Supplemental Security Income Program. The Social Security Amendments of 1972 established this federally-administered program of cash payments for aged, blind, and disabled people with very low income and limited resources. It replaced State and local-administered grant programs of aid to these groups. The first SSI payments were made in January 1974.

This request includes: $5 billion for Federal payments to aged, blind, and disabled beneficiaries; $45 million for Federal contributions toward State supplementary payments under the "hold-harmless" provision of the law; $75.2 million for beneficiary services provided by State agencies to blind and disabled recipients; $542.9 million for administrative expenses; and $86.9 million for reimbursing States for incorrect State supplementary payments made by the Federal government.

Federal Benefit Payments

The SSI program assures that the monthly income of eligible persons meets a minimum Federal standard. The present standard is $167.80 for an individual and $251.80 for a couple. The budget projects that this guarantee will be increased by 4.9 percent in July 1977 and by another 5.5 percent in July 1978 under the automatic cost-of-living provision of the law. Eligibility for the program is determined by the value of resources owned and other income received by an individual. If the value of an

automobile does not exceed $1,200; the value of all life insurance policies does not exceed $1,500; and other resources do not exceed $1,500 for an individual and $2,250 for a couple, aged or disabled persons are eligible for SSI benefits. The actual amount of the monthly SSI payment to an individual depends on other income that he receives during a given period.

The budget request of $5 billion for Federal benefit payments is an increase of $280 million over the 1977 estimate. This increase is a result of some growth in the number of recipients and higher average payments.

Based on actual program experience, we estimate that the number of persons receiving Federal payments will be 3,910,000 at the end of 1977, and 3,920,000 at the end of 1978, an increase of 10,000 recipients.

In FY 1977, the average payment is budgeted at $76.95 for an aged individual and $120.60 for a blind or disabled individual. We project that these averages will increase in FY 1978 to $78.65 and $124.95 respectively. The increases in average payments would be higher were it not for several factors which partially offset the effect of the automatic cost-of-living adjustments. These are:

--SSA's error reduction program to correct erroneous payments--both overpayments and underpayments--reduces average SSI payments.

--The number of recipients converted from State rolls is declining steadily. These beneficiaries receive higher SSI payments on the average than those who have come onto the rolls since January 1974.

As the proportion of converted recipients to the total recipient population declines, average monthly benefits also decline.

--The negative effect of the automatic social security benefit increase. Since SSI payments go down as social security payments go up for recipients entitled to both, the automatic social security benefit increase reduces SSI average payments.

Public Laws 94-566 and 94-569 enacted on October 20, 1976, contain amendments to the SSI program which affect Federal payments. The cost of these amendments--$60 million in Federal benefits--is reflected in the 1978 budget estimate. I would like to describe to the Committee some of the new provisions which affect benefits:

--Treat the income of each member of an eligible couple separately when one member is institutionalized. This change corrected an inequity existing under prior law. Previously, income accruing to an institutionalized person that might have been necessary to defray the costs of institutionalization would reduce the benefits of the uninstitutionalized spouse who must continue to meet the usual costs of living.

--Eligibility for SSI is provided for recipients in public institutions of 16 or fewer individuals. This amendment eliminates disincentives for the establishment of residential facilities for the aged, blind, or disabled. By establishing or subsidizing such facilities, States and localities can indirectly supplement Federal SSI benefits to persons in public institutions.

--Payments are made to presumptively blind individuals. This amendment will enable these individuals to begin receiving the financial assistance they need without waiting for a final determination of disability. Presumptive payments have always been available to disabled SSI recipients.

--The value of a home is excluded from the resource determination. This amendment eliminates inequities under prior law where the arbitrary limit on the value of a home ($25,000) did not take into account regional variations in property values, variations in methods of valuation for tax purposes and the effect of inflation. The change also simplifies administration of the SSI program.

"Hold Harmless" Payments for State Supplementation

In addition to Federal SSI payments, most States provide further income supplements to their needy aged, blind, or disabled. There is mandatory State supplementation to guarantee that no individual who was converted from a State or local assistance roll will receive less income under the Federal program than he received for December 1973. There also is optional supplementation under which individual States may choose to make additional payments which are above the Federal level.

The law provides that if a State elects to have the Federal Government administer one or both of these supplementary programs, then the Federal Government pays the cost of administering the programs. States reimburse the Federal Government only for the amount of supplementation payments made on their behalf. At present we administer supplementary payments for 26 States and the District of Columbia.

In addition to paying administrative expenses for these States, the Federal Government protects States from paying any more than they did in calendar year 1972 for aged, blind, and disabled recipients, despite the higher number of beneficiaries brought on the rolls by more liberal Federal eligibility standards. We refer to this financial protection as "hold harmless." The States of Hawaii, Massachusetts and Wisconsin are expected to benefit from hold harmless protection in 1977 and 1978.

The recently enacted SSI amendments in Public Law 94-585 modify the hold harmless section of the law. The amendments provide that cost-of-living benefit increases or any other general increase in the Federal benefit effective after June 30, 1977, be disregarded in computing the amount of protected payments to be considered for reaching hold harmless. The amendments also contain a provision which requires States, as a condition for receiving Federal Medicaid funds, to maintain the supplementary payments they have been making whenever the Federal SSI benefit is increased. The effect of these changes is to freeze the current level of protected payments. Therefore, hold harmless costs should not fluctuate significantly in the future.

The amount in our budget to cover these Federal "hold harmless" contributions in 1978 is $45 million. This is an increase of $5 million over the amount budgeted for 1977 due to a small increase in the projected State supplementation caseload in the three hold harmless States.

Beneficiary Services

The 1978 appropriation request for beneficiary services totals $75,180,000, an increase of $25,080,000 from 1977. Funds requested for this activity are for three purposes:

--To provide vocational rehabilitation services to SSI recipients

--To monitor the treatment of disabled SSI recipients who are drug addicts or alcoholics

--To provide medical, developmental, and social services to disabled children who are SSI recipients

The law provides that a blind or disabled person who refuses, without good cause, to accept vocational rehabilitation services may not be eligible for SSI benefits. The services are furnished by State agencies under contract with the Federal Government, and are intended to return as many blind or disabled recipients as possible to productive, self-supportive work. SSA transfers funds for this activity to the Rehabilitation Services Administration, which then allocates them to the States. We have requested $44 million for VR services in 1978, a decrease of $4.9 million from the 1977 level. This reduction is based on the assumption that States will continue to refine their systems for selecting candidates for rehabilitation services and to remove any SSI recipients who do not meet the selection criteria from the SSI-financed VR programs.

Disabled individuals who are medically determined to be drug addicts or alcoholics must receive appropriate treatment for their condition at an approved facility to remain eligible for SSI payments. Under the

monitoring program State or local agencies, under contracts with the Secretary, refer drug addicts or alcoholics to approved treatment facilities and monitor and report on their treatment. In FY 1978 $1.1 million is requested for this activity, a decrease of $27,000 from 1977.

Section 501 of Public Law 94-566, enacted in October 1976, amended the Social Security Act by providing for the referral of blind or disabled SSI child recipients to State agencies for appropriate medical, developmental, and social services. We have not estimated this program to affect FY 1977 because of the lead time necessary to prepare and issue regulations. However, more than sufficient unobligated funds remain in the 1977 appropriation to cover any expenses incurred for this new function. In FY 1978, we have budgeted $30,000,000 for this program, as authorized by the enabling legislation. SSA will transfer these funds to the Health Services Administration, which then will allocate them to the States based on the formula contained in the law.

Payments to the Trust Funds for Administrative Costs

The Social Security Act authorized advances from the social security trust funds to pay the administrative costs of the Supplemental Security Income program through the Salaries and Expenses account in order to consolidate program administration in one account. The advances are repaid on a current basis from the SSI appropriation. The appropriation request for this activity for 1978 is $542,958,000, an increase of $12,693,000 over 1977.

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SSI Federal Fiscal Liability

As I indicated earlier, States may elect to have the Federal government administer their supplemental payment programs. From the inception of SSI, it was realized that incorrect payments could be made in the administration of State supplemental payments. The law, as interpreted, authorizes the Social Security Administration to reimburse the States for any such incorrect payments.

Arrangements for such reimbursement are spelled out in the agreements between SSA and the States for whom we administer supplementary payments. Consistent with these agreements, we are requesting funds to cover this "Federal fiscal liability." The FY 1977 President's budget assumed that the first settlements with States would be made in FY 1976. However, no settlements occurred in 1976 or the transition quarter, primarily because we could not reach agreement on the application of error tolerances to audit findings. This budget assumes that settlements for FY 1974 and FY 1975 will be made in FY 1977, at a cost of $61.8 million, and that settlements for FY 1976 and the transition quarter will be made in FY 1978 at a cost of $86.9 million.

In the past, several States withheld part of their reimbursement from SSA because of their allegations of Federal payment errors. The States were concerned that the Federal Government would shirk its financial obligation to reimburse them for errors made in paying State supplemental

benefits. However, as SSA intensified its efforts to improve SSI payment accuracy, the States' faith in our intention to deal fairly with them in reconciling and settling Federal fiscal liability has grown. As a result, during the last half of fiscal year 1976 and the transition quarter, States not only have reimbursed SSA in full for current obligations, but some States have repaid parts of their prior years' deficits. The amounts still outstanding are about $59.6 million for fiscal years 1974 and 1975, and about $27.5 million for 1976. In determining final settlement costs with each State, SSA plans to offset its liability to appropriate States against the reimbursement they still owe the Federal government.

SUPPLEMENTAL SECURITY INCOME POPULATION

Mr. FLOOD. Before we get into your 1978 request for the supplemental security income, SSI, I might ask you a couple of questions on the estimates about last year.

Your justification you have here indicates almost half a billion dollars of the 1977 appropriations will lapse.

Since the SSI population is considered now to be relatively stable, why is there an error that approximates 10 percent?

Commissioner CARDWELL. I think this is going to continue with us for a while. We feel it is important at this stage to err on the side of assuming that the population has not yet stabilized.

I met just last week with a group of poverty lawyers who believe quite strongly that we continue to underestimate the number available and we continue in our efforts to enroll them. Had we enrolled them we would have spent that $500 million.

I don't believe it is fair to say the population has stabilized yet. The indicators you have before you certainly suggest that, but it is possible as we continue to look for new ways to reach more potential beneficiaries that there would be an upswing. However, I don't think it would result in a significant change in the rate of enrollment.

Mr. FLOOD. Have you taken steps to improve the budget forecasting that goes into the SSI estimates before us today?

Do you and public assistance get together and say that you are too high and we are too low?

Commissioner CARDWELL. I think we should ask our budget people to answer this.

Mr. SCHUTZMAN. We have continually underestimated the number of people entering the rolls. Our present request shows a modest increase. As Mr. Cardwell pointed out, we still don't believe we have reached the entire population. We think our 1978 estimates are better than our 1977 estimates.

SSI ERROR RATE AND COST

Mr. FLOOD. Again, your statement lists quality control and the reduction of the SSI error rate. That is your top administrative priority. You stress that.

What is the total amount of money being paid out erroneously out of the SSI program each year—both in overpayments and the ineligibles?

Commissioner CARDWELL. It is approximately $450 million a year. The present error rate is running around 8 percent of the total benefits paid.

Mr. FLOOD. What about the ineligibles?

Commissioner CARDWELL. That includes payments to ineligibles and/or overpayments to persons enrolled. It does not include an offset for underpayments.

Mr. FLOOD. Suppose you tell us how much of this improvement you talk about in the errors made last year is the result of just counting cases differently and how much is actually due to improvement?

Commissioner CARDWELL. I think that counting cases different accounts for about 4 percentage points. In other words, as of December,

1976, we reported an error rate of 19.1. Without the adjustment in the classification system to recognize the payment lag that nobody can do anything about, including the claimant, that figure would be about 23 percent.

FREQUENT TYPES OF ERRORS

Mr. FLOOD. What are the most frequent type of errors that occur in this SSI program?

Mr. BYNUM. Income information, living arrangements that the individuals have living in the household of another, resources to some degree.

We still have some continuing problems with offsets against other payment or pension programs. Those are the primary ones.

Commissioner CARDWELL. I can give you a quick rundown.

The largest single source of case deficiencies from the period January through June 1976 was board and maintenance, 16 percent; wages accounted for 9 percent; VA pensions and compensation acting as offsets accounted for about 8 percent. Bank accounts accounted for almost 9 percent.

PROCESSING TIME

Mr. FLOOD. What is the amount of time required to process the application, say, if it were filed today?

Mr. BYNUM. If the application is filed by an individual past age 65, the February data indicated 38 days on an average.

If it is an application filed by a disabled individual, it would run about 60 days.

MONEYS TO BE RETURNED TO TREASURY

Mr. FLOOD. Again, you are proposing language here which would return to the Treasury the unused SSI allocations to States at the end of each year.

Why is that language necessary and what will it cost the States? When you talk about language in the appropriation bill, that attracts attention at once.

Mr. DEGEORGE. That primarily was meant to apply to the beneficiary services portion of the SSI program.

Mr. FLOOD. Why do you need the language?

Commissioner CARDWELL. The language was meant to assure that the level of services mandated by Congress is obligated in the designated year. This was not added as a punitive measure but is more of a prompting device to insure that States use the funds to provide current beneficiary services.

Mr. FLOOD. What will that cost the States?

Mr. DEGEORGE. It does not cost the States anything. What we have here is a clarification of existing administrative procedure which will guard against any problems in the future.

Mr. FLOOD. Your total estimates of the total amount of money to be returned to the Treasury is what if we take that change in language?

What would it be?

Commissioner CARDWELL. The same as presented in the budget, about $500 million.

SSI LEGISLATION

Mr. FLOOD. As you recall, we talked about this before, there were several pieces of legislation last year which affect the SSI program.

I believe you estimate they will cost about $60 million in 1978.

Do you think there are any changes here which will be particularly troublesome for you to implement?

Mr. BYNUM. None of them really went to simplification of the program and that has been a concern of ours.

I think we can handle all of them, Mr. Chairman. I think the budgeted amount for those changes——

Mr. FLOOD. No particular headache?

Mr. BYNUM. There are difficulties in getting our rules and regulations established and getting into some of the changes but it is a matter of time.

SMALL PUBLIC INSTITUTIONS

Mr. FLOOD. One of the changes involves small public institutions.

Would you tell us how that program is expected to work?

Mr. BYNUM. The motivation at least behind that piece was to remove any disincentives for the establishment of small institutions with 16 or fewer individuals.

Under the old rules, individuals who were in nonmedical public institutions were prohibited from eligibility under SSI. However, this prohibition sometimes disadvantaged aged and disabled individuals who could best be served by placement in a small, residential institution. That is the motivation.

The impact is heavier in some States than others and I guess that accounted for the force behind the change in this regard.

HOME RESOURCE EXCLUSION

Mr. FLOOD. On this new legislation, it excludes as a resource for eligibility purposes, the value of a private home?

What does that mean? Any home? Whenever it was acquired or what?

Commissioner CARDWELL. Prior law required the Secretary to establish by regulation the limit on the value of a home that a person could continue to hold and be eligible for SSI. In 1974 that was set at $25,000 for the 48 contiguous States and $35,000 for Hawaii and Alaska.

This new provision now eliminates that old provision entirely for all the States and says a person can own a home of any value and still be eligible.

Our experience, however, shows that very few people who were otherwise eligible owned homes of any significant value.

Mr. FLOOD. What about the time it was acquired?

Is there any time element in here?

Commissioner CARDWELL. No, sir, there is no time element in here.

HOLD HARMLESS

Mr. FLOOD. Could you tell us about the impact of the recent provisions in Public Law 94-985 last fall?

Commissioner CARDWELL. The law is now being debated as to its intent as it affects section 401 of Public Law 92-603. We had assumed

it was intended to hold States harmless for the cost of passing through cost-of-living increases—but only for payments to those recipients where the Federal Government contributed to the total benefit. Three States—Wisconsin, Massachusetts, and Hawaii—are currently affected by this provision.

Mr. FLOOD. Can you tell us how much in each State?

Commissioner CARDWELL. About $5 million in total, most of which is in Massachusetts.

They are contending it was the intent of the legislation that the Federal Government would also compensate them for their own pass-through of the Federal cost-of-living increase to recipients who receive a State supplement only.

The Secretary has asked the new General Counsel to review our interpretation again. It may be necessary in order to achieve that effect to come to Congress for some legislation. I am not sure at this stage.

SSI RECIPIENT REHABILITATION

Mr. FLOOD. Your request for the rehabilitation services for the SSI recipients is down nearly $5 million from last year.

The Comptroller General's Office issued a report last year critical of SSI because it was not doing enough in the area of rehabilitation.

Why the decrease?

Commissioner CARDWELL. That report indicated that some individuals receiving vocational rahibilitation services under the title II program did not meet the selection criteria. The budget assumes that the same situation exists for the SSI program. State vocation rehabilitation agencies will continue to place emphasis on refining their selection criteria, and that as a result more SSI recipients who do not meet the selection criteria will be removed from the SSI-financed vocational rehabilitation program.

Mr. BYNUM. We have been in the business also with the Vocational Rehabilitation Service of setting new guidelines and straightening up the administrative process under which they receive applicants and I think this will result in some savings to the general fund as well as the trust fund in our other areas.

DISABLED CHILDREN

Mr. FLOOD. You probably don't have it in front of you but you know about section 501 of Public Law 94–566. That is services to disabled children in SSI. How does social security intend to provide the supportive services for these children?

Commissioner CARDWELL. There is, in the request before the committee, an amount of about $30 million. It is included in the total of $75.2 million for beneficiary services. This $30 million would be transferred to the Public Health Service for their administration for maternal and child health, through that mechanism.

FEDERAL FISCAL LIABILITY

Mr. FLOOD. On the issue of liability to the States for the SSI payment errors, is that going to be settled in the courts or can it be settled in some nonjudicial kind of way?

Commissioner CARDWELL. If they will take our offers, they can be settled very easily.

Mr. FLOOD. What do you think?

Commissioner CARDWELL. I would like to ask Mr. Bynum to speak to this. He is in charge of negotiating on that and then I will come back with my comments.

Mr. BYNUM. I think we will be able to settle outside the courts.

There may well be one or two or three States, a small number of States, who for reasons that are unique or peculiar to them will find it difficult to settle under a series of national policy guidelines and rules that we establish.

I think by and large the States will go along with what we are now proposing which has been worked out with them but, again, some of the States have such unique circumstances that it will be difficult for some of them to settle.

Mr. FLOOD. Before all of these old State claims get settled, do you have an estimate of the amount of money which from then on will be routinely required to meet the Federal liability for the payment errors?

Commissioner CARDWELL. We think that the total Federal fiscal liability stands now at a little under $150 million. The States disagree with that. They would have a different figure. I can't tell you what figure they would have.

In 1978, we estimate there would be aboue $87 million required for anticipated settlements. I assume the amount would drop off in the period beyond 1978. but I can only guess, it might level down to about $40 or $50 million a year.

Mr. BYNUM. It depends on how successful we are in reducing the error rates and also how successful we are, I think, in arriving at an accommodation with the States as to what they expect of us in this process.

If we can hit a reasonable balance, then certainly that $80 million figure for fiscal 1978 should drop off in future years.

Mr. FLOOD. Mr. Michel?

ADMINISTRATION OF STATE SUPPLEMENTATION

Mr. MICHEL. Mr. Cardwell, initially, you were administering SSI for 32 States and now it is down to 26.

Is that trend going to continue that way?

To what do you attribue it?

Mr. BYNUM. I think we are probably where we will remain.

Mr. MICHEL. In those 26 States where you do administer the program, do you do so through the local social security office?

Mr. BYNUM. Yes, sir, and through our total processes throughout.

Mr. MICHEL. How about then in the other 24 States where you don't administer, or do you administer the Federal portion only?

Mr. BYNUM. We administer the Federation portion in all States and we provide the State agencies and the remaining States where we do not handle their supplement with information about Federal payment level.

They use that information in part at least for their own purposes in handling their own supplements.

Commissioner CARDWELL. Mr. Michel, this is one advantage the Secretary sees of putting SSI and AFDC together with the same manager being responsible for the integrity of both programs. It almost forces him to move some things together that need to be moved together.

LIVING ARRANGEMENTS

Mr. MICHEL. Do you still give the States the option to select five variables to reflect the cost of living arrangements or differences?

Commissioner CARDWELL. Yes, sir. We currently allow five living arrangement variations.

Mr. MICHEL. Didn't you have a study some time in the last year that suggested that those variables ought to be eliminated?

Was that your study?

Commissioner CARDWELL. It was a study group made up of people outside of Social Security. They came to the conclusion that we had allowed too many variables and variables were very much a part of our administrative problems in that they also accounted for some of the administrative error problems.

We have reviewed the study group's conclusion and have developed a more limited approach.

That has not, however, resulted in any changes because the change in the administration occurred about that time and the issue was kind of left hanging. It is my view that ultimately we must learn how to reduce the number of variables in all these programs.

The variables account for a lot of the tensions and accountability problems that both the administrators and beneficiaries are now frustrated by.

SSI ERROR RATES AND COST

Mr. MICHEL. Your error rate is down to 19 percent which is an improvement over the 24 percent.

Commissioner CARDWELL. Going through September—the 19 percent was as of last July—it is now down to 17 percent. We are well on our way to our goal.

Mr. MICHEL. You are reflecting a savings of $50 million, but then when you go beyond that level down to, say, 15 percent——

Commissioner CARDWELL. Fifteen percent is our goal.

Mr. MICHEL. You get savings three to five times $50 million. Why is that so?

Mr. DEGEORGE. The theory of this, Mr. Michel, if we did not reduce the error rates from where we started, which is approximately 25 percent, those expenditures would have continued in total.

Commissioner CARDWELL. It has a cumulative effect.

Mr. MICHEL. How much are we talking about currently being lost due to this 17-percent error rate now?

Commissioner CARDWELL. We gave an estimate earlier. It is probably running about 8 percent of total payments which would make it in the $400 million to $500 million area a year.

SSI FRAUD CASES

Mr. MICHEL. Do you have a specific number of cases of fraud that were identified during the past year?

Commissioner CARDWELL. Yes; we can provide it for the record, by program.

Mr. MICHEL. Also, give us an indication of how they were disposed of.

[Information follows:]

SSI FRAUD CASES

SSA began fiscal year 1976 with a pending caseload of 2,255 open cases of possible fraud. During the year, an additional 5,890 cases were reported. During the year, 5,020 of these cases were processed and SSA finished the year with a pending caseload of 3,125 open possible fraud cases.

The disposition of the 5,020 processed cases can be broken down into three major categories as follows: 33 convictions by the Department of Justice; 102 declinations of prosecution by the Department of Justice; and 4,885 cases that were either administratively closed or referred to the Department of Justice with a recommendation for administrative closure.

The administrative closure cases usually involve compelling extra-legal factors, such as extreme old age, illness, lack of employment, or a combination of such factors which indicates that active prosecution should not be undertaken.

RECIPIENTS CONVERTED FROM STATE ROLLS

Mr. MICHEL. What is the number of recipients converted from the State rolls during the past year?

Commissioner CARDWELL. No new converted recipients have been added.

We finished the conversion to State rolls back in 1974. At the end of September 1976 there remained about 2.3 million converted recipients on the rolls.

Mr. MICHEL. You don't contemplate any for the coming year?

Commissioner CARDWELL. No, sir. No additional converted recipients, the number will continue to decline.

Mr. MICHEL. I think we can submit the balance of these for the record.

We have to be Johnny-on-the-spot today, Mr. Chairman.

Mr. FLOOD. Thank you very much. We will see you back again at 2 o'clock. You answered tough questions this morning.

[The following additional questions were submitted by members of the subcommittee with the request that they be answered for the record:]

CONVERTED SSI RECIPIENTS

Mr. MICHEL. How long do you think it will be until we no longer have any conversions from State rolls?

Answer. When we began operating the SSI program on January 1, 1974, 2,990,000 individuals converted from the former public assistance programs were included among the 3,215,600 who were eligible to receive an SSI payment. By December 1976, the number of converted individuals totaled 2,210,000, a decrease of 780,000.

If this trend continues, we estimate that by 1987 the SSI caseload will consist almost entirely of persons who were not transferred from the former public assistance programs.

Cost of Living Increases

Mr. Michel. If, according to your statement, SSI benefits go down as social security payments go up for recipients entitled to both, does this mean that those recipients do not receive cost-of-living increases?

Answer. In that part of my statement I was discussing factors that affect the average SSI payment. In reality, the SSI recipient does receive a cost-of-living increase based on the Federal SSI guarantee. However, part of this increase shows up in his social security check which is increased by the same rate, but which also counts as income against the Federal guarantee. The balance is paid to him in his SSI check. For instance, suppose a recipient is entitled to an overall increase of $10 in his Federal SSI guarantee but receives a social security benefit increase of $6. The other $4 is paid in his SSI check.

Exclusion of Home Value for SSI

Mr. Michel. Apparently the value of a home is now excluded when SSI eligibility is determined. Does this mean that someone with, for instance, a $200,000 home would be eligible if he met all the regular requirements?

Answer. Yes; such an individual would be eligible; however, the amount of income necessary to maintain such a home would more than likely preclude SSI eligibility. Before the amendment which excluded the home as a resource was enacted, the number of applicants found ineligible solely because of their home's value was negligible.

Hold Harmless

Mr. Michel. Why are Hawaii, Massachusetts, and Wisconsin the only States receiving hold harmless payments? Is it because they are the most liberal States in terms of benefit payments?

Answer. The reason for these States retaining hold-harmless coverage is not due to liberal benefit payments, rather it relates more to the relationship between the State's adjusted payment level and the Federal SSI guarantee. During 1974 and 1975, six States—California, Hawaii, Massachusetts, Nevada, New York, and Wisconsin—benefited from the hold harmless provision. By fiscal year 1977, only Hawaii, Massachusetts, and Wisconsin remain covered by hold harmless. To understand why this happened, one must first understand the basic mechanics of "hold harmless."

This protection applies to States who choose Federal administration of their State supplementation. Also, it applies only to State supplementation payments which do not, on the average, exceed a State's adjusted payment level. These payments are termed "protected" payments. When cumulative protected State payments in a fiscal year reach the level of State expenditures incurred in calendar year 1972, all further protected payments in that year become a Federal liability under the hold harmless provision of the law. Thus, to qualify for hold harmless protection, a State must have sufficient protected payments in a fiscal year to exceed its 1972 calendar year expenditure level.

Prior to the enactment of Public Law 94–585 on October 21, 1976, hold harmless payments decreased because of increases in the basic Federal SSI payment. The decrease occurred because the States' adjusted payment levels and the amounts of their calendar year 1972 non-Federal expenditures—the two main factors which determine Federal hold harmless amounts—are fixed amounts which are constant even where program costs rise due to inflation or other factors. The APL's determine the portion of a State's supplementation payment which is "protected" and therefore credited toward reaching a State's calendar year 1972 non-Federal expenditures level. "Protected" State supplementation payments which exceed the calendar year 1972 non-Federal expenditures become Federal liability under the hold harmless provision of the law. As the maximum Federal payments increased, the difference between the maximum Federal payment and a fixed State APL became smaller. This resulted in a smaller proportion of "protected" State supplementation payments, and in turn smaller Federal hold harmless costs. By fiscal year 1977, California, Nevada, and New York no longer had large enough amounts of "protected" supplementation payments to entitle them to hold harmless protection.

Mr. Michel. How much longer do you expect these States to continue to receive hold harmless payments?

Answer. We expect these three States to receive hold harmless payments indefinitely because of recent legislation—Public Law 94–585. This legislation provides that after June 30, 1977, cost-of-living increases to the Federal SSI payment level will be disregarded in calculating the hold harmless amount. This change in the law has the effect of freezing the current difference between the maximum SSI Federal benefit and the State adjusted payment level, thereby maintaining the current level of protected payments. Therefore, these States will continue to have enough cumulative protected payments to qualify for hold harmless coverage unless they experience a significant drop in their caseloads, which is not anticipated.

SSI Vocational Rehabilitation

Mr. Michel. How many blind and disabled persons during the past year have refused to accept vocational rehabilitation services and have thus been declared ineligible for SSI benefits?

--Answer. The Vocational Rehabilition Information system, which is designed to capture the data you request, was just implemented in January 1977; and we do not have complete statistics for the past year. Current reports we have show approximately 40 SSI recipients are in suspended payment status because they have refused vocational rehabilitation services.

Mr. Michel. You are budgeting a reduction for rehabilitation services in 1978. Does this indicate that fewer SSI recipients are going to be referred to vocational rehabilitation?

Answer. No; we will continue to refer all blind and disabled SSI claimants who may benefit from services to the vocational rehabilitation State agencies. One of the problems uncovered by the GAO investigation last year indicated that some individuals receiving vocaional rehabilitation services under the title II program did not meet the special selection criteria. Since the selection criteria for the SSI program are patterned after the social security program, the budget assumes the same situation exists for the SSI program. The budget assumes that State VR agencies will continue to refine their selection systems, and will be able to identify and remove more SSI recipients who do not meet the selection criteria for the SSI-financed vocational rehabilitation program. Therefore, although the budget assumes a lower caseload financed by the SSI appropriation, this will not influence the number of SSI recipients referred for vocational rehabilitation services.

Mr. Michel. What percentage of SSI recipients are in fact referred to vocational rehabilitation?

Answer. Approximately 27 percent of the SSI blind and disabled claimants whose claim was allowed in fiscal year 1976 were referred to a vocational rehabilitation agency. In addition, the Disability State Agencies referred approximately 34 percent of the SSI blind and disabled claimants whose claim was denied in fiscal year 1976 to a vocational rehabilitation agency.

Federal Fiscal Liability

Mr. Michel. You are projecting a substantial increase in amounts going to the States to pay their claims resulting from settlements you have reached with them. Does this indicate you are becoming more lenient with the States?

Answer. No, not really. To understand the difference in estimate settlements during the 2 years in question, it is necessary to understand the settlement criteria, which have an effect on the amounts. The budget assumes settlement during fiscal year 1977 for the 18-month period—January 1974 through June 1975—at an estimated cost of about $62 million. It also assumes settlement during fiscal year 1978 for the 15-month period—July 1975 through September 1976—at an estimated cost of $87 million.

Settlement of the first three 6-month periods of the program will each be based on different criteria, consistent with agreements with the States. The first 6 months will be based on audit results, the second 6 months will be based on case-by-case listings submitted by States and the thhird 6-month period and all subsequent periods will be based on quality assurance analysis.

The estimate for the case-by-case period is relatively low because we suspect larger States may have limited ability to submit detailed listings. This tends to hold down the amount of estimated settlements during fiscal year 1977.

Another factor, which makes costs higher in 1978, is stepping down the error rate tolerances over three 6-month periods, beginning with the January–June 1975 period and ending with the January–June 1976 period when the tolerances

will be the standard 3 percent for eligibility and 5 percent for overpayments. The actual error rate is not declining as quickly as the tolerances are being stepped down.

This tends to increase the amounts of the settlements scheduled for fiscal year 1978. This trend will stop and probably reverse itself after the January–June 1976 period, because the tolerances stay at 3 and 5 percent, but the actual error rate should continue to decline.

SSI Error Rates

Mr. Conte. How much has been saved so far in conjunction with your activities to reduce the error rate for the supplemental security income (SSI) program?

Answer. A good format for comparison is fiscal year 1976. By then, SSA had SSI claim backlogs and processing times under control and began to concentrate on improving payment accuracy.

Our analysis of error reduction activities and quality assurance results show that we saved an estimated $50 million in fiscal year 1976. Since these corrective actions occur throughout the year, most of them have an impact for only part of the year and a full annual impact is not realized until the following fiscal year. The annual impact of the corrective actions taken during 1976 is estimated at $130 million in fiscal year 1977. Had we not conducted the corrective actions in fiscal year 1976, SSA would have paid out an additional $50 million in erroneous payments in 1976 and an additional $130 million in 1977.

Mr. Conte. How much have those improvements cost—in other words, what was your net savings?

Answer. The cost of conducting all the error reducing activities is in our administrative budget; however, we cannot precisely measure the cost of many of these activities because they are not discrete activities readily identifiable in our administrative budget and accounting reports. However, the cost of the major error reduction undertaking—the SSI redetermination effort—can be identified. In fiscal year 1976 redeterminations cost about $90 million. While the other error reducing activities would increase this, I don't think they would increase it by any more than 15 or 20 percent. These administrative costs compare to the $130 million annual savings I just mentioned. In addition, the annual savings from the 1976 effort will continue in future years.

Mr. Conte. What amount of improvement in the SSI error rate will have to be made in order to realize the budgeted benefit savings of $180 million in 1977 and $270 million in 1978?

Answer. The savings presented in the budget were computed based on SSA achieving the goal SSI case error rates of 19 percent by December 1976 and 15 percent by December 1977.

Mr. Conte. How realistic are those estimates?

Answer. I am confident that we will achieve these goals. In fact, as I stated earlier, our preliminary data for the period July to September 1976 indicate that the case error rate already is down to about 17 percent.

Veterans Administration Interface

Mr. Conte. As a result of your interface with the Veterans' Administration, I gather some people received decreased SSI benefits. Do you have any information about how many people were affected by this, and how much money was saved?

Answer. The initial phase of the interface affected SSI payments for the month of October 1976. It decreased payments for about 47,800 SSI recipients, resulting in monthly savings of about $3.1 million in Federal benefits.

The next phase of the interface affected SSI payments beginning with December 1976. It picked up the automatic benefit increase to VA compensation beneficiaries which was payable in November. This phase of the interface affected about 16,600 SSI recipients and resulted in monthly savings of about $440,000.

The most recent phase of the interface was effective with March 1977. It picked up the latest automatic increase to VA pension beneficiaries which was payable in February. This phase of the interface affected about 72,900 SSI recipients, resulting in monthly savings of about $1 million.

SSI Due Process

Mr. Conte. Would you outline the due process procedures offered to SSI recipients before benefit reductions were made?

ANSWER. Before we reduce or stop SSI benefits, we provide the recipient advance written notice of the proposed action. This notice describes the determination which has been made, explains its basis and its effect on the checks he receives, and explains the recipient's appeal rights.

The notice advises the recipient that he has 60 days from the date he receives the notice within which to appeal the determination. It further advises that if he appeals within 10 days of his receipt of the notice, he has the right to have his payment continued at the previously established rate until a decision on his appeal has been made. If the recipient misses either the 60-day or 10-day appeal deadline, but has a legitimate reason, such as hospitalization, we can still accept his appeal.

In all cases, the recipient is given the opportunity to meet face to face with the official who will decide the case and who had no part in making the original decision. The recipient is given the opportunity to review the evidence relating to the decision, and to submit additional oral or written evidence. He has the right to have witnesses testify for him and to request the Social Security Administration to subpena adverse witnesses to appear for cross-examination. He is also advised of his right to be represented by an individual of his choice.

When a decision on the appeal is reached, the recipient is notified in writing. The notice contains further appeal rights. However, if the original determination is affirmed in this decision, the right to continued payment at the unreduced rate is lost and the previously proposed payment action is taken.

SSI ORGANIZATION AND WORK PROCESSING EXPERIMENTS

Mr. CONTE. What sort of experimentation are you doing with SSI organizational and work processing arrangements?

Answer. While it is not an experiment, I think it is important to note that we have recently reorganized the Bureau of Supplemental Security Income to enable it to assume its full responsibilities for management of the SSI program. The Bureau is the focal point for development for SSI operating policy and procedures, and for improvement to the SSI computer processing system. Concentrating responsibility in the Bureau allows us to clarify accountability, efficiently distribute the Agency's limited services and resources, and give unified support to SSI operations.

By way of experimentation in processing arrangements, we are giving high priority to improving the redetermination workload. Several efforts are underway this year. First, to enable line field management to plan their work, we are releasing the redeterminations to district offices in three batches during the first half of the year. Releasing the redeterminations early will allow office managers to balance this workload with others throughout the year. Second, we have a trial approach to shorten the redeterminations for recipient groups which our analysis shows have a low probability of error. Finally, we are identifying the groups that are most susceptible to error so that procedures can be developed to reduce the error rate.

Another experiment involves specialization in the field offices. Presently, each interviewer must be knowledgeable about every workload processed in the field. To conduct the experiment, several models were developed including one that is specialized by program, retirement, survivors and health insurance, disability insurance or supplemental security income program. Another model provides for specialization on a limited segment of work processing, such as interviewing or adjudicating of claims. Data analysis is currently in process, and the final report and recommendations are due the end of June.

SSI CORRECTIVE ACTION PLAN

Mr. CONTE. You mentioned the development of specialized corrective action plans based on specific State and regional problems. Would any of those impact on Massachusetts and/or New England?

Answer. Yes: every regional commissioner was asked to prepare a comprehensive plan for correcting problems in his region. The plan submitted by the Boston region does impact on New England and Massachusetts.

Mr. CONTE. What particular problems are associated with Massachusetts' SSI system?

Answer. There are two major problems associated with the SSI program in Massachusetts: The first has to do with the number and types of savings accounts available in the State, and the fact that the State law allows for crediting

monthly interest. This problem has required us to develop a specialized interviewing guide which helps us to identify and properly develop information on savings accounts. The second area is the number and complexity of payment variations provided by the State supplementation agreement in Massachusetts. There are nine different payment level variations, many of which are based on living arrangement definitions different from the Federal definitions.

Hold Harmless

Mr. Conte. The State of Massachusetts is one of those which should benefit from SSI hold harmless protection in 1977 and 1978. Would you tell me how much that benefit is and how the hold harmless provision works in the Massachusetts' case?

Answer. The mechanics of hold harmless, which I previously discussed in response to Mr. Michel's question, work the same way in Massachusetts as they do in the other hold harmless States. However, in Massachusetts the adjusted payment level is still to be finally determined, and currently is under study by the Office of the General Counsel, HEW. At present, the Massachusetts hold harmless amount is estimated to be $10 million for fiscal year 1977.

Federal Fiscal Liability

Mr. Conte. Your budget is assuming that settlements of Federal obligations to the States for incorrect SSI payments will be made in 1977 at a cost of $61.8 million and in 1978 at $86.9 million. Will this cover all outstanding obligations?

Answer. The Federal fiscal liability settlement costs presented in the President's budget represent settlements for the first 33 months of the program—from January 1, 1974, through September 30, 1976. The current Federal/State agreements provide for Federal liability for erroneous payments of federally administered State supplementation to the extent that they exceed contractual tolerance error rates of 3 percent for payments to ineligibles and 5 percent for overpayments. Therefore, under terms of the current agreements, Federal fiscal liability is an ongoing Federal obligation for errors in excess of the tolerances.

The whole question of fiscal sanctions in relation to SSI and AFDC is being reconsidered. The final outcome of these deliberations will determine whether or not Federal liability for errors in SSI State supplementation will remain, and if so, how it will be computed. If Federal liability does remain, it will be a regular Federal obligation to the extent that erroneous payments of federally administered State supplementation exceed whatever error rate tolerances are established.

Mr. Conte. What is the continuing amount of funding which should be necessary for this reimbursement, if your projected reductions in error rates are in fact accurate?

Answer. There are many uncertainties involved in estimating Federal fiscal liability costs for future years. The most influential determinant of these future costs is the final outcome of the deliberations to determine an overall AFDC/SSI quality control system. If the current fiscal liability provisions in the agreements were retained, FFL costs would depend on several other variables which are difficult to project precisely. These include the total amount of federally administered State supplementation payments, the error rate State-by-State, and the timing of settlements. Because of these uncertainties, any estimate would have to be only a rough guess. If we assume that settlements for the first 33 months proceed as scheduled in the President's budget, and that we will settle two 6-month periods each year, I think future annual costs could run somewhere between $40 to $50 million.

SSI Redeterminations

Mr. Conte. Would you explain how you have modified the annual redetermination program for SSI recipients?

Answer. While still holding to the principle of annual redeterminations, last October we began to use a shortened redetermination for individuals residing in long term care medical facilities. Experience has shown that circumstances affecting benefit payments do not change frequently for this group. The revised procedures affect about 180,000 recipients. Basically, for 2 years out of every 3, we contact the institution by telephone to confirm that the individual's circumstances have not changed. The third year, a full redetermination is done. We

expect to save about 75 man-years each year as a result of the revised procedure.

We intend to extend the use of shortened redeterminations to other segments of the recipient population as we are able to identify other "low risk" categories of recipients.

However, there are other categories of recipients who can be considered "high risk," and who we should contact more frequently than once a year—for instance, those recipients who have earned income. Beginning this summer, we plan to check with these recipients once a quarter to determine if their income has changed. Once a year we will conduct a full redetermination for this group. We have budgeted about 100 man-years in fiscal year 1977 and 300 man-years in fiscal year 1978 for this procedure.

SSI Hearings

Mr. Conte. What success have you had in reducing your backlog of SSI hearings?

Answer. The pending workload of SSI hearings at the beginning of fiscal year 1976 was approximately 17,000 cases. As of the end of February 1977, we have reduced that by 10 percent to 15,300 hearings awaiting action.

Mr. Conte. What are the major bottlenecks in the hearing process?

Answer. The major obstacle to more timely hearings is the large backlog of hearings. There were about 89,800 hearings pending as of June 1976 and about 81,600 hearings pending at the end of February 1977. Because of this backlog, hearing requests cannot be acted upon for several months. While the claimant is awaiting, his condition may worsen or additional evidence may become available, requiring updating of cases and causing further delay.

In addition, delays in holding hearings can and do result from a number of other factors, such as: the excessive time it takes to forward the claimant's file to the hearing office; the need to redevelop cases because a claimant's condition may have worsened, the State agency's development was inadequate, or the claimant submitted information which changed the nature of the case; a delay on the part of hospitals and physicians in responding to requests for a claimant's medical records; delays because claimants request postponement of hearings or decisions or fail to appear for hearings.

SSA has been attempting to reduce the backlog of hearings and to improve the hearing process to provide timelier hearings for claimants.

Mr. Conte. Is the amount you have requested for this year adequate to put a significant dent in that backlog?

Answer. The amount of money and manpower requested for BHA was to reduce the hearing backlog to approximately 15 weeks' work by the end of fiscal year 1978. This projection assumed a net decrease in hearing receipts due to enactment of Public Law 94–202 on January 2, 1976, which changed the time limitation for filing for a hearing to 60 days, from the previous 6 months for title II and 1 month for title XVI. However, our experience so far under this new law indicates that hearing receipts have not declined as estimated. In fact, they are coming in substantially above the estimates. If this trend continues, we may have to consider using the contingency reserve to finance the higher workloads if they cannot be absorbed by reductions elsewhere.

SSI Redeterminations

Mr. O'Brien. What would you say it costs in total dollars to conduct annual redeterminations for SSI recipients?

Answer. We have budgeted 5,120 man-years in fiscal year 1977 and 4,890 man-years in fiscal year 1978 for the annual redetermination process. This will cost about $90 million each year.

Mr. O'Brien. Do you conduct redeterminations more frequently than annual in any instances?

Answer. Yes, sir, we do. In some instances, redeterminations, in addition to the annually scheduled ones, can be initiated by the recipient. Most of these result when a recipient reports a change in his circumstances which could affect the amount of his monthly payment. For example, if a recipient reports a change of address, we must determine if there has been a change in his living situation which could either result in an increase or decrease to his SSI payment.

In addition, we budgeted for a process to contact recipients once a quarter, who have earned income, in order to determine whether their incomes have changed during the recent quarter.

Quality Assurance Reporting System

Mr. O'Brien. What is the nature of this new Quality Assurance Reporting System you are developing?

Answer. The major features of the Quality Assurance Reporting System currently under consideration are:

The information will be reported to top management by existing quality assurance systems, with some changes required.

The accuracy of payments and nonpayment decisions, and timeliness of selected actions will be reported for all cash payment programs.

The accuracy of payments for all cases in payment status will be reviewed and reported, rather than just for recent case actions.

The accuracy of payments will be reported in two ways: as a projection of total dollars paid accurately and as a percentage of total dollars paid.

Deficiencies will be identified as to whether or not they are in processes controllable by SSA.

Information will be regularly reported at the national level, although greater detail will be available.

Information will be reported regularly only on the most costly deficiency conditions, although data on all deficiencies will be available.

The system will be geared toward collecting data that will lead to the identification of appropriate corrective actions.

SSI Error Rate

Mr. O'Brien. What is the present error rate for the Supplemental Security Income?

Answer. The results from our most recent complete quality assurance sample—the January through June 1976 period—show that the SSI case error rate is now 19.1 percent and the payment error rate is 8.2 percent. As I mentioned earlier, we expect a further improvement in the error rate. Preliminary quality assurance data show that the case error rate for the period July to September 1976 will be in the vicinity of 17 percent.

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JUSTIFICATION OF THE BUDGET ESTIMATES

Appropriation Estimate

Supplemental Security Income Program

For carrying out the Supplemental Security Income program under title XVI of the Social Security Act, section 401 of Public Law 92-603, and section 212 of Public Law 93-66, including payment to the social security trust funds for administrative expenses incurred pursuant to section 201 (g)(1) of the Social Security Act, [$5,895,122,000] *$5,750,000,000: Provided,* That for carrying out these activities after July 31, such sums as may be necessary shall be available, the obligations and expenditures therefor to be charged to the appropriation for the succeeding fiscal year. *Provided further, that any portion of the funds provided to a State in the current fiscal year and not obligated by the State during that year shall be returned to the Treasury.* 1/

Explanation of Language Change

1/ This is a technical change which applies to State agencies that use appropriated funds to carry out various missions on behalf of the Federal government. The proposed language will insure that States do not carry unobligated balances of Federal funds into the subsequent fiscal year and will guarantee that the States will provide the intended services to the SSI recipients on a timely basis.

Language Analysis

Language Provision	Explanation
Provided, That for carrying out these activities after July 31, such sums as may be necessary shall be available, the obligations and expenditures therefor to be charged to the appropriation for the succeeding fiscal year.	This provision provides that costs of the supplemental security income program for the last two months of a fiscal year can, if necessary, be financed from funds of the next fiscal year. This language is a safeguard for the aged, blind and disabled recipients under the SSI program. In the event that the appropriation estimates prove to be too low, the language permits payment of SSI benefits, "hold harmless" contributions, and other costs related to the program without interruption out of the subsequent year's appropriation.
Provided further, that any portion of the funds provided to a State in the current fiscal year and not obligated by the State during that year shall be returned to the Treasury.	This provision is a technical language change. The change would apply to State agencies that use appropriated funds to carry out various missions on behalf of the Federal government. The proposed language will insure that States do not carry unobligated balances of Federal funds into the subsequent fiscal year and will provide the intended services to the SSI recipients on a timely basis.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Supplemental Security Income Program

Amounts Available for Obligation 1/

	1977	1978
Appropriation	$5,895,122,000	$5,750,000,000
Unobligated balance lapsing	-492,912,000	---
Total obligations	$5,402,210,000	$5,750,000,000

1/ Excludes the following amounts for reimbursable activities: 1977 Estimate - $1,515,000,000, and 1978 Estimate - $1,545,000,000. These reimbursable obligations are for State-financed State supplementation payments administered by SSA on behalf of States which have chosen to have the Federal government administer their supplementation benefits.

Summary of Changes

1977 Estimated obligations	$5,402,210,000
1978 Estimated obligations	5,750,000,000
Net Change	+$347,790,000

	1977 Base	Change from Base
Increases:		
A. Built in:		
1. Federal benefit payments:	$4,720,000,000	
a. The annualization in 1978 of 575,000 additions to the rolls during FY 1977 (at FY 1977 payment levels). Since these recipients were on the rolls for only part of FY 1977, the cost of benefits for them for a full year in FY 1978 produces an increase..		+$220,000,000
b. Cost of paying 565,000 new recipients added to the SSI rolls during FY 1978 at 1978 benefit levels.....		+510,000,000
c. Effect of projected automatic cost of living increases in SSI payments (4.9% in July 1977; 5.5% in July 1978).....		+370,000,000
d. Increased costs in FY 1978 of recently enacted SSI legislation.....		+35,000,000
Subtotal increases, in Federal benefits.....		+1,135,000,000
2. Federal hold harmless payments..	40,000,000	
Increase of 10,000 in the number of State supplementation recipients in hold harmless States in FY 1978.		+5,000,000
3. Payments to the trust funds for SSI administrative costs. (See Salaries and Expenses)....	530,265,000	+12,693,000
4. Federal liability for incorrect payments of State supplemental benefits administered by SSA...	61,845,000	+25,017,000
Subtotal, Built in.....		+$1,177,710,000
B. Program:		
1. Increase in beneficiary services primarily to provide additional services to disabled children under Section 501 of PL 94-566.....	50,100,000	+25,080,000
Total increases.....		+$1,202,790,000

	1977 Base	Change from Base
Decreases:		
A. Built-in:		
1. Federal benefit payments:		
a. Effect on FY 1978 payments of gross deletions from rolls during 1977 due to normal attrition (520,000 deletions).....		-285,000,000
b. Effect on FY 1978 payments of normal attrition of 550,000 recipients during FY 1978.....		-335,000,000
c. Effect of 1977 SSI error reduction effort on 1978 payments (savings of $95,000,000 for full year in 1978 compared to FY 1977 part-year savings of $50,000,000).....		-45,000,000
d. Effect of 1978 error reduction effort.....		-45,000,000
e. Effect of projected automatic cost of living increases in social security benefits (4.9% increase first payable in July 1977 and 5.5% in July 1978). Social security benefits count as income for SSI recipients who receive both social security and SSI payments. Therefore, an increase in social security benefits reduces SSI payments to these recipients.....		-145,000,000
Total decreases.....		-$855,000,000
Total Net Change.....		+$347,790,000

Obligations by Activity 1/

Page Ref.		1977 Estimate	1978 Estimate	Increase or Decrease
62	Federal benefit payments.....	$4,720,000,000	$5,000,000,000	+$280,000,000
66	Federal hold harmless payments	40,000,000	45,000,000	+5,000,000
68	Beneficiary services.....	50,100,000	75,180,000	+25,080,000
72	Payments to trust funds for administrative costs.....	530,265,000	542,958,000	+12,693,000
73	Federal fiscal liability.....	61,845,000	86,862,000	+25,017,000
	Total obligations.....	$5,402,210,000	$5,750,000,000	+$347,790,000

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Other services.....	$580,365,000	$618,138,000	+$ 37,773,000
Grants, subsidies, and contributions....	4,760,000,000	5,045,000,000	+285,000,000
Insurance claims and indemnities.....	61,845,000	86,862,000	+25,017,000
Total obligations by object 1/.....	$5,402,210,000	$5,750,000,000	+$347,790,000

1/ Excludes the following amounts for reimbursable activities: 1977 Estimate - $1,515,000,000; and 1978 Estimate - $1,545,000,000. These reimbursable obligations are for State-financed State supplementation payments administered by SSA on behalf of States which have chosen to have the Federal government administer their supplementation benefits.

Significant Items in House and Senate
Appropriation Committee Reports

Item	1977 Senate Report	Action Taken or to be Taken
District Office Training		
1.	The Committee expressed concern about the apparent lack of training of District Office personnel and directed SSA to advise Congress of its plans to improve the current training programs (page 100).	1. SSA is continuing in FY 1977, to emphasize the improvement of basic and ongoing training for District Office employees directly involved in processing workloads. In FY 1977 the agency plans 6,521 man-years of training for employees directly involved in processing workloads, an increase of 1,381 man-years over actual 1976 training. 4,559 of these training man-years are budgeted for the district offices, an increase of 777 man-years over the 1976 actual district office training man-years. A major thrust of this training will be to emphasize interviewing techniques which tend to elicit information affecting entitlement and payment accuracy which SSI recipients sometimes fail to reveal. Some specific innovations follow: a. SSA is piloting an evaluation system to help verify the effectiveness of training courses. This system is based primarily on objective tests, and narrative reports on the progress of new employees and recently promoted employees. By the end of FY 1977 we expect to have the program working nationwide. b. SSA is studying the use of videotape for training. The project is designed to improve the District Office ongoing training program for its current employees. The pilot began during FY 1976 in Tennessee and will be concluded in June 1977. At that time, SSA will expand the pilot to additional areas.

Item	Action Taken or to be Taken
	c. SSA has implemented a new procedure to ensure that new policy issuances are accompanied by appropriate training materials. Training personnel receive a draft copy of new policy issuances prior to the printing of the new policy, or policy change. This gives the training specialists time to evaluate the policy, identify training needs, and issue training materials with the new policy issuances.
1977 House and Senate Reports	
SSI Program Administration and Case Error Rates	
1. The Committees are concerned over the administration of the SSI program as reflected in the lack of improvement in the SSI case error rate, with a directive that SSA provide periodic reports on progress being made in improving these areas. (House Report - page 75 and Senate Report - page 100).	1. SSA reported the progress of the SSI case error rates to the Appropriations Committees in a letter dated November 22, 1976. At that time we included the error rate for the most recent sample period (January - June 1976), for which the case error rate was 19.1 percent. SSA plans to continue these periodic progress reports to the Appropriations Committees. SSA plans to further improve its own administrative performance and also to focus on errors resulting from recipient non-reporting, which causes roughly half of all SSI payment errors. The agency's goal is to reduce its case error rate to 15 percent for the 6-month period ending December 1977. The following actions will contribute to achieving this goal: a. Annual redetermination of the eligibility and payment amount for all SSI recipients. A more intensive and well documented redetermination process has been placed in operation in fiscal year 1977. b. Continued emphasis on improved employee training and instructions.

Item	Action Taken or to be Taken
	c. Refinement of the initial interview process, to provide a more extensive interview, emphasizing the most error-prone eligibility factors.
	d. Specialization experiments in each SSA region to assess the impact of different organizational and processing arrangements on the quality of work and general performance of field employees.
	e. Development and implementation of specialized corrective action plans, based on specific problem areas identified on a regional and State basis.
	f. Development of enhancements and improvements to the SSI systems. Several projects are currently underway such as the development of an automated data exchange system with Federal pension files (VA, RRB, etc.). The initial phase of the VA interchange was implemented effective with payments for October 1976. Preliminary data indicates this interface will have a significant payoff in terms of improved payment accuracy.

Item	Action Taken or to be Taken
Improvements Needed in Vocational Rehabilitation Services	
1. The Committees referred to the Comptroller General's report "Improvements Needed in Rehabilitating Social Security Disability Insurance Beneficiaries." The Committees emphasized those sections	1. SSA is taking several actions to strengthen vocational

Item	Action Taken or to be Taken
of the report that questioned the actuarial computation of savings attributable to the rehabilitation programs and that criticized the referral process. They indicated that appropriate action should be taken to maximize referrals and expressed interest in the forthcoming Department report on actions taken in regard to the recommendation contained in the report (House Report - page 76 and Senate Report - pages 100-101).	rehabilitation management and accountability: a. All State VR agencies were instructed to screen their entire caseloads during FY 1976 to assure that cases assigned to the federally funded rehabilitation programs meet the special selection criteria for use of Federal funds. b. SSA has designed and is implementing a mechanism to review all cases reported rehabilitated and subsequently terminated from the disability insurance rolls. This is to insure that cases in which rehabilitation services were not instrumental in terminating benefits are excluded from the actuarial computation of trust fund savings. c. A Social Security Disability/ Supplemental Security Income VR Information System was implemented January 1, 1977. The system will provide gross and demographic data on all VR referrals made by the State Disability Determination Services. When we have had sufficient time to accumulate and analyze these data, we will be able to determine for the first time, the characteristics of individuals accepted or not accepted for VR services. Additionally, the system will assure that State/VR agencies report instances of beneficiary non-cooperation, and control all cases so reported until a determination is made as to whether or not "good cause" exists. SSA district office personnel will investigate all referred cases to determine whether benefits should be withheld.

Item	Action Taken or to be Taken
	d. To insure that all disability recipients are notified of the availability of vocational rehabilitation services, SSA has issued an informational circular to all field offices which reemphasizes their role in the VR area.
	e. Staff work has begun on reviewing existing outreach efforts, and exploring other methods which may be available for periodically notifying recipients of the availability of vocational rehabilitation services. This staff work should be completed by April 1977.

Authorizing Legislation

Legislation	1978 Authorized	1978 Appropriation Requested
Supplemental Security Income		
Title XVI of the Social Security Act; Section 401 of P.L. 92-603 and Section 212 of P.L. 93-66, as amended	Indefinite	$5,750,000,000

Supplemental Security Income

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1973	$77,207,000	$77,207,000	$77,207,000	$77,207,000
1974	2,211,636,000	2,211,636,000	2,211,636,000	2,211,636,000
1975	4,857,102,000	4,857,102,000	4,857,102,000	4,857,102,000
1976	5,538,523,000	5,518,523,000	5,518,523,000	5,518,523,000
1977	5,910,122,000	5,895,122,000	5,895,122,000	5,895,122,000
1978	5,750,000,000			

Justification
Supplemental Security Income Program

	1977 Estimate	1978 Estimate	Increase or Decrease
Supplemental security income program 1/.....	$5,402,210,000	$5,750,000,000	+$347,790,000

General Statement

Legislative Authority and Purpose

Title XVI of the Social Security Act established the federally administered and financed "Supplemental Security Income" program (SSI). The objective of the program is to supplement from general revenues the social security benefits and other income of the aged, blind and disabled when benefits plus other income are below a Federal mimimum standard, or when they have no other income, to meet the entire Federal minimum standard from general revenues.

SSI replaced State and locally administered programs of old age assistance and aid to the blind and disabled. Under different matching formulas, the Federal government paid part of the cost of these programs through grants administered by the Social and Rehabilitation Service.

Under present law, the SSI program guarantees income of at least $167.80 per month for an individual and $251.80 for a couple. Also, whenever an automatic cost of living benefit increase is triggered for the Social Security Title II programs, the same percentage increase is applied to the SSI income guarantee (Section 1617 of the Social Security Act). Thus, benefit increases for both titles II and XVI are paid in the same month. Under present law the maximum monthly Federal SSI payments are projected to increase automatically by 4.9 percent on July 1, 1977 and by 5.5 percent on July 1, 1978.

In addition to the Federal income guaranteed by Title XVI of the Social Security Act, Section 212(a)(1) of Public Law 93-66 was designed to protect SSI recipients who were on the State rolls as of December 31, 1973, against reduction in income resulting from the changeover to a Federal program. To be eligible for Federal matching funds for Medicaid, States must agree to maintain the December 1973 income of each aged, blind, or disabled recipient who received an assistance payment for December 1973 and was converted to the Federal program. States also may optionally supplement the Federal SSI benefit regardless of whether a recipient was converted or newly eligible.

1/ Excludes the following amounts for reimbursable activities: 1977 Estimate - $1,515,000,000; and 1978 Estimate - $1,545,000,000. These reimbursable obligations are for State-financed State supplementation payments administered by SSA on behalf of States which have chosen to have the Federal government administer their supplementation benefits.

States may sign agreements with the Federal government to administer their supplementary payments (mandatory only or mandatory and optional). The Federal government pays the cost of administering State supplementation payments for States which have chosen Federal administration. A State choosing Federal administration is protected from paying more in State supplementation because of overall growth in the recipient population than it paid in calendar year 1972 for assistance payments to the aged, blind and disabled. This "hold harmless" protection applies to both mandatory minimum and optional supplementation payments. States can choose to exceed their 1972 costs by the level of optional supplementation payments they establish. Any such excess costs must be borne by the State.

The activity entitled "beneficiary services" includes the services formerly included under the vocational rehabilitation services activity and a new category of services available to SSI disabled child recipients. Vocational rehabilitation services for disabled SSI recipients are paid for by the SSI appropriation if such services may result in the recipient's recovery and return to the labor force as more than marginal wage earners, and thus their termination from the SSI benefit rolls. This activity of the SSI appropriation also pays for the costs for monitoring the treatment of SSI recipients who are drug addicts or alcoholics. Such monitoring is required by law. The new category of services covered by this activity is medical, developmental and social services for disabled child SSI recipients under age 16. The provision of these services to disabled children is authorized by Section 501 of PL 94-566, enacted October 20, 1976.

The SSI appropriation also covers reimbursement to the social security trust funds for administrative expenses of the SSI program. Because the workload processing operations for all programs administered by the Social Security Administration (SSA) are highly integrated, it is necessary to budget for administrative expenses for the social security and SSI programs in one place--the Limitation on Salaries and Expenses Appropriation, which is financed from trust funds. Then, the trust funds must be reimbursed from Federal funds for SSI administrative costs, as these costs are determined.

The appropriation request also covers Federal fiscal liability. For those States which opt for it, the SSA administers State supplemental benefits to SSI recipients. This activity provides funds to reimburse States for incorrect State supplemental payments made by the Federal government in excess of certain tolerances.

Revisions to the FY 1977 Budget

The Social Security Administration wants to bring to the attention of the Congress proposed changes to the FY 1977 budget estimates since the time Congressional decisions were made. The revisions are summarized in the table below:

	1977 Appropriation	1977 Revised estimate	Change
Federal benefit payments....	$5,230,000,000	$4,720,000,000	-$510,000,000
Federal hold harmless payments.....	55,000,000	40,000,000	-15,000,000
Beneficiary Services.....	52,770,000	50,100,000	-2,670,000
Payment to the trust funds for SSI administrative expenses.....	500,352,000	530,265,000	+29,913,000
Federal fiscal liability....	57,000,000	61,845,000	+4,845,000
Total obligations.....	$5,895,122,000	$5,402,210,000	-$492,912,000

Federal Benefits and Hold Harmless Payments (-$525,000,000)

--The most significant changes to the 1977 estimates occur in benefit payments (Federal benefit payments and Federal hold harmless payments) and reflect adjustments for actual program experience in FY 1976 and the transition quarter which were not available at the time the original estimates were prepared.

Our revised estimates project a lower recipient population as shown on the table below:

SSI Recipients of Federal Benefit Payments
(End of Year)

	Transition quarter	FY 1977
1977 President's Budget.....	4,300,000	4,635,000
1977 Revised Estimate.....	3,855,000	3,910,000
Change.....	-445,000	-725,000

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The decreased costs resulting from paying fewer recipients is partially offset by increased estimated average payments as shown on the table below:

SSI Average Monthly Federal Benefit Payments

	Aged	Blind and Disabled
1977 President's Budget.....	$73.75	$120.32
1977 Revised Estimate.....	76.95	120.60
Change.....	+$3.20	+$.28

Beneficiary Services (-$2,670,000)

The decrease in beneficiary services is entirely related to the cost of monitoring the treatment of drug addicts and alcoholics in New York City. SSA is now negotiating an agreement with the New York City agency which will perform the monitoring function. Based on preliminary estimates discussed during negotiations, we expect actual costs to be less than estimated in the 1977 President's budget.

SSI Administrative Expenses (+$29,913,000)

The increase in the estimate of Payments to the Trust Funds for SSI administrative expenses results from the changes discussed in the justification on the Limitation on Salaries and Expenses. These changes are principally increases of $16,000,000 for the October 1976 Federal pay raise and $9,000,000 for higher than budgeted average salaries, and a decrease of $8,000,000 for other objects of expense (including ADP and telecommunications costs), all of which represent the SSI program's share of these reprogrammings.

In addition, there is an increase of over $2,000,000 for SSI States costs (also explained under salaries and expenses), and an increase of $11,000,000 for higher SSI-related workloads and other costs for the disability State agencies which assist in the administration of the Social Security and SSI programs. Although total State disability workloads do not vary significantly from the original estimates, the proportion which is SSI-related is substantially higher than budgeted. Specifically the workloads for SSI disability determinations to be made by the State agencies are 134,538 or 21.5 percent higher than originally budgeted due to an increase in the ratio of SSI applicants who do not have concurrent eligibility for social security disability benefits.

Federal Fiscal Liability (+$4,845,000)

Estimated FY 1977 FFL obligations in the 1977 President's budget were $57 million for settling FY 1976 FFL. This estimate assumed that we would have settled FFL for FY 1974 and 1975 during FY 1976. However, SSA did not achieve any FFL settlements in FY 1976, or in the transition quarter. The table below illustrates our revised schedule for settling FFL.

Estimates of FFL Obligations

For Fiscal Year	1977 President's Budget Anticipated Settlement		1977 Revised Estimate Anticipated Settlement
	FY 1976	FY 1977	FY 1977
1974	$15,000,000	---	$15,000,000
1975	45,000,000	---	46,845,000
1976	---	$57,000,000	---
Total	$60,000,000	$57,000,000	$61,845,000

Highlights of the 1977-1978 Budget Request

The following items are key elements of the new estimates of SSI obligations.

--Projected automatic cost-of-living benefit increases, of 4.9 percent payable July 1977, and 5.5 percent payable July 1978.

--Projected savings in benefits in each fiscal year because of corrective actions under SSA's error reduction program. The following table shows savings as they occur in each fiscal year:

	Year of Savings		
Corrective action occurring in:	FY 1976	FY 1977	FY 1978
FY 1976.....	$50,000,000	$130,000,000	$130,000,000
FY 1977.....	---	50,000,000	95,000,000
FY 1978.....	---	---	45,000,000
Total.....	$50,000,000	$180,000,000	$270,000,000

--Projected effect of recently enacted amendments to the SSI statute which will increase SSI obligations by $90,000,000 in FY 1978. The amendment provisions affecting SSI program costs were contained in PL 94-569, enacted October 20, 1976, PL 94-566, enacted October 20, 1976, and PL 94-585, enacted October 21, 1976. The provisions affecting SSI costs are discussed in more detail in the SSI Summary of Changes and the activity justifications.

--Estimated settlement costs with States for Federal fiscal liability related to Federal administration of State supplementation payments. The estimate reflects a revised timetable of FFL settlements during FY 1977 and FY 1978.

--Revised estimates of SSI recipients based on recent program experience. The following table shows prior years' actuals and compares last year's recipient estimates to the current ones:

SSI Recipients of Federally Administered Payments
(End of Year)

	Federal and State Supplementation Payments	State Supplementation Payments Only	Total
FY 1974 Actual...	3,279,000	305,000	3,584,000
FY 1975 Actual...	3,717,000	379,000	4,096,000
FY 1976 Actual...	3,844,000	390,000	4,234,000
TQ Actual.....	3,855,000	390,000	4,245,000
FY 1977 Pres. Budget.	4,635,000	535,000	5,170,000
FY 1977 Rev. Est...	3,910,000	400,000	4,310,000
FY 1978 Est.....	3,920,000	405,000	4,325,000

Federal Benefit Payments

	1977 Estimate	1978 Estimate	Increase or Decrease
Federal benefit payments.....	$4,720,000,000	$5,000,000,000	+$280,000,000

The table below shows the estimated number of persons receiving Federal SSI payments:

Federal SSI Recipients (End of Year)

	1977 Estimate	1978 Estimate
Aged.....	1,835,000	1,750,000
Blind and disabled.....	2,075,000	2,170,000
Total.....	3,910,000	3,920,000

In addition, at the close of fiscal year 1977 there will be 400,000 individuals who because of other income are entitled to receive only a federally administered State supplementation payment. By the end of FY 1978 these individuals will increase to 405,000.

Impact of Recently Enacted Legislation

The above estimates include the impact of P.L. 94-566 and P.L. 94-569, enacted on October 20, 1976, which contain amendments to the SSI program. The new legislative provisions which affect Federal benefits are:

--Treat married couples as individuals when one member is institutionalized.
--Provide SSI eligibility for recipients in public institutions of 16 or fewer individuals.
--Make payments to presumptively blind individuals.
--Exclude the value of the home from resource determinations.

Automatic Cost-of-Living Increases

On July 1, 1976, the maximum monthly Federal benefit payment increased by 6.4 percent due to the cost-of-living increase for the previous year. Under the automatic cost-of-living adjustment provision, we project subsequent increases of 4.9 percent on July 1, 1977 and 5.5 percent July 1, 1978. The maximum monthly Federal benefits estimated for fiscal years 1977 and 1978 under present law are:

	FY 1977		FY 1978	
	First 9 Months	Last 3 Months (4.9% Increase)	First 9 Months	Last 3 Months (5.5% Increase)
Single Individual.....	$167.80	$176.10	$176.10	$185.80
Couple.....	251.80	264.20	264.20	278.80

Estimated Average Monthly Payments

SSI recipients generally have some monthly income such as social security benefits or private pensions. These payments count as income to SSI recipients so that very few receive the maximum monthly payments shown in the preceding table. The table below shows average monthly Federal benefit payments to SSI recipients during FY 1977 and FY 1978.

	FY 1977	FY 1978
Aged.....	$76.95	$78.65
Blind and disabled.....	120.60	124.95

Several factors affect average monthly payments:

(1) Automatic Benefit Increases

The SSI automatic cost-of-living increases (4.9 percent in July 1977 and 5.5 percent in July 1978) raise average SSI payments. At the same time, the effect of concurrent automatic increases in social security benefits, which raise the income of many SSI recipients, is to partially offset the increase in average SSI payments.

(2) Corrective actions taken as a result of SSA's error reduction program

Such actions correct erroneous payments (both overpayments and underpayments) and their impact is included in the estimated average monthly payments shown on the table. The net effect of these actions is to reduce SSI average payments, and further offset the higher SSI payments caused by the automatics. SSA's error reduction program includes:

--The SSI redetermination effort.
--Improved employee training and instructions.
--Enhancements and additions to the automated SSI system, including systems interfaces with other Federal programs.
--Refinements of the recipient interview process.
--Experiments in employee specialization in field offices.
--Development of specialized corrective action plans.

(3) Mix of converted and new recipients

SSI recipients who were on the State adult assistance rolls prior to the SSI program were grandfathered into the SSI program. Experience shows that recipients who were converted from the State programs receive higher SSI payments than do those who have come onto the SSI rolls since January 1974. The number of converted recipients is declining steadily due primarily to death. As the proportion of converted recipients to the total recipient population declines average monthly benefits also decline.

Derivation of the 1978 Budget Estimate

FY 1977 Estimated Federal Benefit Payments.....	$4,720,000,000
Changes in the Base	
(These are changes in the recipient population and payment levels which occur in FY 1977 and affect 1978 payments).	
1. During FY 1977 a total of 575,000 new recipients will come on the SSI rolls. If these individuals had been added to the rolls at the beginning of FY 1977 and paid for the entire year they would have received benefits totaling $860,000,000. However, they came on the rolls at various times throughout the year and actual payments will equal $640,000,000. The difference of $220,000,000 is the additional cost in FY 1978 (annualization) which will not occur in FY 1977.....	+220,000,000
2. During FY 1977 520,000 SSI recipients will leave the rolls due to normal attrition--death, cessation of disability, or excess income or resources. These individuals will receive $285,000,000 while they are still on the rolls. This $285,000,000 does not recur in 1978.....	-285,000,000
3. As a result of corrective actions included in SSA's error reduction program processed in FY 1977 $95,000,000 will be saved in Federal benefit payments for the full year 1978. This is $45,000,000 more than the part-year savings of $50,000,000 during FY 1977 due to these corrective actions.....	-45,000,000
1978 Base (the cost of paying the recipients on the rolls at the end of FY 1977 for a full year in FY 1978, at FY 1977 payment levels.....	$4,610,000,000
1978 Increases and Decreases:	
1. The projected automatic cost-of-living benefit increases of 4.9 percent in July 1977 and 5.5 percent in July 1978 will cause SSI payments to increase in FY 1978 by $370,000,000. However, about 51 percent of all SSI recipients also receive social security benefits, which will also be increased automatically for the cost-of-living. Since social security benefits count as income for SSI recipients, SSI payments to social security beneficiaries are reduced accordingly. Thus the increase in FY 1978 SSI payments is offset by $145,000,000 because of the automatic increases in social security benefits. The net increase in SSI payments because of the automatic increases is $225,000,000.....	+225,000,000
2. SSA estimates that 565,000 new Federal recipients will come on the SSI rolls during FY 1978. As a result of adding these recipients, at FY 1978 projected average payments, Federal benefits increase by $510,000,000.....	+510,000,000

3. SSA estimates that 550,000 Federal recipients will leave the rolls during FY 1978 due to normal attrition--death, cessation of disability, excess income or resources. This causes the level of Federal benefit payments to decrease by $335,000,000...	-335,000,000
4. SSA expects new 1978 redeterminations and improved payment accuracy to save $45,000,000 in FY 1978.....	-45,000,000
5. Amendments to the SSI law contained in P.L. 94-566 and P.L. 94-569 increase estimated Federal benefits by $25,000,000 in FY 1977. The full impact of some of the provisions contained in these amendments is spread over more than one year. Therefore the estimated cost of the amendments is higher in FY 1978. The cost of these amendments in FY 1978 is $60,000,000, an increase of $35,000,000 over the estimated cost in FY 1977.....	+35,000,000
FY 1978 Estimated Federal Benefit Payments.....	$5,000,000,000

Federal Hold Harmless Payments

	1977 Estimate	1978 Estimate	Increase or Decrease
Federal hold harmless payments.....	$40,000,000	$45,000,000	+$5,000,000

Hold Harmless Protection

Only States which opt for Federal administration of State SSI supplementation can, under law, benefit from "hold harmless" protection. Thus, there are two advantages to States which elect Federal administration of their mandatory and optional supplementation programs. First, the Federal Government bears the cost of administration. Second, the State is protected from paying out of State funds any more than its calendar year 1972 assistance expenditures for the aged, blind, and disabled because of overall growth in the recipient population. This financial protection is commonly referred to as "hold harmless." However, a State may choose to exceed its calendar year 1972 expenditures by the optional supplementation levels it sets. Only three States are expected to benefit from hold harmless protection in 1977 and 1978. They are Hawaii, Massachusetts and Wisconsin.

"Hold harmless" protection applies only to supplementation payments which do not on an average exceed a State's "adjusted payment level" (APL). The APL is made up of three elements: (1) the money payment made to assistance recipients with no other income under the approved State plan in effect in January 1972; (2) the "payment level modification" available to States that paid less than their full need standard in January 1972; and (3) the "bonus value of food stamps" that would have applied to the money payment in January 1972.

Impact of Recently Enacted Legislation

The recently enacted SSI amendments in PL 94-585 modify the hold harmless section of the law (Section 401 of PL 92-603). The amendments provide that cost-of-living benefit increases or any other general increase effective after June 30, 1977, be disregarded in computing the amount of protected payments to be credited toward reaching hold harmless. In addition PL 94-585 contains a provision which requires States, as a condition for receiving Federal Medicaid funds, to maintain whatever State supplementary payments they have been paying whenever the Federal SSI payment level is increased, beginning with SSI increases after June 30, 1977. States can meet this requirement in two ways:

1. Pass the full Federal benefit increase on to the recipient by increasing State levels by the same amount as the Federal SSI increase, or

2. Increase the State payment levels so that the State's share of its total supplementation payments is the same during the 12 months following a Federal benefit increase as it was in the prior 12 months.

The change in the law that provides for disregarding Federal benefit increases in determining hold harmless protection has the effect of perpetuating hold harmless protection for the States of Hawaii, Massachusetts and Wisconsin. Under prior law, increases in the Federal SSI payments reduced the protected proportion of a State's supplementation payments, therefore reducing Federal hold harmless payments. This resulted because two of the basic determinants of hold harmless, the APL and the calendar year 1972 non-Federal expenditures, are

fixed amounts which are constant even where program costs rise due to inflation or other factors. The APL's determine the portion of the State supplementation payment which is "protected" and therefore credited toward reaching a State's calendar year 1972 non-Federal expenditure level. "Protected" State supplementation payments which exceed the calendar year 1972 non-Federal expenditure level become Federal liability under the hold harmless provision of the law. Under prior law, when the maximum Federal SSI benefit increased because of the automatic benefit increases, the difference between the maximum Federal payment and a fixed APL became smaller. This resulted in a smaller proportion of protected payments and thus lower Federal hold harmless costs. The change in the law has the effect of freezing the current difference between the maximum Federal SSI benefit and State APL, thereby maintaining the current level of protected payments.

Budget Estimate for Hold Harmless

Because of the effect of the recently enacted legislation which freezes the current level of protected payments, hold harmless costs should not fluctuate significantly in the future. The $5,000,000 increase in FY 1978 over the FY 1977 level is due to a small increase in the projected State supplementation caseload in the three hold harmless States.

Beneficiary Services

	1977 Estimate	1978 Estimate	Increase or Decrease
Beneficiary services.....	$50,100,000	$75,180,000	+$25,080,000

Funds requested for this activity are for three purposes:

(1) To provide vocational rehabilitation services to SSI recipients (section 1615 of the Social Security Act);

(2) To monitor the treatment of disabled SSI recipients who are also drug addicts or alcoholics (section 1611(e)(3)(A) of the Social Security Act); and

(3) To provide medical, developmental and social services to disabled child SSI recipients (section 1615 of the Social Security Act as amended by PL 94-566).

This budget activity was previously entitled Vocational Rehabilitation Services; however, the new category of medical, educational and social services to disabled child SSI recipients has been added and the activity is now entitled Beneficiary Services.

Services included under (1) and (2) above are provided by State agencies which have agreements with the Secretary to perform the appropriate functions. States are fully reimbursed for their costs of providing these services. In most instances the Social Security Administration (SSA) transfers funds to the Rehabilitation Services Administration (RSA) which in turn allocates them to the States. SSA is responsible for negotiating agreements with governmental agencies in California and New York City to monitor the treatment of drug addicts and alcoholics.

Services to disabled children will also be provided by State agencies which have agreements with the Secretary to perform the appropriate functions. Based on discussions within the executive branch it is expected that the Title V State agencies will be designated as the coordinating and administrating agency in most States. SSA will transfer funds to the Health Services Administration (HSA) which will allocate funds to the States based on the formulas provided in the law.

Criteria for Vocational Rehabilitation, SSI Program

The fundamental objective of vocational rehabilitation for SSI recipients is to return as many as possible of the disabled individuals eligible for SSI payments to productive, self-supporting work activity. The criteria for selection for vocational rehabilitation determined by the Secretary of Health, Education, and Welfare under the law are as follows:

1. The disabling physical or mental impairment must not be so rapidly progressive as to preclude the individual's restoration to productive activity.

2. The impairment, without the planned rehabilitation services, is expected to remain severe enough to require continued payment of benefits.

3. It can reasonably be expected that these services will restore the individual to productive activity.

4. The predictable period of productive work activity following the provision of rehabilitative services will be long enough for the cost of the services to be offset by future savings in SSI payments.

The criteria are intended to exclude those whose impairments are responding to treatment and who can be anticipated to go off the SSI roll without the need of vocational rehabilitation services. The emphasis on "productive activity" rules out the financing from SSI funds of services which might be aimed at restoring an individual to non-remunerative activity or to a marginal earnings capacity that would fall short of substantially reducing dependence on supplemental security income payments. These policies are modeled after the program for disabled social security beneficiaries as authorized by Title II of the Social Security Act.

FY 1978 Estimate

The FY 1978 estimate of $75,180,000 is made up of three elements.

(1) Vocational rehabilitation services to disabled SSI recipients ($44,040,000)

The funds requested for fiscal year 1978 are 90 percent of the amount of funds requested in the President's 1977 budget. This amounts to a reduction of $4,893,000 from fiscal year 1977 and results from a report made by the Government Accounting Office (GAO) on improvements needed in rehabilitating Social Security Disability insurance beneficiaries. The report indicated that some individuals receiving vocational rehabilitation services under the Title II program did not meet the selection criteria. Since the selection criteria for the SSI program are patterned after the social security program the budget assumes that the same situation exists for the SSI program. This may or may not be the case.

Because the GAO report was available in draft form in FY 1976, States began working on refinements in their system for selecting individuals for service. While surveys show that the proportion of recipients improperly served under the federally funded program has improved, they also indicate the need for further improvement. The budget assumes States will continue to place emphasis on refining their selection systems and be able to identify and remove more SSI recipients who do not meet the selection criteria from the SSI financed vocational rehabilitation program. The following table summarizes the changes in the major workloads for the State VR agencies.

Workload Categories	FY 1977	FY 1978	Increase or Decrease
1. Diagnosis and evaluation:			
Individuals	28,800	24,200	-4,600
Average cost per individual	$170	$182	+$12.00
Total cost	$4,893,300	$4,404,000	-$489,300
2. Extended Evaluation:			
Individuals	5,400	4,600	-800
Average cost per individual	$931	$996	+$65.00
Total cost	$5,040,099	$4,536,200	-$503,899

	FY 1977	FY 1978	Increase or Decrease
3. Active Caseload:			
Individuals	36,100	30,400	-5,700
Average cost per individual	$1,079	$1,154	+$75.00
Total cost	$38,999,601	$35,099,800	-$3,899,801
Total cost	$48,933,000	$44,040,000	-$4,893,000

The first workload category reflects the number of new recipients who are referred to or those who apply for vocational rehabilitation services from the State agencies. It is at this stage that the States assess the individual background, capabilities, etc. and determine what services ought to be provided. The second workload category reflects more difficult cases from the first category that require more comprehensive tests or examinations to determine if the individuals meet the law and regulatory requirements for services and if they could reasonably benefit from services provided by the State agencies. The third category represents the active caseload of the State agencies and includes new SSI recipients to receive services, as well as recipients carried over from prior years who continue to receive services.

(2) Monitoring the treatment of drug addicts and alcoholics ($1,140,000)

Eligibility for SSI payments for disabled individuals who are medically determined to be drug addicts or alcoholics is subject to their undergoing appropriate treatment for their conditions at an approved facility. Under the monitoring program State agencies, or other governmental agencies, under contracts with the Secretary are to refer drug addicts or alcoholics to approved treatment facilities, monitor their treatment, and report non-compliance and successful treatment to the Social Security Administration.

In the President's 1977 budget SSA requested $3,837,000 for monitoring the treatment of drug addicts and alcoholics. The decrease of $2,670,000 in the revised FY 1977 estimate relates to the cost of these monitoring activities in New York City. SSA is now negotiating an agreement with the New York agency which will perform the function. Based on estimates discussed during negotiations, we expect actual costs to be less than estimated in the 1977 President's budget.

The estimated number of individuals subject to having their treatment monitored and estimated costs are as follows:

	1977	1978	Increase or Decrease
Drug addicts or alcoholics	9,845	9,700	-145
Average cost per recipient	$118	$118	--
Total cost	$1,167,000	$1,140,000	-$27,000

(3) Medical, developmental and social services to disabled child SSI recipients ($30,000,000)

Section 501 of PL 94-566, enacted October 20, 1976, amended section 1615 of the Social Security Act by providing for the formal referral of blind and disabled SSI child recipients to State agencies for appropriate medical, educational, and social services. Previously the law contained no specific provision for services or referral to services appropriate for children. The vocational rehabilitation provision in the law was

designed for people who enter or reenter the work force and generally does not provide the types of services that disabled children require.

Under the new amendment the law provides that blind and disabled children under age 16 will be referred to a single State agency designated in the State plan. The State plan for these services must meet certain criteria to qualify for Federal financing under this section. These criteria are as follows:

--The plan will make medical, social, developmental and rehabilitative services available to disabled children 6 years of age and under, or those children over age 6 who have never attended public school and require such services to prepare them to take advantage of public educational services.

--The plan will assure appropriate counseling for disabled children referred under this section.

--The plan will provide for establishment of individual service plans for these children and prompt referral to the appropriate services.

--The plan will provide for monitoring to assure adherence to the individual service plans.

--The plan shall include coordination with other agencies serving disabled children and establishment of an identifiable unit within such agency which shall be responsible for carrying out the plan.

The law provides Federal funding for these services provided SSI child recipients for fiscal year 1977 and the succeeding two fiscal years up to a $30 million-per-year limit. The funds will be allocated to States according to the number of children (not just children entitled to SSI) age 6 and under in each State. At least 90 percent of the funds are to be used to provide the medical, educational and social services with the balance of funds to finance the counseling; individual service plans, referral and monitoring activities performed by the State.

Derivation of the Estimate

Section 1615 of the Social Security Act as amended by section 501 of PL 94-566 specifically provides that "The Secretary shall by regulation prescribe criteria for approval of State plans." Efforts are underway within HEW to expedite the development of these regulations. At this juncture we cannot accurately forecast when these regulations will be published in final. The budget assumes that this process will be complete by the beginning of FY 1978. Therefore we are budgeting $30,000,000 for this program in FY 1978--the full amount authorized by the enabling legislation. Although we are not budgeting funds for this program in FY 1977 because of the uncertainties involved in completing development of regulations in final form, more than sufficient unobligated funds remain in the FY 1977 appropriation--$492,912,000--to cover any section 501 costs that might be incurred. The Office of the General Counsel, HEW has rendered an opinion that it is legal to use the FY 1977 SSI appropriation to finance any section 501 costs incurred in FY 1977.

Payments to Trust Funds for Administrative Costs

	1977 Estimate	1978 Estimate	Increase or Decrease
Payments to the trust funds for administrative costs.....	$530,265,000	$542,958,000	+$12,693,000

The Social Security Administration is responsible for administering the Supplemental Security Income program. The program's administrative expenses are identified and explained in the justification for "Limitation on Salaries and Expenses, Social Security Administration."

Section 201(g)(1) of the Social Security Act provides that administrative expenses for the Supplemental Security Income program, including Federal administration of State supplementation payments, may be financed from the social security trust funds with reimbursement, including any interest lost, to the trust funds from the general revenues. The use of trust funds for SSI administrative expenses was primarily for administrative convenience and efficiency. The legislative history of the 1972 amendments indicates a desire to obtain economy of administration by giving the Social Security Administration the responsibility for the SSI program because of its existing district office network, administrative and ADP facilities. The integration of the administration of these two programs made it desirable to permit funding from one source and reimbursement to the trust funds based on a cost analysis of the respective expenses of the SSI and social security insurance programs. This appropriation includes $542,958,000 for payments to the trust funds in fiscal year 1978 for administration of the SSI program.

Federal Fiscal Liability

	1977 Estimate	1978 Estimate	Increase or Decrease
Federal fiscal liability.....	$61,845,000	$86,862,000	+$25,017,000

Background

States may choose to have the Federal government administer their State supplemental payment programs. At the present time, 26 States and the District of Columbia have federally administered supplemental payments. In administering State supplementation payments, the Federal government has made payment errors--overpayments, payments to ineligibles, or underpayments.

Based on review of the law, the Office of the General Counsel, HEW, advised SSA that Title XVI authorizes use of appropriated funds to reimburse States for supplemental payments "...made by SSA, to the extent such payments were made to ineligible individuals or otherwise constituted incorrect payments." On the basis of this opinion and because of contractual agreements with the States, the budget assumes that the Federal government will meet its commitment to the States to reimburse them for errors SSA makes in expending State funds. However, reimbursement will be for incorrect payments of State supplementation resulting from Federal errors only--not those which resulted from faulty information about recipients provided by States during conversion from the State administered adult assistance programs to the SSI program.

Ramifications of the Maryland vs Mathews Decision

The Federal/State SSI agreements for FY 1974 through the transition quarter provided for fiscal penalties when the Federal government failed to meet specified levels of payment accuracy. The Federal Fiscal Liability (FFL) provisions of these agreements were patterned after the HEW regulations for establishing the States' liabilities for their errors in administration of the aid to families with dependent children (AFDC) program. The recent Maryland vs Mathews court decision set aside as invalid the AFDC Quality Control (QC) disallowances. As a result of this decision, HEW and States are working jointly to determine an overall AFDC/SSI QC system. SSA expects that once developed this system will be applied prospectively only.

The FFL contract language was a major issue during recent negotiations with States over the agreements for FY 1977. As a result of these negotiations, SSA has agreed to retain the previous FFL language in the FY 1977 agreements until the revised AFDC/SSI QC system is developed and implemented. Thus, the budget assumes that SSA will honor the contractual commitments to reimburse States for Federal errors in administering State funds.

Budget Estimates

Although the FY 1977 President's budget projected that we would begin settling FFL in FY 1976, no settlements occurred in 1976 or the transition quarter. Settlement for the first 6 months (January-June 1974) is to be based on audits conducted by the HEW Audit Agency. Although the audit reports for all States were not issued in final form until May 1976, SSA began deliberations with the American Public Welfare

Association (APWA) on February 25 to discuss settlement proposals. Thus far SSA and APWA have not reached agreement on the settlement criteria. The major issue protracting settlement has been the application of tolerances to audit findings. Our best estimate of what the timetable for settlements will be is as follows:

--FFL for FY 1974 and FY 1975 will be settled in FY 1977.
--FFL for FY 1976 and the transition quarter will be settled in FY 1978.

Estimated FFL Obligations

The budget is based on the assumption that FFL settlement costs will be determined based on audits by the HEW Audit Agency, or on case by case listings, or the results of quality assurance analysis conducted by SSA. The FFL estimates reflect SSA's goal of reducing the case error rate (including an estimated 5 percent for underpayments) to 15 percent as of December 1977. The estimates also assume that SSA will accept liability only for those FFL costs attributable to errors in excess of the contractual tolerance error rates (i.e., 3 percent for payments to ineligibles and 5 percent for overpayments) with an allowance for stepping down to these tolerances.

Estimates of Federal Fiscal Liability Obligations
(In thousands)

For Fiscal Year	Estimated FFL	Anticipated Settlement 1977	Anticipated Settlement 1978
1974	$15,000	$15,000	--
1975	46,845	46,845	--
1976	69,546	--	$69,546
TQ	17,316	--	17,316
Total	$148,707	$61,845	$86,862

Unreimbursed State Supplementation

Throughout fiscal years 1974, 1975 and part of 1976 several States did not fully reimburse SSA for State Supplementary payments made on their behalf. Generally these States withheld partial reimbursement because of their allegations of the extent of Federal errors and their concerns about the Federal posture for assuming financial responsibility (FFL) for these errors. The amount of reimbursement withheld by States for fiscal years 1974 and 1975 is about $59.6 million. The reimbursement deficit for FY 1976 is about $27.5 million, most of which was withheld during the first half of the year. During the last half of fiscal year 1976 and the transition quarter States not only reimbursed SSA in full for current obligations, but some States repaid parts of the prior years' deficits. We attribute this change in position by States to the following factors:

--States are aware of SSA's intensified efforts to improve SSI payment accuracy.
--As negotiations of FFL for the first 6 months of the program drew closer, States were assured of Federal intentions to deal fairly. Negotiations of FFL for this period began in February.

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In determining final settlement costs with each State, SSA intends to offset its FFL costs with appropriate States against the reimbursement they owe the Federal government. These offsets will not affect total FFL obligations, but will reduce outlays. Net outlays for FFL are displayed below:

	1977 Estimate	1978 Estimate
FFL obligations	$61,845,000	$86,862,000
Less recoveries of unreimbursed State supplements	-59,600,000	-27,500,000
Net Outlays for FFL	$2,245,000	$59,362,000

SSA again wants to bring to the attention of the Congress that it is using the SSI appropration to cover shortfalls and delays in State reimbursement of supplemental payments made on their behalf. Although generally States have reimbursed SSA for these reimbursable obligations over the past several months, there have been some instances where States have delayed reimbursement. For example California in the first three months of FY 1977 did not reimburse SSA until the FY 1977 agreements were completely negotiated and agreed upon by both parties. Experience has shown that use of the appropriation for this purpose is diminishing but may continue for awhile.

SOCIAL SECURITY ADMINISTRATION

Supplemental Security Income Program

Program Purpose and Accomplishments

Activity: Supplemental Security Income Program (Title XVI, Social Security Act, Section 401 of P.L. 92-603, Section 212 of P.L. 93-66), as amended

1977 Estimate	1978 Authorization	1978 Budget Estimate
$5,895,122,000	Indefinite	$5,750,000,000

Purpose: This appropriation provides for carrying out the provisions of title XVI of the Social Security Act, as amended, section 401 of P.L. 92-603 as amended and section 212 of P.L. 93-66 as amended which established or amended the Federal Supplemental Security Income program for the aged, blind, and disabled. This appropriation request covers: (1) the Federal benefit payments to aged, blind, and disabled recipients; (2) the amount of Federal hold harmless payments to States; (3) the cost of beneficiary services provided by State agencies to blind and disabled SSI recipients (4) payments to the social security trust funds for the administration of the program; and (5) Federal fiscal liability settlement costs.

The SSI program was effective on January 1, 1974, and replaced State and locally administered programs of old age assistance and aid to the blind and disabled, formerly financed in part by Federal grants from the Social and Rehabilitation Service. The SSI program currently provides a uniform income support level of $167.80 per month for an individual and $251.80 per month for a couple. Public Law 93-368 requires that when social security benefits are automatically increased based on a cost-of-living computation, supplemental security income benefits will be increased by the same percentage. Under this provision, the budget projects that maximum monthly Federal SSI payments will increase automatically by 4.9 percent on July 1, 1977, and by 5.5 percent on July 1, 1978. The following table displays the maximum monthly Federal SSI benefits payable throughout the current and succeeding fiscal years:

	FY 1977		FY 1978	
	First 9 mos.	Last 3 mos. (4.9% Increase)	First 9 mos.	Last 3 mos. (5.5% Increase)
Single individual	$167.80	$176.10	$176.10	$185.80
Couple	$251.80	$264.20	$264.20	$278.80

In addition, the law requires States to maintain the December 1973 income level of all recipients who received assistance payments for December 1973 under State programs through mandatory State supplementation of the Federal benefit. Also, those States wishing to pay an aged, blind, or disabled person additional amounts, may make optional State supplementation payments. If a State chooses Federal administration of its supplementation payments programs, the Federal government pays all associated administrative costs. In addition, under the hold harmless provision for those States choosing Federal administration of their supplements, the Federal Government makes contributions toward State supplementation (hold harmless payments).

This insures State costs do not exceed those incurred in 1972 for assistance payments to the aged, blind, and disabled, unless the State chooses to do so through optional supplementation.

The law requires that blind or disabled persons who receive SSI payments be referred to State agencies for beneficiary services. Payments for providing these services are made to the States from Federal funds through the Rehabilitation Services Administration and the Health Services Administration. In addition, any disabled SSI recipients who are also drug addicts or alcoholics are subject to having their treatment monitored. The cost of monitoring treatment is included in the appropriation request. Medical, developmental, and social services for disabled child SSI recipients under age 16 are also funded from the appropriation.

The law also allows the use of the trust funds for financing administrative costs of the SSI program, with reimbursement from this appropriation, including any interest lost, to make the trust funds whole.

In addition, the appropriation is used to cover Federal fiscal liability settlements with States due to Federal errors in federally administered State supplementation payments.

Accomplishments in 1977:

1. To make payments and maintain the benefit rolls for SSI recipients, including those receiving federally administered State supplementation. The estimate of recipients on the rolls at the end of fiscal year 1977 is shown in the table below. The table includes recipients of Federal SSI payments and of State supplementation payments administered by the Federal government.

SSI Recipients End of Fiscal Year 1977

Aged	2,100,000
Blind and Disabled	2,210,000
Total	4,310,000

2. To make Federal benefit payments of $4,720,000,000 during FY 1977. In addition, SSA will pay $1,555,000,000 in federally administered State supplementation payments (mandatory and optional). The Federal government will finance an estimated $40,000,000 of the $1,555,000,000 through hold harmless payments to the States.

3. To improve the accuracy of SSI payment through SSA's error reduction program. The management improvements in this effort include the redeterminations of eligibility and of the correctness of payment amounts, enhancements to automated systems, improved employee training and instructions, refinement of the interview process, experimentation in various organizational and process improvements, and development and implementation of specialized regional corrective action plans. The budget projection of benefit payments takes into account $180,000,000 of savings due to this program.

4. To provide vocational rehabilitation services to blind and disabled recipients who meet Special Selection criteria (at a cost of $48,933,000); and monitoring of the treatment of disabled SSI recipients who are drug addicts or alcoholics (at a cost of $1,167,000).

5. To reimburse the trust funds for SSI administrative expenses of $530,265,000.

6. To arrive at equitable settlements with the States for Federal errors made in the administration of State supplementation benefits during FY 1974 and 1975. The budget estimates these settlements to cost $61,845,000.

Objectives for 1978: Fiscal year 1978 objectives are:

1. To make payments and maintain the benefit rolls for SSI recipients, including those receiving federally administered State supplementation. The estimate of recipients on the rolls at the end of fiscal year 1978 is shown in the table below. The table includes recipients of Federal SSI payments and of State supplementation payments administered by the Federal government.

SSI Recipients End of Fiscal Year 1978

Aged	2,020,000
Blind and Disabled	2,305,000
Total	4,325,000

2. To make Federal benefit payments of $5,000,000,000 during fiscal year 1978. In addition, SSA will pay $1,590,000,000 in federally administered State supplementation payments (mandatory and optional). The Federal government will finance an estimated $45,000,000 of the $1,590,000,000 through hold harmless payments to the States.

3. To improve the accuracy of SSI payments through SSA's error reduction program. The management improvements in this effort include redeterminations of eligibility and of the correctness of payment amounts, enhancements to automated systems, continuing employee training and instructions, refinement of the interview process, improved organizational and processing methods and continued implementation of specialized regional corrective action plans. The budget projection of benefit payments takes into account $270,000,000 of savings due to this effort.

4. To provide beneficiary services to blind and disabled recipients. This includes vocational rehabilitation services for recipients who meet special selection criteria (at a cost of $44,040,000); monitoring of the treatment of disabled SSI recipients who are drug addicts or alcoholics (at a cost of $1,140,000); and medical, developmental, and social services for disabled child SSI recipients (at a cost of $30,000,000).

5. To reimburse the trust funds for SSI administrative expenses of $542,958,000.

6. To arrive at equitable settlements with the States for Federal errors made in the administration of State supplementation benefits during FY 1976 and the transition quarter. The budget estimates these settlements to cost $86,862,000.

LIMITATION ON SALARIES AND EXPENSES (TRUST FUND)

WITNESSES

JAMES B. CARDWELL, COMMISSIONER
ROBERT P. BYNUM, ASSOCIATE COMMISSIONER, OFFICE OF PROGRAM OPERATIONS
FRANCIS D. DeGEORGE, ASSOCIATE COMMISSIONER, OFFICE OF MANAGEMENT AND ADMINISTRATION
FRED SCHUTZMAN, DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
LOUIS R. PONSI, BUDGET OFFICER, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND ADMINISTRATION
MICHAEL STURMAN, DIRECTOR, WELFARE BUDGET ANALYSIS DIVISION

Mr. FLOOD. We will continue with the Social Security Administration—Limitation on Salaries and Expenses, Limitation on Construction.

[The biographical sketch and statement follow:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Social Security Administration

Name: JAMES B. CARDWELL

Position: Commissioner of Social Security, Social Security Administration, Department of Health, Education, and Welfare since October 10, 1973.

Former Positions: Began his Federal service in 1942 as a clerk in the Public Housing Administration. Served with the United States Army in the European Theater of Operation during World War II, and returned to the Public Housing Administration in 1945 where he served in administrative and budget assignments until 1954.

Joined the Department of Health, Education, and Welfare in 1955 and served as a budget officer in the Office of Vocational Rehabilitation until 1957. From 1957 to 1958, was a budget examiner with responsibility over the Department's health budget in the Office of the Secretary. Was Assistant Commissioner for Administration in the Food and Drug Administration during the period 1958 to 1965.

Appointed in 1965 as Deputy HEW Comptroller and Departmental Budget Officer, and served from 1970 to 1973 as Assistant Secretary and HEW Comptroller.

Education: Graduated in 1955 with a Bachelor of Commercial Science Degree from Columbus University.

Awards: DHEW Superior Service Award in 1961; the FDA Award of Merit, 1965; the HEW Distinguished Service Award, 1967; HEW Secretary's Special Citation, 1968; and the HEW Certificate of Outstanding Performance, 1968. Received the National Civil Service League Career Service Award in 1971; the Rockefeller Public Service Award, 1974.

Personal: Born in the District of Columbia. Married to the former Mary Louis Sheppard of Kansas City, Kansas. Resides in Rockville, Maryland. Four children: James Jr., Mark Edward, David Bryan and John Richard.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Statement by the Commissioner of Social Security

on

"Limitation on Salaries and Expenses (Trust Fund)"

The "Salaries and Expenses" request is for authority to spend up to $2,685,951,000 from the trust funds for the administrative costs of the social security cash benefit, Medicare, and Supplemental Security Income program. The Supplemental Security Income program is financed entirely from general revenues; however, initial advances from the social security trust funds are authorized for administrative expenses, with full reimbursement made from the SSI appropriation on a current basis.

Of the amount requested for the "Limitation on Salaries and Expenses," $543 million is for administering the SSI program; $1,336 million is for administering the cash benefit programs of old-age, survivors and disability insurance; and $782 million is for the Medicare programs of hospital and supplementary medical insurance. As in the past, the request also includes a $25 million contingency reserve to use, if necessary, if workloads exceed budget estimates and to meet mandatory increases in the costs of Medicare contractors and State agencies.

This year our request includes $1,807 million for bureaus and offices of the SSA; $546 million for the contractors which process Medicare claims; and $308 million for payments to State agencies which help administer the social security, SSI, and Medicare programs. In total, 32 percent of the estimated administrative expenses are for third parties under contract or agreement to assist in carrying out the provisions of the Social Security Act.

Accomplishments in 1977

Since January 1974, SSA has had to place major emphasis on the Supplemental Security Income Program. From the experience gained over the past three years, we have made many improvements in the operation and management of the SSI program.

--VA and RRB Interfaces.--We have enhanced and expanded the automated SSI system, including the development of an automated data exchange system with the VA and RRB.

--Training.--We have continued our emphasis on improved employee training and are piloting an evaluation system to verify the effectiveness of training courses.

--Redeterminations.--We plan to modify the annual redetermination program to identify SSI recipients requiring more or less frequent interviews. We have identified one "high risk" category, recipients with earned income; and one "low risk" category, recipients institutionalized in long term care medical facilities.

Other SSA emphases in 1977 include:

--Specialization Experiments.--We are conducting experiments in each SSA region to assess the impact of different organizational and processing arrangements on the quality of work and the general performance of field employees.

--Advanced Systems Planning.--We will complete the conceptualization phase of the development of an advanced systems process for SSA, and begin work on defining the automated and related manual processes for the services SSA must deliver.

--Hearings.--We have continued our efforts to reduce the hearings backlog to a more manageable level.

Budget Emphases for 1978

SSA plans to continue its emphasis on the SSI program in 1978, and at the same time move to correct other existing deficiencies. Our budget emphases for 1978 are:

--Improved Payment Accuracy.--The budget reflects our goal of reducing the SSI case error rate to 15 percent by December 1977.

--SSI Overpayments.--The budget provides the resources needed to process the backlog of cases carried over from 1977.

--Quality Assurance.--We are developing a new SSA-wide Quality Assurance Reporting System, which will help identify needed improvements in the quality of SSA's final product--the correct and timely payment of benefits.

--Stabilization of Hearings Workloads.--We will gradually reduce the pending hearings level toward the goal of 13 weeks work by the close of 1979.

--Advanced Systems Planning.--SSA will continue the emphasis on advanced systems design and improved computer technology which began in 1976. In 1978, the budget provides for both SSA manpower and contractual services for the advanced systems project.

--Medicare Fraud and Abuse.--The budget provides the SSA resources needed to support and monitor new initiatives taken by Medicare contractors in the detection and prevention of Medicare fraud or abuse.

--Stabilization of Work Force.--The budget emphasizes a more efficient and effective use of agency manpower by maintaining a stable full-time permanent work force, reducing reliance on overtime and restraining the growth of staff type functions.

Workloads

SSA administrative costs are directly related to workloads generated by the provisions of the law and demographic factors not subject to budgetary control. As a result, the volume of work we process continues to increase each year. Our principal workloads for 1978 illustrate the magnitude of the job:

--We expect to process over 4 million claims from retired workers, dependents or survivors, and over 2 million claims from disabled workers and their dependents.

--We will keep the beneficiary rolls current for over 34 million persons under the social security cash benefit programs.

--We will issue over 8 million social security numbers and post over 370 million earnings items to workers' lifetime records of earnings under social security.

--We will process more than 1.2 million new SSI claims, and maintain the records of about 4.4 million SSI recipients.

--We will complete 4.4 million redeterminations of SSI eligibility and payment amount in 1978. These and other corrective actions will help weed out ineligibles and make sure we pay benefits in the correct amount. In total, we expect to save $270 million in 1978 SSI benefit payments as a result of SSA's error reduction program.

--We will process 156,000 hearings from claimants who are appealing decisions concerning their eligibility and benefits, primarily in the disability and SSI programs.

--Medicare contractors will process over 154 million claims for payment from beneficiaries, physicians, hospitals and other providers of health care.

--State agencies under contract to SSA will make 2.4 million disability determinations in fiscal year 1978.

Changes in Obligations

Our budget request for fiscal year 1978 reflects a total increase in obligations of $88.3 million. This increase includes $85.2 million in mandatory items which fall principally into two categories: (1) increased salary costs for SSA employees, resulting from annualization of the 4.87 percent October 1976 pay raise and annual within-grade increases and promotions to journeyman levels; and (2) increases in salaries and prices paid by third parties.

In addition to these mandatory items, the budget projects a $49.4 million increase in work output from fiscal year 1977 to fiscal year 1978 for the Social Security Administration and the third parties which assist in workload processing. However, this increase will be completely offset by a savings of $73.8 million for productivity improvements budgeted for the SSA bureaus, State agencies and Medicare contractors.

Other increases in the budget include about $19.5 million for work-related space, communications, and ADP rental costs, and about $22.5 million primarily for one-time or intermittent costs, such as contracts for the Office of Advanced Systems, and the purchase of an automatic tape storage and retrieval system for the computer tape library. These increases are partially offset by about $14.5 million in decreases, primarily in the additional cost of overtime, recruitment costs, and for a reduction of one work day in 1978 compared with 1977.

Changes in Man-Years and Positions

Finally, I want to emphasize the staffing proposals contained in the 1978 budget request. Although total SSA permanent positions remain about level in 1978, our budget provides for a decrease of 195 authorized permanent positions and 1,198 man-years from the fiscal year 1977 level for the Salaries and Expenses account. This decrease in man-year requirements is due to anticipated savings of 1,380 man-years for productivity and systems improvements, partially offset by a slight increase in workloads.

To be successful in our efforts to improve the accuracy of SSI and social security payments, and to improve the quality of our service to the public, we must have a stable work force. Our budget emphasizes a more efficient and effective use of agency manpower by providing for a stable, full-time permanent work force, and by projecting a reduction in the level of overtime from 4.5 percent of total man-years in 1977 to 3.2 percent in fiscal year 1978.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Statement by the Associate Commissioner for

Management and Administration

on

"Limitation on Construction"

The Social Security Administration is requesting $14,600,000 in budget authority from the social security trust funds for fiscal year 1978 to make purchase contract payments on the three new program service center buildings. Also, SSA is seeking permission to use approximately $871,000 of previously authorized district office funds in fiscal year 1977 for other construction purposes, which I will discuss in a moment. Similar requests were approved by Congress in the past three years.

As directed by Congress, the Social Security Administration continues to budget for construction needs in this separate trust fund account rather than through the Federal Buildings Fund of the General Services Administration.

Review of Construction

The purpose of construction at the headquarters complex in the Baltimore metropolitan area is to provide adequate and appropriate facilities to house the personnel and equipment required to administer and support the social security programs. In fiscal year 1977 we plan to obligate about $400,000 to complete land purchases for headquarters projects. In 1977, we also plan to construct an access road from the SSA headquarters parking area to Route I-70. This project was planned for completion in

1976 but was delayed, first by an unanticipated gasline relocation and then by difficulties with the Maryland State Highway Administration over sharing responsibility. We are now ready to proceed, but the estimated cost of construction has increased during the delay. Therefore, we request permission to reprogram about $871,000 of funds previously authorized for district office construction to finance completion of the access road to I-70.

In June 1975, the Congress approved plans for a computer center building at the headquarters complex in Woodlawn, Maryland and a new building in downtown Baltimore to consolidate operations now housed in three leased facilities in the city. Subsequently, the House Committee on Government Operations asked the General Accounting Office to review our plans for the computer building. As a result, SSA was asked to present additional details to the House and Senate Public Works Committees. On June 25, 1976, the Chairman, House Committee on Public Works and Transportation advised us to proceed with the project. The contracts for both buildings have been let. These projects were authorized through the purchase contract method of construction granted by the Public Buildings Amendments of 1972. Since purchase contract payments will not begin for these buildings until 1979, no funds are included in this request for them. However, we plan to obligate $670,000 in 1977 and $607,000 in 1978 to finance the General Services Administration project management costs for the construction phase of these two headquarters projects.

District Office Construction

Our policy is to construct district offices in locations where Federally owned or commercial space is not available or is not suitable for our program needs. To date we have constructed 76 offices under this policy. We plan to expand 26 of these offices, and the budget earmarks $4.5 million in 1977 and $3.7 million in 1978 for this purpose. No new budget authority for district office construction is requested for fiscal year 1978 because about $16 million still remains available from previous appropriations. New starts in the construction of district offices have lagged in recent years because the SSI program changed workload patterns and created immediate demands for space which could not be met quickly enough through construction. Now that our workloads have stabilized, we are preparing to resume our building program. Working with GSA and HEW, we have developed a new plan for construction, based on pre-designed buildings, which will enable us to construct district offices in an economical and timely fashion. We hope to select sites for 10 offices in 1977 and begin construction on them in 1978. Current plans call for selection of five more sites in 1978. We plan to obligate $1 million in 1977 and $4.5 million in 1978 for these projects.

Program Service Center Construction

SSA occupied new program service centers in Richmond, California and Philadelphia, Pennsylvania in July 1975 and in Chicago, Illinois in October 1976. These facilities also were built under the purchase contract authority. We plan to obligate $13.3 million in 1977 for the purchase contract payments on these buildings. In 1978, the payments will be about $15.8 million. We are requesting $14.6 million in new authority to be used with previously appropriated funds to meet this payment.

TOTAL SOCIAL SECURITY ADMINISTRATION MANPOWER

Mr. FLOOD. Mr. Cardwell, could you first explain to the committee how you arrived at your estimate here that exactly 79,915 employees would be necessary to administer this social security program?

Commissioner CARDWELL. If we can leave the word "exactly" out of the answer, I will give it a try.

For the bulk of our work, that involving the direct operations particularly in the field, we estimate the number of claims that we will receive, the number of benefits to be paid, the number of SSI redeterminations to be made.

In other words, we attempt to estimate the units of work to be processed during the fiscal period. We rely on the SSA actuaries to do that basic estimate.

Based on prior year experience, we have developed a unit of manpower required for each unit of work, and we multiply the units of work times the units of manpower and produce our estimates of man-years of employment required to carry out the work.

It is called a workload base budget. It is one of the few around Government.

It does not account for all of our staff. Employees in staff offices are often accounted for on an organizational basis—so many people to operate a given organization.

DISTRIBUTION OF MANPOWER

Mr. FLOOD. What portion of the total social security work force is employed directly in the field office system, what portion in the regional offices and then what portion in the central office?

Commissioner CARDWELL. Approximately 40,000 full-time permanent employees out of the total number are employed in the field.

That would include the regional offices and the district offices.

Mr. SCHUTZMAN. In our operations, we have some 80,000 employees of which 40,000 are field office folks. We have some 13,000 in our program service centers. We have some 10,000 in our Bureau of Data Processing, and another 6,000 in our Bureau of Disability Insurance.

Mr. FLOOD. Let me ask you this question and for the record provide the committee with a table showing the distribution of personnel by major functions and organizations within the Social Security Administration.

[Information follows:]

87-936 O - 77 - 26

Social Security Administration

Full-Time Permanent Staff On-Duty - Week Ending 3/25/77

	Total	Central Office 1/	Regional Office	Field Offices
Office of the Commissioner	19	19	--	--
Office of External Affairs	309	309	--	--
Office of Program, Policy & Planning	871	871	--	--
Office of Advanced Systems	86	86	--	--
Office of Management & Administration	3,269	2,699	--	570 2/
Office of Program Operations	69,937	16,022	1,288	52,627
Office of the Associate Commissioner	279	279	--	--
Regional Commissioner/Field Offices	38,896	--	1,288	37,608 3/
Bureau of Retirement & Survivors Insurance	14,062	766	--	13,296 4/
Bureau of Disability Insurance	6,114	6,114	--	--
Bureau of Data Processing	10,282	8,559	--	1,723 5/
Bureau of Supplemental Security Income	304	304		--
Bureau of Health Insurance	2,198	1,316	882	--
Bureau of Hearings & Appeals	3,935	993	191	2,751
Total	80,624	22,315	2,361	55,948

1/ Central office staff includes workload operations in the Office of Program Operations, the Bureau of Health Insurance.
2/ Office of Quality Assurance field offices
3/ District and branch offices and teleservice centers
4/ Program service centers
5/ Data operations centers

NEW EMPLOYEES

Mr. FLOOD. Although you are not proposing any new positions this year, I take for granted there will be considerable turnover. Could you estimate the number of new employees brought into the Government under this appropriation.

Commissioner CARDWELL. In terms of net new numbers of employees we would not be adding any but in terms of turnover there would be some who would be recruited.

Mr. SCHUTZMAN. We estimate our turnover around 8,000 a year.

Mr. FLOOD. In the 1977 column in your budget you show a total of 80,110 permanent positions for the Social Security Administration.

How many of those are filled at the present time?

Mr. SCHUTZMAN. As of March 11, we have 80,750 full-time permanent employees on duty, including employees involved in reimbursable and black lung work, and employees financed from the salaries and expenses appropriation.

Mr. FLOOD. Your budget shows a total of 80,110.

Mr. DEGEORGE. We will be attriting down during the year.

EMPLOYMENT FREEZE

Mr FLOOD. We understand there is an employment freeze down at the Department of Health, Education, and Welfare.

Does that freeze affect the operations of the Social Security Administration?

Mr. SCHUTZMAN. We are in a limited hiring situation, but we can replace three out of every four we lose. There will be some effect until the Office of Management and Budget establishes new ceilings.

At the present time we are hiring three employees for every four lost.

Mr. FLOOD. Have you been issued an employment ceiling for fiscal year 1977 or 1978?

If you have, give us the figures.

Commissioner CARDWELL. In effect they are being held to determined later on this three-out-of-four rule is taking the place of the employment ceiling.

ADMINISTRATIVE COSTS

Mr. FLOOD. Take a look at page 97 or the justifications.

You provide us some useful information on how social security administrative costs compare to trust fund income.

Can you also provide us with similar data on how the administrative costs per beneficiary under each of the programs compare over the last 5 years?

Commissioner CARDWELL. Yes, sir.

[Information follows:]

ADMINISTRATIVE COSTS PER BENEFICIARY UNDER EACH PROGRAM

Program	Fiscal year (rounded to the nearest dollar)—				
	1974	1975	1976	1977	1978
Old age and survivors insurance	$27	$28	$33	$33	$33
Disability insurance	58	58	67	74	73
Hospital insurance	10	11	13	13	14
Supplementary medical insurance	16	19	20	22	24
Supplementary security income	[1] 90	115	113	123	124

[1] The SSI program started on Jan. 1, 1974.

The total administrative costs of the social security trust fund programs include:

Salaries and Expenses (the cost of Social Security Administration components and the cost of State agencies and health insurance contractors which provide services in the disability and medicare programs).

Construction costs as approved by the Congress in SSA's limitation on construction.

An appropriate share of departmental management costs.

Social security-related work performed for SSA by other Government agencies such as the Treasury Department.

It should be noted that the social security administrative costs reflected above include some activities performed by the Social Security Administration which are not direct services to the beneficiary population, but touch all persons who are covered by, or desire information about our programs.

These include:

Maintenance of earnings records for all work covered under the social security programs.

Providing information to the general public,

Collection of social security taxes.

SSA AVERAGE GRADE

Mr. FLOOD. The budget lists the average GS grade for the Social Security Administration employees at 7.45. Are you able to tell us what the average grade in the central office versus the field structure is?

Mr. DEGEORGE. We will have to provide it for the record.

[Information follows:]

The 1978 budget shows the average grade of full-time permanent employees of the Social Security Administration at 7.38 in 1977 and 7.43 in 1978. A biweekly SSA report for the period ending March 25, 1977, shows the average grade of all full-time employees (including full-time temporaries as well as full-time permanents) to be 7.14. These reports are prepared on a bureau and office basis. If we compare the three components which are located primarily in the field—the Bureau of Retirement and Survivors Insurance, the Bureau of Hearings and Appeals, and the District office field organization—with the remaining SSA bureaus and offices, there is virtually no difference in average grade among full-time employees. The three field organizations listed above have a combined average grade of 7.15, and the remaining components have an average grade of 7.13.

Mr. FLOOD. Ten years ago the average grade level was only 6.3. Are you satisfied that you are doing everything possible to keep down the costs that are always associated with higher grades?

Commissioner CARDWELL. This is the thing that is often referred to as "grade creep" in government. We compare our own average grade with government as a whole and with HEW as a whole.

We tend to come out in gross figures relatively favorably but you have to bear in mind that we have a large number of relatively lower grade employees.

In order to really appraise the significance of this growth in average grade, you have to look at the work assignments that have been made to the various agencies over time.

As we rely more on the use of sophisticated equipment, computers and the like in lieu of low-grade employees who do repetitive clerical work, our average grade is almost certain to continue to go up.

ADVANCED SYSTEMS PLANNING

Mr. FLOOD. Since you brought that up, we spent some time last year talking about your proposed overhaul of Social Security's computer systems.

Because of the very large amount of money involved the committee is particularly interested in that activity.

Can you bring us up to date on that project?

Commissioner CARDWELL. Yes.

The project, we think, is proceeding essentially along on schedule.

I guess we will be reaching a fairly critical stage this month as a matter of fact.

Mr. FLOOD. This hearing is very timely.

Commissioner CARDWELL. We have developed a concept for a new system for taking claims, adjudicating claims, for delivery of payments.

That conceptual design will be presented to the Secretary, as things are now planned, this month. It was ready at the time of the change in administration.

It was decided we should hold it off for the new administration.

There are several very critical choices that have to be made by the Secretary and the Office of Management and Budget before we can proceed beyond the conceptual stage.

They will have to decide whether the assumptions we employed are the assumptions they would want to continue to employ.

An example of such an assumption would be a fixed requirement we have designed the system around, namely, the public, the beneficiary, a claimant seeking information would have some reasonable opportunity to deal face to face with a representative of the Social Security Administration.

Other choices would be, of course, to substitute automation for those face-to-face opportunities.

Our plan assumes that face-to-face contact would always be a fundamental part of our service but that becomes a very critical decision in planning the new system.

It is a decision that would have to be endorsed by higher authority.

Mr. FLOOD. What are the total projected costs of this new computer system and how much would you spend anyhow for routine repair, routine replacement?

Commissioner CARDWELL. These have to be rough estimates until we get further downstream but we estimated the gross costs could approximately be $400 million.

But we also estimated during a 5-year period that we would normally have spent $250 million for replacement and so a net cost of $150 million over a 5-year period.

REVIEW OF SSA COMPUTER UTILIZATION

Mr. FLOOD. Again, last year you will remember we discussed the need for an unbiased group to review all of these computer operations.

Your statement now indicates that you have contracted with the National Academy of Sciences to provide that service.

Can you tell us how they operate and how broad their charge will be?

Commissioner CARDWELL. The National Academy of Sciences has been asked to work alongside the Social Security Administration and our contractors in the design of the new system and to criticize as we proceed.

They, for example, are now reviewing the conceptualization plan we developed.

They have had one meeting on that, another is scheduled in April and they will come back and give us their recommendations for exchanges as we go along.

We have another effort by a private outside organization to review the utilization by the Social Security Administration of our present equipment.

You will remember just about a year ago the General Accounting Office did a quick summary which indicated we were significantly underutilizing fairly large blocks of equipment.

We have brought in an outside organization which over a period of a year will do a thorough analysis of computer utilization.

They gave us a report of their first stage just last week.

Mr. FLOOD. You promised to report to the committee regularly on this computer project.

Commissioner CARDWELL. We will be sending up a report probably in May.

PROGRESS REPORT ON SSA COMPUTER PROJECT

Mr. FLOOD. When can we expect the next report on this so-called conceptualization plan?

Commissioner CARDWELL. After the Secretary has reviewed it and we get the report of the National Academy of Sciences. Those two things will come together and we will present them to the committee. It will be about May.

TOTAL NUMBER OF SSA FACILITIES

Mr. FLOOD. A pretty significant portion of this request is for space acquisition and rental. Can you tell the committee the total number of facilities that are currently occupied by Social Security?

Mr. DEGEORGE. Mr. Chairman, I don't think there is any significant space increases over what we now occupy.

Mr. FLOOD. What are the total number of facilities?

Mr. DEGEORGE. There are approximately 1,300 district and branch offices.

CONDITION OF SPACE RENTED FROM GSA

Mr. FLOOD. Most of these social security offices we are talking about, we understand, are quite adequate but occasionally you run into one below standard.

Are you fully satisfied with the service you get from the General Services Administration on acquiring the best facilities for your money?

Commissioner CARDWELL. That is a loaded question, Mr. Chairman. I don't think any rental agent is strictly satisfied.

I would have to take some issue with your introductory remark that by and large our offices are in good shape. I don't think they are. I think we are really undeveloped in the space area.

Where we have been able to build our own offices with trust fund moneys, we built some quite adequate and respectable offices. However, if you go to the major central cities in which we operate and I think the Government ought to be ashamed of some of the quarters in which it offers public contact and public service. I would point to several of the New York City offices occupied by the Social Security Administration as being typical of inadequate space.

They are unpleasant, and they tend to be dirty at times. They are neither pleasant for the employees nor pleasant places for recipients to visit.

Often we are on the second or third floor of a building, although we are dealing with elderly or disabled people. That does not make any sense.

Mr. FLOOD. Given the stories like the one currently in the Washington Post, has any thought been given to restoring social security's independent authority to contract for space or to test and hire its own people?

Commissioner CARDWELL. No, sir.

Mr. FLOOD. There was quite an extensive article in the Washington Post last Sunday about the trials and tribulations of the social security district offices.

Among the things listed there, one manager complained he was unable to get a filing cabinet.

With all the money we appropriate each year for equipment, can you explain why that poor man can't get a filing cabinet?

Commissioner CARDWELL. I think he was expressing his experience as he saw it. He was probably reporting accurately his experience.

Mr. BYNUM. These things come and go.

Commissioner CARDWELL. That incident would not necessarily properly be assigned to the GSA. It could be our own fault. I would have to look at the case to be sure.

MEDICARE ADMINISTRATIVE COST

Mr. FLOOD. How much of the request you have today will be used to pay for medicare administrative contracts?

Commissioner CARDWELL. On medicare, it would be $782 million in the 1978 budget and $745 million for the current year, of that, the medicare contractors—intermediaries and carriers—amount to $546 million in 1978 and $524 million this year.

COMPETITION IN MEDICARE CONTRACTS

Mr. FLOOD. We have heard some pretty encouraging reports about cost savings in the CHAMPUS program as a result of trying some new fiscal intermediary arrangements.

Is any thought being given at all to opening up competition for medicare contracts to allow more firms to participate?

The CHAMPUS, as you know, is the military health insurance system funded under Defense appropriations.

Commissioner CARDWELL. I think it is fair to say a great deal of thought has been given to it in the SSA and at the Secretary level and even at OMB.

I guess the position of everybody at the moment is that we are probably close enough to national health insurance not to disturb the system at this time.

I think everyone concludes, though, that the system over the long term needs to be reconsidered; for example, to assure that the selection of intermediaries and carriers is done competitively. These are matters that it seems to us should be considered in the planning of national health insurance.

This is a subject that is constantly being talked about and analyzed. So far the result has always been to hold to our present arrangement unless and until we start moving toward national health insurance.

PRODUCTIVITY IMPROVEMENTS

Mr. FLOOD. Take a look at page 89 of your justification. You indicate there are savings of 11 percent in these intermediary contract costs as a result of increased productivity.

Can you tell us about that? Why do you think this kind of improvement is possible?

Commissioner CARDWELL. The experience shows they actually have been able to improve their processes by employing new techniques, often turning to the use of automation.

This is an experience based matter.

Mr. Tierney, would you like to say more about it?

Mr. TIERNEY. No, I think that is the answer, Mr. Chairman. We have experienced that kind of productivity increase. It is costing the carriers and intermediaries less today than several years ago. This is true despite inflation, wages and so forth, less per claim than several years ago.

Mr. FLOOD. You also have some figures on your own productivity improvement program.

Can you describe for us how those measures have developed?

Mr. DEGEORGE. We have our own division of direct reimbursement that processes bills for those providers who choose to deal directly with SSA. We are projecting substantial productivity improvements in this area over the next several years, as are the private contractors.

SALARIES FOR SOCIAL AND REHABILITATION SERVICE EMPLOYEES

Mr. FLOOD. The Social Security Act itself provides specific language authorizing payment of employee salaries which is then paid from direct appropriations.

Will similar language be required from those many employees being transferred for the social rehabilitation area?

Commissioner CARDWELL. That has not been decided yet, but I think that would be the arrangement we would propose.

For the current year, we would operate under a separate appropriation.

CONSTRUCTION AND LEASING OF SPACE

Mr. FLOOD. Turning to your construction request, how do you determine whether it is necessary to construct a building rather than just a leasing space?

Mr. DEGEORGE. We work with GSA in evaluating how our space needs can best be met—construction or leasing. We look at things like the comparative costs, and the availability of space. However, Mr. Chairman, since the standard level user charge was passed by Congress several years ago, the emphasis has been placed upon going into more leased space.

Also, we have had a problem with construction. Because it has taken so much more time than leasing—3 to 4 years as an average to get buildings built from the ground up.

As a result, our tendency for several years, starting about 1974, was to lease space to meet the SSI expansion. Actually, there was no other alternative. We now plan to use the unobligated balance of the district office construction fund established by Congress and we expect to select 15 locations for new construction over the next 2 years. We are also expanding 26 of the previously built offices to meet current space demands.

PURCHASE CONTRACTS FOR PROGRAM SERVICE CENTERS

Mr. FLOOD. Your justification shows $13.3 million for payment on those purchase contracts for three new program service centers.

Can you tell us how these contracts work and the total cost of each facility?

Mr. DEGEORGE. The total cost will be about $393 million—$138 million for the Richmond, Calif., facility, $144 million for the Chicago one, and $111 million for the Philadelphia site.

Basically, the General Services Administration contracts with an outside contractor on a competitive basis to build a facility which in effect we lease back normally over a period of 30 years. The Government takes title at the end of that 30-year period.

We pay the General Services Administration directly for that total cost.

So, in effect the contractor finances it and we pay for it over a period of years.

Commissioner CARDWELL. That $13.3 million breaks down to about $9.4 million of interest, $1.6 million of principal, $2.3 million of taxes and a minor share for administrative expenses related to the lease.

That would be true or is similar to your home mortgage where you pay high interest in the early period and do not begin to work on the principal for many years downstream.

This is financed exactly the same way.

Mr. FLOOD. Mr. Natcher?

OVERTIME REQUIREMENTS

Mr. NATCHER. I notice where you are planning to reduce your overtime requirements to about 2,700 man-years. Although this is the second year you have reduced this item, the figures seem still high.

How much improvement is possible, Mr. Cardwell?

Commissioner CARDWELL. We think it is one of those most important improvements we should attempt to make particularly at the district office level to help morale, to help bolster the feeling of our employees in their work.

It is the thing we talked about this morning.

We think we are moving about as rapidly as we can. We are still not on a normal footing and do not expect to be for even some time downstream.

I was visiting offices in the Northeast a week ago and they were still working on Saturdays on a voluntary basis.

The workload still requires significant overtime in many offices. One office is under a court order. This is quite typical of the kind of problems one can run into in attempting to manage such things.

The judge had decreed that SSA had to deliver a benefit within 15 days after the last piece of evidence or information required from the claimant was received.

In order to meet that deadline, there would be ebbs and flows in the work, and Saturday and Sunday work was often required to meet the deadline.

We have gone from 6.7 percent overtime in 1976 down to 4.5 percent this year and we are trying to hit a target of about 2.5 percent of total man-years in 1978.

Mr. Bynum worries the most about that.

Mr. BYNUM. There will always be a need for some overtime because of unexpected occurrences both in the field and in our headquarter computer operations, I am sure of that.

We surely are concerned that we have been saturated. We would like to get the figure just as low as we can to convert as much as we can to permanent employees and that is what we are pushing toward.

EMPLOYMENT OF THE HANDICAPPED

Mr. NATCHER. Social security has received positive publicity over the fact that you are employing handicapped people particularly at the telephone service centers.

Mr. BYNUM. Yes, sir.

Mr. NATCHER. How is that program working out? Is it a successful program?

Commissioner CARDWELL. As far as the blind are concerned, it is extremely successful. Others have said this before, and it certainly seems true in our experience, blind people will develop extraordinary senses in hearing and in the capacity to articulate. When they work over the telephone with fairly complex subjects, they do well. They seem to take pleasure out of doing the job. Whereas a sighted employee might treat it as a menial job, they treat it as an important job. It works very well.

Mr. BYNUM. We will continue to use this program. The blind do a very beautiful job for us, and this is very meaningful work to many individuals many of whom—I hesitate to use the term—were in make-work situations, when they have been employed at all. Certainly that is not true in these jobs. They are dealing with the American people,

and they are dealing with them on exactly the same basis as sighted employees are.

Commissioner CARDWELL. I do not want to take up too much of your time, but we all do this as we go visit the various offices, we will bring a group of employees together at every grade level and let them just talk and ask questions and identify problems. Almost every time, if there is a blind service representative in one of those teleservice centers they will show great interest and be involved in what they are doing. I think it is quite a pleasing experience.

CONTINGENCY RESERVE

Mr. NATCHER. Your request under the salaries limitations includes a contingency reserve of $25 million. Why is this necessary with the appropriation as large as it is?

Commissioner CARDWELL. That $25 million amount has been in this appropriation for a number of years. The appropriation has traditionally carried a contingency fund. There have been many instances in which it has been applied to meet changing workloads.

Back in the late 1960's it was used in the medicare area where we could not accurately predict that workload.

Mr. SCHUTZMAN. We think we need something like this because our workloads are unpredictable. We cannot always predict the number of claims. Looking at this year, we feel we may be very close to using the contingency fund. Our workloads are up substantially for the first 3 months of this year.

Mr. BYNUM. Court decisions increase the workload, such as the *Goldfarb* decision of the other day. We have no way of estimating.

Commissioner CARDWELL. Where we do use it, we are required by the rules of the committee to put before the committee a reprograming decision and show how we use it.

SSI PROGRAM MANPOWER REQUIREMENTS

Mr. NATCHER. The increase in salaries in this request is the smallest we have seen since your took over responsibility for the supplemental security income program.

Do you feel your personnel needs have stabilized for the present time?

Commissioner CARDWELL. No, I cannot say that they have stabilized.

What we are up against here is an estimating technique. As I explained to the chairman at the outset of this particular session, we based our manpower requirements on workload. The trend on SSI initial claims has been that workload was gradually dropping. However, this year's rate of work for both new claims and for those currently enrolled has been climbing, and that is what this really reflects.

I would have to say to the committee, as I have said very recently to the new Secretary, I think the No. 1 decision to be made about SSI is whether there is enough manpower assigned to the program.

I would not want to say that to my satisfaction I have the answer to that question. I am not at all sure.

On a workload basis, based on the experience we have had so far, the statistics and the arithmetic come out saying we have enough manpower. When you look at the swing in overtime, when you look at the tensions that still exist among the employees at the local level, it seems to suggest that it has not stabilized. We are still turning over the field staff too rapidly. We have much higher turnover than a stable staff should have.

It is possible that that will remain with us for some time, and the only way to compensate for it is to have a larger number or larger base. I am not yet satisfied we know the answer to this problem.

TELEPHONE SERVICE CONTRACTS

Mr. NATCHER. Do you plan to expand your new telephone service centers? It seems to be quite effective.

Mr. BYNUM. It is quite effective, Mr. Natcher. There is a schedule of increase. We are up ot 30 teleservice centers right now. One we have covers an entire State, the one in Arizona. A few more will be opened in the next 2 or 3 years, but we have just about, I think, covered the major areas in the country where these processes or this particular system is used.

In each of the larger social security offices, though, we have what amounts to a teleservice center operation. We have a small number of employees who are in effect handling our telephone business for us. To some degree at least the larger offices that are not served by the teleservice center operations have a mini-teleservice center functioning within their own organizational structure. It has been very useful.

Mr. FLOOD. Mr. Patten.

GSA LEASED SPACE

Mr. PATTEN. I would comment on leases through GSA and having control of your own building. I do not have enough facts or figures, but I pick up a comment every now and then that makes you wonder. I was glad to hear you say that some of the facilities leave a little to be desired. Anytime you have a building where people have to go up two or three stairs, with people over 65——

Commissioner CARDWELL. Almost always there are elevators. Even so, for many aged or disabled claimants, the fact that the office is not at ground level can have a psychological effect as well as cause physical problems.

UPGRADING FIELD OFFICE SPACE

Mr. BYNUM. More than 400 of our field facilities are in process of upgrading their space—400 out of about 1,300. This gives you an idea of the size of the continuing program we are dealing with.

LEASE-PURCHASE SPACE PROGRAM

Mr. PATTEN. We took over the State administration, and then Gov. Harold Hoffman had made a lot of leases under which, after 15 or 20 years, the State becomes the owner of the building. Of course, the new administration thought that they would look into that. Well.

we got into a period of inflation, things got busier, real estate prices seemed to soar, and the further they went, the better Hoffman looked. By the time they got ready, the State owned the building at half the price they could buy it on that day.

Commissioner CARDWELL. I think that will turn out to be the case with the GSA lease-purchase program. Downstream we will look back on it and say we are lucky we did it.

So we don't all appear to be criticizing GSA, I think we are getting our fair share of attention. I do not think we can fault them for not giving us a fair shake because they have.

WORKER SELF-IDENTIFICATION

Mr. PATTEN. I was at a safety dinner yesterday, and they have 11 plants of 5,000 employees. The president said to the group that they have become so big, "I think we have lost something valuable." I would just be assuming what he meant—personnel contact, morale of the employees—it just got to be a numbers problem instead of feeling as a family group.

As you sit on top of this, do you ever feel just like a number?

Commissioner CARDWELL. It is hard not to feel quite distant from the last employee. I remember going through with the Secretary a month or so ago when he was visiting Social Security in Baltimore, we were going through one of the large parts of the Bureau of Data Processing where there were several hundred employees doing the same work side by side. One of the young female employees turned to me and said, "Who is that man?" I said, "That is the Secretary." She said, "What is his name?" He was unknown to her. I told him the story when we left, and he understood.

Mr. PATTERN. A lot of people know now. We are getting a hell of a lot of mail with this new cook of his.

You all do a good job.

Commissioner CARDWELL. I will tell him you laughed when you said that.

Mr. FLOOD. Thank you very much, gentlemen, for your presentation today, particularly since it was a very difficult one.

We are recessed until 10 o'clock tomorrow morning.

[The following questions were submitted to be answered for the record:]

ENTRY-LEVEL TRAINING

Mr. CONTE. How extensive is your entry-level training course? What do they cover, and how long do they last?

Answer. All courses cover the full range of the social security programs. The claims representative course emphasizes the taking, development, and adjudication of claims. For employees new to social security, the course is 12 weeks in duration in a training center, and employees promoted from another position to claims representatives have a 9-week training center course.

The service representative course emphasizes those actions which affect the payment of benefits after the claim has been awarded. This course is 5 weeks.

The data review technician course is 5 weeks and primarily covers the system aspects of a claim.

Mr. CONTE. How many people went through each course last year?

Answer. For fiscal year 1976, 1,822 externally hired claims representative trainees and 1,151 internally hired claims representative trainees completed basic training. The externally hired total includes 1,303 term employees, who received 5 weeks of basic training tailored to the duties they were hired to per-

form. For those term employees, we were able to covert to permanent positions, additional training was given.

For the service representative position, 1,189 trainees completed basic training, including 284 service representative trainees hired exclusively for duty in our teleservice centers. An additional 33 visually handicapped service representative trainees received 13 weeks of initial basic training. Their training is roughly twice as long as service representative trainees not visually impaired.

We trained 791 trainees for the data review technical position.

PSRO's

Mr. CONTE. What is the relationship between your quality assurance activities and the work of local PSRO's?

Answer. The Bureau of Health Insurance, in part through the activities of its contractors, has been actively involved in program quality assurance since the inception of the medicare program.

Although these efforts continue, they have now been replaced in some instances by the work of the Progressional Standard Review Organizations. For example, the medicare contractors are charged with the responsibility of processing claims for medicare services. Prior to the advent of PSRO's, their responsibility included determining whether the service claimed was medically necessary and if the level of care rendered was appropriate. The contractors continue to perform these functions in many areas; however, in areas where the PSRO's are established, they now perform this function and their decisions are binding on the contractor. The local PSRO's will become more and more involved in the review process as they demonstrate their ability to do so and are given authority by the Secretary. BHI will, of course, continue to stress quality assurance activities in the medicare contractors, in those areas not dealt with by the PSRO's.

MEDICARE FRAUD AND ABUSE

Mr. CONTE. What is the size of your pending medicare fraud and abuse workload? What do you intend to do to reduce it during the next year?

Answer. At the close of the December 1967 quarter, the BHI regional offices had 3,091 fraud cases and 1,859 abuse cases pending investigation or resolution. In addition, there were 284 fraud cases pending U.S. attorney action or trial.

Since the end of 1974, the ongoing medicare fraud and abuse workload has grown substantially. In 1974, the BHI regional program evaluation branch consisted of about 120 people (including clerical and support personnel). In an effort to expand our activities in controlling fraud and abuse, we reprogramed an additional 35 people to this effort. However, the staff of about 155 people proved inadequate to deal with the growing workload and the more complex part A cases. We now have allocated a total staff of over 200 to this area in fiscal year 1977. Included in this number are personnel with accounting and investigative auditing expertise.

MEDICAL MALPRACTICE INSURANCE

Mr. CONTE. What has been the result of your studies of the impact of medical malpractice insurance on physicians and hospitals?

Answer. Although we have not conducted or funded studies of the impact of medical malpractice insurance on physicians and hospitals, we are funding an economic analysis of medical malpractice. This study will estimate the impact of several factors on variations across States and over time in the frequency and severity of malpractice claims and awards and the level of malpractice insurance premiums. The specific factors which will be considered include patient characteristics, State malpractice statutes, and attitudes toward risk of the public, judiciary, physician and patient. The study should provide data on the effects of changes in the Tort system and of regulations of the legal profession and insurance industry on the costs of malpractice medical insurance. A final report from this contract is due by October 30, 1978.

We have also been cooperating with the Health Resources Administration on a study of closed malpractice claims to ascertain the pattern of events and patient and provider characteristics which result in malpratice claims. Results of the study are expected this summer and will be instrumental in predicting and possibly preventing situations most likely to result in malpractice accusations.

Mr. CONTE. I believe you mentioned that preliminary results from one of your

studies indicated that prospective reimbursement has a downward effect of hospital costs. Exactly how does prospective reimbursement work and why does it seem to have this cost-reducing effect?

Answer. Prospective payment systems set an amount to be paid to hospitals for a unit of hospital services (usually expressed as one day of hospital care). Prospective reimbursement differs from cost reimbursement in that a rate of payment is set in advance of the period over which the rate is to apply. Under a cost reimbursement contract, the hospital automatically and retrospectively is paid for all allowable expenses incurred during the fiscal year. Payment determined on a prospective basis encourages hospital policymakers through positive financial incentives, as well as the risk of possible loss, to plan, innovate and carefully manage their hospital.

Seasonal Workloads

Mr. Conte. When are your seasonal or peaking workloads, and why does this occur?

Answer. Overall, workload receipts remain fairly level throughout the year, with a moderate slackening in the October to December quarter. Although SSA experiences this low quarter rather consistently it is not a workload pattern which could be said to be peaking or seasonal. There are some specific workloads which do follow seasonal patterns, but their impact on SSA's total workload receipts is relatively small. I am referring to workloads such as student reports of school attendance which occur most often at the start of each school semester, and annual reports of beneficiary earnings, which peak early in each calendar year.

However, beginning in January 1979, SSA's Bureau of Data Processing will experience a large seasonal workload which will occur annually from January through approximately September. The reason for this is the shift from quarterly reports of most earnings under the social security system to an annual report, as required by Public Law 94–202, which was enacted January 2, 1976. Each year, receipt and posting of most earnings for the preceding calendar year will begin in January, continue heavily for about 6-months, and then taper off over the next 3-months.

Contingency Reserve

Mr. Conte. In your limitation on salaries and expenses, you are requesting a $25 million contingency reserve. Did you use the reserve last year? If so, for what purposes?

Answer. No sir, we did not need to use the contingency reserve in fiscal year 1976. However, the recent Supreme Court decisions on equal treatment are causing a substantial amount of unbudgeted work, and it may be necessary for us to request use of the contingency reserve this year. We are evaluating that situation now.

District Office Expansion

Mr. Conte. Which 26 of your district offices are you proposing to expand?

Answer. I will be glad to provide that information for the record.

[The information follows:]

District Offices Proposed for Expansion

Anniston, Ala.	Fall River, Mass.	Watertown, N.J.
Gadsden, Ala.	Haverhill, Mass.	Olean, N.Y.
El Dorado, Ariz.	Austin, Minn.	Ambridge, Pa.
Huntington Park, Calif.	Springfield, Mo.	Greensburg, Pa.
Modesto, Calif.	Littleton, N.H.	Pawtucket, R.I.
Visalia, Calif.	Bridgeton, N.J.	Brownsville, Tex.
Peru, Ill.	Hackensack, N.J.	Burlington, Vt.
Pittsburg, Kans.	Irvington, N.J.	Montpelier, Vt.
Corbin, Ky.	Montclair, N.J.	

Mr. Conte. Where will you be locating the 15 offices which you mentioned would be selected for construction during 1977 and 1978?

Answer. We have not yet selected the locations for any of the offices. Together with GSA, we will choose appropriate sites after considering the availability of adequate leased space and comparing the cost of construction versus the cost

of leasing. We expect to begin the selection process next month, after GSA has completed the standard design packages for the new buildings.

Mr. CONTE. I believe you are requesting no additional funding for construction this year. How much remains unobligated from previous appropriations?

Answer. At the beginning of this fiscal year the unobligated balance from prior appropriations was about $26.5 million, with an additional $14.4 million appropriated for this year. As we indicated in the deferral sent to you on November 5, we are holding $18.7 million in reserve for future projects. We plan to obligate the balance, $22.2 million, this year for the projects specified in our justification. Although we are not requesting additional funds for new construction, we are seeking $14.6 million for the 1978 purchase contract payments on the new program service centers.

OVERTIME USAGE

Mr. O'BRIEN. How much overtime work, in terms of man-years, do you expect to take place in 1978 in SSA?

Answer. The budget calls for SSA to work 2,827 man-years of overtime in total. This is about 1,200 man-years less than the 1977 level.

Mr. O'BRIEN. How much in the way of funds will be required to pay this overtime?

Answer. This 2,827 man-years of overtime will cost $46 million campared with $64 million in 1977.

Mr. O'BRIEN. Do the employees receive time and a half for overtime?

Answer. Yes; but there is a limitation on payment of time and a half for overtime. Employees up to grade GS–10, step 1, are paid time and a half. Employees above that grade level are limited to the rate paid a grade GS–10, step 1, employee.

Mr. O'BRIEN. Are there some social security offices where overtime is resorted to on almost a full time or continual basis?

Answer. We expect that district and branch office employees will work 24 percent less overtime in fiscal year 1977 compared to the level worked in fiscal year 1976. Because of their workload situations, some offices are working relatively constant levels of overtime. Generally, this is the case where offices serve large SSI populations. Overtime is being used primarily to process SSI overpayments, redeterminations, and claims from other programs which pend in district offices until development is completed.

As much as possible, we try to maintain adequate levels of staff so that overtime will be minimal. However, more often than not, offices heavily impacted with SSI work are located in downtown urban areas and achieving a stable and fully trained staff is difficult. Often, overtime must be substituted for staff in these offices for a time when adequate and fully trained staff is not available.

EXPERIMENTS IN EMPLOYEE CATEGORIES AND DUTY TOURS

Mr. O'BRIEN. Have you sought to experiment at all with different types of employment, such as more jobs with fewer hours, staggered work hours, et cetera?

Answer. In addition to full-time permanent employees, we also use large numbers of part time and temporary employees as well as summer aids and students. We use these various types of positions to help out with peaking or temporary workloads. For example, part-time service representative are used in our teleservice centers during the first 2 weeks of the month because about 60 percent of the month's work is received during that period. We also use part-time employees in district offices during peak interviewing times, such as the first week of the month and daily between 10 a.m. and 2 p.m. Students are employed as summer aids and while they are attending school to help with a variety of work.

Various parts of SSA's workload operations use staggered shifts: in addition, experiments with flexible work hours are underway. Most of these variations on normal working hours are not feasible for district and branch offices because of the need to have staff available to the public—at the public's convenience. Also, some offices schedule SSI redetermination interviews on Saturday.

Mr. O'BRIEN. Have you developed any conclusion as yet on your experiments testing the impact of different organizational and processing arrangement on the quality of work?

Answer. No we haven't. We are evaluating the data now, and the final report and recommendations are due the end of June.

Medicare Fraud and Abuse

Mr. O'Brien. What kinds of initiatives are the medicare contractors taking to detect fraud and abuse?

Answer. In the hospital insurance program intermediaries have included in the cost reporting and audit processes an expanded effort to identify and report suspected incidents of program fraud or abuse to BHI regional offices. In addition, BHI has developed a more refined quality assurance program for part A intermediaries, which addresses in particular the quality of the cost report settlement process and the decisions of intermediaries in this area.

In the medical insurance program, carriers have expanded their efforts in conducting external audits. The new procedure requires carriers to select a minimum of 1 percent of the paid assigned claims every month, and initiate contact with the beneficiaries involved. Such contacts are to determine whether the services billed were as represented by the provider, physician, or supplier.

Hearings Backlog

Mr. O'Brien. What is the current hearings backlog, both in numbers and average weeks wait?

Answer. The hearings backlog at the end of February for all programs was approximately 81,600 cases, or slightly more than 24 weeks of work.

HEW Reorganization

Mr. O'Brien. Will the HEW reorganization interfere with or delay your advanced systems planning project?

Answer. The transfer of medicare to the Health Care Financing Administration should have no impact on our advanced systems planning. From the beginning, we have excluded the health insurance process from this project except where necessary to avoid constraining the overall future systems design. The advanced systems project deals with the health insurance process only where it interfaces with the SSA cash-payment programs. This includes activities such as beneficiary enrollments and terminations, maintenance of beneficiary records, and premium billing and collection, each of which is a natural byproduct of other SSA processes and should not be affected by the reorganization.

The transfer of SRS's AFDC responsibilities to SSA will not have significant impact on our future systems design since the changes will, for the most part, be administrative rather than operational in nature. However, there are related issues that could affect our planning. Up to now, we have operated under the constraint that the future process would not be designed in anticipation of any major new programs or legislation; but we have also required that the new system be flexible enough to accommodate new programs or legislation. At this time, we are not including plans for federalizing the welfare process in our future design. Nevertheless, as part of our design effort we will study the feasibility, costs and benefits of including features in the new system that could ease the transition from State to Federal administration of welfare.

Productivity Improvements

Mr. O'Brien. You mention a saving of $73.8 million due to productivity improvements. What kinds of improvements are we talking about?

Answer. The major source of budgeted productivity improvement in SSA proper is anticipated improvements in SSA systems and procedures. This includes systems improvements in supplemental security income programs to reduce or eliminate manual payments and postentitlement actions; a reduction of the number of exceptions from the SSI system; and an increase in SSA's ability to post earnings items electronically to individual records. In other words, we are planning to make our machinery work more efficiently and thereby save manpower.

However, the largest part of the total productivity savings, about $56 million, is budgeted for the medicare intermediaries and carriers. This is an objective that we hope to achieve primarily through significant increases in employee productivity. Although some of the increase will be realized through systems refinements and enhancements, we have now all but exhausted the potential for continuing the large productivity improvements which these contractors achieved for this reason in the past. By the end of fiscal year 1977, the large majority of

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their workload will already have been converted from manual to automated methods of processing. Accordingly, beginning in 1978, we plan to place more emphasis on methods to improve employee performance as the means to achieve increased productivity. Although we anticipate that this emphasis will result in the 11.1-percent increase in productivity projected for 1978, we will have to re-evaluate the likelihood of achieving this rate once 1977 experience is known.

Payment Validation System

Mr. O'Brien. In your prepared statement (page 11) you state that the Social Security Administration is exploring the possibility of developing an end-of-line payment validation system.

Could you explain this system in a little more detail?

Answer. The new Quality Assurance Reporting System and the end-of-line payment validation system you refer to are one in the same. The features listed regarding the Quality Assurance Reporting System also apply to the end-of-line payment validation system.

Trust Fund Investments

Mr. O'Brien. What rate of return do you realize, on the average, from trust fund investments?

Answer. Let me give you the figure for 1976. The average interest rate on investments held by all four trust funds—both the cash benefit and medicare funds—was 6.9 percent at the end of calendar year 1976.

Effect of HEW Reorganization on Salaries and Expenses

Mr. O'Brien. Would your recommendations for limitation on salaries and expenses alter as a result of the reorganization of the Department of Health, Education, and Welfare?

Answer. Yes; our salaries and expenses account will change significantly. The costs for the Bureau of Health Insurance and some other health related functions will come out of the SSA administrative budget. Also, the cost for the intermediaries and carriers and for the health insurance State agencies will come out. On the other hand, the Federal administrative costs for the AFDC program and other smaller programs assigned to SSA may be included in the salaries and expenses account. We are not sure of all of the details yet. The net result would be a large decrease in money for third parties along with some decrease in Federal employment and related costs for salaries and expenses.

Medicare Fraud and Abuse

Mr. O'Brien. What will be your relationship with the new office of Inspector General?

Answer. The recently established Office of the Inspector General is responsible for HEW policy related to fraud and abuse detection and prevention and the needed coordination of the efforts of HEW components in the fraud and abuse area. The new office also is responsible for conducting and supervising audits and investigations relating to all programs and operations of HEW. Although it is clear that establishment of an HEW Inspector General's Office will impact on SSA operations in the fraud and abuse investigation area, it is still too early to say exactly what this impact will be. We are, however, working with HEW to clarify our new responsibilities and relationship in this area.

JUSTIFICATION OF THE BUDGET ESTIMATES

Appropriation Estimate

Limitation on Salaries and Expenses

For necessary expenses, not more than [$2,561,773,000] $2,685,951,000 may be expended as authorized by section 201 (g) (1) of the Social Security Act, from any one or all of the trust funds referred to therein: *Provided,* That such amounts as are required shall be available to pay travel expenses either on an actual cost or commuted basis, to an individual for travel incident to medical examinations, and to parties, their representatives and all reasonably necessary witnesses for travel within the United States, Puerto Rico, and the Virgin Islands to reconsideration interviews and to proceedings before administrative law judges under titles II, XVI, and XVIII of the Social Security Act: *Provided further,* That $25,000,000 of the foregoing amount shall be apportioned for use pursuant to section 3679 of the Revised Statutes (31 U.S.C. 665), only to the extent necessary to process workloads not anticipated in the budget estimates and to meet mandatory increases in costs of agencies or organizations with which agreements have been made to participate in the administration of titles XVI and XVIII and section 221 of title II of the Social Security Act, and after maximum absorption of such costs within the remainder of the existing limitation has been achieved: [*Provided further,* That such amounts as may be required may be expended for administration within the United States of the social insurance program of the United Kingdom, under terms of an agreement wherein similar services will be provided by the United Kingdom in that country for administration of the social insurance program of the United States.] 1/

Explanation of Language Changes

1/ This provision was added to conduct a pilot project that has now been completed. The results of the pilot are currently being evaluated to see if it would be desirable to request enabling legislation for an ongoing agreement with the United Kingdom.

Language Analysis

Language Provision	Explanation
Provided, That such amounts as are required shall be available to pay travel expenses either on an actual cost or commuted basis, to an individual for travel incident to medical examinations, and to parties, their representatives and all reasonably necessary witnesses for travel within the United States, Puerto Rico, and the Virgin Islands to reconsideration interviews and to proceedings before administrative law judges under title II, XVI, and XVIII of the Social Security Act:	Authorizing legislation did not specify whether or not travel incident to medical examinations and for claimants, their representatives, and witnesses to attend reconsideration interviews and hearings was a necessary administrative expense. This provision which permits the payment of these travel expenses, reduces financial hardship to claimants.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Limitation on Salaries and Expenses

Amounts Available for Obligation

	1977 Revised	1978
Appropriation	$2,561,773,000	$2,685,951,000
Proposed supplemental (Oct. '76 pay raise)	36,358,000	---
Subtotal, adjusted appropriations	$2,598,131,000	$2,685,951,000
Comparative transfer to:		
"Office of the Secretary, Departmental Management"		
Purpose: SSA Investigative Functions to OS Office of Investigations	-476,000	---
Sub-total, budget authority	$2,597,655,000	$2,685,951,000
Unobligated balance, end of year (contingency reserve)	-25,000,000	-25,000,000
Total obligations	$2,572,655,000	$2,660,951,000

Summary of Changes

1977 Estimated Obligations	$2,572,655,000
1978 Estimated Obligations	2,660,951,000
Net Change	+$88,296,000

	Base		Change	
	MY	Amount	MY	Amount
Increases				
A. Built-in:				
1. Full year effect of the October 1976 pay raise (4.87 percent)....		$60,361,000		+$1,607,013
2. Other mandatory changes in SSA payroll costs, including periodic step increases ($12,515,387) and career ladder promotions to journeyman grade ($30,812,066), offset by savings for recruitment below the journeyman grade (-$18,808,791)....				+24,518,662
3. Mandatory changes in wages and prices paid by public and private agencies performing work on a contract basis.....				+57,399,846
a. Disability State agencies (includes 7.5 percent average salary increase)..				(+18,541,846)
b. Health insurance State agencies (includes 7 percent average salary increase)..				(+1,337,000)
c. Health insurance contractors (includes 8.8 percent average salary increase).....				(+37,521,000)

	Base		Change	
	MY	Amount	MY	Amount
4. Increased costs to reimburse State centralized services based upon uniform government-wide standards (indirect costs).....		$22,202,147		+$1,667,772
Sub-total, built-in.....				+85,193,293
B. Program:				
1. Increase in total SSA work output (volume of work and improvements in the end product to be accomplished by staff of SSA and third parties in the disability, SSI and Medicare programs).....		(2,267,698,273)		49,398,250
a. Increase of 0.2 percent in work output of Social Security Administration employees, primarily due to change in the composition of several workloads.....	88,864	(1,490,734,820)	+182	(+2,782,613)
b. Increase of 2.1 percent in work output of State agencies making disability determinations, because of higher workloads and an increase in the number of consultative examinations required.....		(232,519,853)		(+5,234,337)

	Base		Change	
	MY	Amount	MY	Amount
c. Decrease of 1.8 percent in work output of State agencies involved in health insurance (Medicare) reflects a decrease in surveys of physical therapists in independent practice. After the initial surveys are completed in FY 1977, resurveys in FY 1978 will be on a sample basis.....		($20,907,000)		(-$441,000)
d. Increase of 8.0 percent in work output of health insurance (Medicare) contractors, related primarily to higher hospital and medical insurance workloads.....		(523,536,600)		(+41,822,300)
2. Space costs for opening new offices, increases in rental costs and expansion requirements to alleviate over crowding.....		90,979,000		+5,822,000
3. Increase in extra services such as renovation of space and overtime utility services, provided by GSA for operation and maintenance of SSA occupied space.....		14,312,000		+2,360,000
4. Communications costs..		56,766,472		+6,957,240
a. Increase in Federal Telephone System (FTS) charges.....		(8,500,000)		(+1,500,000)

	Base		Change	
	MY	Amount	MY	Amount
b. Increase primarily resulting from the annualized effects of the expansion in 1977 of a new communications network known as SSADARS (Social Security Administration Data Acquisition and Retrieval System).....		($19,937,000)		(+$1,258,186)
c. Increases required to fulfill expanding use of telephones to handle Social Security Administration business and higher telephone rates.....		(24,829,472)		(+1,199,054)
d. Expansion of toll free telephone service to the public.....		(3,500,000)		(+3,000,000)
5. Increase in rental of ADP equipment to process expanded workloads and to cover increased costs.....		23,565,390		+4,389,140
6. Purchase of Automatic tape storage and retrieval system for computer tape library.....		0		+3,500,000
7. Increase in contracts for Office of Advanced Systems to provide expertise not available within SSA.....		4,990,000		+9,740,000
8. Increase in Health insurance contracts...		3,921,500		3,773,700
a. Establishment of a regional data processing center for use by health insurance contractors.....				(2,250,000)

	Base		Change	
	MY	Amount	MY	Amount
b. Other miscellaneous health insurance research contracts.....		($3,921,500)		(+$1,523,700)
9. Increase in the costs for the Office of General Counsel for handling a one-time surge in SSA court cases.....		$387,783		+1,688,737
10. Other changes.....				+3,813,360
Sub-total, program.			+182	+$91,442,427
Total increases..			+182	+$176,635,720
Decreases				
A. Built-in:				
1. Savings resulting from one less work day in 1978.....		$4,610,969		-$4,610,969
B. Program:				
1. Procedural and other changes in production costs--SSA proper (1.6 percent productivity improvement).....			-1,380	-16,537,313
a. Procedural and systems changes to improve current method of handling workloads.....			(-923)	(-11,060,826)
b. Other changes in productivity primarily due to more experienced and better trained staff.....			(-457)	(-5,476,487)
2. Systems and procedural improvements and other changes in production costs for third parties.....				-57,263,455

	Base		Change	
	MY	Amount	MY	Amount
a. Improvement in disability State agency productivity of 0.1 percent.....				(-$157,955)
b. Improvement in health insurance State agency productivity of 3.0 percent due to more experienced and better trained employees.....				(-698,000)
c. Increase in health insurance contractor productivity of 11.1 percent resulting from systems and procedural changes and improved employee productivity.....				(-56,407,500)
3. A decrease in 1978 in the additional cost of overtime above the average payroll cost of regular time because of a reduction of 1,222 man-years in overtime compared with 1977.....		$11,904,000		-3,666,000
4. Decline in recruitment of new staff (savings in "other objects" costs such as equipment and training travel).....		9,440,466		-4,745,983
5. AFDC social security number enumeration contracts with the States (all contracts obligated by the end of 1977).....		1,516,000		-1,516,000
Sub-total, program decreases.....			-1,380	-$83,728,751
Total decreases..			-1,380	-$88,339,720
Total, Net Change.....			-1,198	+$88,296,000

Obligations by Activity

Page Ref.		1977 Estimate	1978 Estimate	Increase or Decrease
117	Old-age and survivors insurance:			
	Amount.....	$759,798,000	$767,325,000	+$7,527,000
	Positions.....	34,500	34,800	+300
122	Disability insurance:			
	Amount.....	$537,586,000	$569,072,000	+$31,486,000
	Positions.....	17,200	17,500	+300
126	Health insurance:			
	a. Hospital insurance:			
	Amount.....	$228,222,000	$232,626,000	+$4,404,000
	Positions..	3,260	3,200	-60
	b. Supplementary medical Insurance:			
	Amount.....	$516,784,000	$548,970,000	+$32,186,000
	Positions..	4,150	4,415	+265
133	Supplemental security income:			
	Amount.....	$530,265,000	$542,958,000	+$12,693,000
	Positions.....	21,000	20,000	-1,000
139	Standard level user charge (SSI).....	($25,461,000)	($24,503,000)	(-$958,000)
	Total obligations..	$2,572,655,000	$2,660,951,000	+$88,296,000
	Positions.....	80,110	79,915	-195

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Total number of permanent positions	80,110	79,915	-195
Full-time equivalent of all other positions	7,071	7,104	+33
Average number of all employees 1/	84,896	84,920	+24
1/ Excludes overtime man-years.	3,968	2,746	-1,222
Personnel compensation:			
Permanent positions	$1,110,524,000	$1,131,707,000	+$21,183,000
Positions other than permanent	62,324,000	62,420,000	+96,000
Other personnel compensation	63,390,000	45,018,000	-18,372,000
Special personal service payments	24,000	10,000	-14,000
Sub-total, personnel compensation	1,236,262,000	1,239,155,000	+2,893,000
Personnel benefits	122,387,000	123,588,000	+1,201,000
Travel and transportation of persons	23,484,000	19,916,000	-3,568,000
Transportation of things	7,043,000	6,947,000	-96,000
Rent, communications, and utilities:			
Standard level user charge	25,461,000	24,503,000	-958,000
Other rents, communications, and utilities	185,159,000	205,604,000	+20,445,000
Printing and reproduction	19,620,000	18,649,000	-971,000
Other services	87,628,000	106,373,000	+18,745,000
Payments to States:			
Disability	251,223,000	276,256,000	+25,033,000
Health	24,396,000	24,857,000	+461,000
SSI contracts	7,000,000	6,430,000	-570,000
AFDC enumeration contracts	1,516,000	0	-1,516,000
Payments to Medicare contractors	523,537,000	546,472,000	+22,935,000
Project Contract	15,000,000	15,000,000	0
Supplies & materials	18,974,000	19,150,000	+176,000
Equipment	23,949,000	28,045,000	+4,096,000
Land and structures	--	--	--
Insurance claims	6,000	6,000	0
Total obligations 2/	$2,572,655,000	$2,660,951,000	$88,296,000

2/ Excludes $25,000,000 contingency reserve included in the appropriation.

Significant Items in House and Senate
Appropriation Committee Reports

Item	Action Taken or to be Taken
1977 Senate Report	
Trust Fund Financing	
1. Committee request for analysis of the potential use of general revenue funds in financing the present program and the effect these financing problems may have on the Federal budget in the event that social security taxes are not increased sufficiently to meet projected trust fund deficits (page 101).	1. The President's budget requests additional financing for the present program which alleviates the short term financing problems. An analysis of the potential use of general revenues to put the social security trust funds on a sound basis is being prepared as a separate submission to the Committee.
1977 House and Senate Reports	
Computer Systems - Long Range Planning	
1. The Committees are especially concerned with the Social Security Administration's massive computer system. They directed SSA to keep the Congress advised of the progress of the agency's long-term plans for redesigning computer systems, as well as, all decisions to purchase new equipment. In addition, the Committees requested that the agency report on the progress of the Office of Advanced Systems (which was created to coordinate efforts in this area) (House Report - page 76 and Senate Report - page 100).	1. A long-range advanced systems project has been established to correct the problems associated with SSA's computer systems. The Office of Advanced Systems will include in this project a detailed examination of long-range computer facility requirements. The first phase of the project, the Conceptualization Phase, will be completed in early 1977. The agency will review, with the Committees, the results of this phase along with a plan for the next phase. SSA will make periodic reports to the Senate and House Appropriation Committees on the progress made by the Office of Advanced Systems.

Authorizing Legislation

Legislation	1978 Authorized	1978 Appropriation requested
Limitation on Salaries and Expenses		
Title II Section 201 (g)(1) of the Social Security Act.....	Indefinite	$2,685,951,000

Limitation on Salaries and Expenses (Trust Fund)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1968	$720,188,000	$716,428,000	$715,328,000	$715,328,000
1969	817,492,000	807,492,000	807,492,000	807,492,000
1970	953,409,000	933,709,000	953,409,000	943,559,000
1971	1,044,991,000	1,044,991,000	1,044,991,000	1,044,991,000
1972	1,150,167,000	1,150,167,000	1,150,167,000	1,150,167,000
1973	1,403,047,000	1,403,047,000	1,403,047,000	1,403,047,000
1974	1,887,898,000	1,887,898,000	1,887,898,000	1,887,898,000
1975	2,156,829,000	2,113,365,000	2,125,987,000	2,125,987,000
1976	2,395,729,000	2,395,730,612	2,395,730,612	2,395,730,612
1977	2,561,773,000	2,561,773,000	2,561,773,000	2,561,773,000
Proposed Supplemental	36,358,000			
1978	2,685,951,000			

Justification

Limitation on Salaries and Expenses

	1977 Estimate	1978 Estimate	Increase or Decrease
Limitation on Salaries and Expenses	$2,572,655,000	$2,660,951,000	+$88,296,000
Permanent Positions	80,110	79,915	-195
Man-Years	88,864	87,666	-1,198

General Statement

The request for a 1978 "Limitation on Salaries and Expenses" is a request for the Social Security Administration to use the social security trust funds to meet the administrative expenses incurred in carrying out the social security programs of retirement, survivors, disability and health insurance and the supplemental security income (SSI) program for the aged, blind, and disabled. Although the administrative expenses of the SSI program are paid initially from the social security trust funds, the trust funds are reimbursed currently on an estimated basis from Federal funds. A final accounting including any interest adjustment is made after the close of the fiscal year. The account, "Supplemental Security Income Program," contains $542,958,000 for this purpose in 1978.

The statutory basis for the retirement, survivors and disability insurance programs is title II of the Social Security Act. The health insurance (Medicare) program is authorized by title XVIII of the Social Security Act. The basic objective of the social security programs is to protect covered individuals and their families against the risk of economic loss resulting from retirement, disability, death, and the cost of health care. The statutory authority for the SSI program is title XVI of the Social Security Act. This program replaced the former State and local administered programs of old age assistance and aid to the blind and disabled. The objective of the SSI program is to assure that the income of aged, blind or disabled persons meets a specified Federal minimum standard. If the social security benefits and other income of the aged, blind or disabled person are lower in total than the Federal minimum standard, the program provides a monthly payment from general revenues to raise his monthly income to the Federal standard. In addition, the law provides for mandatory and optional State supplementation payments which may be administered by SSA through agreements with the States.

Size of Program Administered

Since the Social Security Act became law on August 14, 1935, Congress has passed numerous amendments to the act which have resulted in significant changes in the scope and character of the program. Today, more than nine out of ten jobs in paid employment and self-employment are covered or eligible for coverage under the retirement, survivors and disability insurance programs. Almost all persons aged 65 or over are insured against most hospital costs, and 95 percent have enrolled in the voluntary medical insurance program which covers a substantial part of doctor and other medical bills. Medicare protection also has been extended to disabled persons. In addition, SSA now administers the supplemental security income program, which serves over 4 million aged, blind and disabled individuals.

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As the number of persons covered by SSA-administered programs continues to grow, the number of beneficiaries in payment status and the amount of benefits paid also increase. The following tables reflect increases in beneficiaries and benefits over a ten year period, and identify the broad categories of recipients protected in 1978 who were not protected 10 years ago:

Beneficiaries in Payment Status
(in millions)

Program	1968	1978
Retirement and Survivors Insurance.....	22.2	29.3
Disability Insurance.....	2.3	5.0
Medicare for the Aged.....	19.8	23.0
Medicare for the Disabled.....	-0-	2.7
Supplemental Security Income.....	-0-	4.3

Benefit Payments Under Existing Legislation
(in millions)

Cash Benefit Programs	1968	1978
Retirement and Survivors Insurance.....	$20,737	$77,973
Disability Insurance.....	2,088	12,334
Subtotal.....	22,825	90,307
Medicare		
Aged.....	5,126	21,747
Disabled.....	-0-	3,392
Subtotal.....	5,126	25,139
Total Insurance Programs.....	$27,951	$115,446
Supplemental Security Income		
Federal Payments.....	-0-	$5,000

Comparison of Administrative Costs With Income Under Present Law

The principal sources of income to the trust funds from which the social security programs are financed are:

--earnings-based contributions from employees, employers, and the self-employed for the retirement, survivors, disability and hospital insurance programs;

--premiums from enrollees and Federal matching payments for the supplementary medical insurance program.

The law requires that funds not currently needed for benefit payments or administrative expenses be invested, and the interest earned helps finance the programs. Interest earnings for 1978 are estimated at $3.4 billion, an amount which more than covers annual administrative costs.

The total administrative costs of the social security trust fund programs include:

--Salaries and Expenses (the cost of Social Security Administration components and the cost of State agencies and health insurance contractors which provide services in the disability and Medicare programs).

--Construction costs as approved by the Congress in SSA's Limitation on Construction.

--An appropriate share of Departmental Management costs.

--Social security-related work performed for SSA by other government agencies such as the Treasury Department.

As indicated in the table below, the total administrative costs estimated for 1978 are only 1.8 percent of anticipated income from contributions, premiums and investments under current legislation.

Administrative Expenses as a Percentage of Trust Fund Income - Fiscal Year 1978

Trust Fund	Percent
Old Age and Survivors Insurance	1.2
Disability Insurance	3.4
Hospital Insurance	1.6
Supplementary Medical Insurance	6.5
Total, All Trust Fund Programs	1.8

As the table shows, administrative costs as a percent of income vary from program to program. The highest ratio, 6.5 percent for the SMI program, is due to the processing of a large number of small bills.

Unlike the above programs, the supplemental security income program is financed from Federal funds. The administrative costs of this program are 8.2 percent of benefit payments (including State supplemental payments administered by SSA) in 1978. It should be noted that SSI benefits, in many cases, supplement other income. As a result, the average amount of these monthly payments is much lower than average social security cash payments. The table below illustrates average monthly payment levels for representative categories of social security and SSI recipients.

	Social Security Payment		SSI Federal Payment	
	Retired Worker	Disabled Worker	Aged	Blind and Disabled
Average Monthly Benefit paid in July 1976	$222	$243	$80	$125

Changes in the 1977 Budget

The Social Security Administration wishes to bring to the attention of the Congress a number of changes in its 1977 budget plans for the Limitation on Salaries and Expenses appropriation. These changes are summarized in the table below:

	1977 Obligations (in thousands)		
	President's Budget	Revised Estimate	Change
Payroll			
SSA personnel compensation and benefits (excluding October 1976 pay raise).....	$1,255,716	$1,298,288	+$42,572
October 1976 pay raise.....	--	60,361	+60,361
Subtotal, payroll.....	1,255,716	1,358,649	+102,933
Other Objects Requirements (other than third parties)			
ADP/Telecommunications.....	157,091	100,897	-56,194
Other Changes.....	312,244	307,419	-4,825
Subtotal, other objects.....	469,335	408,316	-61,019
Third Party Costs			
Disability State Agencies.....	261,549	251,233	-10,316
Medicare contractors and State Agencies.....	545,673	547,933	+2,260
SSI State Agencies.....	4,500	7,000	+2,500
Subtotal, third parties.....	811,722	806,166	-5,556
Total obligations.....	$2,536,733	$2,573,131	+$36,358
1977 President's Budget.....	$2,536,773	$2,536,773	--
Pay raise supplemental.....	--	36,358	+$36,358
Comparative transfers.....	--	-476	-476
Adjusted obligations.....	$2,536,773	$2,572,655	+$35,882

Payroll Costs (+$102,933,000)

The change in 1977 payroll costs relates to factors largely beyond SSA's control--Federal pay scales and average salaries. Most of the increase (+$60,361,000) is a direct result of the 4.87 percent October 1976 Federal pay raise, which was not reflected in the original estimate for 1977. The number of man-years SSA plans to use in 1977, only 55 man-years less than originally budgeted, is not a significant factor of change. However, estimates of the average salary of SSA employees have been revised based on an evaluation of experience in 1976 and the transition quarter. Average salary estimates for 1977 now exceed original projections by 3.5 percent (excluding the effect of the pay raise). As indicated below, the remainder of the increase in personnel compensation and benefits (+$42,572,000) results from this increase in average salary.

Changes in Payroll Costs from
the 1977 President's Budget

	Change (in thousands)
Reclassification of 3,700 district office data review technicians from GS-6 to GS-7 effective July 1, 1976.....	+$1,700
Increase in the Federal government's share of the cost of employee health benefit plans effective January 1976.....	+5,200
Effect of a 1.5 percent increase in the 1976 actual average cost per man-year over that projected in the 1976 operating budget. This increase in the base, used to calculate the 1977 average cost per man-year, is partially offset by the decrease of 55 man-years.....	+17,896
Revised calculation of the effects of periodic step increases, promotions and an increase in the average salary of part-time employees (explained below).....	+17,776
Total.....	+$42,572

The 1977 budget significantly understated the value of periodic step increases and the net cost of career ladder promotions to journeyman grades, partially offset by savings for recruitment below the journeyman grade. Since the advent of the SSI program, SSA's average salary has been kept down by heavy recruitment (SSA's full-time permanent staff increased by over 6,700 during 1975 and 1976). Recruitment at lower grades tends to offset the cost of promotions of other employees in the agency to higher grades. Because staffing remains more level in 1977 and recruitment is geared to replacement of losses rather than "staffing up," savings from recruitment at lower grades is not as great as it has been in recent years. However, large numbers of career ladder promotions are effective in 1977 and 1978 resulting from the heavy recruitment effort since 1974. The result is an increase in average salary which was underestimated in the 1977 budget.

The other major factor contributing to the increases in personnel costs in 1977 is an increase in the average salary for "all other" employees (i.e., employees not in full-time permanent positions). In the past the "all other" ceiling was used primarily to hire low-graded temporary employees for processing one-time or intermittent workloads. More and more, these positions have been used to hire professional employees on a part-time basis, particularly as a means of bringing back experienced former SSA employees. At the present, about half of SSA's "all other" employment is permanent part-time employees. The increase in the proportion of professionals has increased the average salary for this category of personnel more than was anticipated in the 1977 budget.

Despite the increase in the cost of personnel compensation and benefits, SSA will still be able to absorb a significant portion of the $60,361,000 October 1976 pay raise. SSA is absorbing $24,003,000 and requesting a supplemental of $36,358,000 to cover the balance.

Other Objects Requirements (-$61,019,000)

SSA's ability to absorb a large part of the increased costs of personnel compensation and benefits in 1977 is due chiefly to a reduction in other objects requirements. The major reason for this reduction is a decrease of $56,194,000 in automatic data processing and telecommunications costs. The following table

summarizes the changes in ADP and telecommunications costs from the estimates in the 1977 President's budget.

Change in ADP and Telecommunications
Costs from the 1977 President's Budget

	Change (in thousands)
Computer purchases	-$30,694
Equipment rental:	
SSADARS	-14,300
Mass storage	-4,800
Peripheral equipment	-6,400
Subtotal, rental	-$25,500
Total	-$56,194

The 1977 President's budget provided $7,700,000 for the purchase of two large scale computers which SSA began renting in 1976. Because these machines were purchased at the close of 1976, funds are no longer needed in 1977. The original estimate for 1977 also included $22,994,000 for the purchase of four additional computers. However, a recent GAO study has questioned SSA's current computer utilization. The results of this study, passed on to SSA and selected members of Congress, show computer system utilization at SSA to be 48.6 percent. While SSA does not accept the GAO analysis as being conclusive, the agency does agree that the broad question of utilization versus capacity must be answered. As a result, SSA has undertaken several initiatives, in conjunction with GAO and OMB, to evaluate and improve its current computer operations before purchasing any new machines. Some of these initiatives are listed below.

--A contract with Boeing Computer Services, Incorporated, to analyze the data used by the General Accounting Office in its study.

--A follow-on contract with Boeing to apply fully its computer utilization analysis system (SARA) to analyze SSA's data processing activities.

--Hiring of a recognized academic authority on computer systems to assist SSA in its improvement activities.

--A contract with the Mitre Corporation, awarded in November 1976, to do an extensive one-year analysis of SSA's computer systems which includes an analysis of computer utilization, an identification of inefficient processes or uses, and recommendations for corrective actions.

--Rearranged starting times of computer operating shifts to provide for an overlap of operations personnel in order to improve communications between shifts and avoid unnecessary shutdowns in our computer operations.

--Investigating improved methods of tracing hardware failures, correcting systems deficiencies, and "fine tuning" systems for maximum efficiency.

The $22,994,000 for new computers has been excluded from the revised estimate for 1977 pending the outcome of these initiatives. In total, the revised estimate of costs for 1977 computer purchases is $30,694,000 less than originally planned.

The revised estimate for 1977 ADP equipment rental is, in total, $25,500,000 less than the President's budget. Rental costs decrease about $14,300,000 due to slower than budgeted expansion of the SSA Data Acquisition and Response System (SSADARS), the telecommunications network which allows field offices to access central office computers.

The revised estimate for 1977 also excludes $4,800,000 originally provided for annualization of a mass storage device which was to be installed in 1976. Installation of this device will not take place until late 1977. Rental costs decrease another $6,400,000 because the peripheral equipment needed to support the four new computers mentioned above has also been excluded from the revised estimate.

The additional reduction of $4,825,000 in other objects is due to a lower estimate for the contract with the Internal Revenue Service to assist SSA with the project of converting the social security account number file to an electronic data base. Actual experience during 1976 indicates that the unit cost for work done by IRS will be lower in 1977 than originally anticipated.

Third Party Costs (-$5,556,000)

As indicated below, a large decrease in funds needed for the disability State agencies more than offsets third party increases in other areas.

--The revised cost estimate for the disability State agencies is $10,316,000 below the President's budget. The primary reasons for this decrease are postponed implementation of the reconsideration interview procedure and elimination of the need for due process medical cessation hearings.

The 1977 President's budget also included the resources needed for disability State agency personnel to conduct oral due process hearings with title II beneficiaries before disability benefits were terminated as a result of cessation of disability. In Mathews vs. Eldridge, in February 1976, the Supreme Court overturned a lower court decision which required SSA to conduct such hearings, stating that the administrative procedures for termination of disability benefits prescribed under the Social Security Act fully comport with due process. As a result, funds for this activity are excluded from the revised estimate for 1977.

--Revised dollar requirements for the Medicare contractors and State agencies are $2,260,000 more than originally anticipated. Costs for the Medicare contractors are close to the President's budget, increasing only $520,000 or one-tenth of one percent. However, costs for the health insurance State agencies exceed the President's budget by $1,740,000. The principal reason for this increase is the need to complete the first round of surveys of physical therapists in independent practice during 1977.

--Requirements for the State agencies which assist SSA in the Supplemental Security Income program exceed the President's budget by $2,500,000. The original estimate was established before SSA had good data to project the number of converted recipients subject to minimum income level (MIL) maintenance. The MIL is the basis for computing the amount of the mandatory State supplementary payment and is a specific dollar amount established for each eligible individual or couple converted from State assistance to SSI rolls. The revised estimate assumes a higher number of converted recipients subject to MIL maintenance.

Budget Emphases for 1977 and 1978

Since January 1974, SSA has had to place major emphasis on the Supplemental Security Income program. The stress placed upon this new and complex program, which now serves over 4 million people, caused a decrease in the accuracy and timeliness of many services rendered by SSA. Over the past three years, SSA has gained experience and made many changes in the operation and management of the SSI program. As a result, SSA can now maintain its emphasis on the SSI program and begin to correct other existing deficiencies.

SSA's administrative budget request for 1977 and 1978 is consistent with SSA's desire to improve the quality of service provided all social security and supplemental security income recipients. The following examples reflect this goal.

I. Management Initiatives Aimed at Improving SSI Payment Accuracy

Increased emphasis on the reduction of SSI payment errors has significantly changed the way in which SSA administers the SSI program. In identifying areas for corrective management action SSA has found that there are some categories of error subject to only limited control. In dealing with an SSI recipient population composed largely of impoverished aged and disabled individuals, communications with many are difficult at best. Obtaining correct and complete information is a serious problem especially when the law mandates complex reporting requirements for changes in circumstances. These requirements are not easily understood by the recipients and they often fail to report such changes. Recent quality assurance results show that roughly 51 percent of the payment errors result from inaccurate recipient reporting.

SSA plans to improve administrative performance and reduce errors resulting from recipient nonreporting. SSA's objective is to reduce the actual SSI case error rate to 15 percent by December 1977. The table below illustrates actual SSI case error rates as reported by SSA's quality assurance system, and the agency's case error rate goals:

Six Month Period Ending	Case Error Rate (total of overpayments, underpayments and payments to ineligibles)
December 1974	24.8
June 1975	24.4
December 1975	24.1
June 1976 1/	19.1 1/
December 1976	19.0 (goal)
December 1977	15.0 (goal)

1/ The SSI quality assurance system is patterned after the AFDC quality control system. The AFDC methodology has been perfected to recognize that in many instances changes in a beneficiary's circumstances will occur in a given month too late to be reported and/or picked up in time for the next check. Under an HEW regulation dated August 5, 1975, cases of this type, which represent a relatively small share of the total activity being measured, are no longer charged as incorrect payments. The SSI quality assurance data for January-June 1976, the first full sample period after the new regulation, puts SSI on a comparable basis with the AFDC definition of incorrect payments stated in the August regulation.

The estimates of SSI Federal benefit payments for 1977 and 1978 assume that SSA will achieve the error rate goals and, therefore, include savings attributable to the actions included in SSA's error reduction program. The

estimates assume savings of $180,000,000 in 1977 and $270,000,000 in 1978 (the justification for the SSI appropriation contains more discussion on these savings). The actions are discussed below:

--SSA's most effective method of improving payment accuracy is the redetermination process. The budget includes manpower to conduct an annual redetermination on each case. The purpose of the redetermination is to correct overpayments and underpayments and to remove ineligibles from the rolls. The redetermination is SSA's best way of correcting errors resulting from inaccurate or incomplete beneficiary reporting and also provides a method to annually remind recipients of their reporting responsibilities. The table below illustrates SSI redetermination volumes and the manpower budgeted to process them.

SSI Redeterminations

	1976 Actual	1977 Estimate	1978 Estimate
Number processed....	3,500,000	4,400,000	4,400,000
Man-years required..	4,010	5,120	4,890

The impact of redeterminations on Federal benefit payments is included in the savings from SSA's error reduction program mentioned above. SSA estimates that about 55 percent of the savings in 1977 and more than 60 percent of the savings in 1978 result from correcting payment errors through the redetermination process.

--Enhancements and additions to the automated system. There are several projects currently underway. For example, the development of automated data exchange systems with Federal pension files (VA, RRB, etc.). The initial phase of the VA interface was implemented effective with payments for October 1976. Preliminary data indicates this interface will have a significant payoff in terms of improved payment accuracy. Other systems enhancements expected to improve payment accuracy include development of a diary system and a validation system.

--Improved employee training and instructions. Catch-up training to provide SSI operational expertise to field office employees was undertaken in 1976. Emphasis on employee training will continue in 1977 and 1978. Training will emphasize interviewing techniques which tend to elicit information affecting entitlement and payment accuracy which SSI recipients sometimes fail to reveal.

--Experiments in each SSA region to assess the impact of different organizational and processing arrangements on quality of work and general performance of field employees.

--Development and implementation of specialized corrective action plans based on specific problem areas which have been identified on a regional and State basis. Data flowing from SSA's quality assurance system form the basis for these plans.

--Refinement of the interview process to provide a more extensive interview, with emphasis on the most error prone eligibility factors. The SSI application form has been revised to provide more information on error prone factors. Both the redetermination and initial claims interview will place more emphasis on beneficiary reporting of post-eligibility changes.

II. SSI Overpayments

Overpayments which continue unresolved for long periods of time are more difficult to correct than those which are handled quickly. Such processing delays cause problems for both SSA and the overpaid SSI recipient. For this reason, SSA's budget for 1977 and 1978 provides for improved processing of SSI overpayments. This emphasis is reflected in the table below.

SSI Overpayments

	1976 Actual	1977 Estimate	1978 Estimate
Number processed.....	915,821	1,346,000	1,086,000
Man-years required.....	1,850	2,150	1,980

In 1977 efforts will be directed at most of the older overpayments. This includes overpayments pending in field offices at the beginning of the year as well as backlogged overpayments which will be sent to field offices during the year.

In 1978, it is SSA's goal to reduce the time between receipt of a newly found overpayment and its resolution. The 1978 budget provides the resources needed to complete the backlog of cases carried over from 1977 and to process newly identified overpayments shortly after their receipt in the field offices.

III. Training

As indicated previously, the emphasis upon the Supplemental Security Income program brought with it a decrease in the accuracy and timeliness of many services provided by SSA. Shortcuts in employee training account, in part, for these deficiencies. In many cases, initial training courses were cut by one-third; and much of the ongoing training was devoted to SSI. As a result, other social security programs suffered.

SSA is now in a much stronger position regarding training. In the past year, considerable progress has been made in all areas. For example, basic entry-level technical courses for district office personnel have been updated. Most of the claims representatives who were initially given two year term appointments have been converted to full-time permanent positions and have received the training needed to assume a full range of duties.

The budget for 1977 and 1978 continues to emphasize training. The man-years budgeted for training of workload operations personnel are summarized below.

Workload Operations Training

	1976 Actual	1977 Estimate	1978 Estimate
Training man-years.....	5,732	6,473	6,326

IV. Quality Assurance

Quality assurance activities are conducted throughout SSA on an ongoing basis. These activities, which involve all programs, range from operational end-of-line claims review in the trust fund programs to centralized claims processing quality review and payment validation in the SSI program.

As indicated in the following table, the budget for 1977 and 1978 provides for development of a new SSA-wide Quality Assurance Reporting System. The budget also provides for continuation of district office quality control efforts which began in 1976.

New Initiatives in Quality Assurance

	Man-Years Required		
	1976 Actual	1977 Estimate	1978 Estimate
Development of an SSA-wide Quality Assurance Reporting System	--	49	75
District office quality control	352	358	358

The proposed SSA-wide Quality Assurance Reporting System will provide a basis for identifying needed improvements in the quality of SSA's final product--the correct and timely payment of benefits to entitled beneficiaries. Tentative plans call for reporting in the retirement and survivors insurance, disability insurance, supplemental security income and health insurance programs. The major indicators of program quality to be reported are:

--The accuracy of all payment actions.

--The accuracy of nonpayment decisions, such as denials and terminations.

--The timeliness of actions.

In SSA's district offices, operations analysts will continue to work with managers in an effort to improve procedures for quality control. Here, random sampling, observation and special studies are used to identify those areas which require attention. Corrective action, usually in the form of training, is then initiated. This effort helps ensure that field personnel are performing in the most efficient and effective manner.

V. Medicare Fraud and Abuse Detection and Prevention

As indicated in the table below, the budget for 1977 and 1978 places increased emphasis on Medicare fraud and abuse.

Medicare Fraud and Abuse Detection and Prevention

	1976 Actual	1977 Estimate	1978 Estimate
SSA man-years	115	160	190
Medicare Contractor dollars	--	$2,500,000	$3,400,000

As the use of Medicare services rises, SSA can anticipate a corresponding increase in the number of cases which warrant fraud investigation. Pending levels must be reduced because timely completion of case development, especially where litigation is expected, is essential to the success of any fraud detection and prevention effort. In view of the age and physical condition of Medicare beneficiaries, any delay in development may jeopardize completion of a case. In some categories of fraud development, current pending levels exceed one year's work. The budget provides the man-years needed to reduce this level by one-half by the end of 1978.

The budget also provides the SSA man-years needed to support and monitor new initiatives taken by the Medicare contractors in this area. The additional funds budgeted for 1977 and 1978 will be used by the contractors in various ways. For example, some of the contractors will develop diagnosis-based ranges of costs for ancillary charges and then review and monitor exceptions to these ranges. Other contractors will devote time to the investigation of certain provider practices believed to have high potential for fraud and abuse.

VI. Stabilization of Hearings Workloads

A significant reduction in hearings backlogs was achieved in 1976--pendings dropped from 111,169 in June 1975 to 89,769 in June 1976. Because a lower ongoing level of work will exist after the remaining backlogs are eliminated, the budget now provides for a gradual reduction of the pending level to 13 weeks work at the close of 1979. This level will permit efficient use of resources and satisfactory service to the public. The table below reflects the trend in hearings backlogs over a five year period.

Hearings Backlogs - End of Year Pending

Program	1974 Actual	1975 Actual	1976 Actual	1977 Estimate	1978 Estimate
Retirement and Survivors.....	1,652	1,627	1,978	904	853
Disability.....	39,240	67,036	70,620	33,871	28,136
SSI.....	1,595	17,041	14,670	15,635	12,231
Medicare.....	1,454	1,150	964	112	120
Black Lung.....	33,292	24,315	1,537	--	--
Total.....	77,233	111,169	89,769	50,522	41,340

The following table summarizes man-year requirements for the Bureau of Hearings and Appeals. The estimates for 1977 and 1978 are consistent with the workload objectives discussed above.

Bureau of Hearings and Appeals

	1976 Actual	1977 Estimate	1978 Estimate
Man-years required (all programs).....	4,130	4,118	3,790

Current workload projections assume a net decrease in hearings receipts due to enactment of P.L. 94-202 on January 2, 1976, which changed the time limitation for filing for a hearing to 60 days from the previous 6 months for title II and one month for title XVI. However, the data needed to verify this assumption do not yet exist. Additional resources may be required also if new Black Lung legislation is enacted and SSA must re-examine previously denied black lung claims. The last Congress considered such legislation, H.R. 10760; but the Senate did not act on it before the close of the session. If enacted, SSA will have to conduct hearings and appeals on those claims that are denied again.

VII. Advanced Systems Planning

Over the past 20 years, as SSA has assumed additional responsibilities, it has absorbed new workloads by increasing personnel and expanding computer capabilities. Today, SSA is approaching the point at which its major systems

and processes will become nonresponsive. In a few more years, the basic system will reach a state of complete inelasticity. The result will be an inability to provide an acceptable level of service.

Using existing systems, no matter how efficiently, SSA will not be able to respond to the increased workloads projected for the 1980's without hiring even more personnel and purchasing even more computer power. This is not the answer. As a result, SSA is committed to taking a fresh look at its major work flows and its plans to handle workload growth on a long-range basis. As indicated below, the special emphasis on advanced systems design and improved computer technology which began in 1976 continues. In 1977 and 1978, the budget provides for both SSA man-years and contractual services in the advanced systems area. The emphasis on contractual type services is designed to provide expertise not available within SSA and help insure the success of the planning effort.

Advanced Systems Planning

	1977 Estimate	1978 Estimate
SSA man-years	130	159
Contractual Service Dollars		
Modeling/Simulation	$200,000	$450,000
Systems analysis	1,200,000	1,800,000
Human factors studies	1,750,000	950,000
Procurement support	1,760,000	1,000,000
Design and development	--	10,450,000
Data Processing services	80,000	80,000
Total	$4,990,000	$14,730,000

Advanced systems planning is the responsibility of SSA's Office of Advanced Systems. This organization's goal is to modernize SSA's approach to data processing and develop a total process involving men, computers and products which will serve SSA through the next decade. The new process will provide maximum efficiency and curtail increasing personnel requirements and administrative costs through sound design and optimal use of advanced technology. It will also improve service to the public. The development of this future process is divided into four phases: conceptualization, requirements definition, design and development, and implementation. The conceptualization phase, which is nearly completed, includes two major stages--predesign and design.

In the predesign stage of conceptualization, the broad purpose and objectives of the planning effort were identified and formally stated in the "Master Plan for the Development of the Future SSA Process." This plan gave direction to, and set the limits for, the initial research which led to more specific requirements and objectives.

The design stage of conceptualization involved an identification of major SSA work/service categories and a description of preliminary design concepts for the future process. These preliminary concepts have been:

--compared with existing processes;

--analyzed to assure that fixed requirements are met;

--analyzed to determine the extent to which stated objectives are achieved or furthered;

--examined to determine their impact on levels of service, SSA staffing and facilities.

The initial results of the conceptualization phase have been set forth in the "Design Concept for the Future SSA Process," which has been presented to the Secretary of HEW for approval. While this document does not reflect the final design, it does describe the general concept that has evolved to this point. As such, the document serves as an accurate reference to the direction of SSA's future process and its impact on agency resources. The remainder of the conceptualization phase will involve further analysis to determine those sub-features which will add detail to this general design concept. The final report will contain a definitive plan for the second phase of the project. This plan will include a description of major products, a schedule, personnel resource requirements and an updated estimate of project costs.

The conceptualization phase will be completed in 1977. The requirements definition phase will begin in 1977 and continue into 1978. During this phase, work will be done to define the automated and related manual processes for the services SSA must deliver. Performance specifications for these processes will then be developed in a logical manner starting with an SSA-wide "system" specification. This will be followed by second level specifications for each work/service category (e.g. SSN issuance) and, finally, by hundreds of detailed specifications describing the requirements for each functional process step and equipment item.

Approximately 32 Cents Out of Every Administrative Dollar in Fiscal Year 1978 is Budgeted for Third Parties

As indicated in exhibit 1, 32 cents out of each dollar requested for Salaries and Expenses in 1978 will go to third parties who assist in carrying out the provisions of the Social Security Act. These third parties are State agencies which perform functions under the disability, health insurance and supplemental security income programs as well as non-profit private contractors which provide services under the health insurance program.

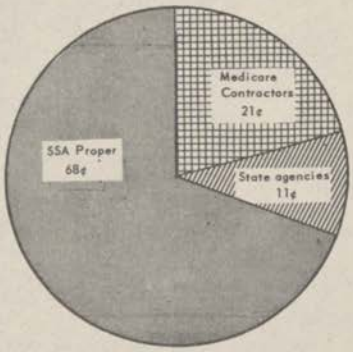
In 1978, more than 10 cents out of every administrative dollar will go to State agencies which make disability determinations for the social security and SSI programs. This includes initial claims for benefits, reconsideration claims resulting from medical denials, and investigations of continuing eligibility. A disability determination must be made on all claims in which eligibility involves meeting medical disability criteria.

About 1 cent out of every salaries and expenses dollar will go to health insurance State agencies (principally public health agencies). These agencies certify that providers of services--hospitals, skilled nursing facilities, home health agencies and independent laboratories--meet Medicare standards and are thus eligible to participate in the program.

Health insurance contractors, such as Blue Cross and Blue Shield and private health insurance companies, will require more than 20 cents out of every administrative dollar in 1978. These third parties process most Medicare bills and claims for payment and perform certain other administrative functions.

Exhibit 1

ADMINISTRATIVE EXPENSE DOLLAR-FISCAL YEAR 1978 ESTIMATE



	Amount	Percent of Total
SSA Proper.....	$1,806,936,000	67.9
Medicare Contractors.....	546,472,000	20.6
State Agencies:		
A. Social Security Program		
Disability.....	165,116,000	6.2
Medicare.....	24,857,000	0.9
B. Supplemental Security Income Program		
Disability.....	111,140,000	4.2
Other.....	6,430,000	0.2
Total State Agencies.....	307,543,000	11.5
Total Obligations.....	$2,660,951,000	100.0

Work Output and Productivity

Work Output

Work output represents the number of units of program workloads processed, adjusted for changes in workload composition, substantive changes in the quality of the product and non-recurring work involving the use of agency manpower.

The following table reflects the change in work output projected for the various components which process the work of the Social Security Administration.

Changes in the Work Output of SSA Bureaus and Third Parties
1978 over 1977

Component	Percent Change
SSA Bureaus	+0.2
Medicare Contractors	+8.0
Medicare State Agencies	-1.8
Disability State Agencies	+2.1

As indicated above, the budget for 1978 anticipates little change in work output for SSA proper. In 1978, small man-year savings which result from a slight decrease in overall workloads, qualitative changes and a change in non-recurring work are offset by a small man-year increase due to changes in workload composition.

The 8.0 percent increase in work output projected for the Medicare contractors is attributed primarily to an increase in workloads and to some extent to an expansion of effort in the fraud and abuse area. The number of bills for hospital services and claims for medical services continuesto increase due to normal growth in the aged population, growth in the number of disabled persons covered by the Medicare program and higher utilization of health services.

The work output of the Medicare State agencies is projected to decline about 1.8 percent in 1978 due to a decrease in workload volume. The number of surveys of physical therapists in independent practice will drop significantly--initial surveys will be completed in 1977 and resurveys will be conducted on a 10 percent sample basis beginning with 1978.

An increase of 2.1 percent is projected in the work output of the disability State agencies in 1978. The principal reason for this change is an increase in the number of consultative medical examinations used to assist in making disability determinations. These examinations improve the quality of the disability determination by providing the best possible medical documentation. However, they also increase the time and effort invested by State employees.

Productivity in the SSA Bureaus

In 1974, SSA experienced for the first time in over a decade a loss in productivity. This loss, due primarily to implementation of the new SSI program, was recovered in 1975 when productivity increased by almost 4 percent. The trend of increased productivity within the SSA bureaus and offices has now been re-established. As indicated in the table below, productivity increased another 6.5 percent in 1976 and further improvements are projected for 1977 and 1978.

Productivity in the SSA Bureaus

	Percent of Year to Year Improvement	Man-Year Savings/Costs
1974 Actual	-2.4	+1,829
1975 Actual	3.9	-3,312
1976 Actual	6.5	-5,660
1977 Estimate	4.7	-4,139
1978 Estimate	1.6	-1,380

The major reasons for the productivity improvements projected for 1977 and 1978 are anticipated improvements in SSA systems and procedures. Some of the improvements planned for 1977 and 1978 are listed below.

--SSI systems improvements designed to reduce or eliminate manual payment and post-entitlement actions.

--A reduction in the number of exceptions to automated processing in the SSI program.

--A reduction in the amount of support needed for computer operations.

--Use of the Claims Automated Processing System (CAPS) to handle more claims with fewer manual operations.

--An increase in electronic posting of earnings items.

Historical Trends in the Productivity of SSA Bureaus

Exhibit 2 reflects the trend in SSA productivity over a ten year period. Using 1968 as a base, the work of the SSA bureaus is projected to increase 125 percent by 1978. Man-years increase only 60 percent over the same period, resulting in a productivity improvement of more than 40 percent.

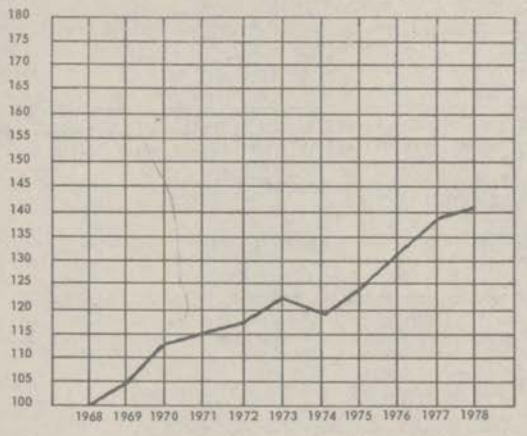
The work output index used in computing the productivity index in this exhibit is based on units of program workloads processed, adjusted for changes in workload composition, the quality of the output, and non-recurring work involving the use of SSA manpower. The man-year index covers total man-years paid directly from the Salaries and Expenses appropriation including overtime. Work performed by State agencies and contractors is excluded from this computation.

Productivity in the Third Parties

Productivity improvements of varying degrees are also projected in 1978 for the State agencies and health insurance contractors which provide services in the disability and Medicare programs. The anticipated improvements in the productivity of these third parties are summarized below.

Exhibit 2

Comparison of Manpower with Workload[1]
Productivity Index
Fiscal Year 1968 = 100



Indices of Work Output, Manpower, and Productivity

Year	*Work Output*	*Manpower*	*Productivity*[2]
1968 actual	100.00	100.00	100.00
1969 actual	104.15	99.34	104.84
1970 actual	109.98	97.95	112.28
1971 actual	116.38	101.22	114.98
1972 actual	120.40	103.06	116.83
1973 actual	133.12	108.72	122.44
1974 actual	164.41	137.60	119.48
1975 actual	190.54	153.44	124.18
1976 actual	211.16	159.72	132.21
1977 estimate	224.53	162.26	138.38
1978 estimate	224.98	160.07	140.55

[1]Work performed by State agencies and Medicare contractors and the manpower for them are excluded.

[2]Productivity index equals work output index divided by manpower index times 100.

Change in the Productivity of Third Parties

1978 over 1977

Third Party	Percent Change
Medicare Contractors	+11.1
Medicare State Agencies	+3.0
Disability State Agencies	+0.1

The most significant improvement in productivity, 11.1 percent, is projected for the Medicare contractors. In prior years, substantial productivity improvements have been achieved as contractors replaced inefficient manual processing systems with automated systems. By the end of 1977, most of the contractors will have converted to automated processing methods. In 1978, increased emphasis on methods to improve employee performance will be used as a means to achieve increased productivity.

Man-Years and Positions

SSA's total man-year and position requirements for all of the program it administers are reflected in the tables below. Each table includes a separate breakout for the Limitation on Salaries and Expenses, which includes the trust fund and SSI programs. Man-years and positions are required also for the black lung program and for reimbursable work performed for private groups and other government agencies.

	Man-Years		
	1977 President's Budget	1977 Revised Estimate	1978 Estimate
Salaries and Expenses			
Full-time permanent position man-years	77,340	77,825	77,816
Temporary and part-time position man-years	7,092	7,071	7,104
Overtime man-years	4,487	3,968	2,746
Total	88,919	88,864	87,666
Total, Social Security Administration			
Full-time permanent position man-years	79,052	78,907	79,048
Temporary and part-time position man-years	7,106	7,105	7,116
Overtime man-years	4,600	4,030	2,827
Total	90,758	90,042	88,991

	Positions Authorized		
	1977 President's Budget	1977 Revised Estimate	1978 Estimate
Salaries and Expenses			
Full-time permanent	79,499	80,110	79,915
Temporary and part-time	7,276	7,272	7,274
Total	86,775	87,382	87,189
Total, Social Security Administration			
Full-time permanent	81,243	81,243	81,214
Temporary and part-time	7,276	7,276	7,276
Total	88,519	88,519	88,490

	Positions Filled at End-of-Year		
	1977 President's Budget	1977 Revised Estimate	1978 Estimate
Salaries and Expenses			
Full-time permanent	76,565	79,135	78,940
Temporary and part-time	7,276	7,272	7,274
Total	83,841	86,407	86,214
Total, Social Security Administration			
Full-time permanent	78,309	80,268	80,239
Temporary and part-time	7,276	7,276	7,276
Total	85,585	87,544	87,515

The tables exclude 73 full-time permanent positions in 1977 (Special Benefits for Disabled Coal Miners) and 73 temporary and part-time positions in 1978 (Salaries and Expenses) for the Office of the General Counsel, HEW.

As previously indicated, SSA's administrative budget request for 1977 and 1978 emphasizes improvements in the quality of service provided both social security and supplemental security income recipients. The budget also emphasizes a more efficient and effective use of agency manpower in 1977 and 1978. The man-year and position requirements outlined above are consistent with this goal, which SSA hopes to achieve by maintaining a stable full-time permanent workforce, reducing its reliance on overtime and restraining the growth of staff-type functions.

Maintaining a Stable Full-Time Permanent Workforce

The 1977 President's budget proposed that SSA staff up in 1977 in order to obtain more full-time permanent man-years from its employment ceiling. This would allow SSA to prepare in advance for anticipated workload peaks and then attrition down to the 1976 end-of-year employment level. The agency has reassessed

this plan, however, in recognition of some of the problems involved in "peaking" of staff--difficulties in mass hiring of professionals, imbalances created by heavy attrition situations and lack of real workload seasonality to support such staffing peaks. Annual peaking of staff results in a flood of trainees at a time when experienced employees are scarce. Such a situation is not conducive to error reduction and improved efficiency.

The most reasonable staffing plan is one that remains relatively level when workloads remain relatively level. Losses should be replaced as they occur to ensure that employees with needed qualifications and training are available at the proper time in the right locations. For this reason, SSA's employment request for 1977 and 1978 provides for a stable full-time permanent workforce over the two year period. It also provides sufficient man-years to handle anticipated workloads and allows for a reduction in excessively high overtime levels.

Reducing SSA's Reliance on Overtime

SSA's use of overtime rose to abnormally high levels as a result of the 1972 amendments, which included the SSI program. The proportion of total man-years achieved through overtime reached 7.8 percent in 1974 and 7.4 percent in 1975. While a high level of overtime may be reasonable and necessary for the shortrun, it is inefficient and expensive on an ongoing basis. As a result, the budget request for 1977 and 1978 projects a substantial decrease in overtime man-years. This decrease is reflected in the table below.

		Overtime (All Programs)	
Fiscal Year	Total Man-Years	Man-Years	Percent of Total Man-Years
1976 Actual	89,045	5,930	6.7
1977 Estimate	90,042	4,030	4.5
1978 Estimate	88,991	2,827	3.2

SSA's revised estimate for 1977 reduces overtime man-years to 4.5 percent of total man-years and the ratio drops to 3.2 percent in 1978. It is SSA's goal to eventually reach a level which will provide for sufficient overtime to handle the seasonal or peaking workloads for which overtime is appropriate. The optimum overtime level is estimated to be about 2.5 percent of total man-years.

Restraining the Growth of Staff Functions

The proper distribution of man-years has always been one of SSA's major concerns. In addition to the distribution among overtime, regular and temporary employment, SSA has also considered the distribution of man-years between staff and workload operations. Staff manpower includes positions closely tied to claims processing operations but not measured as a direct part of these operations, such as computer programmers and procurement specialists. As indicated in the table below, the budget for 1977 and 1978 holds staff function man-years very close to actual 1976 experience.

Staff Function Man-Years

	1976 Actual	1977 Estimate	1978 Estimate
Man-years.....	12,525	12,541	12,541

In 1977 and 1978, the man-years devoted to staff functions in some areas have been reduced so that priorities in other areas can be met. Among these priorities are Medicare fraud detection and prevention, advanced systems planning and SSA's quality assurance program. The reallocation of manpower to accommodate these priorities is forcing SSA to take a fresh look at the whole staff function area.

Old-Age and Survivors Insurance Program

	1977 Estimate	1978 Estimate	Increase or Decrease
Old-age and survivors insurance program	$759,798,000	$767,325,000	+$7,527,000
Permanent Positions	34,500	34,800	+300
Man-Years	39,843	39,215	-628

Scope of Program

Funds requested for the old-age and survivors insurance program provide for: (1) the initial determination of eligibility of workers, wives, widows, children and dependent parents for old-age and survivors insurance benefits; (2) reevaluation of the initial determination when requested by the claimant; (3) changing the beneficiary rolls to assure proper payment of benefits, and (4) investigation of the beneficiary's continuing entitlement to benefits, including evaluation of the performance of representative payees. The old-age and survivors insurance activity, along with the disability and health insurance activities, also includes a distributive share of functions which support all social security programs: the issuance of social security numbers, the maintenance of earnings records for workers covered by the social security program, the overall direction of the Social Security Administration, and administrative services.

Workloads

A. Workload Trends

Indicative of the workload trend in this activity is the number of retirement and survivors insurance beneficiaries receiving benefits. The table below (based on present law) shows the average number of persons receiving benefits and the amount of benefits paid in selected years.

Fiscal Year	Average Number of Beneficiaries in Current Payment Status	Benefits Paid During Year
1960	13,243,564	$10,269,708,577
1965	18,236,173	15,225,894,366
1970	22,889,000	26,266,928,000
1975	26,942,000	54,838,818,324
1976	27,733,000	62,140,449,000
1977 estimate	28,598,000	71,021,000,000
1978 estimate	29,287,000	77,973,000,000

The number of persons on the old-age and survivors insurance beneficiary roll will continue to increase for many years into the future. The normal year-to-year growth in the roll and in the amount of benefits paid is in large measure dependent on population growth, economic growth and demographic changes. Year-to-year growth is also affected by legislative changes to the basic Social Security Act.

The amount of benefits paid each year increases as the number of beneficiaries increase. In addition, average monthly benefits increase as general earnings rise and as the automatic cost-of-living benefit increases authorized by Public Law 93-233 (enacted December 1, 1973) go into effect. The most recent automatic benefit adjustment was a 6.4% increase, effective for June 1976. The estimated benefit amounts for fiscal years 1977 and 1978 assume a 4.9 percent automatic increase effective June 1977 and a 5.5 percent increase effective June 1978.

B. Work Output

Overall work output for this activity will not change significantly in 1978--decreasing by just 0.4 percent over the 1977 level. The principal indicators used to compute the year-to-year change in workload volume in this activity are:

	1977 Estimate	1978 Estimate	Increase or Decrease Volume	Percent
Claims processed for retirement and survivors insurance benefits.....	4,020,000	4,045,000	+25,000	+0.6
Average number of beneficiaries served.....	29,548,000	30,227,000	+679,000	+2.3
Changes of address....	5,579,000	5,732,000	+153,000	+2.7
Overpayments processed.....	1,100,000	1,150,000	+50,000	+4.5
Appellate actions processed (includes reconsiderations, hearings before administrative law judges and appeals to the Appeals Council)	31,624	31,299	-325	-1.0

	1977 Estimate	1978 Estimate	Increase or Decrease Volume	Increase or Decrease Percent
Persons subject to continuing eligibility review (includes representative payess other than the natural parent, student beneficiaries age 18-22, and beneficiaries who are working and file reports of earnings).....	2,913,000	3,004,000	+91,000	+3.1

The following indicators of workload volume are for functions which are distributed to this activity and to the other insurance program activities:

	1977 Estimate	1978 Estimate	Increase or Decrease Volume	Increase or Decrease Percent
Social security numbers issued.....	11,900,000	8,050,000	-3,850,000	-32.4
Earnings items posted to worker's lifetime record of earnings....	400,000,000	370,000,000	-30,000,000	-7.5
Social security number file conversion project.....	70,000,000	70,000,000	--	--

Social Security Number (SSN) issuance - A one-time workload peaking is expected during 1977, as shown in the table below.

Workload	1977 President's Budget	1977 Revised Estimate	1978 Estimate
Regular.....	5,433,000	6,800,000	5,900,000
AFDC.....	1,687,000	5,100,000	2,150,000
Total.....	7,120,000	11,900,000	8,050,000
Man-Years....	2,606	3,057	2,451

The enumeration of recipients of aid to families with dependent children (AFDC) was mandated by the 1974 Social Services Amendments (P.L. 93-647). Because of the size of this job, SSA decided to negotiate reimbursable agreements with the States to assist in its completion. Under the agreements the States, on a reimbursable basis, would contact the AFDC recipients, assist them in completing applications for social security numbers, develop the required evidence and transmit the documentation to SSA. The 1977 President's budget assumed that this portion of the SSN issuance workload would be almost finished in FY 1976, with a carryover of only 1,687,000 items into FY 1977. This assumed that all the States would sign

agreements to perform the work, and would undertake the work promptly. However, the schedule has slipped. Presently, 49 of the 54 States and territorial jurisdictions involved have signed reimbursable agreements to enumerate AFDC recipients. One State may perform the work without any formal agreement or reimbursement; the remaining four States do not wish to undertake this reimbursable work for SSA. This budget assumes that SSA's major activity of validating the data submitted by the States will be completed by the end of FY 1977. The validation process involves checking names and corresponding social security numbers submitted by the States against SSA's records. If a discrepancy exists, it must be resolved, and in some cases a new SSN must be issued. The job of issuing numbers to recipients whose applications are rejected in the validation process will push completion of this project to about February, 1978. SSA's ability to meet this schedule is dependent upon timely completion of the work being done by the States for SSA.

The regular social security number workload shows a substantial decrease in 1978. This decrease is the result of a "shrinking universe" of people without social security numbers.

Earnings Items Posted - Under section 8 of P.L. 94-202, enacted January 2, 1976, the quarterly reporting of social security wage information for individual employees largely will be eliminated, and replaced by an annual report of wages for both social security and income tax purposes. As a result of this law, the number of earnings items posted in FY 1978 will be lower than in 1977. The change from quarterly to annual updating of earnings records will be effective for reports of wages paid after December 31, 1977, with the first reports forwarded to SSA for processing beginning January 1, 1979. Earnings data will be reported by employers for all workers, whether or not covered under social security. Domestic or household workers and State and local employees, however, will continue to be reported quarterly.

SSA and the Internal Revenue Service are actively planning now in order to make the transition from quarterly to annual reporting as efficient as possible. However, the full administrative impact annual reporting will have on SSA and other Federal agencies cannot be predicted with precision at this time.

Social Security Number File (SS-5) conversion project - The Social Security Administration has been converting its paper social security number files, an estimated 290 million "applications for a social security number," to an electronic data base. To accomplish this conversion the data must be coded, grouped, assigned control numbers and microfilmed prior to keying. Finally the key-to-tape data entry is performed. Because of the massive size of the job, SSA has negotiated reimbursable agreements with the Internal Revenue Service to do a major portion of the keying, during IRS' non-peak workload periods, to help complete the project. During fiscal year 1976, SSA used 1,031 man-years to convert 45.1 million SS-5 records to an electronic data base. Last year in the 1977 President's budget SSA requested 651 man-years to convert 40 million SS-5's to an electronic data base. In order to accelerate the conversion, however, we now plan to convert 70 million SS-5's during 1977 by devoting 969 man-years to this project. An additional 70 million paper records are scheduled for conversion during 1978.

By shifting the distribution of SSA work more heavily to data preparation, and by relying on IRS to key a larger proportion of the SS-5's, the higher level of planned work actually can be achieved with a decrease in SSA man-years from the 1976 level.

Under this plan, by the end of FY 1978, all data preparation for keying will be completed. After 1978, the man-years devoted to data preparation for this project no longer will be needed, and can be redirected to increase SSA keying for this project with no net increase in staff.

Completion of this conversion, now projected for December 1978, will save resources by improving efficiency, and also will save approximately 50,000 square feet of storage space. In addition, participation by IRS helps that agency use its resources more efficiently by minimizing the effect of peaking in its workloads. The table below summarizes SSA man-years and costs for 1977 and 1978.

Social Security Number Conversion Project

	FY 1977	FY 1978
SSA Man-Years.....	969	966
Obligations:		
SSA proper.....	$9,625,000	$9,595,000
Payments to IRS.....	15,000,000	15,000,000
Total.....	$24,625,000	$24,595,000

Cost for social security number issuance and the social security number file project are shared by this activity (OASI Program) and the other trust fund activities. However, the total costs have been shown here for the purpose of clarity.

Man-Year Requirements

Man-year requirements decrease by 628 man-years in 1978 for the OASI activity. The major portion of this decrease is a net savings of 478 man-years in 1978 for systems and procedural improvements and other changes in productivity. In addition, there is a decrease of 87 man-years in the time spent on small, one-time projects. The remaining decrease of 63 man-years represents a small net decrease in workload units processed and other work output factors.

Money Requirements

	1977 Estimate	1978 Estimate	Increase
Total Obligations.....	$759,798,000	$767,325,000	+$7,527,000

The cost of administering this activity in 1978 is budgeted to increase by $7,527,000. This represents this activity's share of the changes explained in the Summary of Changes exhibit for the limitation on Salaries and Expenses.

Disability Insurance Program

	1977 Estimate	1978 Estimate	Increase or Decrease
Disability Insurance Program.....	$537,586,000	$569,072,000	+$31,486,000
Positions.....	17,200	17,500	+300
Man-Years.....	19,875	19,753	-122

Scope of Program

Funds requested for the disability insurance program provide for (1) initial determinations of eligibility for cash benefits for disabled workers and their dependents; (2) making initial determinations of eligibility for Medicare benefits for disabled workers and other disabled beneficiaries; (3) reevaluating the initial determiniation upon the claimant's request; (4) making changes in the beneficiary roll to assure proper and correct payment of benefits; and (5) investigating the beneficiary's continuing eligibility for benefits. The administrative costs budgeted for the disability program include the costs of State agencies which determine the existence and continuance of a disability.

Workloads

A. Workload Trends

The following table displays the trend in the average number of disability insurance beneficiaries in payment status and in the amount of benefits paid for selected years.

Fiscal Year	Average Number of Beneficiaries in Current Payment Status	Benefits Paid During Year
1960.....	460,000	$528,303,887
1965.....	1,563,000	1,392,197,572
1970.....	2,495,000	2,778,117,937
1975.....	3,912,000	7,629,795,831
1976.....	4,352,000	9,222,211,168
1977 estimate.....	4,709,000	10,930,000,000
1978 estimate.....	4,982,000	12,334,000,000

The year-to-year growth in the number of beneficiaries is directly related to the incidence of disability in the population and the size of the population covered by the social security insurance program. In addition, legislative changes in the program affect the size of the beneficiary roll and the amount of disability insurance payments made each year. One major factor causing an increase in the roll since 1974 was the Supplemental Security Income program which became effective on January 1, 1974. Title XVI of the Social Security Act as amended provides that no person shall be eligible for supplemental security income if he fails to file, within 30 days of notification by the Secretary, for other benefits such as retirement, disability, workmen's compensation and unemployment benefits to which he may be entitled. It is believed that this requirement stimulated filing for social security disability benefits by disabled persons who had been receiving only State assistance payments.

The amount of benefits paid each year increases as the number of beneficiaries increase. Average monthly benefits increase as general earnings rise and as automatic benefit increases which are tied to the cost of living become effective. Public Law 93-233 (enacted December 1, 1973) authorized automatic benefit increases based on changes in the cost-of-living. The first such increase was 8 percent, effective June 1975, and a 6.4 percent increase was effective June 1976. The estimated benefit amounts for fiscal years 1977 and 1978 assume a 4.9 percent automatic increase effective June 1977 and a 5.5 percent increase effective June 1978.

B. Work Output

1. Social Security Administration

Overall work output for this activity is projected to increase by less than 1 percent in fiscal year 1978 over 1977 for the Social Security Administration. The principal indicators of the work volume in this activity for the Social Security Administration are:

	1977 Estimate	1978 Estimate	Increase or Decrease Volume	Percent
Claims for disability benefits from disabled workers and their dependents	1,934,000	2,010,000	+76,000	+3.9
Average number of beneficiaries served	4,836,000	5,077,000	+241,000	+5.0
Appellate Actions:				
Reconsiderations	256,804	272,805	+16,001	+6.2
Hearings	132,219	116,523	-15,696	-11.9
Appeals	34,122	35,780	+1,658	+4.9
Continuing eligibility decisions (Includes representative payees other than the natural parent; beneficiaries receiving periodic checks on their continued disability; dependents age 18-22 attending school, and dependents who work and must file reports of earnings)	741,904	771,751	+29,847	+4.0

The small increase in work output for this activity in fiscal year 1978 is primarily the result of small increases in most of the disability workloads as shown above, partially offset by a decrease of 12 percent in the number of hearings to be processed. The reduction in hearings results from working off backlogs of hearings in 1977 that had accumulated in prior years.

Overall, a net decrease of 122 man-years is budgeted for this activity. The slight increase in work output is coupled with a savings of 154 man-years as this activity's share of budgeted productivity improvements for the Social Security Administration.

2. Disability State Agencies

The State agencies are under contract to the Social Security Administration to make disability determinations on claims filed by disabled workers, widows and children. In addition, the States make determinations to ascertain the continuation of disability. In fiscal year 1978, the work output of the State agencies is expected to increase by 4.5 percent. This change in output, is due primarily to an increase of 2.8 percent in the number of disability insurance determinations to be processed by the State agencies in 1978 as follows:

	1977 Estimate	1978 Estimate	Increase or Decrease Volume	Percent
DI Disability Determinations Processed (includes 407,700 and 434,800 concurrent DI and SSI determinations for 1977 and 1978).....	1,659,400	1,706,400	+47,000	+2.8

Work output for this activity increases also because of renewed emphasis on improving the overall quality of the initial medical determinations by obtaining the best possible medical documentation before a determination is made. This will be accomplished by increasing the use of consultative examinations. Although these examinations will improve the quality of the decision they also add to the cost and require more time and effort by State employees. However, the overall purpose of this initiative is to assure consistent and proper disability determinations at the earliest stage in the process and in all States.

A productivity decrease of 0.3 percent is projected for the State agencies in 1978 for this activity due primarily to the decentralization of several State agencies. Although decentralization tends to reduce the amount of time necessary to process a claim, more manpower is required to adequately staff the decentralized offices. This decrease in productivity is partially offset by increased employee efficiency in the processing of claims due to training and experience.

Money Requirements

	1977	1978	Increase or Decrease
SSA administrative costs.....	$391,065,000	$403,956,000	+$12,891,000
Payments to States.....	$146,521,000	$165,116,000	+$18,595,000
Total obligations.....	$537,586,000	$569,072,000	+$31,486,000

For SSA, without third party costs, the cost of administering this activity in 1978 is budgeted to increase by $12,891,000. The increase represents this activity's share of the changes explained in the previous Summary of Changes exhibit for the limitation on Salaries and Expenses.

State agency requirements for fiscal year 1978 are expected to increase by $18,595,000. The 4.5 percent increase in work output accounts for $6,661,000. In addition, the estimated 7.5 percent increase in the average salary of State employees accounts for $6,389,000, and an estimated 7 percent increase in the unit cost of medical examinations purchased by State agencies accounts for $2,839,000. Increases in indirect costs ($864,000) and other objects of expenditure ($1,467,000) which are related to payroll costs, and the decrease of 0.3 percent in productivity ($375,000) account for the remaining change in disability State agency costs.

Health Insurance Program

	1977 Estimate	1978 Estimate	Increase or Decrease
Health Insurance Program.....	$745,006,000	$781,596,000	+$36,590,000
Permanent Positions.....	7,410	7,615	+205
Man-Years.....	8,614	8,608	-6

Scope of Program

Funds requested for this activity provide for the administration of the Hospital Insurance program (Part A) and the Supplementary Medical Insurance program (Part B).

These programs, frequently referred to as Medicare, provide insurance protection to persons age 65 or over; to persons under age 65 who have been entitled for at least 24 months to social security or railroad retirement benefits because they are disabled; and to workers insured under social security and their dependents who have chronic renal disease and receive hemodialysis or renal transplant. The Hospital Insurance program affords protection against the costs of inpatient hospital services, post-hospital home health services and post-hospital skilled nursing facility services. The voluntary Supplementary Medical Insurance program covers physician services and other medical costs. There are certain deductible and coinsurance requirements to be met in both programs.

The Hospital Insurance program is financed primarily by payroll contributions. Costs for uninsured aged persons are funded from general revenues or through the payment of monthly enrollee premiums. The Supplementary Medical Insurance program is financed partially by a monthly premium paid by the participants and partially by Federal fund appropriations.

Medicare administrative costs incurred by components of the Social Security Administration include enrolling persons into the program, maintaining the individual beneficiary records of utilization of hospital and medical services, and collecting premium payments. The administrative costs also include processing bills and claims for services rendered by hospitals, physicians, or other providers of health care. These bills and claims are processed mainly by third party contractors, i.e. Blue Cross and Blue Shield plans or private insurance companies. SSA itself serves providers and physicians who elect to deal directly with SSA. Also included are the administrative costs of the State Health agencies which are responsible for certifying that hospitals, home health agencies, skilled nursing facilities, end stage renal disease units, independent laboratories, and other covered facilities meet and adhere to the health and safety standards of participation in the Medicare program.

Medicare Coverage and Benefits

The estimated growth of Medicare in 1977 and 1978 is reflected in the number of persons covered under the hospital and medical insurance programs, the number of persons receiving reimbursement, and the amount of benefits paid, as shown in the following table:

	Average Number of People Covered by the Program	Persons Receiving Reimbursed Services	Benefits Paid
Fiscal Year			
Hospital Insurance			
1976 Actual.....	24,483,000	5,675,000	$12,266,803,000
1977 Estimate.....	25,204,000	5,900,000	15,175,000,000
1978 Estimate.....	25,765,000	6,025,000	17,814,000,000
Medical Insurance			
1976 Actual.....	24,038,000	14,008,000	4,671,006,000
1977 Estimate.....	24,790,000	14,836,000	5,999,000,000
1978 Estimate.....	25,359,000	15,634,000	7,325,000,000

Benefit payments will increase faster than the number of persons receiving reimbursed services. For hospital insurance this is due primarily to increases in the cost per day for inpatient hospital services. For medical insurance, increases in the cost and use of physicians, outpatient hospital and home health services account for the increase. The benefit estimates shown above are based on existing law, and do not reflect the President's legislative proposals, which would reduce Medicare outlays. The "benefits paid" column for 1977 and 1978 does reflect two budgeted administrative actions which will affect the amount of benefits paid. These are:

1. Action to limit Medicare reimbursement for drugs provided during inpatient stays in hospitals and skilled nursing facilities to the cost of less expensive generic equivalents (as opposed to brand name) if these equivalents are widely and consistently available. The general policy regulations implementing this action were effective in August 1976, and the job of identifying specific generic equivalents is now underway. This action will reduce benefits by $2,000,000 in 1978.

2. Implementation of Public Law 94-182, which authorizes funding of the direct review costs of Professional Standards Review Organizations (PSRO's) through the Medicare benefit payment process. This action, which is intended to improve the quality and appropriateness of medical care, will increase Medicare benefit payments by $25,000,000 in 1977 and by $46,000,000 in 1978. No offsetting savings have been projected at this time as a result of this program pending the analysis of operating experience.

Highlights of the FY 1977-1978 Budget Request

I. Work Output

Work output is the sum of two principal factors--the volume and composition of the workloads to be processed and efforts to improve the quality of the final product. The work output of the three components processing health insurance workloads is projected to change as follows in fiscal year 1978 over 1977:

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	Percent Change Over 1977 Work Output
Social Security Administration	+3.1
Health Insurance Contractors	+8.0
State Health Agencies	-1.8

A. Workload Volume

The principal indicators of health insurance workload volume follow:

Workload and Component Responsible for Processing	1977 Estimate	1978 Estimate	Increase or Decrease Volume	%
Bills for hospital insurance services - Social Security Administration and Health Insurance Contractors	12,639,200	13,152,100	+512,900	+4.1
Claims for medical insurance services - Social Security Administration and Health Insurance Contractors	128,582,900	141,216,100	+12,633,200	+9.8
Audits of hospitals, skilled nursing facilities, and home health agencies - Health Insurance Contractors	13,100	12,800	-300	-2.3
Surveys and other visits to providers by State health agencies	40,900	39,400	-1,500	-3.7

The projected increase in claim and bill volumes in the Social Security Administration and in the health insurance contractors is primarily due to the following factors:

1. Normal growth in the covered population aged 65 and over. This amounts to about 2 percent in both the Hospital Insurance and Supplementary Medical Insurance programs in 1978 over 1977;

2. Growth in the number of disabled persons covered by the program. This is projected at about 7 percent in both the Hospital Insurance and Supplementary Medical Insurance programs in 1978 over 1977; and

3. Higher utilization of health services.

In 1977, 501,000 hospital insurance bills will be processed for every 1,000,000 persons enrolled in the hospital insurance program; in 1978, actuarial estimates predict that 510,000 bills will be processed per 1,000,000 enrollees. In the medical insurance program, the number of claims processed per 1,000,000 enrollees is expected to increase from 5,187,000 in 1977 to 5,569,000 in 1978.

In the health insurance contractors the number of audits of providers will decline by 2.3 percent in 1978. This reduction is expected from the planned implementation in 1978 of new cost reporting forms for skilled nursing facilities. As was the case in 1976, when new cost reporting forms were first used for hospitals, it is expected that the processing of the cost reports will be delayed in 1978 until both the providers and the contractors become familiar with the new forms.

State agency surveys and visits are required to certify and recertify hospitals, skilled nursing facilities and other facilities as meeting the standards established for participation in the Medicare program. Included in this workload for the first time in fiscal years 1977 and 1978 are surveys and visits to end stage renal disease units and to physical therapists in independent practice. The extension of coverage to services provided by these facilities was contained in the Social Security Amendments of 1972. Regulations implementing certification requirements for each were promulgated in May 1976.

The decrease in workload volume in the State health agencies (-3.7 percent) in 1978 is due to a decline in the number of surveys of physical therapists in independent practice. The initial survey of each of these facilities will be completed in 1977 and resurveys will only be done on a 10 percent sample basis in subsequent years. Despite the above reduction in workload volume in 1978, work output in the State agencies will decline by only 1.8 percent. This is due to the fact that the reduction in surveys of physical therapist facilities will be partially offset by an increase in the relative proportion of other more costly surveys.

B. Qualitative Improvement in the Health Insurance Contractors--Fraud and Abuse Detection and Prevention

Most of the 1978 work output increase in the health insurance contractors is attributable to growth in workload volumes. Some of the increase, however, is also due to an expansion of effort in the fraud and abuse area.

The Social Security Act provides penalties for fraud or misrepresentation in order to illegally obtain services or payment under the Medicare program. In the course of normal claim and bill development, the Medicare contractors often uncover situations which suggest the possibility of a deliberate attempt to claim benefits illegally. When such situations arise, the contractors are charged with several responsibilities. These include: 1) reporting the fact that an effort may have been made to claim Medicare benefits illegally; 2) assisting the Social Security Administration in developing information in questionable situations which will enable SSA to determine whether or not fraud has been perpetrated; and 3) providing additional assistance and/or data to SSA as necessary to the development of the case. Further, the Medicare contractors are required to establish sufficient internal controls which will enable them to promptly detect and act upon potential fraud cases. Each of the contractors currently expends some effort toward meeting these responsibilities; however, in many cases the effort expended has been limited and not of the scope needed to effectively detect and deter such practices. Accordingly, the budget includes $2.5 million in 1977 and an additional $.9 million in 1978 to upgrade the contractors' capabilities in this area.

These funds will be used by some of the contractors to develop diagnosis-based range of charges for ancillary services and then for the review and monitoring of exceptions to these ranges. Other contractors plan to devote more effort to the investigation of certain practices that they believe may be potential sources of

fraud or abuse. For example, a consistently high ratio or short stays occurring in a provider may indicate to the contractor, based on experience, that some stays may not have been medically necessary. In this instance, the contractor will monitor the provider's activities and take whatever action is necessary. These initiatives are representative of the type of actions that will be funded with the requested monies. Other actions will also be undertaken depending upon the needs of the individual contractors.

II. Medicare Productivity Improvement

In the components of the Social Security Administration, even though work output is projected to increase by 3.1 percent in 1978, no increase in man-years will be required to process the additional work. This estimate is based on the assumption that productivity will improve by a like amount.

In the health insurance contractors, the 8.0 percent increase in work output in 1978 will be more than offset by a projected 11.1 percent improvement in productivity. This budgeted improvement is an objective that we hope to achieve primarily through significant increases in employee productivity. Although some of the increase will be realized through systems refinements and enhancements, we have now all but exhausted the potential for continuing the large productivity improvements which the contractors achieved for this reason in the past. In prior years, substantial productivity gains were achieved primarily as more and more contractors replaced inefficient manual processing systems with automated systems. By the end of 1977, however, this source of productivity will no longer be available since virtually all of the Part B contractor workload and the large majority of the Part A contractor workload will already have been converted to automated methods of processing. Accordingly, beginning in 1978, we plan to place more emphasis on methods to improve employee performance as the means to achieve increased productivity. Although we anticipate that this emphasis will result in the 11.1 percent increase in productivity projected for 1978, we will have to reevaluate the likelihood of achieving this rate once 1977 experience is known.

III. Perkins Committee Report

In February 1973, the Secretary of HEW appointed the Advisory Committee on Medicare Administration, Contracting and Subcontracting (the Perkins Committee) to advise him and the Commissioner of Social Security concerning broad organizational and operational matters, contract formulation, and reimbursement principles applicable to Medicare contracts and subcontracts. The Committee report, released in June 1974, contained recommendations designed to result in more efficient and economical administration of the Medicare program. The broad issues covered in the report include measuring carrier performance, actions to be taken against a poorly performing carrier, incentives for high carrier performance, and increasing competition in the field of data processing for the Part B (physician services) program.

In October 1975, after review of the recommendations by the Office of the Secretary, the Social Security Administration released a position document which accepted most of the recommendations in the report.

A tracking system was established within the Social Security Administration for following each of the recommendations through evaluation and implementation. Although the committee concentrated its study in the Part B area of Medicare, the recommendations were found in many instances to be equally applicable to hospital insurance (Part A), and were, therefore, applied where appropriate.

The majority of the recommendations contained in the Perkins Report have been implemented or activities have been initiated toward their implementation.

Several Perkins Committee recommendations, particularly relating to subcontracting for data processing services, were adopted prior to publication of the final report and were contained in the Medicare agreements with the contractors effective July 1, 1975. These include: (1) a 2-year limitation on EDP subcontracts with an option to renew for 1 year; (2) a reduction of the Government role in carrier data processing decisionmaking; (3) conflict of interest regulation of carriers with respect to their relationships with subcontractors; and (4) imposition of a 60-day time limit for SSA approval of a proposed EDP subcontract (Perkins Committee recommended a 90-day limit).

Also adopted at an early date was the recommendation to treat a jointly sponsored carrier data processing function as a subcontract subject to the same competitive procurement criteria applicable to other forms of subcontracting by carriers for EDP services. In response to a related recommendation, SSA awarded a contract in May 1976 to a private firm to conduct a feasibility study of benefits from regional data processing centers.

Outside expertise is being utilized by SSA for implementation of the following recommendations which are designed to improve SSA's tools for measuring contractor costs and performance: (1) the improvement of cost reporting and cost accounting guidelines (contract expected to be awarded before the end of fiscal year 1977) and (2) the development of improved performance measurement criteria (contract awarded in August 1976).

The recommendation that SSA withdraw from the Part B Model system maintenance responsibility is operational as far as extensions of the Model B system to additional carriers. A decision as to the continuation of SSA maintenance for carriers still relying on the Government for maintenance is scheduled for late calendar year 1977 based on a comparative cost analysis of those carriers maintaining the system themselves and those on Government maintenance. A recommendation for experimental fixed rate contracts with contractors is being developed. Initial contracts with carriers for an experiment to run for calendar years 1977 and 1978 are scheduled to begin January 1977.

On July 14 and 15, 1976, the first Commissioner's Medicare Conference involving representatives from both carriers and intermediaries was held as a direct result of a Perkins recommendation. Responses from contractor executives indicated that the conference was highly successful as a vehicle for Government/contractor communication. Also, continuing efforts are being made to strengthen our methods for involving contractors at an early stage in the development of policy.

The outcome of some of the research underway as a result of the Perkins Committee recommendations such as the feasibility of regional processing centers and the improvement of standards and other criteria for evaluating contractor performance may have a significant effect on future policies with respect to the selection, reimbursement, and termination of contractors and the configuration of the territory serviced.

IV. Professional Standards Review Organizations

The "Social Security Amendments of 1972" (P.L. 92-603) provided for the establishment of independent Professional Standards Review Organizations (PSRO's) throughout the country, formed by organizations representing substantial numbers of practicing physicians in local areas. PSRO's have the responsibility for the comprehensive and on-going review of health services provided under the Medicare, Medicaid, and Maternal and Child Health Programs. PSRO's are to determine, for purposes of reimbursement under these programs, whether services are: (1) medically necessary, (2) provided in accordance with professional standards, and (3) in the case of institutional services, rendered in the appropriate setting. Professionally developed regional norms of diagnosis and care are to serve as guidelines for review activities.

Although primary responsibility for day to day administration and monitoring of the PSRO legislation was assigned to the Bureau of Quality Assurance, HEW, the Social Security Administration also will play a significant role. Staff of the Bureau of Health Insurance are assisting BQA in the development of operating guidelines and are actively involved in the implementation of complex reimbursement techniques. In addition, the Health Insurance contractors will be responsible for establishing a mechanism to reimburse PSRO's directly from the Medicare trust funds for the costs of PSRO-conducted utilization review activities on patients covered by the above Federal programs. This mechanism will also be used to reimburse hospitals for such costs in cases where the PSRO delegates review responsibility to the hospital.

V. Money Requirements

The table below summarizes the budget estimates for this activity by major component:

	1977 Estimate	1978 Estimate	Change
Social Security Administration	$197,073,400	$210,266,600	+$13,193,200
Medicare Contractors			
Hospital insurance contractors (Part A)	$138,163,700	$143,171,100	+$5,007,400
Provider audit (Part A)	46,453,900	45,529,600	-924,300
Medical insurance contractors (Part B)	338,919,000	357,771,700	+18,852,700
Subtotal	$523,536,600	$546,472,400	+$22,935,800
HI State Agencies	$24,396,000	$24,857,000	+$461,000
Total	$745,006,000	$781,596,000	+$36,590,000

The $22,935,800 net increase in the health insurance contractors is due to the following factors:

Factor	Amount
1. 8 percent increase in work output	+$41,822,300
2. Savings due to 11.1 percent increase in productivity	-56,407,500
3. Mandatory increase in salaries	+29,244,200
4. Increases in the cost of supplies, equipment, etc.	+8,276,800
Net increase	+$22,935,800

For SSA, without third party costs, the cost of administering this activity in 1978 is budgeted to increase by $13,193,200. This increase represents this activity's share of the changes explained in the previous Summary of Changes exhibit for the limitation on Salaries and Expenses.

In the State health agencies the net +$461,000 increase in 1978 is attributable primarily to increases in the salaries of State personnel, partially offset by a 3 percent productivity improvement.

Supplemental Security Income Program

	1977 Estimate	1978 Estimate	Increase or Decrease
Supplemental Security Income program.....	$530,265,000	$542,958,000	+$12,693,000
Positions.....	21,000	20,000	-1,000
Man-Years.....	20,532	20,090	-442

Scope of Program

Funds requested for this activity provide for the administration of the Supplemental Security Income program for the aged, blind and disabled which became effective January 1, 1974. In addition to the Federal administration of the basic SSI program, title XVI of the Social Security Act enables States to enter into agreements with the Secretary of HEW for Federal administration of State mandatory or mandatory and optional supplementation payments. The Federal government is currently administering the mandatory supplements of 26 States and the District of Columbia and the optional supplements for 17 States. Under terms of the agreements, the Federal government bears the costs of administering these State supplementation payments. All administrative expenses of both the Federal and State supplementation programs are covered by this activity.

Because the administration of this program is integrated with that of the social security insurance programs, the administrative costs of all of these programs are carried in the limitation on Salaries and Expenses which is financed from the trust funds. The Social Security Act authorizes reimbursement to the social security trust funds to pay the administrative costs of the Supplemental Security Income program, as these costs are determined through cost analysis. Total obligations for the limitation on Salaries and Expenses are recorded by the financial accounting system. Allocation of these obligations between the supplemental security income and social security programs is done through cost finding techniques. Reimbursement to the trust funds is made throughout the fiscal year based on an estimate of the SSI share of the total administrative effort of the agency. Included in the estimate are program direction, central servicing and other across-the-board costs which are allocated to the SSI program as well as to the social security program. Final accounting, including any interest due the trust funds, is determined based on actual data after the year is over. The SSA Cost Analysis System, implemented in 1976, now provides regular monthly determinations of obligations. We use this monthly information as a basis for formulating the estimate mentioned above. The appropriation account, "Supplemental Security Income Program", includes a request for $542,958,000 to reimburse the social security trust funds in fiscal year 1978 for the administrative expenses of the SSI programs.

The funds for this activity in fiscal year 1978 cover the following work: (1) the initial determination of eligibility of persons aged 65 and over, and blind or disabled persons regardless of age; (2) reevaluation of decisions to deny or terminate payments when such reevaluation is requested by the claimant; (3) updating the individual's supplemental security record to assure proper payments; and (4) investigation of the recipient's continuing entitlement to payments, including periodic redeterminations of eligibility and payment amount. The administrative costs budgeted for this program also include the cost of paying State agencies for determining the existence and continuance of a disability and the cost of paying State welfare agencies for performing certain income level computations.

Workloads

A. Recipients

The following table shows the annual trend of the supplemental security income recipient population and the benefits paid.

Fiscal Year	Recipients at end of year (thousands) Aged	Blind and Disabled	Total	Benefit Payments (millions)
1974 Actual 1/.....	2,093	1,491	3,584	$2,444
1975 Actual	2,268	1,828	4,096	$5,435
1976 Actual.....	2,190	2,044	4,234	$5,835
1977 Estimate.....	2,100	2,210	4,310	$6,275
1978 Estimate.....	2,020	2,305	4,325	$6,590

Benefit payments shown in the table above include both Federal payments and State funds paid for State supplementary programs administered by the Federal government. The recipients columns include recipients of both Federal and federally administered State supplementation payments.

1/ SSI program was in effect for only 6 months of 1974.

B. Work Output

1. Social Security Administration

a. Workload Units

An overall increase of less than one percent in workload units is projected in fiscal year 1978 over 1977 for the Social Security Administration proper. The principal indicators of the workload volume in this activity are:

	1977 Estimate	1978 Estimate	Increase or Decrease Volume	Percent
Claims applications from the aged.....	225,000	205,000	-20,000	-8.9
Claims applications from the blind or disabled.....	1,027,000	1,027,000	-0-	-0-

	1977 Estimate	1978 Estimate	Increase or Decrease Volume	Percent
Appellate actions (Fiscal year 1977 includes 169,000 interviews on adverse decisions (appellate conferences) and reconsiderations on disability decisions and 94,460 formal hearings and appeals. The comparable figures for fiscal year 1978 are 163,000 and 95,250).	263,460	258,255	-5,205	-2.0
Maintenance of the rolls (Includes changes of address, reconciliation of overpayments, income & resource notices, and other maintenance functions)[1/]	8,722,000	8,884,000	+162,000	+1.9
Continuing eligibility reviews (Includes representative payees for SSI recipients continuing disability investigations, and redeterminations of income, assets and other factors of eligibility).....	4,835,558	4,915,275	+79,717	+1.6
(Redeterminations included above).....	(4,359,000)	(4,404,000)	(+45,000)	(+1.0)

b. Redeterminations

	FY 1977 Estimate	FY 1978 Estimate	Increase or Decrease Volume	Percent
Processed Workload	4,359,000	4,404,000	+45,000	+1.1
Man-years	5,120	4,890	-230	-4.4

1/ The workload indicator used in the 1977 President's budget for this function was the average number of recipients. The above estimated counts of the number of administrative actions needed for maintenance of the rolls are more reliable indicators of workload trends.

Under current regulations redeterminations are conducted annually to determine whether an SSI recipient has experienced a change in circumstances which would influence entitlement to or amount of the SSI assistance payment. Experience has shown that the redetermination is SSA's most effective method of improving SSI payment accuracy. SSI program cost estimates in the 1978 budget assume SSA's redetermination and other error reduction efforts discussed in the General Statement will enable the agency to achieve its goal of reducing the SSI case error rate to 15 percent by December 1977. By achieving this goal SSA will realize savings in Federal benefits of $180 million in FY 1977 and $270 million in FY 1978. Fifty-five percent of the savings for 1977 and more than sixty percent of the savings for 1978 are estimated to result from the redetermination process.

While the number of redeterminations to be processed in 1978 is slightly higher than the 1977 level, we expect to perform this work with a 4.4 percent decrease in man-years. The increase in the processed workload is directly related to the increase in the number of SSI recipients on the rolls. The decrease in man-years results from a change in the composition of the workload.

In 1978 the proportion of SSI recipients who were converted to the SSI program from the State assistance rolls will be smaller than in 1977. Redeterminations for converted recipients take more time to process because SSA often has to contact State Welfare agencies for information. Therefore, the smaller proportion of converted recipients projected in 1978 reduces man-year requirements.

SSA is working to categorize recipients based on the frequency of changes in their circumstances which affect SSI payments. Recipients with little likelihood of receiving additional income or changing their living situations would fall into so-called low risk categories. SSA plans to undertake abbreviated annual redeterminations for individuals categorized as low risk. To date the agency has identified one low risk category--recipients institutionalized in long term care medical facilities. The budget includes annual savings of about 80 man-years for conducting abbreviated annual redeterminations for these individuals and for conducting those redeterminations, two out of every three years. Full redeterminations will be conducted the third year.

In contrast to the low risk categories, some recipients have frequent changes in income, resources, living arrangements or other factors affecting eligibility and payment amounts. For example, recipients who are working and have earned income are considered a high risk category. For these cases SSA plans to conduct an experiment in 1977, with a quarterly rather than annual review to check on changes in earned income. Three of the four reviews each year would be of the income factor only and the fourth review would be a full redetermination of all factors of eligibility. If the experiment in 1977 proves cost effective, the quarterly reviews will be fully implemented in 1978. SSA will continue to emphasize the identification of high and low risk categories in order to use manpower directed at error reductions, including redeterminations, as effectively as possible.

c. Man-years

In fiscal year 1978 man-year requirements in SSA for the SSI program decrease by 442 man-years. This decrease is the net result of a 0.2 percent increase in work output worth 36 man-years, more than offset by a decrease of 478 man-years in productivity savings resulting from budgeted refinements in systems and operating procedures and other productivity improvements.

2. Disability State Agencies

State agencies are under contract to make disability determinations for the SSI program just as they do for the disability insurance program. In fiscal year 1978, a net decrease of 1.4 percent is expected in the work output of the State agencies. This is due primarily to a decrease in the number of SSI disability determinations to be processed by the State agencies in 1978 as follows:

	1977 Estimate	1978 Estimate	Increase or Decrease Volume	Increase or Decrease Percent
SSI Disability Determinations Processed (Excludes 407,700 and 434,800 concurrent DI and SSI determinations for 1977 and 1978. The cost of these concurrent claims is allocated between the disability and SSI programs).....	760,928	735,854	-25,074	-3.4

This decrease is partially offset by a renewed emphasis by SSA and the States to improve the overall quality of the initial medical determinations by obtaining the best possible medical documentation before a determination is made. This will be accomplished by increasing the use of consultative examinations. Although these examinations will improve the quality of the decision they also add to the cost and require more time and effort by State agency employees. However, the overall purpose of this initiative is to assure consistent and proper disability determinations at the earliest stage in the process and in all States.

A small productivity improvement of less than one percent is projected for the State agencies in 1978.

3. State Welfare Agency Contract Costs

Costs of contracts with State Welfare agencies decrease in 1978 compared with FY 1977 as shown in the table below.

Contracts for	1977 Estimate	1978 Estimate	Change
Minimum Income Level Maintenance	$7,000,000	$6,430,000	-$570,000

The Minimum Income Level (MIL) is the basis for computing the amount of the mandatory State Supplementary payment, and is a specific dollar amount established for each eligible individual or couple converted from State assistance to SSI rolls. MIL maintenance involves the processing of changes in special needs and circumstances to determine the effect of the change on the MIL. Processing of this workload requires detailed knowledge of the State's plan in effect for June 1973. Because State Welfare agencies are more familiar with the old State plan and also because they have ready access to the welfare casefiles of these converted recipients, SSA contracts with the State Welfare agencies to perform this function. Under the law, SSA pays the costs of administering State supplementation payments for States which have chosen Federal administration; therefore, SSA reimburses States for this activity. Since the MIL is applicable only to these converted recipients and the number on the rolls is declining due to death and cessation of disability, the administrative costs incurred by the States for this purpose should decline in 1978.

Summary of Money Requirements

	1977 Estimate	1978 Estimate	Increase or Decrease
SSA Administrative Costs.	$418,553,000	$425,388,000	+$6,835,000
Payments to Disability State Agencies.....	104,712,000	111,140,000	+ 6,428,000
Payments to State Welfare Agencies.....	7,000,000	6,430,000	- 570,000
Total.....	$530,265,000	$542,958,000	+$12,693,000

For SSA, without third party costs, the cost of administering this activity in 1978 is budgeted to increase by $6,835,000. The increase represents this activity's share of the changes explained in the Summary of Changes exhibit for the limitation on Salaries and Expenses. State agency requirements for fiscal year 1978 are expected to increase by $6,428,000. An estimated 7.5 percent increase in the average salary of State employees accounts for $4,000,000 and an estimated 7 percent increase in the unit cost of medical examinations purchased by State agencies accounts for $2,928,000. Increases also occur in indirect costs ($541,000) and other objects of expenditure ($918,000) which are related to payroll costs. These increases are partially offset by a 1.4 percent reduction in work output which accounts for a decrease of $1,426,000 and a slight productivity improvement which accounts for a decrease of $533,000.

In 1978 State Welfare agency costs will decrease by $570,000, the result of a declining caseload of converted recipients.

Standard Level User Charge (SSI) and Budget for Facilities

	Obligations (Salaries and Expenses)		
	1977 Estimate	1978 Estimate	Decrease
Standard Level User Charge (SSI Program).....	$25,461,000	$24,503,000	-$958,000

The Social Security Administration pays Standard Level User Charges (SLUC) only for Federal fund programs. The Salaries and Expenses budget estimates include SLUC for the SSI program only. Trust fund programs pay actual cost of space and services. These estimates are discussed in the following narrative.

BACKGROUND

The SSA facilities budgets for fiscal years 1977 and 1978 are based on the actions of Congress in past years whenever the Standard Level User Charge (SLUC) budget has been considered--most recently in the Second Supplemental Appropriations Act for 1975, and in the House and Senate action on the 1976 Labor-HEW Appropriations Act. The key Congressional actions which have molded our facilities budget requests have been:

(1) For trust fund programs, SSA should budget only for the actual cost of space and services furnished by GSA in government or non-government buildings.

(2) Trust fund programs requiring newly constructed facilities should budget for these directly from the trust funds through the Limitation on Construction account.

(3) For the Supplemental Security Income program and other programs which are financed from Federal funds, full SLUC should be paid.

Summary of Facilities Budget

The following table summarizes the SSA budget request for facilities rental and related standard services by program (extra services are performed on a reimbursable basis and estimates are included elsewhere in the budget).

	Obligations (All programs)		
	1977 Estimate	1978 Estimate	Change
SLUC			
SSI Program.....	$25,461,000	$24,503,000	-$958,000
Black Lung Program.....	366,000	195,000	-171,000
Advances and Reimbursements.....	274,000	390,000	+116,000
Subtotal.....	$26,101,000	$25,088,000	-$1,013,000
Actual Cost			
Trust Fund Programs.....	$65,518,000	$72,298,000	+$6,780,000
Total Payment to GSA.....	$91,619,000	$97,386,000	+$5,767,000

Explanation of Change

Increase related to higher rental costs and rate changes.....	+$2,834,000
Annualization of space acquired in 1977.....	+1,200,000
Expansion requirements to alleviate overcrowding.....	+1,733,000
	+$5,767,000

The budget request for construction of facilities is discussed in the Limitation on Construction account.

Method of Deriving Estimates

SSA has encountered difficulties in arriving at its 1977-1978 estimates for facilities costs. As a result of the Congress' decision that the trust funds should be billed only for actual cost, the General Services Administration agreed to provide SSA with a ratio of actual cost to SLUC to use as the basis for an interim payment. Periodically, GSA would provide data on its actual costs and payment would be finalized. This ratio, which was used last year, has never been validated because GSA and SSA are still working together to resolve questions about the 1975 and 1976 actual costs. For 1978, GSA has changed its method for determining SLUC rates. Rather than attempting to revise the unvalidated ratio previously used, SSA and GSA agreed that GSA would provide estimated percentage increases in actual costs of individual activities (e.g. leasing, repairs and alterations, etc.) from 1975 to 1978. SSA's 1977-1978 estimates are based on these percentages. SSA continues to budget for full SLUC for non-trust fund programs. The SSA and GSA are continuing to work together to resolve all the problems related to payment of actual costs of space and services for trust fund programs. There are still some unresolved issues, but these should be settled in the near future.

SOCIAL SECURITY ADMINISTRATION

Limitation on Salaries and Expenses

Program Purpose and Accomplishments

Activity: Limitation on Salaries and Expenses (section 201(g)(1) of the Social Security Act)

1977		1978 Budget Estimate		
Permanent Positions	Budget Authority	Authorization	Permanent Positions	Budget Authority
80,110	$2,598,131,000 1/	Indefinite	79,915	$2,685,951,000

Purpose: The "Limitation on Salaries and Expenses" authorizes the Social Security Administration to obligate up to a specified sum of money from the Social Security trust funds for administration of the following: (1) the cash benefit programs of old-age, survivors and disability insurance, (2) the Medicare programs of hospital and supplementary medical insurance, and (3) the Supplemental Security Income (SSI) program for the aged, blind, and disabled.

The old-age, survivors and disability insurance programs and the hospital insurance program are financed by contributions, based on earnings, from employees, employers, and the self-employed in jobs, businesses, and professions covered by social security. Supplementary medical insurance is a voluntary program supported from two sources: (1) premium payments from the aged, certain disabled persons, and persons with chronic kidney disease who elect to participate in the program, and (2) Federal matching payments. The SSI program is fully financed from Federal funds. However, section 305 of the Social Security Amendments of 1972 authorized initial advances from the social security trust funds for the administrative expenses of the SSI program, with full reimbursement (with interest) from Federal funds. The cost of administration of the SSI program is carried in this salaries and expenses request because administration of the program is integrated with that of the social security programs for purposes of economy and efficiency. The reimbursement from Federal funds is requested in the appropriation, "Supplemental Security Income Program."

The "Limitation on Salaries and Expenses" covers the administrative costs of: (1) the components of the Social Security Administration itself; (2) State agencies which perform functions for SSA under the disability, Medicare, and supplemental security income programs; and (3) health insurance contractors (i.e. certain Blue Cross and Blue Shield associations and private health insurance companies) which have been designated to process and pay bills and to perform other functions for SSA under the Medicare program.

The Social Security Administration's administrative costs are for the processing of workloads generated by the statutory provisions of the programs it manages. The size of these workloads depends upon demographic and economic factors such as population growth, level of employment, incidence of illness among the aged and disabled, and mortality rates. Thus, for the most part, the amount of work received is not subject to administrative control.

1/ Includes proposed supplemental of $36,358,000 for the October 1976 pay raise and $476,000 of comparative transfers.

Accomplishments in 1977

Major budget emphases for 1977 are as follows:

1. Continue efforts to improve payment accuracy, processing time and quality of service in the title II and SSI programs. Key elements of this thrust for 1977 are:

   --Provide more training to SSA operations staff to enable them to do a better job (5,732 training man-years in 1976; 6,473 man-years in 1977).

   --Concentrate on redeterminations of eligibility and payment accuracy in the SSI program, and modification of the annual redetermination program to identify SSI recipients requiring more or less frequent and/or extensive interviews (4,010 man-years in 1976; 5,120 man-years in 1977).

   --Process SSI overpayments as rapidly as possible--including both backlogged and newly identified overpayments (1,850 man-years in 1976; 2,150 man-years in 1977).

   --Enhance and expand the automated SSI system, including development of an automated data exchange system with VA, RRB and other Federal pension files.

   --Begin extension of free telephone service to the approximately 20 percent of the public who presently must pay long distance charges to contact a social security district office ($3.5 million in 1977).

   --Continue the development of advanced operating systems and processes which will serve the agency during the 1980's. During 1977 the first phase (conceptualization) will be completed and the second phase (requirements definition) will commence and continue into 1978.

   --Complete a detailed study of the utilization of computer systems.

2. Reduce appellate backlog to a more manageable level.

3. Achieve more efficient and economical use of manpower through:

   --Reduction of overtime to a level of 4.5% of total man-years in 1977 (5,844 man-years of overtime in 1976; 3,968 man-years of overtime in 1977).

   --Restraint in growth of staff functions through manpower utilization efforts.

Some of the specific accomplishments scheduled for fiscal year 1977 in the Social Security cash benefit and Medicare programs include:

1. Making monthly cash payments to an average of 28,598,000 retirement and survivor beneficiaries and 4,709,000 disability beneficiaries.

2. Taking 4,020,000 new claims for retirement and survivor insurance benefits and 1,934,000 new claims for disability benefits.

3. Making payment to providers for health care services furnished to 5,900,000 individuals under the hospital insurance program, which will involve processing 12,639,200 bills for hospital insurance benefits; and reimbursing providers for services furnished to 14,836,000 individuals under the supplementary medical insurance program, which will involve processing 128,582,900 claims for physicians' and other medical services.

4. Maintaining earnings records for approximately 105,000,000 active workers as a base for determining eligibility to social security benefits and benefit amounts. This will involve posting 400,000,000 wage items to the earnings records in fiscal year 1977.

5. Issuing 11,900,000 new social security numbers including 5,100,000 to continue the enumeration of the "Aid to Families with Dependent Children" rolls which began in FY 1976, and 6,800,000 which is the regular ongoing work.

6. Continuing the conversion of social security number paper files to an electronic record. In addition to the efforts of the Social Security Administration, $15,000,000 is included to reimburse the Internal Revenue Service for its portion of the work connected with the project.

7. Implementing payment of the automatic benefit increase in July 1977, based on increases in the cost of living, as required by law.

Specific tasks for fiscal year 1977 involved in the Supplemental Security Income program include:

1. Taking claims from 1,252,000 individuals for benefits under the SSI program. This includes claims from 225,000 aged applicants and 1,027,000 blind and disabled applicants.

2. Processing 4,359,000 redeterminations of eligibility and current payment amount for SSI recipients.

3. Maintaining and servicing the records of an average of 4,335,000 recipients during FY 1977. This includes 3,930,000 recipients of Federal payments and 405,000 additional persons who receive only a State supplementation payment which is administered by the Social Security Administration.

4. Implementing payment of the automatic benefit increase in July 1977, based on increases in the cost of living, as required by law.

The overall work output during 1977 by Social Security Administration personnel is budgeted to increase by 6.3 percent over the prior year. Also in 1977, SSA's productivity is budgeted to improve by 4.7 percent, resulting in savings of 4,139 man-years.

The Social Security Administration's obligations in fiscal year 1977 for performing administrative tasks necessary to carry out the social security cash benefit, supplemental security income and Medicare programs are budgeted at $2,572,655,000. (This figure does not include the $25 million contingency reserve; however, it does take comparative transfers and a $36,358,000 supplemental for the Federal pay raise effective 10/76 into account.) Of this amount, $806,166,000 or 31.3 percent is for third parties. The obligations budgeted for the Social Security Administration proper break down into $1,358,649,000 for personnel compensation and benefits and $407,840,000 for other objects of expense.

Objectives in 1978

Major budget emphases for 1978 are as follows:

1. Continue efforts underway to improve payment accuracy, processing times and quality of service. In 1978 the key elements of this thrust continue to be to:

   --Continue high level of training to SSA operations staff (6,326 training man-years in 1978).

   --Concentrate on redeterminations of SSI eligibility and payment accuracy (4,890 man-years in 1978).

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--Process SSI overpayment work timely (1,980 man-years in 1978).

--Complete extension of free telephone service to the approximately 20 percent of the public who presently must pay long distance charges to contact a social security district office ($6,500,000 in 1978).

--Continue the development of advanced operating systems and processes which will serve the agency during the 1980's. During 1978 the second phase (requirements definition) will be completed and work will start on the design phase.

2. Continue reduction of appellate backlog toward the ultimate goal of a 90 day processing time for hearings.

3. Continue to achieve more efficient and economical use of manpower through:

--Reduction of overtime to a level of 3.1 percent of total man-years in 1978 (3,968 man-years of overtime in 1977 and 2,746 man-years in 1978).

--Manpower utilization efforts to restrain growth in staff functions.

Some of the specific accomplishments scheduled for 1978 in the social security cash benefit and Medicare programs are:

1. Making monthly cash payments to an average of 29,287,000 retirement and survivor beneficiaries and 4,982,000 disability beneficiaries.

2. Taking 4,045,000 new claims for retirement and survivor insurance benefits and 2,010,000 new claims for disability benefits.

3. Making payment to providers for health care services furnished to 6,025,000 individuals under the hospital insurance program, which will involve processing 13,152,100 claims for hospital insurance benefits; and reimbursing providers for services furnished to 15,634,000 individuals under the supplementary medical insurance program, which will involve processing 141,216,100 claims for physicians' and other medical services.

4. Maintaining earnings records for approximately 106,000,000 active workers as a base for determining eligibility for social security benefits and benefit amounts. This will involve posting 370,000,000 wage items to earnings records in fiscal year 1978.

5. Issuing 8,050,000 new social security numbers, including 2,150,000 to continue the enumeration of the "Aid to Families with Dependent Children" rolls and 5,900,000 which is regular ongoing work.

6. Continuing the conversion of the social security number paper files to an electronic record. In addition to the efforts of the Social Security Administration, $15,000,000 is included to reimburse the Internal Revenue Service for its portion of the work connected with the project.

7. Implementing payment of an automatic benefit increase in July 1978 based on increases in the cost-of-living, as required by law.

Specific tasks for fiscal year 1978 involved in the Supplemental Security Income program are:

1. Taking claims from 1,232,000 individuals for SSI benefits, including 205,000 claims from the aged and 1,027,000 from the blind and disabled.

2. Processing 4,404,000 redeterminations of eligibility and current payment

amount for SSI recipients.

3. Maintaining and servicing the records of an average of 4,375,000 recipients during FY 1978. Included in this total are 3,965,000 recipients of Federal payments and 410,000 who receive only a State supplementation payment which is administered by the Social Security Administration.

4. Further improving automated systems and procedures for processing SSI claims work and post-entitlement actions.

5. Implementing payment of an automatic benefit increase in July 1978, based on increases in the cost-of-living, as required by law.

Work output of the Social Security Administration remains about level in fiscal year 1978 over fiscal year 1977. However SSA's productivity is budgeted to improve by 1.6 percent, resulting in savings of 1,380 man-years. Most of these manpower savings are related to procedural and other changes to improve the current methods of handling workloads. The most significant procedural changes are improvements in the automatic systems SSA uses to process SSI and title II work.

The SSA obligations in fiscal year 1978 for performing administrative tasks necessary to carry out the social security cash benefits, supplemental security income and Medicare programs are budgeted at $2,660,951,000. (This figure does not include the $25 million contingency reserve.) Of this amount, $854,015,000 or approximately 32 percent is for third parties. The obligations budgeted for SSA-proper break down into $1,362,743,000 for personnel compensation and benefits and $444,193,000 for other objects of expense.

Appropriation Estimate

Limitation on Construction

For acquisition of sites, construction and equipment of facilities and for payments of principal, interest, taxes and any other obligations under contracts entered into pursuant to the Public Buildings Purchase Contract Act of 1954 and the Public Buildings Amendments of 1972, [$14,400,000] *$14,600,000* to be expended as authorized by section 201(g)(1) of the Social Security Act, from any one or all of the trust funds referred to therein, and to remain available until expended.

Language Analysis

Language provision	Explanation
"...for payments of principal, interest, taxes, and any other obligations under contracts entered into pursuant to the Public Buildings Purchase Contract Act of 1954 and the Public Buildings Amendments of 1972,..."	This provision allows the Social Security Administration to transfer funds to the General Services Administration from the Limitation on Construction account to cover payments on projects funded through purchase contract arrangements. Although authority to enter into purchase contract arrangements expired June 30, 1975, the government must meet its obligations on purchase contract projects begun before the expiration date.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Limitation on Construction (Trust Fund)

Amounts Available for Obligation

	1977	1978
Appropriation	$14,400,000	$14,600,000
Unobligated balance, start of year	26,506,494	18,733,518
Unobligated balance, end of year	-18,733,518	-8,985,863
Total, obligations	$22,172,976	$24,347,655

Summary of Changes

1977 Budget Authority	$14,400,000
1978 Budget Authority	14,600,000
Net change	+$200,000

	1977 Base	Change from base
Increases:		
A. Program:		
1. Annualize purchase contract payments on three program service centers	$14,400,000	+$200,000

Obligations by Activity

Page Ref.		1977 Estimate	1978 Estimate	Increase or Decrease
156	Headquarters.....	$2,946,239	$606,800	-$2,339,439
158	District offices.....	5,456,509	7,982,868	+2,526,359
160	Program service centers..	13,770,228	15,757,987	+1,987,759
	Total obligations.....	$22,172,976	$24,347,655	+$2,174,679

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Other services.....	$15,585,000	$18,420,668	+$2,835,668
Lands and structures.....	6,587,976	5,926,987	-660,989
Total obligations by object.....	$22,172,976	$24,347,655	+$2,174,679

Significant Items in House and Senate Appropriations Committee Reports

Item	Action taken or to be taken
Computer Complex Construction	
1. Committee concern over SSA's decision to proceed with the construction of a major new computer complex (page 101).	1. SSA held intensive discussions and reviews of its plans with GAO, GSA and the Public Works Committees of both the House and Senate and the House Ways and Means Oversight Subcommittee. The need for the proposed computer building (after full consideration of all factors involved) has been reaffirmed by the Public Works Committees. GSA signed the first of the construction contracts on June 29, 1976.

Authorizing Legislation

Limitation on Construction	Amount Authorized	1978 Budget Request
Title II, Section 201(g)(1) of the Social Security Act.....	Indefinite	$14,600,000

Limitation on Construction (Trust Fund)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1968	--	--	--	--
1969	--	--	--	--
1970	--	--	--	--
1971	$2,800,000	$2,800,000	$2,800,000	$2,800,000
1972	18,194,000	18,194,000	18,194,000	18,194,000
1973	1,000,000	1,000,000	1,000,000	1,000,000
1974	--	--	--	--
1975	8,232,000	8,232,000	8,232,000	8,232,000
1976	6,300,000	6,300,000	6,300,000	6,300,000
1977	14,400,000	14,400,000	14,400,000	14,400,000
1978	14,600,000			

Justification

Limitation on Construction (Trust Fund)

	1977 Estimate	1978 Estimate	Increase or Decrease
Limitation on Construction.....	$22,172,976	$24,347,655	+$2,174,679

General Statement

The purpose of this appropriation is to meet the construction needs of the social security program. In actions on prior appropriations the Congress has determined that these needs should be funded through a separate social security trust fund construction account and not through payment of standard level user charges to the Federal Buildings Fund of the General Services Administration. The fiscal year 1978 budget request is based on this policy.

The Social Security Administration rents most of its district offices and some headquarters and program service center facilities. The decision on whether to build or rent is based on consideration of economy, efficiency and service to the public. Rental and maintenance costs are budgeted in the Salaries and Expenses appropriation. Similarly, the Limitation on Construction provides funds for construction projects at SSA headquarters, program service centers and district offices.

SSA has undertaken several large projects through the purchase contract method of construction authorized by the Public Buildings Amendments of 1972 (Public Law 92-313). These projects include:

--Recently completed program service centers in Chicago, Illinois; Philadelphia, Pennsylvania; and Richmond, California.

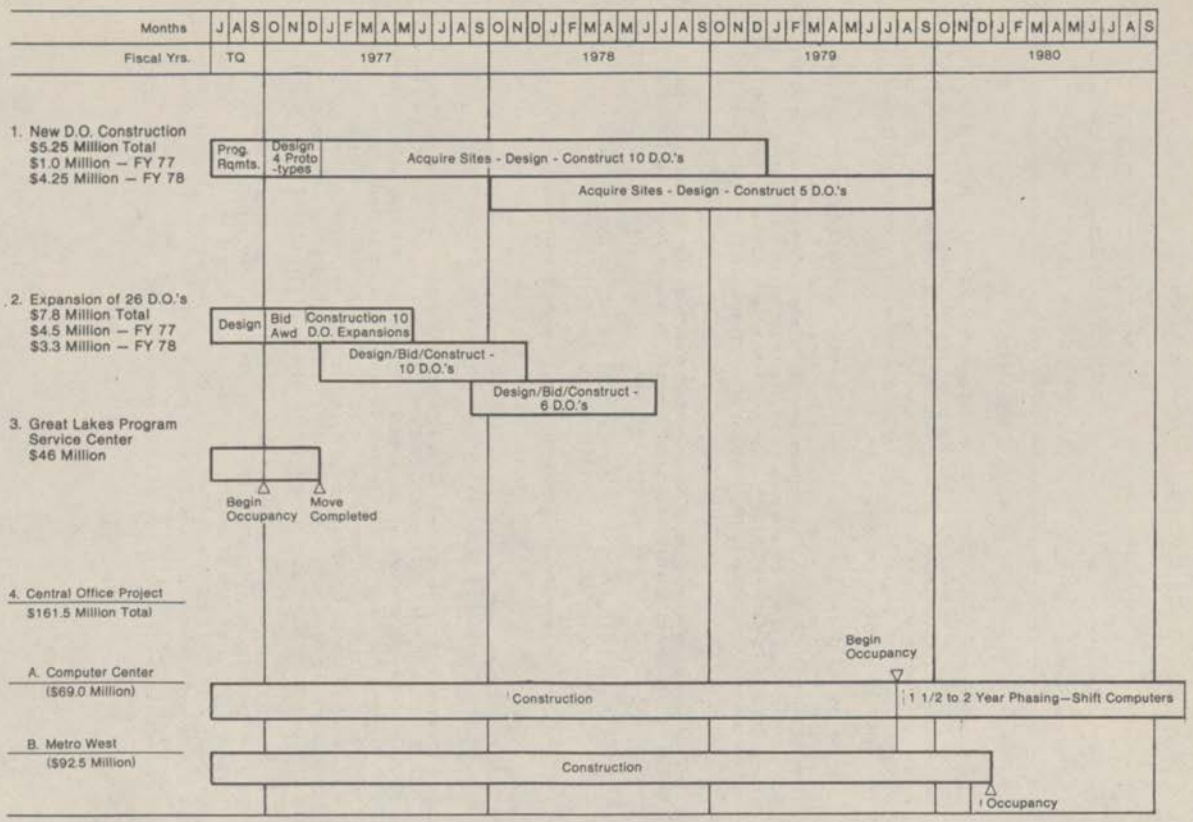
--Computer Center building at social security headquarters in Woodlawn, Maryland.

--Metro West building in downtown Baltimore which will consolidate operations now housed in three separate leased facilities.

Under the purchase contract method, a private company builds a facility for government use and the government makes annual payments for a period of up to 30 years, after which the government owns the building. Because purchase contract authority expired June 30, 1975, no new purchase contract projects may be undertaken. However, projects begun prior to the expiration date may be continued. Funds for purchase contract payments for the three program service centers are included in this budget request. Payments for the new Computer Center and Metro West Buildings will not begin until fiscal year 1979.

The following table shows the status of SSA's current major construction projects from the transition quarter through FY 1980. The dollar amounts shown are the total cost of construction and do not reflect the total of the payments which will be made for the buildings financed through purchase contracts. These payments cannot be accurately estimated for the whole period because they include State and local taxes.

Status of Major SSA Construction Projects



Headquarters

	1977 Estimate	1978 Estimate	Increase or Decrease
Headquarters.....	$2,946,239	$606,800	-$2,339,439

Explanation of Estimated Obligations

The 1977 and 1978 estimates reflect progress on certain headquarters projects funded from prior years' appropriations. The estimated obligations by project are:

	Actual Through TQ	1977 Estimate	1978 Estimate	Total Through 1978
1. Completion of West Building.....	$13,474,284	$70,816	--	$13,545,100
2. Land Purchase - Colonial Park Estates.....	2,003,569	371,431	--	2,375,000
3. Construction of an Access road to I-70.....	391,819	1,833,792	--	2,225,611
4. Planning, design and project management of additional facilities.....	3,700,444	670,200	$606,800	4,977,444
Total.....	$19,570,116	$2,946,239	$606,800	$23,123,155

A description of these projects follows:

1. Completion of West Building - Additional landscaping, change orders and other finishing touches to complete the building were anticipated for FY 1976 but were not accomplished. Completion is scheduled for 1977.

2. Land purchase, Colonial Park/Estates - SSA has made a commitment to purchase and pay relocation costs (under title II of Public Law 91-646 - Uniform Relocation Assistance Act) on any land in the area adjacent to headquarters which the owner wishes to sell. This commitment was necessary to deal fairly with property owners who have been impacted by SSA's operations or planned expansions. Funds previously appropriated are available for this project.

3. Construction of an access road to I-70 - Construction of an access road from the headquarters parking lot to I-70 will allow SSA employees to bypass local traffic routes, thereby easing congestion on nearby residential streets. The project was scheduled for completion in 1976 but was delayed by an unanticipated gasline relocation. Construction is now planned for 1977 pending resolution of difficulties with the Maryland State Highway Administration over sharing of responsibility for construction of the road.

Due to the long delays, the estimated cost of the project has increased from $1,354,900 to $2,225,611. In order to meet this increase we are requesting authority to reprogram $870,711 from the district office construction program. These funds, together with the balance of funds previously appropriated, will allow completion of the access road in 1977 if the problems with the State of Maryland are resolved.

4. Planning, design and project management of additional facilities - Prospectuses for two additional headquarters buildings were approved in June 1975 by the Committees on Public Works of the House of Representatives and the Senate. The Metro West Building, in downtown Baltimore, will provide improved working conditions at a single location for employees now located in three leased buildings. The Computer Center, at Woodlawn, will provide the most efficient environment possible for SSA's large central computer operations. Planning and systems design contracts for lighting, air conditioning, etc., have been awarded and ground was broken for both buildings in August 1976.

In fiscal year 1972, we received approval from Congress to use $3,500,000 to begin planning and design of these buildings. In 1975, it was decided to finance construction of both through purchase contracts. Normally, preliminary costs, as well as all planning/review, project management and inspection costs of the General Services Administration are paid from the Federal Buildings Fund and recovered through the standard level user charges (SLUC) paid to the General Services Administration. For the trust fund programs, the Congress has directed SSA to pay only the actual costs of space and services. Therefore, SSA must pay GSA directly the purchase contract payments and all project management costs GSA incurs. In 1976, the Congress approved the reprogramming of $2.1 million from the district office construction program to meet the project management costs through completion of the buildings.

District Offices

	1977 Estimate	1978 Estimate	Increase or Decrease
District offices.....	$5,456,509	$7,982,868	+$2,526,359

Since 1965, SSA has built 76 district offices as a part of the district office construction program. These offices have proved to have several advantages:

1) Good space. The sites were selected and the buildings designed for the agency's unique needs. Because SSA serves the aged and the handicapped, its district offices should be easily accessible, preferably at ground level, convenient to public transportation and have adequate parking facilities.

2) Expansion capability. Sites and building design include the capability for future expansion of about fifty percent to allow for program growth. This helps give some permanence to the location.

3) Asset to the trust funds. The value of the buildings and land is an asset to the trust funds. If a site or building must be disposed of, the proceeds of the sale are returned to the trust funds. This is being done right now with the sale of one site in Oklahoma.

Reevaluation of District Office Construction Program

In recent years, SSA has been reevaluating the district office construction program. The time lapse between a manager's request for space and completion of the building - sometimes as long as five years - frequently made construction an undesirable alternative to leasing. This problem was reinforced by the impact of the SSI program on workload patterns which caused an immediate need for space, much of it in urban areas where land acquisition is often time-consuming. Of the 70 offices for which funds were appropriated in 1967, 39 have been completed, (two in FY 1976). No offices have been constructed from subsequent appropriations.

New Approach to District Office Construction

Now that workloads have become more stable, SSA is again considering construction as an alternative for providing district office space. SSA, working with GSA and HEW, has developed a new approach to district office construction which will reduce the time required for completion by making four standardized designs for modularly expandable buildings available, with prewritten specifications for each design. Under this approach we will make any adjustments required to adapt the standard design to a specific site while the site acquisition process is underway. By eliminating the design and specification writing as a discrete, preliminary step, SSA should be able to build a district office in two and one-half years. With this time frame, construction will provide a viable alternative to leased space. GSA and SSA jointly make the decision to construct a district or branch office. Criteria used include the availability of adequate space and a comparison of the cost of construction to the cost of leasing private facilities. The new offices will be built in various locations throughout the country - primarily in rural areas and small towns - where GSA and SSA determine that trust fund construction is more advantageous than leasing private facilities.

1977-1978 Program

The 1977 and 1978 estimates reflect progress on projects funded from prior years' appropriations. The estimated obligations by project are:

	Actual Through TQ	1977 Estimate	1978 Estimate	Total Through 1978
1. Construction of new district offices.....	$24,959,526	$1,000,000	$4,250,000	$30,209,526
2. Expansion of existing district offices.....	135,386	4,456,509	3,732,868	8,324,763
Total.....	$25,094,912	$5,456,509	$7,982,868	$38,534,289

A brief description of these projects follows:

1. Construction of new district offices - SSA plans to select sites for 10 offices in 1977 and construct them in 1978. Plans call for selection of five additional sites in 1978.

2. Expansion of existing district offices - SSA has begun a program to expand trust fund district offices which need additional space as a result of the impact of the SSI program. Thus far 26 offices have been approved for expansion and preliminary design activities have begun on all of them. Construction of these should be completed in 1978.

Funds for these projects are available from prior years' appropriations. A summary of financing for the district office activity follows.

Status of Funds Available for District Office Construction

Appropriated for district office construction (1965 - transition quarter).....	$41,457,000
Transfer of unused program service center funds (1974 - 1975).....	9,861,000
Subtotal.....	51,318,000
Reprogramming to headquarters projects (1976).....	-2,100,000
Reprogramming to program service centers (transition quarter).....	-1,667,326
Subtotal.....	47,550,674
Proposed reprogramming to headquarters project (1977).....	-870,711
Total funds available for district office construction.....	46,679,963
Total obligations as of 9/30/77.....	-30,551,421
Funds available for obligation as of 10/1/77.....	16,128,542
Proposed obligations in FY 1978.....	7,982,868
Total funds available for future district office projects.....	$8,145,674

Program Service Centers

	1977 Estimate	1978 Estimate	Increase or Decrease
Program service centers.....	$13,770,228	$15,757,987	$1,987,759

The 1972 appropriation provided budget authority of $18,194,000 for the acquisition of sites and the design of four buildings to house SSA's program service centers in Birmingham, Alabama; Philadelphia, Pennsylvania; Chicago, Illinois; and Richmond, California. As previously reported to the Committee, the space needs in Birmingham were met through leasing rather than direct construction and the other three buildings were financed through purchase contract arrangements. However, since these latter arrangements did not cover GSA's project management and design costs, $6,100,000 of the 1972 appropriation was designated to reimburse GSA for these activities. The balance of the appropriation was spent, with the Committee's approval, on headquarters and district office projects. SSA occupied the Philadelphia and Richmond centers in July 1975, and the Chicago center in October 1976.

The following table summarizes obligations for program service centers through 1978:

	Actual Through TQ	1977 Estimate	1978 Estimate	Total Through 1978
1. Design and project management.....	$5,656,410	$443,590	--	$6,100,000
2. Purchase contract payments.....	16,140,850	13,326,638	$15,757,987	45,225,475
Total.....	$21,797,260	$13,770,228	$15,757,987	$51,325,475

1. Design and project management. Although all three buildings have been occupied, GSA continues to have project management costs related to adjustments and change orders for the correction of various deficiencies which become apparent through use. These obligations will be met from previously appropriated funds.

2. Purchase contract payments. SSA began making purchase contract payments for the program service centers in 1976 using new budget authority of $6,300,000, funds previously appropriated for construction of the program service centers and funds reprogrammed from the district office activity. These payments include State and local taxes which must be paid until the government takes title to the buildings at the end of the 30-year purchase contract period. The full tax liability for the Chicago program service center will not be reflected until 1978 because of the State and local tax billing schedules. For this reason, the 1977 estimated payment is less than the $14,400,000 included in the President's budget for this purpose. The balance remaining will be used with the budget authority of $14,600,000 requested to meet 1978 contractual obligations.

SOCIAL SECURITY ADMINISTRATION

Limitation on Construction

Program Purpose and Accomplishments

Activity: Limitation on Construction (Section 201(g)(1) of the Social Security Act)

1977	1978	
Appropriation	Authorization	Budget Estimate
$14,400,000	Indefinite	$14,600,000

Purpose: This appropriation finances the construction needs of the social security program. It provides for construction projects at SSA headquarters, for program service centers and for district offices. It covers obligations incurred through direct construction and through purchase contracts. Although authority to enter into new purchase contracts expired on June 30, 1975, SSA must meet its obligations for purchase contracts signed prior to the expiration date.

Accomplishments, 1977: During fiscal year 1977, SSA has budgeted to obligate $8,846,338 from prior construction appropriations and $13,326,638 from the 1977 appropriation. These obligations will provide for (1) expansion at headquarters, (2) the site, design, and construction of additional district offices and (3) final settlement of GSA management overhead for the three program service centers and the purchase contract payments for these facilities.

Headquarters

SSA plans at headquarters include the final obligation of funds for additional contractor costs incurred in construction of the West Building. These remaining obligations for change orders, landscaping and other contingencies were expected to be obligated during FY 1976, but were delayed. Other plans at headquarters are to complete acquisition of all authorized land parcels, to construct an access road across the back of the headquarters site to Interstate Highway I-70, and to continue construction of the headquarters facilities at Woodlawn and Baltimore, Maryland started in the transition quarter. The objective of these new facilities is to consolidate operations which are now scattered in rented facilities in downtown Baltimore and the Woodlawn site as well as to meet increased space needs.

District Offices

In the district office program, SSA has budgeted to select sites and begin design for 10 additional district offices and begin expansion of 26 existing offices.

Program Service Centers

The budget request provides $13,770,228 in 1977 obligations for the program service center activity. This includes funds for purchase contract payments on three program service centers and for GSA project management costs. The three program service centers being constructed by the purchase contract method have been occupied, two in July 1975 and the third in October 1976.

Objectives, 1978: For 1978, SSA seeks new budget authority of $14,600,000. With this authority plus carry over from prior years appropriations, SSA has budgeted to obligate $24,347,655 in 1978. The activities planned include (1) expansion at

headquarters, (2) site acquisition, design and construction of additional district offices and for expansion of existing offices and (3) purchase contract payments on three program service centers. SSA plans at headquarters are for the continuation of project management for the new facilities under construction, one in downtown Baltimore and the other at Woodlawn. The district office plans include obligation of additional funds to acquire sites for five district offices, construct offices at the 10 sites selected in 1977, and complete expansion of 26 existing offices previously built with trust funds monies.

87-936 O - 77 - 32

WEDNESDAY, MARCH 30, 1977.

AMERICAN PRINTING HOUSE FOR THE BLIND

EDUCATION OF THE BLIND

WITNESSES

DR. CARSON Y. NOLAN, VICE PRESIDENT AND GENERAL MANAGER
WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET, HEW

Mr. FLOOD. We have the American Printing House for the Blind, and the presentation will be made by Dr. Carson Y. Nolan, the vice president and general manager. We have your biographical sketch, Doctor, which we will include in the record at this point, as well as your statement.

[The information follows:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

American Printing House for the Blind

Biographical Sketch

Name:	Carson Y. Nolan
Position:	Vice President and General Manager American Printing House for the Blind
Birthplace and Date:	Indianapolis, Indiana, October 21, 1925
Education:	University of Kentucky- BS and MA, 1950 Washington University- Ph.D., 1953
Experience:	
1976 to present:	Vice President and General Manager American Printing House for the Blind Louisville, Kentucky
1958-76:	Director, Department of Educational Research American Printing House for the Blind
1960-72:	Adjunct Associate Professor, Department of Psychology, University of Louisville
1956-58:	Research Scientist, Human Resources Research Office, Fort Knox, Kentucky
1953-56:	Director, Field Unit 1, Air Force Personnel and Training Research Center, Forbes Air Force Base, Kansas
Association Memberships:	Association of Education of the Visually Handicapped American Educational Research Association Council for Exceptional Children
Publications:	Over 100 professional monographs, chapters, and articles

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Statement by the Vice President and General Manager of the

American Printing House for the Blind

on

"Education of the Blind"

Mr. Chairman and Members of the Committee:

Educational Materials

The request of $3,166,000 is an increase of $484,000 over 1977 and when taken together with the $10,000 permanent appropriation will supply an estimated 30,500 students, 1,505 additional blind students and all 1977 base pupils (28,995), with educational materials. The estimated 1978 per capita rate of $104.14 is an increase of approximately 11.5% over that requested for 1977 and the increase in eligible students is 5.27%.

Advisory Committee

The request of $82,000 for expenses for Advisory Committees and field representatives is $2,000 (2.5%) more than the amount requested for 1977. The funds will enable these Committees to continue to evaluate and recommend annually to the Board of Trustees the necessary educational materials and aids to be developed and to be produced. They will enable APH field representatives to continue to assist teachers throughout the country in the use of aids and materials available under the Act.

Educational and Technical Research

The request for $250,000 for educational and technical research is the same amount as appropriated in 1977. These funds will enable the Printing House to develop needed educational materials in a variety of subject areas

such as reading, mathematics, science, and for special groups such as the multihandicapped blind. They will enable us to support this development through research in such areas as perceptual development and cognitive development.

The American Printing House continues to serve a growing and complex group of blind children with a wide variety of educational materials in many different forms. In January of 1976, 19,596 blind children were registered through state departments of education, 7,362 were enrolled in residential schools, and 2,037 were in rehabilitation programs. Of this group, 6,200 read braille, 12,426 read large type, and 9,265 used other media for reading.

Review of our work reveals steady progress in meeting the educational needs of blind children. With respect to the current year, we are on schedule in production to meet our committments to the schools for the school year beginning in September 1977.

I am leaving the Committee catalogues and copies of the Annual Report of the American Printing House for the Blind for our fiscal year ending June 30, 1976 which gives a complete account of Printing House activities as well as the work of the Advisory Committees.

In closing, I extend sincere thanks to the Appropriations Committee and to the Congress for their continued interest in education of the blind.

Respectfully submitted,

Carson Y. Nolan

Carson Y. Nolan, Ph.D.
Vice President and
General Manager

Mr. FLOOD. Dr. Nolan, this is your first appearance before the subcommittee, so we want to welcome you aboard. We knew your predecessor, Finis Davis, favorably and well for many years, and we hope that you can fill his shoes.

NUMBER OF BLIND STUDENTS

How many blind elementary and secondary students are there in the country?

Dr. NOLAN. Last January, we registered 28,995.

Mr. FLOOD. Are they all served by the Printing House?

Dr. NOLAN. Well, largely they are. Of course, we have a problem in some areas. Severely mentally retarded blind children we probably serve less well than we do some of the others, but we give service to all of them.

Mr. FLOOD. Of course, we are just wondering, how do you know you are serving all of them? Did you conduct a survey on this?

Dr. NOLAN. We take a census each year in January to establish the number of children who are eligible for services under the act to promote the education of the blind.

ADDITIONAL STUDENTS SERVED

Mr. FLOOD. Part of this budget request is based on 1,505 additional students to be served.

Dr. NOLAN. Yes, sir.

Mr. FLOOD. How did you arrive at that number? Why not round it off at 1,500? It is only an estimate, is it not?

Dr. NOLAN. It is an estimate, and we presented that number to make it an even 30,500 over the previous year. The increase has been averaging about 1,500 students per year over the last 5 or 6 years.

MAJOR CAUSES OF BLINDNESS

Mr. FLOOD. By the way, what the the major causes of blindness among schoolchildren? Are they mostly blind from birth?

Dr. NOLAN. Well, many of them are, but many of them are blinded through disease following birth, through accidents.

Mr. FLOOD. But mostly?

Dr. NOLAN. I would say maybe 50 percent are from birth.

RATE OF INCREASE

Mr. FLOOD. Part of this requested increase is due to the higher costs of labor and raw materials. The rest is a per capita increase of 11.5 percent.

We have had a lot of hearings on these things in the last several months. That rate seems pretty high. Tell us how you arrived at that rate of increase. Is the rate of inflation going to increase that much?

Dr. NOLAN. No, sir. We built about a 6-percent inflationary factor in there.

Mr. FLOOD. Oh.

Dr. NOLAN. The remainder was put in there because of services that we have initiated and that have grown that are fairly expensive. An

example is our program to provide what we call short-run large-type books. Twelve thousand of the 28,000 children read large type, and we have a service where we will print a single copy of a large-type book for a student under the quota program, and those books are fairly expensive. This program has grown, but still I have not been able to predict its top.

There are electronic aids coming into our inventory that are expensive, and it is for these reasons that we added the additional amount.

EDUCATIONAL AIDS/TOYS

Mr. FLOOD. What kind of educational aids do the employees of the Printing House produce for preschool children—such as toys?

Dr. NOLAN. We do not produce toys. We produce educational aids. One category we call sensory-motor readiness aids. These are aids designed to help the child develop his abilities, either tactile sense, or if he has remaining vision, to aid that, and help him also in his manipulative skills.

Mr. FLOOD. Are these preschool aids in wide demand, or do only a limited number of institutions use them?

Dr. NOLAN. They are in relatively high demand. Preschool materials go into multihandicapped programs, also, because those children can use them.

Mr. FLOOD. Which of the institutions are the largest users of these preschool materials?

Dr. NOLAN. Well, the preschool materials would go into preschool programs, into kindergartens, and they also go into the programs that involve multihandicapped children. These children might be in State hospitals, in residential schools for the blind, they might be in special classes in communities. They are found in a variety of situations.

Mr. FLOOD. You know, from time to time here in the committee, we receive complaints that the toys produced by the Printing House are poorly constructed. What is your evaluation as to the quality of these toys?

Dr. NOLAN. We, frankly, do not feel they are poorly constructed. It is true you can destroy almost anything if you misuse it, or use it in certain ways for which it is not designed.

In the development of our materials, they go through evaluation in the field by teachers, in use with children, and at that time, we check things like durability, things like safety, and have formal evaluations of these factors.

Mr. FLOOD. Now, another complaint is that the toys are unsafe. Some of them have metal protrusions, sharp metals edges, or traces of lead in the paint surface. How do you feel about the safety?

Dr. NOLAN. We are very concerned about safety, Mr. Chairman, and as I indicated a moment ago, the materials are evaluated in the field before we produce them, evaluated by teachers, who check safety features.

Now often, something may occur after a product gets out in the field, and we are in fairly close communication—very close communication—with our consuming population, and if we get commentary back that we have safety problems, we pay attention to those.

Mr. FLOOD. Well, the third problem we have heard about is that it appears the toys are excessively priced. A piece of string for stringing beads costs $3.25, and 12 wooden blocks cost $13.75. Have you looked into that at all. In other words, what do you think about the cost of these toys?

Dr. NOLAN. There is no question that the costs of some of the items are high. The items are priced at our cost for production on a non-profit basis.

The problem that we continually encounter is that we serve a very thin market. We make things in very small lots, lots of 25, 50, 100, 200. This prohibits us from using automated equipment, production-line techniques to make these things. They are handcrafted. All those things contribute to the cost. We cannot take advantage of buying large quantities of raw materials to produce the item.

Mr. FLOOD. Will you do this for the record: Suppose you prepare a detailed assessment of the quality, safety, function, and the cost of the educational toys produced at the Printing House—that is quality, safety, function, and the cost of the educational toys.

Dr. NOLAN. Yes, sir.

[The information follows:]

FUNCTION OF EDUCATIONAL AIDS

The need for any educational aid is established through working with our advisory committees and through surveying teachers and administrators in education of the blind. Once a need is identified, a project is planned and then submitted for approval by our Research Advisory Committee. Upon approval, a project development team composed of our research staff and expert teachers of the blind, selected nationwide, is formed. This team defines the educational objectives to be attained by the aid and writes the specifications necessary to design an initial model. This model is subject to expert review to determine if it meets the specifications. Some pilot testing with children may be done. The model is revised based on the findings of these activities, and, if necessary, the process is continued until the development team is confident that the aid will meet its educational objectives. At this point, the aid is sent out into the classroom for independent evaluation by a new group of teachers who actually use it with children to determine that it does what it was designed to do. As a result, the aid may require further development or may be entered into the production process. This developmental procedure maximizes the probability that the aid is actually needed, and that, if used as designed, it will successfully teach specific educational activities.

QUALITY OF AIDS

This is considered throughout the development of every aid. Two factors are important. The quality of an aid should be sufficient for it to achieve its educational objectives. Beyond this, quality should be maximized to the point that costs become prohibitive. The point I am trying to make is that we design quality into aids that surpasses that required for their function, but we do not try to design a Cadillac to drive to the mail box.

SAFETY OF EDUCATIONAL AIDS

Safety is also considered at all stages of development and evaluation. Factors considered in safety design are for what the aid is designed to be used, how it is designed to be used, where it is designed to be used, and by whom it is designed to be used. Safety factors are built into the aid accordingly and are evaluated when the aid is subject to field testing.

If an aid is used inappropriately in terms of the purposes by which it was designed, it is possible that it may fail or break or that it may become unsafe. In the future, it might be advantageous to both the Printing House and its consumers, if the literature advertizing and accompanying each aid made there use limitations explicit.

COST OF EDUCATIONAL AIDS

All aids are manufactured on a not-for-profit basis. This means that the prices for each aid reflect the costs of raw materials, labor, factory overhead, and administrative overhead. Prices of all aids are set on the basis of cost of manufacture of the initial quantity which may vary from 25 to 400 items. These prices are checked as successive lots are manufactured.

The function of the aid and its required quality and safety features tend to set a minimum level for costs. In addition costs can be minimized through careful choice of raw materials and design of manufacturing methods. Manufacture of materials in small lots usually denies advantages in pricing obtained from buying raw materials in large quantities and from automation of manufacturing processes. In some instances, parts can be made outside the Printing House more cheaply than within. In these circumstances, costs can be minimized through the use of competitive bids where multiple sources of supply exist.

Mr. FLOOD. Mr. Patten?

Mr. PATTEN. Thank you, Mr. Chaiman.

Your subject matter is of vital interest to me for personal reasons. I hope you will leave some of those samples and see that I get them. Just do not leave them with the clerk, because he is a hoarder.

Dr. NOLAN. All right, sir. I have two sets of catalogs here.

Mr. PATTEN. I would like to take some of that with me.

ADDITIONAL REVENUES

Tell me, do you get other revenue besides the appropriation?

Dr. NOLAN. Yes, sir. The appropriation constitutes a little less than one-third of our sales. We sell many educational materials on a cash-receivable basis to many of the schools throughout the country, and to private individuals. We contract with the Library of Congress for adult materials that they distribute nationally through their regional libraries in this country. These are the kinds of things you normally would find in libraries—books and magazines.

These are our principal sources of income.

BRAILLE TELEPHONE BOOK

Mr. PATTEN. I read of something recently, within the last week or two. I read where the blind who can now read in braille will have the use of something more common. My recollection was that it was something about finding telephone numbers.

Dr. NOLAN. Mr. Patten, I know of no braille telephone books. There are two devices, one of which is available and one of which is under development, which would enable blind individuals to read numbers directly.

One of these devices is called the Optacon and it is a device that optically scans a number and represents it in a tactile form that they can read with their fingers.

Under development up in Massachusetts, is another type of reading device which optically scans print and reproduces it in synthetic speech, a spoken output. These are two means where blind individuals who normally read braille could have direct access to print.

Mr. PATTEN. Tell me, why did your president not come?

Dr. NOLAN. Mr. Davis retired, Mr. Patten, last August. I have assumed his role.

Mr. PATTEN. Everybody is acting. You have a change of administration. Do you like it, and are you going to stay with it?

Dr. NOLAN. It is a very challenging position. I have been at the Printing House for 18 years prior to assuming this position, and it is not new with me.

COMPUTER SCHOOL

Mr. PATTEN. Do you have anything to do with that computer school in Cincinnati, where we have sent blind persons to school?

Dr. NOLAN. Is this the project that Dr. Sterling had out there? That is adult rehabilitation. We may supply materials for them, but——

Mr. PATTEN. This fellow was an engineer, 35, had diabetes and lost his eyesight, 100 percent, and we sent him out there to Cincinnati; he graduated and he is up at Rutgers, and not only is he programing, but he is teaching the programing. HEW sat here the other day and told us they are using the blind as operators, telephone operators.

How can a guy look up a number?

Dr. NOLAN. We printed many materials for IRS this year that permitted blind people to be the service individual when you have a problem with your income tax. That is another area.

INCREASED BUDGETS

Mr. PATTEN. Your budget has doubled in about 4 years. You know, I would like to make a showing.

Dr. NOLAN. Certainly.

Mr. PATTEN. Everybody who comes before us is terrific. You realized what I am saying. I can give you the figures.

Say in 1973, you got, say, $1.7 million. This year you are over $3.4 million. It has doubled, you see.

Dr. NOLAN. Yes.

Mr. PATTEN. My father was blind a long time and I took an interest in these blind projects. You are doing a good job.

I told you about that engineer who had diabetes. He put himself through college. The school at Cincinnati was perfect. The people loved him. They tell me that this fellow is excellent in programing and working on the computers up at Rutgers University.

I had a beautiful letter from industry. He worked for General Electric, and they wrote beautiful letters.

Mr. Chairman, that takes care of it. As figures go, of course, your budget is modest. The worst affliction is blindness, I believe. I think this is the worst.

Incidentally, you gave the chairman a quick answer, and I think it is in your line, about why children are blind, how many are born blind. Syphilis and gonorrhea are often in the picture.

Dr. NOLAN. Many times.

Mr. PATTEN. And also diabetes. Do you want to stand on the figures you quoted about how many are born blind?

Dr. NOLAN. That is an approximate figure.

Mr. PATTEN. Were you just talking off the top of your head?

Dr. NOLAN. That is an estimation.

Mr. PATTEN. Do you get any help from the Lions Club?

Dr. NOLAN. Yes; we work closely with them.

Shape Board Aids

Mr. O'Brien. Doctor, I had a question brought to my attention with regard to a toy that was made called the shape board.

Dr. Nolan. Yes, sir. Those are not designed as toys. They are designed as the means to teach sensory-motor skills to children.

Mr. O'Brien. I understand. It is a touch sort of education.

Dr. Nolan. Yes, sir. Actually, it does several things. There is color discrimination involved in the use of it, form discrimination, size discrimination. There are placing operations that are motor involved in it, sorting operations and a variety of skills can be presented using that device.

Mr. O'Brien. The point was brought to my attention, and it was in the Chicago area, and there is a company in Northfield that makes shape boards, or parts of them, and of possibly 14 components that go into the shape board, it was indicated that in three cases, the color used came from a paint that had a higher than proper standard of lead content in it. Are you familiar with that?

Lead-Base Paint in Educational Aids

Dr. Nolan. That information has been given to me, but I have not been in contact directly with the people in Chicago, but indirectly through some people who are working with them, I have become aware of this.

Certainly, it is undesirable. In fact, there should not be any lead in the paints.

Mr. O'Brien. In that situation, the exposure would be much greater than to a youngster who has another handicap than being blind.

Dr. Nolan. Yes, sir. The present Federal minimum for lead is one-half of 1 percent, but we have striven to have completely lead-free paint. Our suppliers have told us that our paint is lead-free.

I think the pieces to which you refer may have been made by a subcontractor of ours, but they have assured us that their paint is lead-free.

However, that is—all of us are dependent upon our suppliers. What I have initiated as a consequence of this is a periodic review of all items that are painted, actual chemical tests of lead content.

Mr. O'Brien. That is the only thing I was getting at.

Dr. Nolan. It is undesirable, and we are taking steps to insure first that there is no lead in the paint, and then to check that, not taking the word of the supplier, but to check it through independent tests.

Mr. Patten. I have lead paint factories in my district. Have you had a problem with the paint, whether it has lead or not?

Dr. Nolan. This is the only case where we have ever had anyone comment on it.

Mr. Patten. You mean Mr. O'Brien?

Dr. Nolan. No. Maybe it was a constituent of yours.

Mr. O'Brien. It came from Chicago, my neighboring area.

Dr. Nolan. These people have been on me hot and heavy, and so I am aware of their concern.

Mr. Patten. If you have a case where you have a problem with the paint on the toys you are using, I would like to know about it, and be realistic.

Dr. NOLAN. This is the only commentary of this kind we have ever had.

Mr. PATTEN. Good.

Dr. NOLAN. We are taking every step to make sure that not only does our paint meet Federal minimums, but that it is completely lead free.

Mr. O'BRIEN. The issue I raised is not that I know anything specific about the case, but it was brought to my attention about the Federal minimum, and these would be standards we made, and why we made them, I don't know, but I thought Dr. Nolan ought to know that it was brought to my attention that it might be a problem, and I suggest you take a look at it.

Dr. NOLAN. We will do so.

Mr. FLOOD. Thank you very much.

(The following questions were submitted by members with the request they be answered for the record.)

NUMBER OF BLIND STUDENTS

Mr. CONTE. How many blind students are there in the United States? How many of them are reached by your materials?

ANSWER. In January of 1976, we registered 28,995 blind students as enrolled in formal education programs in grades K–12. All of these students are served to some extent by our materials. I believe this number represents almost all legally blind children in this country.

DISTRIBUTION OF EDUCATIONAL MATERIALS

Mr. CONTE. How are your materials distributed—through institutions or directly to individuals? Are those materials accompanied by teaching resources and aids as well?

ANSWER. The materials provided under the act, To Promote the Education of the Blind, are by law furnished to institutions. However, many materials are purchased on a cash-receivable basis by both institutions and individuals. Textbooks are sold individually and sometimes together with workbooks. Educational aids are sold with printed information, often complete manuals, giving their purpose and the directions for their use.

Mr. CONTE. What are requirements for eligibility for your materials?

ANSWER. To receive materials under the Federal appropriation, a student must be medically certified as legally blind and be registered with the American Printing House as being enrolled in a formal educational program. However, many visually impaired students who are not legally blind use our materials purchased on a cash receivable basis.

RESEARCH COMMITTEE

Mr. CONTE. Would you elaborate on the work of your Educational Research Committee and your program of educational and technical research?

ANSWER. The purpose of our research program is to develop educational materials needed by blind children and to undertake basic behavioral research in support of this development. The role of the Educational Research Committee is to help identify needs for product development and basic research, to approve projects in these areas once they are designed, to monitor progress of these projects, and to approve completed projects.

Mr. CONTE. Do you provide exclusively printed materials, or do you also support such activities as the "talking books" program?

Answer. The American Printing House publishes books and magazines in braille, large type, and recorded form. "Talking book" materials are published on records and tape cassettes primarily for adults. A limited amount of educational materials is published in tape form, primarily cassettes.

INCREASE IN ELIGIBLE STUDENTS

Mr. CONTE. To what do you attribute the estimated 5.2 percent increase in total number of eligible students to be served? Is this number likely to continue to increase? Is it indicative of a number of eligible students out there who have not yet been identified?

Answer. The 5.2 perecnt increase can be attributed to two factors: the increase in the population as a whole and the efforts, stimulated by both Federal and State legislation, to provide formal education for all handicapped children including the severely multihandicapped. The number of blind children is going to continue to increase with the population as a whole. However, at some point I would think that the increase due to "child find" and other such programs would subside.

Material for the Multihandicapped

Mr. Conte. What materials do you provide for the multihandicapped?

Answer. We supply a variety of materials that can be used with multihandicapped children. These include educational aids which are used to teach sensory-motor skills and basic concepts, educational readiness programs, and braille and large type books that are high-interest but low-level vocabulary. Our record and tape players can be used with this group. Many of our educational supplies are useful.

Training for Higher Education Institutions

Mr. Conte. Would you tell me about your program of assistance to institutions of higher education for training teachers of the blind?

Answer. This program is quite varied and is accomplished through our field representatives visiting teacher training programs or teacher training programs visiting the Printing House. These activities are nationwide. During these exchanges we teach trainees how they can use the Federal appropriation to obtain our materials, we exhibit and demonstrate our materials, conduct intensive workshops on things such as using our materials to teach braille reading, and also demonstrate commercially available materials. We supply the programs with reference materials such as bibliographies, research reports, and special educational manuals and monographs upon request.

Rate of Increase—Per Capita Cost

Mr. Natcher. For the record can you show the actual per capita cost and the rate of increase for each of the last 5 years?

Answer. Yes, sir, I can.

[The information follows:]

	Per capita cost	Increase over previous year (percent)
Fiscal year:		
1973	$71.75	----------
1974	72.30	1.0
1975	73.50	1.7
1976	85.57	16.4
1977	93.41	8.4
1978	104.14	11.5

Trend in Registration

Mr. Natcher. What can you tell us about the trend in registration of blind children. Are more blind children attending regular public schools rather than special schools for the blind?

Answer. Mr. Natcher, educators of the blind pioneered in integrating severely handicapped into public school programs starting at the beginning of this century. Since that time there has been a steadily growing proportion of blind children enrolled in public school programs. In 1976, 19,596 blind children were registered with us as enrolled in public school programs as compared to 7,362 children enrolled in residential schools.

Research Budget

Mr. Natcher. In 1977, the Printing House has, for the first time, a line item of $250,000 for research. What plans do you have for use of these funds?

Answer. We will use these funds as a continuing base of support for development of needed educational materials for blind children and for basic behavioral research in support of this development. Current planning calls for us to apply

much of this funding over the next 5 to 10 years to development of materials for multihandicapped blind children.

Mr. NATCHER. What benefits do you expect to derive by having a separate budget item for research?

Answer. A major benefit will be that we can plan, with confidence of support, long term development programs such as the one for the multihandicapped blind that I just mentioned. With assured support, we can attract competent research and development staff and give them the on-the-job training and experience necessary for quality performance. The assurance of availability of research funds as part of our appropriation will enable us to get much more mileage out of our federally supplied research dollars. When we relied on Federal grants and contracts, we budgeted 40 percent of personnel costs, which is the largest part of our research budgets, to cover indirect costs and fringe benefits of personnel. With assured research funding under our appropriation, the Printing House has agreed to assume the indirect and fringe costs which means that $250,000 of Federal funds received under the appropriation will have the research and development impact of about $325,000 received under Federal grants and contracts.

Mr. NATCHER. In your statement you refer to research in such areas as "perceptual development" and "cognitive development." What do you mean by those terms?

Answer.—Mr. Natcher, I think your question might be answered most simply through examples. In study of "perceptual development" we are interested in defining more precisely the ranges of sensitivity of the alternate senses such as touch and hearing in learning and in studying how these senses may be applied as substitutes for vision in the educational process. In studies of "cognitive development" our purpose is to define the impact of blindness on development of the range and variety of concepts children normally learn and to determine how educational programs can be set up to offset any deficits in concept development found.

IBM COMPUTER

Mr. NATCHER. How are you doing with the new IBM computer that we heard about last year? Is it working?

Answer. We have experienced some delays in installation of this new computer. However, we expect this to be completed by the end of April of this year.

JUSTIFICATION OF THE BUDGET ESTIMATES

1978

Appropriation Estimate

American Printing House for the Blind

For carrying out the Act of March 3, 1879, as amended (20 USC 101-105) [$3,012,000] *$3,498,000*.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SPECIAL INSTITUTIONS

American Printing House for the Blind

Amounts Available for Obligations

	1977	1978
Appropriation	$ 3,012,000	$3,498,000

Obligation by Activity

	1977 Actual	1978 Estimate	Increase or Decrease
Grants for Education of the Blind			
A) Educational Materials	2,682,000	3,166,000	+484,000
B) Expenses related to Advisory Committees	80,000	82,000	+ 2,000
C) Educational and Technical Research	250,000	250,000	-0
	$3,012,000	$3,498,000	$+486,000

Obligations by Object

Grants, subsidies, and contributions	3,012,000	3,498,000	+$486,000

Summary of Changes

1977 Actual Obligations	$3,012,000
1978 Estimated Obligations	$3,498,000
Net Change	$ +486,000

Increases	1977 Base	Change from Base
Program:		
Educational Materials: For an additional 1,505 eligible blind pupils and for all 1977 base pupils (28,995) at $104.14 per capita in 1978	$2,682,000	+$484,000
Advisory Committees Expenses relating to Advisory Committees	82,000	+$ 2,000
Educational and Technical Research Expenses for research and development of new needed educational materials	$ 250,000	-0-
	$3,012,000	+$486,000

Explanation of Changes

Program Increase:

Educational Materials: the increase of $84,000 will supply an estimated additional 1,505 blind students and all 1977 base pupils (28,995), with educational materials. The per capita rate will increase approximately $10.73 and the number of pupils to be served will increase from 28,995 in 1977 to 30,500 in 1978.

Advisory Committees: The additional $2,000 represents the minimum increase to maintain Advisory Services at their present level of efficiency.

Educational and Technical Research: No change

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Authorizing Legislation

Legislation	Amount Authorized	1978 Budget Request
An Act to promote the education of the blind (20 U.S.C. 101-105), P.L. 87-294	Indefinite	$3,498,000

Appropriation History

Year	Budget Estimate To Congress	House Allowance	Senate Allowance	Appropriation
1968	$ 1,225,000	$ 1,225,000	$ 1,225,000	$ 1,225,000
1969	1,340,000	1,340,000	1,340,000	1,340,000
1970	1,404,000	1,404,000	1,404,000	1,404,000
1971	1,476,000	1,557,000	1,517,000	1,517,000
1972	1,580,000	1,580,000	1,580,000	1,580,000
1973	1,696,500	1,696,500	1,696,500	1,696,500
1974	1,817,000	1,817,000	1,817,000	1,817,000
1975	1,967,000	1,967,000	1,967,000	1,967,000
1976	2,408,000	2,408,000	2,408,000	2,408,000
1977	2,762,000	3,012,000	3,012,000	3,012,000
1978	3,498,000			

Justification

	1977 Actual	1978 Estimate	Increase or Decrease
Educational Materials	$2,682,000	$ 3,166,000	$ +484,000
Expenses related to Advisory Committees	80,000	82,000	+ 2,000
Educational and Technical Research	250,000	250,000	-0-
Total	$3,012,000	$ 3,498,000	$ +486,000

General Statement

The request for 1978 is $3,498,000 of which $3,166,000 will be used to supply educational materials to all blind students of less than college grade throughout the United States; a total of $82,000 is estimated for administration of the Act and other expenses related to the activities of Advisory Committees, consultants, and field services; and the sum of $250,000 is requested to develop needed educational materials in a variety of areas and to support research for this proposal.

Educational Materials: The American Printing House for the Blind supplies materials and educational aids for education of blind students of less than college grade. The request of $3,166,000 when taken together with the $10,000 permanent appropriation and applied to an estimated 30,500 eligible blind students, will provide a per capita rate of approximately $104.14 for fiscal year 1978. Due to increases in the cost of raw materials and labor, the estimated per capita rate of $104.14 is an increase of approximately 11.5% over than of 1977, and the estimated 1,505 additional eligible students to be registered will represent a 5.2% increase in eligible students.

Advisory Committees and Field Services: The American Printing House for the Blind has three (3) Advisory Committees - Publications Committee, Educational Aids Committee and the Educational Research Committee. These committees advise and approve materials and aids to be manufactured through the Federal appropriation. The request for 1978 is $82,000. This represents an increase of 2.5% over that requested in 1977.

Educational and Technical Research: To meet its responsibilities as defined under the Act, "To Promote the Education of the Blind", the Printing House must develop needed educational materials in a variety of subject areas

such as reading, mathematics, science, social studies, and others. In addition, it must support this development through research in such areas as perceptual development and cognitive development. The request for 1978 is $250,000 which represents no increase over the amount requested in 1977.

Federal Aid to States, Territories and Possessions
and
The Number of Pupils Registered each Year

	Actual 1975	Actual 1976	Projected 1977	Actual 1976	Actual 1977	Projected 1978
Alabama	1013	1014	1067	86,691	94,143	111,117
Alaska	45	56	59	3,851	5,199	6,144
Arizona	221	202	212	18,913	18,754	22,078
Arkansas	321	312	329	27,471	29,060	34,262
California	3038	3256	3425	259,987	302,299	356,679
Colorado	313	349	367	26,786	32,402	38,219
Connecticut	432	440	463	36,970	40,851	48,217
Delaware	58	58	61	4,964	5,385	6,352
Florida	1156	1212	1275	98,929	112,527	132,779
Georgia	687	747	786	58,792	69,354	81,854
Hawaii	37	49	52	3,166	4,549	5,415
Idaho	75	83	87	6,418	7,706	9,060
Illinois	1645	1704	1792	140,776	158,206	186,619
Indiana	641	650	684	54,856	60,348	71,232
Iowa	331	337	354	28,326	31,288	36,866
Kansas	279	290	305	23,876	26,925	31,763
Kentucky	379	406	427	32,434	37,695	44,468
Louisiana	425	425	447	36,371	39,459	46,551
Maine	147	143	150	12,580	13,277	15,621
Maryland	630	634	667	53,914	58,863	69,461
Massachusetts	971	966	1016	83,097	89,687	105,806
Michigan	1242	1494	1572	106,288	138,708	163,708
Minnesota	373	478	503	31,921	44,379	52,382
Mississippi	241	229	241	20,624	21,261	25,098
Missouri	453	550	579	38,767	51,064	60,297

	Actual 1975	Actual 1976	Projected 1977	Actual 1976	Actual 1977	Projected 1978
Dist. of Columbia	107	134	141	9,157	12,441	14,684
Canal Zone	2	-	-	171	-	-
Puerto Rico	109	114	120	9,328	10,584	12,497
Guam	9	12	13	770	1,114	1,354
American Samoa	-	-	-	-	-	-
Virgin Islands	-	-	-	-	-	-
	27,320	28,995	30,500	$2,338,000	$2,692,000	$3,176,000

PER CAPITA:
for year ending June 30, 1976(based on registrations Jan. 1975) $85,578
for year ending Sept. 30, 1977(based on registrations Jan. 1976) $92.843
for year ending Sept. 30, 1978(based on projected registrations Jan. 1977) $104,140

Total includes $10,000 permanent appropriation

	Actual 1975	Actual 1976	Projected 1977	Actual 1976	Actual 1977	Projected 1978
Montana	114	121	127	9,756	11,234	13,226
Nebraska	151	153	161	12,922	14,205	16,767
Nevada	44	61	64	3,765	5,664	6,665
New Hampshire	128	142	149	10,954	13,184	15,517
New Jersey	853	890	936	72,998	82,631	97,475
New Mexico	249	289	304	21,309	26,832	31,659
New York	1731	1764	1856	148,136	163,776	193,284
North Carolina	656	630	663	56,139	58,492	69,045
North Dakota	62	68	72	5,306	6,313	7,498
Ohio	975	1095	1152	83,439	101,664	119,969
Oklahoma	214	220	231	18,314	20,426	24,056
Oregon	196	255	268	16,773	23,675	27,909
Pennsylvania	1604	1664	1750	137,268	154,492	182,245
Rhode Island	169	183	192	14,463	16,990	19,995
South Carolina	526	538	566	45,014	49,950	58,943
South Dakota	61	64	67	5,220	5,942	6,977
Tennessee	693	747	786	59,306	69,354	81,854
Texas	1232	1342	1412	105,433	124,596	147,046
Utah	195	215	226	16,688	19,961	23,536
Vermont	62	62	65	5,306	5,756	6,769
Virginia	700	705	742	59,905	65,455	77,272
Washington	569	550	579	48,694	51,064	60,297
West Virginia	249	295	310	21,309	27,389	32,283
Wisconsin	440	515	542	37,655	47,814	56,444
Wyoming	67	82	86	5,734	7,613	8,956

American Printing House for the Blind

Program, Purpose and Accomplishments

Activity: Educational Materials

1977	1978	
Amount	Authorization	Budget Estimate
$2,682,000	Indefinite	$3,166,000

Purpose: The American Printing House for the Blind, under the Act, "To Promote the Education of the Blind" provides educational materials to students, of less than college grade, who attend public schools and classes with sighted children and blind students who attend special schools and classes for the blind.

Explanation: All Superintendents of Schools for the Blind and of Public Instruction in the various states, or their designess, are Ex officio Trustees of the Printing House in the administration of the Federal Act, "To Promote the Education of the Blind." This group meets annually in October or November, at the American Printing House, with the Corporate Board of Trustees to review the past year's work and to adopt textbooks, approve educational aids to be manufactured and recommend research to be undertaken during the year ahead. The various Advisory Committees are also elected at the Annual Meeting. In addition to producing the newly adopted materials for the next school year, the Printing House makes the necessary reprints and keeps in stock a finished goods inventory of more than $1,700,000 in order to serve the needs of the Schools for the Blind and State Departments of Education on a current order basis.

Accomplishments in 1977: During the year, the capability of the Printing House to produce short run large type books for children with low vision was significantly increased. Finished goods inventories were increased significantly to provide more immediate service to the blind. New and improved recording and playing equipment was put into production. The Printing House supplied educational materials and aids to 27,320 blind children in schools for the blind and in private nonprofit and public schools. Based on registration of blind pupils as of the first Monday in January 1976, 28,995 children will be served by the Printing House in 1977.

Objectives for 1978: To continue to produce on schedule the various new educational aids and materials as approved by the Committees for the new school year, and maintain current inventory on all materials listed in catalogs in order to provide the best possible service to the various schools educating blind children. The request for 1978 represents an increase in per capita of 11.5% and a 5.2% increase in total number of eligible students to be served.

American Printing House for the Blind

Program, Purpose and Accomplishments

Activity: Advisory Committees and field services

1977	1978	
Amount	Authorization	Budget Estimate
$80,000	Indefinite	$82,000

Purpose: To advise and approve aids and materials to be manufactured and supplied through the Federal appropriation.

Explanation: There are three (3) Advisory Committees, consisting of five members of the ex officio trustees each - Publications Committee, Educational Aids Committee, and Educational Research Committee.

Accomplishments in 1977: The Publications Committee and Educational Aids Committee advised and approved materials and aids to be manufactured and supplied through the Federal Appropriation. The Educational Research Committee advised and assisted in the identification of relevant areas for educational research and materials development. Field representatives for the Printing House travelled to State Departments of Education and Schools for the Blind and met with the teachers to advise them on facilities and materials available to blind children.

Objectives in 1978: To continue to advise the Printing House on educational research to be undertaken, educational materials and educational aids to be manufactured and made available to blind children. Also, maintain a continuing contact with the schools for the blind, public and parochial schools educating blind children, and provide assistance to colleges and universities conducting training programs for teachers of special education. Field representatives for the Printing House will travel to public and private nonprofit schools educating blind children and to schools for the blind and advise teachers on materials available and their use in the education of blind children. The Printing House will also continue to give assistance to colleges and universities conducting training programs for teachers of the blind.

American Printing House for the Blind

Program, Purpose and Accomplishments

Activity: Educational and Technical Research

1977	1978	
Amount	Authorization	Budget Estimate
$250,000	Indefinite	$250,000

Purpose: To develop educational materials in a variety of areas and to conduct research to support this development.

Explanation: To meet its responsibilities under the Act, "To Promote the Education of the Blind", the Printing House must develop new educational materials as they are needed in areas such as reading, mathematics, science, social studies, and others. To support this development it must undertake research in such areas as perceptual development and cognitive development with respect to the blind. For this purpose the Printing House maintains a permanent department for educational development and research.

Accomplishments in 1977: Award of these funds in 1977 enabled the Printing House to initiate additional research and development in the areas of reading, social studies, and music. Use of the funds supported continuation of development of recorded references for the blind. Studies were initiated to identify specific materials needs associated with meeting the requirements of the Education for All Handicapped Children Act (P.L. 94-142).

Objectives in 1978: Research and development initiated in 1977 will be continued and broadened into more curricular areas. Efforts will be continued to identify areas of materials needs through cooperative efforts with consumer groups and the Bureau for Education of the Handicapped, U.S. Office of Education.

SPECIAL INSTITUTIONS

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

WITNESSES

DR. ROBERT FRISINA, DIRECTOR OF THE NATIONAL TECHNICAL INSTITUTE FOR THE DEAF, ROCHESTER INSTITUTE OF TECHNOLOGY
DR. WILLIAM E. CASTLE, DEAN OF THE NATIONAL TECHNICAL INSTITUTE FOR THE DEAF
WILLIAM H. WILLIAMS, ASSISTANT TO THE DIRECTOR OF THE NATIONAL TECHNICAL INSTITUTE FOR THE DEAF
DR. FRANK B. WITHROW, HEW LIAISON OFFICER FOR THE NATIONAL TECHNICAL INSTITUTE FOR THE DEAF, BUREAU OF EDUCATION FOR THE HANDICAPPED
WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. FLOOD. We now take up the National Technical Institute for the Deaf. This presentation will be made by Dr. Robert Frisina, director of the National Technical Institute for the Deaf. We have your biographical sketch which we will include at this point in the record, Doctor, and will enclose your statement.

[The information follows:]

4430A

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

Biographical Sketch

NAME : D. Robert Frisina

POSITION : Director, NTID

BIRTHPLACE AND DATE : Westline, Pennsylvania, February 14, 1925

EDUCATION :
Westminster College, 1949, B.A.
Gallaudet College, 1950, M.A.
Northwestern University, 1955, Ph.D.

EXPERIENCE :

1967-Present	Director, National Technical Institute for the Deaf
1965-67	Dean, Graduate School, Gallaudet College
1956-67	Director, Hearing and Speech Center, Gallaudet College
1956-67	Professor, Audiology, Gallaudet College
1962-63	UNESCO Expert, Department of Education, Hong Kong
1955-56	Chief Clinician and Research Associate, Northwestern University
1955-56	Assistant Professor, Audiology, Northwestern University
1952-55	Graduate Assistant, Children's Hearing and Aphasia Clinic
1951-52	Instructor at the Kendall School for the Deaf
1950-51	Instructor, Missouri School for the Deaf
1947-49	Supervisor, Missouri School for the Deaf

ASSOCIATION MEMBERSHIPS :
Alexander Graham Bell Association for the Deaf
American Speech and Hearing Association (Fellow 1966)
Convention of American Instructors of the Deaf
Council for Exceptional Children
Conference of Executives of American Schools for the Deaf

SELECTED PUBLICATIONS:

"Research Prospectives at NTID," Report of the Proceedings of the 44th Meeting of the Conference of Executives of American Schools for the Deaf, Toronto, Ontario, Canada, May, 1972, 80-92.

"Measurement of Hearing in Children," in the Second Edition of Modern Developments in Audiology, (ed.) J.D. Jerger, New York: Academic Press, 1973.

"Careers, Technology and NTID," American Annals of the Deaf, Vol. 118, No. 5, October, 1973, 601-606.

"Preparing the Deaf for the World of Technology," Proceedings of the International Congress on the Education of the Deaf, Tokyo, Japan, August, 1975 (in press).

A Bicentennial Monograph on Hearing Impairment: Trends in the USA, (editor), Alexander Graham Bell Association for the Deaf, Washington, DC, 1976.

4430B

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

SPECIAL INSTITUTIONS

National Technical Institute for the Deaf

Mr. Chairman; and members of the Committee, on behalf of the Department, I am pleased to present this request for the National Technical Institute for the Deaf.

A few months ago, on December 20, 1976, our institution passed its tenth anniversary. As President Lyndon Johnson remarked upon the enactment of Public Law 89-36, NTID was designed "to meet the needs of hundreds of deaf young people, who want to be and can be trained for various technical operations and placed in very useful careers." This prophecy and promise has been achieved. Since the first 70 students from 16 states were admitted in the Fall of 1968, some 1,665 deaf young adults from 49 states, the District of Columbia, and one territory have matriculated into a variety of programs chosen from more than 160 certificate, diploma, associate, baccalaureate, and master's degree programs available through NTID and its sponsoring institution, the Rochester Institute of Technology. Over 850 of these students have been placed in work experience and entry level jobs in business and industry, government, and higher education in 38 states and the District of Columbia. These graduates are succeeding in such diverse positions as a Medical Laboratory Technician in Florida and a Bank Management Trainee in Alaska. Every developmental milestone in NTID's growth during this ten year period has been achieved.

4430C

NTID's appropriation request for FY78 is $14,630,000. This amount consists of a $1,236,000 increase for Career Development, $272,000 for Research, $98,000 for Training, $90,000 for Information Dissemination and $259,000 for Management, or a total increase of less than two million dollars. Built-in increases constitute 73% or $1,418,000 of this amount with the remaining portion of the increase associated with the 250 additional students and 23 staff necessary to attain fully operational status and target enrollment as presented in NTID's original plan.

FY78 marks the year in which NTID's Career Development process will reach the deaf student enrollment levels for which its facilities were designed, and will serve its largest number of new students to date. However, NTID's success or failure can not be judged solely on the immediate results of these direct service programs. The ultimate judgment must rest with the impact that the systematic dissemination of what we have learned, vis a vis the effective development and delivery of technical instruction, has upon deaf students enrolled in secondary and other postsecondary programs nationally. The format, be it print, non print, or direct contact, and the method of distribution, are directly related to both the product and its target audience through an extensive and on-going analysis of that audience's needs. The incredible multiplier effect of exporting NTID's proven experience through Educational Extension is incalculable.

ENLARGED RESPONSIBILITIES

Mr. FLOOD. Doctor, we understand that you were recently named vice president of the Rochester Institute of Technology. So you are wearing two hats, is that right?

Dr. FRISINA. Yes, sir. As director of NTID from the beginning, I was also a vice president of the institute and the major officer for the development of this particular program.

The new appointment is senior vice president for the institute which involves some responsibilities beyond NTID for the institution.

Mr. FLOOD. Will this allow you less time to direct the activities of the NTID?

Dr. FRISINA. In terms of day to day operational features, I expect this will be the case. As of the moment, the answer is no. This has to be worked out over the next 6 months' period.

ENROLLMENT

Mr. FLOOD. All right. What is the expected enrollment of full-time students for the fiscal year 1978?

Dr. FRISINA. The full-time equivalent students will be——

Mr. FORBUSH. 2,770——

Mr. FLOOD. That's the maximum enrollment capacity at the institute?

Dr. FRISINA. That is the figure for which we plan the buildings and the program staff acquisition so in 1978 we will come to that fully operational stage toward which we planned and moved on a systematic basis year by year.

Mr. FLOOD. What is the distributionu between male and female?

Dr. FRISINA. Sixty percent male and 40 percent female. That varies slightly from year to year.

Mr. FLOOD. On this matter of part-time enrollment, how many part-timers do you have enrolled; what courses they are pursuing; and, are they all from the Rochester area?

Dr. FRISINA. Our predominant population is a full-time student population. The deaf students are virtually all full-time.

Mr. FLOOD. How many part-timers?

Dr. FRISINA. None of the deaf students are part-time students. They are all full-time, and they come from virtually every State and the District.

Mr. FLOOD. Do you try to encourage any part-time enrollment?

Dr. FRISINA. We have responded to the Rochester community through our College of Continuing Education, and NTID has not done that officially, but has been in a support role. The local part-time students are served through our College of Continuing Education in the institute.

Mr. FLOOD. What kind of special efforts do you make to enroll students from low-income families?

Dr. FRISINA. The population that we have at the national institute reflects those children enrolled in residential schools, day schools, across the country, and it would be representative of those. Roughly, 52 percent of our students come from residential schools; 48 percent are from day and public school settings.

Mr. FLOOD. Do you make any special efforts to enroll students from low-income families?

Dr. FRISINA. We have never had the problem of not having low-income students.

Mr. FLOOD. Do you make any special effort to do that?

Dr. FRISINA. Low-income, not necessarily—minority groups, yes.

Mr. FLOOD. I am talking about low-income students.

Dr. FRISINA. Enrollment of low-income students has never really been a problem in the education of the deaf.

COST PER STUDENT

Mr. FLOOD. All right. What is the average cost per pupil for 1977 and 1978?

Dr. FRISINA. Instruction, room and board and fees would come to $2,629.

Mr. WILLIAMS. The total amount is $2,629 per student per year. This is what the student pays in tuition, room, board, and fees.

Mr. FLOOD. That is the current charge for tuition, room and board?

Mr. WILLIAMS. That is correct.

Mr. FLOOD. What is the average cost per pupil?

Mr. WILLIAMS. $9,626 per year for each deaf student.

Mr. FLOOD. How do those charges compare with other institutions for the deaf?

Dr. FRISINA. On the average, that would be about $2,000 more than it would be for the average elementary and secondary school population.

Mr. PATTEN. For the deaf. You are not comparing them with normal.

Dr. FRISINA. Technical institutions for the deaf.

PROGRAM COMPLETERS

Mr. FLOOD. How many students are graduating this year?

Dr. FRISINA. 200.

Mr. FLOOD. What do you think about the job outlook for these graduates?

Dr. FRISINA. We are very optimistic. It has taken an increased number of contacts, but the rate of placement has maintained itself at the 95 percent level.

NEW STAFF

Mr. FLOOD. In this budget request for 1978, you include 23 new positions.

Dr. FRISINA. Yes.

Mr. FLOOD. How many of those are faculty?

Dr. CASTLE. Nineteen are faculty positions.

Mr. FLOOD. How many faculty positions do you have now?

Dr. CASTLE. The number of faculty positions is currently 160.

Mr. FLOOD. What is the faculty-student ratio right now?

Dr. CASTLE. The working ratio is 10 to 1.

Mr. FLOOD. Is that good?

Dr. CASTLE. In the area of education of the deaf, that is very good, yes.

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Mr. FLOOD. Now, 16 of these new positions are for career development. You say the enrollment is going to increase by 250 students. How did you figure out that you would need 16 jobs? That is a ratio of only 1 job to 15 students.

Dr. FRISINA. What we have done over the period of years is to develop a faculty and a set of programs, to serve the target population that we are reporting now in fiscal 1978. Some of this is even, and some of it is uneven throughout our 163 program choices.

Ten to one is used as a planning figure and we try to do the most effective job possible for this particular type of an institution, given the type of students we are serving and the type of classroom activities employed. Most of the students' time is spent in labs, shops, and studios; not in the traditional classroom arrangement. Thus, it is very difficult to say that we will have 15 here and some other number there, but our planning figure is 10 to 1, and wherever we can do better than that, we do.

GRADUATE FEEDBACK

Mr. FLOOD. Take a look at page 104 of the justifications. You refer to a graduate feedback system. Suppose you describe that system and tell us what it does.

Dr. CASTLE. The graduate feedback system is designed to bring information into NTID from graduates of the program and from their employers. We are primarily interested in determining through that process what the stay power of the graduates from our program in their jobs is, what kind of mobility the individual has, and what kind of salary levels they achieve.

Mr. FLOOD. Where do most of your graduates find jobs: in private industry, or in government?

Dr. CASTLE. Eighty-four percent of our graduates are in business and industry. Ten percent are in government agencies and the rest are in education.

RESEARCH

Mr. FLOOD. Your budget also shows an increase of $313,600 for research. Of all the research activities that you have done in the past, what one project would you consider exhibit A—the outstanding one?

Dr. CASTLE. I think probably the exhibit A activity in research has been the development of a communications profile on our deaf students. We have been in the process of developing that process in the past 6 years. We now have it in such a refined form that we believe we can start sharing it with other educational institutions.

Dr. FRISINA. If I may, Mr. Chairman, I would like to leave this report with you. This has been shared broadly throughout the profession. It is called Info Series No. 2.

Insofar as placement is concerned, I would also like to leave this copy of our Focus magazine, which is devoted to placement and the feedback system. This is being shared nationally as well.

EDUCATIONAL EXTENSION

Mr. FLOOD. In your statement, and in your justifications as well, you refer to the process of what you call educational extension. Describe that process for us.

Dr. CASTLE. In talking about the communications profile, and indicating that we are now ready to share that with others, this is the total activity of sharing with other educational institutions the kinds of things we have found out through our research process and through the task of providing services to the deaf students broadly.

SALARIES

Mr. FLOOD. Your budget shows an increase of $943,000 for what you call salary increments. What is that for, and how did you calculate the figure of $943,000?

Mr. WILLIAMS. That is based upon a 10-percent increment, sir.

Mr. PATTEN. That still would not be $900,000.

Mr. FLOOD. What is it for?

Mr. WILLIAMS. The total amount includes in addition to the salary itself, an amount for fringe benefits and an amount for overhead.

Mr. FLOOD. I think you had better expand the answer to that question for the record.

Dr. FRISINA. Very good; yes, sir.

[The information follows:]

SALARY INCREMENTS

The $943,000 salary increment figure is derived as follows: $650,000 for a 10-percent salary increase; $107,500 for fringe benefits at 16.5 percent of salary; and $185,500 for overhead at 28.5 percent of salary; or a total of $943,000.

Mr. FLOOD. Mr. O'Brien?

PROGRAM INCREASES

Mr. O'BRIEN. Dr. Frisina, I was just looking on page 2 of the appropriations request. It is $14.6 million there, and then there is a breakdown below that. I guess what I conclude is that the breakdown represents the increase. Is that correct? I mean, it does not add up to 14.6 to me, and I thought presumedly I had missed something.

Dr. FRISINA. Do you have a page, sir?

Mr. O'BRIEN. I have page 2 here, just at the top of your request. It says, "Appropriation Request," and so forth.

Dr. FRISINA. That relates primarily to the increases, yes.

GRADUATES

Mr. O'BRIEN. I see. The 6 percent that goes into education, that goes into education for the deaf? As I understood, the figure is 84 percent that goes into business, 10 percent in government, and 6 percent in education.

Dr. FRISINA. I guess one of the best examples would be a principal of a school for the deaf. The tendency would be to be in a specialized educational setting.

Mr. O'BRIEN. You refer to the number of 1,665 graduates, and you have indicated a placement rate of about 50 percent.

Dr. FRISINA. No, no.

Mr. O'BRIEN. Over 850 have been placed in work experiences?

Dr. FRISINA. The total population served has been 1,600, and the 800 figure reflects those who have either graduated and been placed in jobs, or have been in cooperative work experiences while at NTID.

Mr. O'BRIEN. They have graduated and they have been placed in gainful operations?

Dr. FRISINA. Yes; at the rate of approximately 95 percent successful placement, yes.

Mr. O'BRIEN. Do you keep a record of those? Do you have any impression of, say, relative efficiency, compared with somebody doing the same job who does not have a handicap? I have a person in my district who is an appellate judge, who is blind. I have been before him and his colleagues a number of times, and it is rare that anyone is as well prepared as he.

Dr. FRISINA. I think it is fair to say we have begun to develop a reputation with your leading corporations and the small business firms, that the students who exit from NTID are very well prepared indeed to participate, and they are accepting them not on the basis of their deafness, but their preparedness for their productivity on the job. I think that is a fair statement, and I think that has actually been achieved.

An example is the Union 76 Co. in the Chicago area. One of their lead programers is a graduate of ours, and I might say that his brother, also born deaf, has just completed DePaul Law School. He graduated from our program, decided he wanted to take law, and has just graduated from law school. I guess what I am saying in response is that these folks go out as very capable, competent individuals, very well prepared technically.

EARLY DETECTION

Mr. O'BRIEN. I guess this is not in your baliwick, but does it make any difference in your handling of a youngster who has been determined to have a problem with deafness, how quickly it is detected?

Dr. FRISINA. Yes. The communications profile to which Dr. Castle alluded is now being utilized at the preschool level. We are interested in preventive features to the extent possible through what we learn here. Early detection is fundamental. I think we are doing reasonably well across the country in that particular area, but the thrust needs to continue in early detection. Secondary effects that can result if the parents do not know the youngster is hearing-impaired, and if professional assistance from the very beginning is not brought in, the ultimate effect of that on that individual can be relatively devastating.

Mr. O'BRIEN. That would be part of the budget you talked about, to identify this?

Dr. FRISINA. The development of new materials and disseminating of that material to youngsters no matter where they are taught.

Mr. FLOOD. Mr. Patten?

Mr. PATTEN. I have some questions.

It is good to see you.

Dr. FRISINA. Nice to see you, sir.

IMPACT OF NTID

Mr. PATTEN. My heart was with you 10 years ago. I was wondering how you feel today. Did we take the right road? You know, you doubled your budget in 1974. You had about $6 million. Now, you have $14 million you are asking for. You guys know how to spend money up there.

Doctor, shall we go with this?

Dr. FRISINA. I think you made a very wise decision to establish this program. I think you should realize that the original intent, the integrity of the intent of the legislation has been maintained. The students you said needed the help in fact did need it.

Considering the students that we serve in fact, it would be very difficult for them to acquire the skills they do on exit if this kind of program were not available. I can tell you that there are many grateful folks—parents, mothers and fathers—across the country, in addition to the deaf community, who have felt this was indeed a very wise decision. I am happy to report also that the placement of the school in Rochester and all of the people who have contributed to its development have accomplished what you hoped would be accomplished, and there were very few markers along the way to make this happen.

I think the fact of 84 percent of our students occupying positions in business and industry, with major corporations across the country, would not have happened by chance. It is a direct result of the development of this Institution that this kind of progress has been made in the last 10 years.

Mr. PATTEN. Are you duplicating anything we are doing at Gallaudet, or at our new high school?

Dr. FRISINA. No duplication whatever. The purpose for this Institution is career development. It broadens the opportunities for development of careers. The Gallaudet College undergraduate program is a liberal arts program, and ours technological. They are complimentary programs.

RESEARCH IMPLICATIONS

Mr. PATTEN. I think all you people are capable. I think you must get a lot out of it or you would not stay with the program.

Tell me, what have we got going with all these foundations, and, say, the telephone company, with hearing, sound, space programs? You want $300,000 for research.

Have you got some leads? Do you have some reason to ask for all that kind of additional money? It is a lot of money for one little high school.

Dr. FRISINA. Well, there are a lot of deaf youngsters in this country—there are many of them. The effects of what we are doing there influence thousands and thousands of children. So when you look at that particular figure, it seems to me you have to ask, "Does it benefit anyone?" and the answer is clearly yes in this respect.

You also have to ask, "Can it prevent any unnecessary expenditure of funds in the future?" If these efforts are in fact useful, and we think they are beginning to become useful, you are going to save money in the long run. So I would see this as an investment, not as a decline in the utilization of public funds.

Mr. PATTEN. I am flooded with protests against letting the Concorde land in my area in New York. Why? Because of noise. I go into many of my plants, they put earmuffs on me. I go into a helicopter and they put earmuffs on me.

We had the OSHA guy here who was a boilermaker. He could not hear. He was deaf. It is an occupational disease.

What is industry learning from your school? Is there any feedback to industry? Have you benefited industry?

Dr. FRISINA. This institution is devoted primarily to the career development and job placement of its graduates: 84 percent are in business and industry, and this represents a percentage, it represents jobs that vary. Very few of these jobs were available before the organization of this institution.

Mr. PATTEN. You tell me I have to come back in the year 2015 to see the real value of your graduates. I will not live long enough.

You say here that the NTID star graduates' most productive years will be after the year 2000.

Dr. FRISINA. I was saying that for anybody who graduates from NTID, his productive work years will go beyond the year 2000, and therefore, we had better think about the future job requirements and stay power for deaf people. You are very perceptive, but it only challenges the institutions.

Mr. PATTEN. How about normal people? Do you think they have learned what plants need today and what they are teaching?

Dr. FRISINA. I would say there is room for many improvements.

Mr. PATTEN. All right. Good luck to you. I would like to visit your place and see what you can do. But we never get an invitation. This committee never takes any trips under Flood.

[Laughter.]

Mr. FLOOD. Thank you.

[The following questions were submitted by members of the subcommittee with the request that they be answered for the record:]

DEVELOPMENTAL MILESTONES

Mr. CONTE. You mentioned that every developmental milestone in the National Technical Institute's growth during its 10 years of existence has been achieved. Could you summarize those milestones? And where do you go from here? What are your goals for the next 10 years?

Answer. NTID has completed four major stages of development during these first 10 years. The first stage, completed in fiscal year 1968, consisted of organizational development activities, design of facilities, and establishment of necessary legal and fiscal linkages. Stage two extended to fiscal year 1971 and included the enrollment of NTID's first students, the development of a basic organizational structure, and the introduction of our three fundamental educational programs. The third stage was concluded in fiscal year 1974. This stage consisted of construction of facilities and continued refinement of the internal and external linkages. The latest stage terminates with the budget year in question, fiscal year 1978. During this stage, the new facilities were occupied and evaluated, the staff training and development model was established, and NTID grew to its fully operational status as defined by the size of its physical facilities.

During the next 3-year period, fiscal year 1979 through fiscal year 1981, we plan to review, refine and evaluate all existing educational programs and the results of our research efforts in light of our history and the current status of deaf citizens in our Nation.

In particular, we expect our research efforts during the next 10 years to exert a positive influence on the educational outcomes of deaf students at the elementary, secondary, and post-secondary levels; on the economic mainstreaming of deaf people generally; and on upgrading the educational training programs through our efforts in the training of professional personnel.

Mr. CONTE. How do you disseminate the results of your program into general practice? What benefits has the Institute provided for students enrolled in secondary and other postsecondary programs across the Nation?

Answer: NTID's information dissemination program is nationwide and consists of four elements. Those are the orienting of potential students, educators, and significant others to the postsecondary educational opportunities at NTID

and elsewhere; orienting approximately 4,500 employers per year to the benefits of hiring deaf applicants; disseminating information to the profession and other concerned publics describing the results of our research and educational practices; and relating to other secondary and postsecondary institutions through graduate training and joint research projects.

Our methods for disseminating information consist of print, nonprint, and direct contact modes. Examples of the print mode include the NTID Focus magazine and Infoseries which have been submitted to the committee. Examples of the nonprint mode includes the film, Silent Drum, which has been seen in all 50 States, and a TV public service announcement prepared jointly with the IBM corporation which will be seen by an estimated 15–20 million viewers. In terms of direct contact, NTID now receives 250 visitors per month.

Students are benefited by having a broadened perspective of postsecondary opportunities available to them; by receiving a secondary education that has been enhanced through the findings of NTID; and by working after graduation in companies that welcome them.

QUALIFICATIONS

Mr. CONTE. What are the qualifications required for admission as a student to the National Technical Institute for the Deaf? Could you provide a profile of one of your recent entering classes?

Answer. To be eligible for admission to NTID, applicants should show evidence of the need for special educational support because of deafness, a hearing loss that seriously impairs their chances for success in a regular college or program for the hearing, the personal and social maturity to enter the type of program offered by NTID, a probability for success in a program of study at NTID, completion of a high school educational program, and U.S. citizenship.

NTID students entering in the Fall 1976 average 19.4 years of age, have an average hearing loss of 95 decibels, with 97 percent sustaining their deafness prior to 60 months of age, and have had an average of 12 years of specialized schooling necessitated by deafness.

ENROLLMENT

Mr. CONTE. How many students will be enrolled at the Institute next year? Do you foresee any additional increases?

Answer. NTID will enroll 2,770 students in fiscal year 1978. This consists of 1,070 full-time equivalent deaf students and 1,700 professionals in graduate training. The degree to which those members will vary in the foreseeable future is dependent primarily upon the three factors: The capacity of existing physical facilities; the amount of our annual resources; and the number of potential students to be served.

Mr. CONTE. It appears that you enroll slightly less than half of your applicants. To what other appropriate programs do you refer unsuccessful applicants, and how do they differ from your program?

Answer. We actually enroll 75 percent of the applicants to NTID. In referring applicants, each youngster is told the reason for referral and to consult with either their school or vocational rehabilitation counselor or NTID for the selection of a more suitable postsecondary program. In this process, the programs to which unsuccessful applicants may be referred consist of Gallaudet College, the regional programs located in Seattle, Wash.; New Orleans, La.; St. Paul, Minn.; and Northridge, Calif. Other programs to which applicants are referred are the approximately 40-plus postsecondary programs in community colleges and technical institutes throughout the Nation. The educational programs in the majority of these institutions differ from NTID in terms of breadth of program offerings—NTID offers 163 programs— and number of exist points—NTID graduates may exit with a certificate, diploma, associate degree, baccalaureate degree, master's degree.

Of course, NTID also differs from these institutions by virtue of our national orientation, particularly in the areas of graduate training and research.

JOB PLACEMENT

Mr. CONTE. What has been your experience with job placement over the past 10 years? Have you done any follow-up studies to measure up retention? How have your students generally fared during the recent recession?

Answer. Over the last 10 years, we have encountered problems of widespread misunderstanding and lack of knowledge about deafness making it necessary to establish a national credibility and develop an increased awareness of the employment capabilities of deaf people. In spite of these problems, and a generally unfavorable economic climate, NTID has placed 95 percent of its graduates in jobs commensurate with their education.

In a recent study, we found that 61 percent of our graduates were still in their first jobs after their first working year. The other 39 percent left their jobs for reasons consistent with those offered by most persons changing jobs. Other mobility studies have been designed to describe labor force movement among NTID graduates and will be reported out by fiscal year 1978.

Regardless of a worsened national economic picture, our graduates continue to be placed at the level of 95 percent. This results from increasing the average number of contacts made to employers to secure employment for each NTID graduate.

Mr. NATCHER. Have other institutions for the deaf adopted any of your ideas? Give us an example.

Answer. Yes, this has happened with a number of ideas. As examples: NTID's Mathematics Learning Center is now in use at schools in Connecticut, Wisconsin, Michigan, Illinois, and California. The notebook, developed by NTID for the purpose of aiding hearing note takers for deaf students in integrated classes, is receiving extremely wide utilization throughout a major portion of the Nation. And the newly developed NTID Communications Profile, which quantifies for the first time the seemingly intangible areas of communication such as speech and speech reading, is now beginning to be shared with secondary and postsecondary institutions for the deaf.

SALARY SCALE COMPARISON

Mr. NATCHER. How do your faculty and staff salaries compare with other similar institutions? For the record, develop this information showing your salary scale for various faculty and staff positions. Compare it with two or three similar institutions.

Answer. The average NTID faculty salary for fiscal year 1977 is $17,100. This compares with institutions in close geographic proximity as follows: $20,600, $20,300, $19,800, $18,700, $18,000, $16,600, $16,400, and $14,900. A comparison with institutions offering similar technical programs yields the following figures: $20,900, $19,500, $19,300, $19,100, $17,700, $17,300, and $17,200. The nearby institutions in the above study include the State University of New York at Brockport State University of New York at Geneseo Holbart College, Monroe Community College, Nazareth College, St. John Fisher College, Syracuse University, and the University of Rochester. The programmatically similar institutions include Bradley University, Clarkson Institute of Technology, Drexel University, Illinois Institute of Technology, New York Institute of Technology, Northeastern University, Pratt Institute, and Rensselaer Polytechnical Institute.

Mr. NATCHER. The Rochester Institute of Technology is next door to your institute. What kind of faculty and student interchange is there between the two institutes?

Answer. The most important point to be made with respect to the interchange of NTID faculty and students is that nothing on the RIT campus is restricted from use by NTID personnel; they have full access to all services, activities and facilities on campus. And the NTID faculty are recognized as bona fide members of the RIT faculty in the same manner as the faculty of all other colleges of RIT.

Beyond that point, 60 percent of all NTID students take one or more of their courses in other RIT colleges and a number of RIT and NTID faculty exchange teaching assignments.

Finally, two special interest houses, one in photography and one in art, have been established in the dormitory with 65 percent hearing and 35 percent deaf students as residents.

JUSTIFICATION OF THE BUDGET ESTIMATES

Appropriation Estimate

National Technical Institute for the Deaf

For carrying out the National Technical Institute for the Deaf Act (20 U.S.C. 681, et seq.) [$12,675,000] *$14,630,000*.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SPECIAL INSTITUTIONS

National Technical Institute for the Deaf

Amounts Available for Obligation

	FY77	FY78
Appropriation	$12,675,000	$14,630,000
Receipts and reimbursements from non-Federal sources	1,872,000	2,184,000
Total Obligations	$14,547,000	$16,814,000

Summary of Changes

1977 Estimated Obligations	$14,547,000
1978 Estimated Obligations	16,814,000
Net Change	$ 2,267,000

	Base		Change from Base	
	Pos.	Amount	Pos.	Amount
Increases:				
A. Built-in:				
1. Annualization of FY77 salaries	---	---	---	+$ 391,000
2. Salary increment	---	---	---	+ 943,000
3. Rate increases in contracted student and physical plant services	---	---	---	+ 307,000
Subtotal	---	---	---	$1,641,000
B. Program:				
1. Technical instruction, communications training, personal/social development, housing, and food services for an additional 250 students	265	$8,356,300	+23	+$ 626,000
Subtotal	---	---	+23	+$ 626,000
Total, increases	---	---	+23	+$2,267,000
TOTAL, net change	---	---	+23	+$2,267,000

Obligations by Activity
(Dollars in Thousands)

Appropriations/Activity	1977 Estimate Pos.	1977 Estimate Amount	1978 Estimate Pos.	1978 Estimate Amount	Change Pos.	Change Amount
1. OPERATIONS:						
a. Career Development	205	$ 9,048,100	221	$10,481,000	+ 16	+ $1,432,900
b. Research.....	27	1,121,400	29	1,435,000	+ 2	+ 313,600
c. Training.....	43	1,903,300	44	2,018,000	+ 1	+ 114,700
d. Information Dissemination...	17	695,000	18	800,000	+ 1	+ 105,000
e. Management.....	40	1,779,200	43	2,080,000	+ 3	+ 300,800
TOTAL.....	332	$14,547,000	355	$16,814,000	+ 23	+ $2,267,000

Obligations by Object

	1977 Estimate	1978 Estimate	Change
Grants, subsidies, and contributions.....	$14,547,000	$16,814,000	+$2,267,000

Authorizing Legislation

Legislation	1978 Authorized	1978 Appropriation Requested
National Technical Institute for the Deaf Act	Indefinite	$14,630,000

(20 U.S.C. 681) Enacted June 8, 1965, P.L. 89-36, Sec. 2, 79 Stat. 125.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SPECIAL INSTITUTIONS

National Technical Institute for the Deaf

Table of Estimates and Appropriations

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1968	2,615,000	2,615,000	2,615,000	2,615,000
1969	800,000	800,000	800,000	800,000
1970	2,851,000	2,851,000	2,851,000	2,851,000
1971	25,444,000	25,444,000	25,444,000	25,444,000
1972	7,619,000	7,619,000	7,619,000	7,619,000
1973	6,569,000	6,569,000	6,569,000	6,569,000
1974	6,487,000	6,487,000	6,487,000	6,487,000
1975	9,819,000	9,819,000	9,819,000	9,819,000
1976	9,836,000	9,836,000	9,836,000	9,836,000
1977	12,675,000	12,675,000	12,675,000	12,675,000
1978	14,630,000			

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SPECIAL INSTITUTIONS

National Technical Institute for the Deaf

Justification

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel Compensation and benefits.....	332	$ 7,558,400	355	$ 8,767,100	+23	+ $1,208,700
Other Expenses.....	---	6,988,600	---	8,046,900	---	+ 1,058,300
TOTAL.....	332	$14,547,000	355	$16,814,000	+23	+ $2,267,000
Subactivities:						
1. Career Development	205	$ 9,048,100	221	$10,481,000	+16	+ $1,432,900
2. Research.....	27	1,121,400	29	1,435,000	+ 2	+ 313,600
3. Training.....	43	1,903,300	44	2,018,000	+ 1	+ 114,700
4. Information Dissemination..	17	695,000	18	800,000	+ 1	+ 105,000
5. Management.....	40	1,779,200	43	2,080,000	+ 3	+ 300,800
TOTAL.....	332	$14,547,000	355	$16,814,000	+23	+ $2,267,000

General Statement

Budget Policy:

The National Technical Institute for the Deaf (NTID) is a national coeducational residential center that provides postsecondary technical education for our nation's young deaf people to prepare them for successful employment. NTID also prepares professional manpower to serve the nation's deaf population and conducts applied research into the educational achievement, communications, personal/social, instructional, economic and employment aspects of deafness.

NTID is the only institution of its type. Due to the severe educational, personal/social, and communications setbacks that their deafness imposes on deaf young people, NTID serves a primary role to the nation in developing prototypes to enhance achievement and accommodation of deaf people. NTID tests, proves and develops these prototypes into useful tools and methods, as well as prepares, makes available and assists other facilities serving the deaf to implement what is learned at NTID.

Narrative

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel Compensation and benefits.....	332	$ 7,558,400	355	$ 8,767,100	+23	+ $1,208,700
Other Expenses.....	---	6,988,600	---	8,046,900	---	+ 1,058,300
TOTAL.....	332	$14,547,000	355	$16,814,000	+23	+ $2,267,000

The FY78 estimate represents an increase of $2,267,000 over FY77. This increase is further delineated by subactivity as follows:

Subactivities:

1. Career Development	205	$ 9,048,100	221	$10,481,000	+16	+ $1,432,900
2. Research.....	27	1,121,400	29	1,435,000	+ 2	+ 313,600
3. Training.....	43	1,903,300	44	2,018,000	+ 1	+ 114,700
4. Information Dissemination..	17	695,000	18	800,000	+ 1	+ 105,000
5. Management.....	40	1,779,200	43	2,080,000	+ 3	+ 300,800
TOTAL.....	332	$14,547,000	355	$16,814,000	+23	+ $2,267,000

Career Development

The total increase for Career Development is $1,433,000: $208,000 for annualization of partial-year salaries; $596,000 for salaries, fringe benefits, and overhead increases as required by the policies of the sponsoring institution; $227,000 for increased rates of contracted student and physical plant support services; and $402,000 and sixteen new staff for the technical, communications, and personal/social training of an additional 250 students. Of this total increase, $197,000 is offset by increased student contributions for tuition, room, board, and fees.

NTID will contact potential applicants through a national campaign directed at parents, deaf educators, vocational rehabilitation counselors, state departments of education, and deaf students in public and private secondary programs. More than 650 applications will be screened and applicants counseled in order to enroll 293 new students as well as to refer applicants to other appropriate programs.

Instructional efforts will continue to focus on career oriented curricula for 1070 FTE students, revision, maintenance of existing curricula, and implementation of new curricula needed to maintain a good fit with the needs of employers will be carried out. Introduction of a new Media Technologies curriculum in the Visual Communications area and prototype videotapes in support of instruction in Visual Communications technologies will be prepared and evaluated. Specialized teaching in Engineering Technologies will continue moving systematically toward competency-based instruction for the total curriculum in engineering. Prototype visual media to support instruction in Business Technologies will be developed and tested for the course, Introduction to Management. Experience has shown that deaf students generally lack a sufficient general information base on which to build in general education courses. Products such as specially prepared notes for deaf students in specific subject areas have been developed to support them in overcoming this deficit. Information packages with prerequisite information for other courses, mini-lectures to provide information that deaf students require to be successful in general education courses, and standard lecture notes for three new courses will be developed and field tested.

NTID's Curriculum Development Model will be extended to evaluation of a variety of courses as it is enhanced by testing and feedback on employment opportunities through the Graduate Feedback System. Three techniques based on established and productive systems and strategies will directly support this effort. The first is support of teacher-prepared materials through a special center to assist teachers to determine their needs, develop appropriate materials, and develop test generation and test evaluation services. The second is a Media Workshop which offers concentrated and formal training in media selection adaptation and presentation in instruction. The third strategy is use of a recently developed and tested method of critical evaluation of media preparation requests and selection of appropriate materials for professional preparation. These techniques, which are in use now, will be applied to the speechreading and manufacturing processes curricula and such others as appropriate.

Entry communication profile data for FY74-76 on deaf students at NTID show that 90% of the NTID student population needs work on audition, speechreading or speech intelligibility; 75% require significant improvement in English language usage; 40% need manual receptive training to take fuller advantage of the academic environment; and, although all students can benefit from an increase in personal, social and cultural skills, 60% have specific needs to learn basic social and interpersonal skills. NTID will offer courses covering 20-40 hours in audition and speechreading to 680 students; 40 hours of voice and articulation to 400 students; 50-150 hours in five levels of English training to 600 students;

20 hours of manual communication training to 300 students; 20 hours of public speaking experience, via manual communication, to 100 students; five courses of instruction in Experimental Educational Theatre designed to increase social and cultural competence; and piloting, implementing and evaluating an innovative audition and speech instructional program designed to significantly accelerate the communication development rate for deaf students through self-monitored instruction.

Educational support services including notetaking and tutoring must be provided for 60% of the total number of deaf students; approximately 16,500 hours of interpreting will be provided. Approximately 60 hearing students will serve as notetaker/tutors during the year, assisting deaf students in cross-registered courses.

Residential life projects such as programmed housing and independent living will be investigated further to determine strategies for promoting effective participation in and understanding of community living.

A minimum placement average of 95% for all graduates (200 placements) will be accomplished within ten months after graduation by use of prototype strategies such as regional seminars, on-campus workshops for 100 employers and 50 vocational rehabilitation/state employment personnel, or other recently innovated techniques. A community awareness center to collect information on community resources available to graduates working in various sections of the country will be initiated. Approximately 4,350 contacts to orient future employers of deaf persons and to place approximately 200 graduates and 100 cooperative work-experience students during FY78 will be accomplished.

Research

The total increase for Research is $313,000: $79,000 for annualization of partial-year salaries; $133,000 for salary, fringe benefits, and overhead increases as required by the policies of the sponsoring institution; and $101,000 and two new staff for expanded research efforts associated with an additional 250 students. Forty-one thousand dollars ($41,000) of this increase is supported by increased non-federal fund contributions from NTID students.

The majority of special and on-going research will focus on answering questions that have arisen from what has been learned to date at NTID concerning promotion of the economic accommodation of deaf people; enhancement of their academic, personal/social, and communication achievement; and development of innovative methods of teaching this population. Studies will evaluate the labor force participation of NTID graduates; analyzing the educational backgrounds of NTID students in comparison with their previous preparation and academic progress and job

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success; and producing reports on occupational opportunities for graduates of specific curricula. Techniques for enhancing study skills will be formally studied. The Socialization Profile developed during FY77 will be tested on all entering students in FY78. Investigations of the validity of NTID's leadership training procedures, and techniques of stimulating social decision making will be carried out.

Communication research, made possible by the extensive data collected during NTID's history and the rigorous methods of providing diagnosis and instruction in audition, speech production, English and manual communication will focus on speech, audiology and language development. Speech research will concentrate on those fundamental questions raised through instruction of profoundly deaf students at NTID; conducting applied research on improvement of instruction; and evaluation of speech instruction instrumentation. Audiologic research will first investigate the frontier area of diagnostic audiology, and explore upgrading the special diagnostic techniques related to site of lesion. Additional audiologic research will involve validation of instructional programs and enhancement of existing diagnostic procedures in audiometric assessment, hearing aid evaluation, and auditory skill development measurement. Research in English will consider diagnosis of English reception and expression problems, development of appropriate strategies of instruction, and a variety of technical instruction instrumentation, such as the device currently used for real-time display on a video screen of a teacher's verbatim lecture.

Problem-solving research from instructional support technology on improved methods of teaching will continue including further validation of the uses of television, slides, captioning, teacher-produced products and individualized instruction on the process of learning and the enhancing of the rate of learning of deaf students.

Training

The total increase for Training is $115,000: $48,000 for annualization of FY77 partial-year salaries; $47,000 for salary, fringe benefit, and overhead increases required by the policies of the sponsoring institution; and $20,000 and one new staff member for training of an additional 250 students. Seventeen thousand dollars ($17,000) of the total increase is supported by non-federal fund contributions from NTID students.

NTID will provide formalized training to its staff through the process of professional development; individualized graduate and practicum experience for professional and graduate interns; and continued systematic development of course materials necessary to support these efforts. New staff training will be provided to 90 staff and external interns. Supplementary manual communications training and tutoring will be pro-

vided for 320 NTID staff and 295 staff and students from the Rochester Institute of Technology, the host institution for NTID. Teaching effectiveness training will be provided to 200 persons, Techniques of Management to 150, and the curricula on Course and Unit Development currently being tested will be provided to 200 external teachers of deaf students. Individualized programs geared to the training of 110 interns and special visitors will also be provided. A mini-convention, based on the first one held in FY76, will be held to share among professional staff what is being learned at NTID. A summer training program will train 10 to 15 student interpreters and 50 community interpreters. A national workshop on Educational Interpreting will be hosted by NTID. Specialized training in legal interpreting will be provided to approximately 15 community interpreters.

Information Dissemination

The total increase for Information Dissemination is $105,000: $20,000 is for annualization of FY77 partial-year salaries; $45,000 for salary, fringe benefit, and overhead increases required by the policies of the sponsoring institution; and $40,000 and one new staff member for the additional 250 students served in FY78. Fifteen thousand dollars ($15,000) of this increase is supported by non-federal fund contributions from NTID students.

Through these efforts, NTID will provide information about its programs and its research to specific publics through a comprehensive program of lectures, publications, and other media, as well as on-campus visitations and special events. Specific products for disseminating information will include six NTID Focus magazines, a catalog, presentations for supporting placement and job development efforts, three alumni newsletters, the NTID Annual Report, a handbook for interns, research reports, Info-Series, career focus information modules for recruitment efforts, and NTID Fact Folders. Radio and television spot announcements about NTID will continue to be produced and distributed. The Visitors Center will host all visitors to NTID as well as coordinate those special events that occur. The process of Educational Extension will continue to bring together products of instruction, management, research, training, and public information; prepare them for use at external institutions; and make them available on a national basis to other professionals in the field. Some specific products anticipated for FY78 include production and distribution of selected Manual Communication modules, Career Focus Recruitment modules, and Info-Series on selected topics, as was previously done on The World of Work, and Communication Problems.

Management

The total increase for Management is $301,000: $36,000 for annualization of partial-year salaries; $122,000 for salary, fringe benefit, and overhead increases required by the policies of the sponsoring institution; $80,000 for rate increases in contracted student and physical plant support services; and $63,000 and three new staff for increased administrative efforts associated with an additional 250 students. Forty-two thousand dollars ($42,000) of the total increase is supported by increased non-federal fund contributions from NTID students.

The basic focus of management at NTID is on the creative uses of resources such that the critical problems of deaf people caused by deafness and its associated consequences can be alleviated through education and experience. In FY78 all management efforts will be directed toward meeting the needs of a complex and educationally difficult population of young deaf people -- most of whom would not be successful in regular institutions of higher learning. To provide the planning, implementation and evaluation activities necessary for NTID to achieve this objective, management will provide for the following products, centralized functions, and activities. The NTID planning, budgeting, accounting system will be maintained, coordinated, and interfaced to provide uniformly accurate quarterly and annual program reports. Staff systems analysis and development assistance, data processing, and review of divisional plans and budget requests will be provided. Academic and institutional leadership including the personnel administration and human development activities of wage and salary administration, recruitment of staff, secretarial training, affirmative action planning and staff appraisal will be provided for a full-time staff of 355.

SPECIAL INSTITUTIONS

National Technical Institute for the Deaf

Program Purpose and Accomplishments

Activity: Operations (National Technical Institute for the Deaf; Public Law 89-36)

1977			1978	
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
332	$12,675,000	Indefinite	355	$14,630,000

Purpose: The National Technical Institute for the Deaf (NTID) serves the nation as an important agent in solving the historically documented but still existing employment problems of the deaf through providing a defined number of young deaf people with the technical, personal/social, and communication skills required to serve as productive citizens; through training professional manpower needed nationally to provide these skills; and through gathering vital data about satisfying educational, social and economic needs of deaf people. As part of a long-standing institution of higher learning, the Rochester Institute of Technology, NTID provides an example of how the needs of the deaf and other groups of historically deprived people can be served by an institution that previously had not been directly involved with these groups.

Accomplishments in 1977:

1. Planned growth of the student body. The enrollment of deaf students in FY77 reached 940 full-time equivalent deaf students. These students were enrolled in curricula specifically designed to lead to productive employment upon graduation. Of the students served, over 200 were graduated and placed in jobs commensurate with their levels of skill and training. Students were provided counseling and other support services, including some experimental methods of improving their career decision-making skills, thereby gaining information about career areas and participating in the planning of their studies at NTID.

Professionals working with and training to serve the deaf on a national basis received instruction at NTID; 110 professionals and graduate interns spent one or more quarters working and learning; extended services seminars were held for 400 professionals in related fields; and 1070 individuals received manual communication and other training appropriate to their responsibilities.

2. Applied research. Applied research focused primarily on learner-oriented questions for the purpose of program enhancement. Some 37 projects on the modes, measurements, and improvement of communication skills of deaf students were designed, developed and implemented. The Speech Analysis/Speech Perception Laboratory, designed to enhance speech reception and production skills, operated on a prototype basis and was fully tested. A summary report of the accommodations of NTID graduates to their jobs was produced providing essential feedback information to the Career Development Process. All entering deaf students were evaluated with respect to visual information processing and comprehension of classroom material. Thirteen other research projects, directly oriented to improving the career development process of NTID and enhancing the accommodation of deaf people in society were reported out.

Objectives for FY78:

1. Planned growth of the student body to full enrollment. NTID's enrollment will reach 1070 full-time equivalent students in FY78. Approximately 290 new students from across the nation will enter for the first time and over 200 students will graduate and be placed in jobs commensurate with their abilities. Existing programs will be reviewed, refined, and modified to meet changing student and employer needs systematically identified through the Curriculum Development Process using data gained from NTID's Graduate Feedback and Employment Outlook Systems. Using this same process, at least one new program, Media Technologies will be introduced significantly increasing the career options for deaf students. NTID's continuing emphasis on the use of mediated instructional technology to streamline and increase the efficiency and effectiveness of the educational process for deaf students nationally will result in the production of packaged modules for use both internally and externally. The receptive and expressive communication needs of deaf students will be satisfied using specifically designed auditory training, speech reading, speech therapy, manual communications, experimental education theater, and English language curricula. Personal/social development of this population will be impacted and accelerated using data gained from NTID's Socialization Profile to design and implement total environment programs such as programmed housing and independent living projects designed to increase their social competences.

2. Training of professionals to serve the deaf nationally. NTID will offer a wide variety of programs designed to train deaf educators in the most effective methods of instruction and educational support. This effort will utilize materials developed at NTID to meet the needs of some 1600 professionals in the areas of Impact of Deafness, Manual Communications, Interpreter Training, Teaching Effectiveness Training, Tutor and Notetaking Training, Course and Unit Development. In addition, during FY78 over 100 graduate interns will study at NTID and a national conference on educational interpreting for the deaf will be hosted.

3. Applied research. Research projects on such topics as the labor force participation of NTID graduates; the correlation of NTID students' educational backgrounds with academic and job success; methods of enhancing the study skills of deaf students; improved career and social decision-making techniques; and the validity of leadership training strategies will receive special emphasis in FY78. Communications research will focus on diagnostic techniques relating to site of lesion; validation of auditory and speech training programs; diagnosis of English reception and expression problems; diagnostic problems in audiometric assessment; and the validity of real-time display of speech as an instructional device. Research both on improved methods of providing increased instructional support technology and the effectiveness of specific types of support media in various teaching-learning environments will be continued.

GALLAUDET COLLEGE

WITNESSES

EDWARD C. MERRILL, JR., PRESIDENT
PAUL K. NANCE, BUSINESS MANAGER
JOHN S. SCHUCHMAN, DEAN OF LIBERAL ARTS COLLEGE
DOIN HICKS, DEAN OF PRECOLLEGE PROGRAMS

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

WILFORD FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. FLOOD. We now consider Gallaudet College. This presentation will be made by Edward C. Merrill. Your biographical sketch will be put in the record at this point, and your statement.

[The biographical sketch and statement follow:]

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DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

Biographical Sketch

NAME : Edward C. Merrill, Jr.

POSITION : President, Gallaudet College

BIRTHPLACE AND DATE : Asheville, North Carolina, January 29, 1920

EDUCATION :
University of North Carolina, 1942, B. A.
University of Tennessee, 1948, M. S.
George Peabody College for Teachers, 1953, Ph.D.

EXPERIENCE

Present	:	President, Gallaudet College
1961-1969	:	Dean, College of Education, University of Tennessee
1960-1961	:	Professor of Education, University of North Carolina
1957-1960	:	Associate Dean for Graduate Studies, University of Rochester
1955-1957	:	Associate Professor of Education, Auburn University
1953-1955	:	Assistant Professor of Education, George Peabody College
1948-1951	:	Assistant Principal and Teacher of English, Lee Edwards High School, Asheville, North Carolina
1946-1947	:	Instructor in English, Asheville-Biltmore College, Asheville, North Carolina

MILITARY SERVICE : Army of the United States, ETO, W. W. II (Three Years)

ASSOCIATION MEMBERSHIPS :
National Association of Hearing and Speech Agencies
Higher Education Group of Washington, D.C.
Conference of Executives of American Schools for the Deaf
Convention of American Instructors of the Deaf
The Alexander Graham Bell Association for the Deaf
National Association of the Deaf
Professional Rehabilitation Workers with the Adult Deaf
Council of Organizations Serving the Deaf
American Association of School Administrators
Phi Delta Kappa (fraternal society for men in education)
Phi Kappa Phi (society recognizing scholarship)
President's Committee on Employment of the Handicapped

PUBLICATIONS (Selected) :

Administrative Behavior in Education. Campbell and Gregg, eds., "The Individual and Administrative Behavior," co-author of Chapter 9, New York: Harper and Brothers, 1957

Better Teaching in School Administration (editor). Southern States Cooperative Program in Educational Administration, Nashville: McQuiddy Press, 1955

Professional Student Teaching Programs. Danville: Interstate Printers and Publishers, 1967 (revised 1973)

"Dare a Liberal Arts College Serve a Special Purpose?" Liberal Education. Washington, D.C., Vol. LVIII, No. 3, October, 1972

"A Perspective on Higher Education," American Annals of the Deaf. Washington, D.C., Vol. 117, No. 6, December, 1972

4457C

DEPARTMENT OF HEALTH, EDUCATION & WELFARE

STATEMENT BY THE
PRESIDENT OF GALLAUDET COLLEGE

Mr. Chairman and Members of the Committee:

I am pleased to present to this Committee on behalf of the Department of Health, Education, and Welfare the FY 1978 budget request for Gallaudet College, including the Model Secondary School for the Deaf and the Kendall Demonstration Elementary School. The College is requesting $29,760,000 for operations, an increase of $3,537,000 over FY 1977, and $16,216,000 for construction, an increase of $641,000 over FY 1977.

The increase of $3,537,000 for operations includes built-in costs in the amount of $1,919,000 covering all three components of the institution. These built-in costs are as follows: $681,000 for faculty payraises to keep faculty salaries at a level which will enable the College to attract and retain highly qualified teachers; $655,000 for staff pay raises which will provide a 5.5% cost-of-living increase to keep salaries comparable with other local institutions; $304,000 to annualize the cost of new positions in 1977; $165,000 to cover the increasing cost of utilities, $100,000 for the cost of occupying and operating new facilities and $14,000 for increased transportation costs for KDES. These built-in costs represent more than 54% of the total increase requested for operations.

The program increase requested for the Liberal Arts College is $870,000 of which $141,000 is for expansion of the Graduate School and improved speech and hearing services, $78,000 for improved student support services; $34,000

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for the construction of research programs, $154,000 to expand continuing education programs to serve more deaf adults with and through other institutions outside the Washington area and $463,000 to improve security, building maintenance and general administration.

The program increases for the Model Secondary School for the Deaf of $530,000 include $12,000 for increased parent involvement; $76,000 for expanded dissemination of materials; $97,000 for staffing the new residence halls which will open in FY 1978; $91,000 for staff to operate and maintain the computer assisted instruction and communications system and $254,000 for increased and improved physical plant services, security, and administration.

The program increases requested for Kendall Demonstration Elementary School in the amount of $218,000 include $162,000 for exapansion of the summer school program and the parent education program and $56,000 for improved physical plan services, security and administration.

The FY 1978 construction request is $16,216,000 which includes $1,750,000 for furnishing the new KDES facility which will be completed in FY 1978; $7,870,000 for constructing and equipping a new learning center to provide much needed classroom, library and educational technology space; $6,047,000 for a fifth dormitory to provide rooms not only for increased enrollments but also for students currently housed in inadequate dormitories; $350,000 for continued installation of an energy management and conservation system and $199,000 to plan the renovation of Ely Hall into a student services center.

In summary, the FY 1978 request for operations represents a 13.4% increase over FY 1977 of which 7.3% is for built-in costs to maintain programs at the FY 1977 level and 6.1% is for new and improved programs.

Mr. FLOOD. Will you introduce those with you?

Mr. MERRILL. I have Mr. Nance, Dr. Schuchman, Doin Hicks, and we have in the audience a deaf administrator, and, of course, Mr. Forbush.

ENROLLMENT

Mr. FLOOD. All right. What is the present undergraduate enrollment at Gallaudet?

Mr. MERRILL. We opened this fall with over 1,000 undergraduate students.

Mr. FLOOD. What is the graduate enrollment right now?

Mr. MERRILL. 206. These are both hearing and deaf people.

Mr. FLOOD. We note you are projecting an increase in enrollment over the next 5 years. What is the basis for that prediction? Is the deaf population, at large, increasing?

Mr. MERRILL. The percentage of deafness in the population remains about the same, but the population is growing daily, so there are more deaf people to be educated.

We are part now of a national system of postsecondary programs, and we expect a number of deaf students to choose Gallaudet. This will result in a gradual increase in our enrollment.

Mr. FLOOD. In total, about 40 percent of the students attending college never graduate. What is the dropout rate at Gallaudet?

Mr. MERRILL. Our dropout rate is less than typical hearings colleges. It is more than we like, but it is less than the number of hearing students that enter college and then fail to finish.

Mr. FLOOD. Why do so many fail to complete their educational program?

Mr. MERRILL. College education is somewhat difficult, and, of course, it is a greater challenge to a deaf student. I think we have a good system, Mr. Chairman, for helping students overcome many of their academic problems. Before any student leaves Gallaudet he must meet with our dean of students and we discover in this exit interview that there are many family-related problems.

Some students run out of money, others have a family situation that causes them to have to drop out. We have made a study of this and have discovered that our students come from lower income families than the families of typical college students.

We do not know fully why this is, but it is true that the average income of the families of students attending Gallaudet is less than those for hearing colleges.

NONFEDERAL INCOME

Mr. FLOOD. The budget shows $2,574,000 in receipts from non-Federal sources. For the record, list the specific sources of those receipts.

Mr. MERRILL. The main source is tuition.

Mr. FLOOD. Just list them. We want that for the record.

Mr. MERRILL. Yes, sir.

[The information follows:]

Source of anticipated non-Federal receipts in the amount of $2,574,000 for fiscal 1978

1. Tuition and fees charged the students:	
a. Undergraduate	$582,450
b. Graduate and other	27,550
2. Room and board charged the students:	
a. Room	624,388
b. Board	886,201
3. Bookstore sales to students and other customers	398,411
4. Unrestricted gifts, endowment earnings, and other miscellaneous income	55,000
Total	2,574,000

FACULTY-STAFF INCREASES

Mr. FLOOD. You are requesting an increase for faculty and staff increases. How did you calculate that increase?

Mr. MERRILL. We arrive at the faculty increase by relating this to projected increases proposed by the American Association of University Professors. They tabulate this annually, and we anticipate that we will stay competitive in that reference.

We do have a statement. Our increase for staff runs about 5.5, and we project this on the basis of proposed raises in industry in the Washington area and other institutions. We use a system for that.

Mr. FLOOD. Do both the faculty and the staff receive the same rate of increase?

Mr. MERRILL. No sir, they do not. They are based on the competition in both fields, differently.

Mr. FLOOD. How do your salaries out at Gallaudet compare with other institutions in the ranking of AAUP?

Mr. MERRILL. I would like to call on Dean Schuchman to respond to that.

Mr. SCHUCHMAN. The AAUP reports hard data in its summer bulletin each year, and the most recent dollar amounts used throughout the Nation are available for the 1975–76 academic year. In that particular year, Gallaudet College had grade ratings of what is called a one in all of the ranks, which is the 80th percentile throughout the Nation, and a two for full professor rank.

We are either at the top or near the top in all our academic ranks in the Washington metropolitan area. We are eighth or ninth in our full professor rank.

Mr. FLOOD. Last year you provided a salary chart which compares salaries. Suppose you update it and insert that in the record?

[Chart follows:]

Five-Year Average Compensation and Rating
By Rank Within Colleges in the District of Columbia

1973-74				
American	24,000 (3)	17,800 (3)	15,200 (2)	13,600 (1*)
Catholic	21,800 (4)	16,100 (5)	13,300 (5)	10,900 (4)
D.C. Teachers	25,900 (1*)	18,700 (1*)	16,900 (1*)	11,800 (1)
Federal City	26,400 (1*)	19,900 (1)	15,700 (1)	12,200 (2)
Gallaudet	24,000 (1)	20,000 (1*)	16,600 (1*)	14,000 (1*)
Geo. Washington	27,100 (2)	18,900 (2)	15,200 (2)	11,400 (4)
Georgetown	25,900 (2)	20,100 (1)	14,600 (3)	12,200 (2)
Howard	26,200 (2)	20,100 (1)	16,400 (1)	12,200 (2)
Wash. Tech. Ins.	22,500 (2)	18,200 (2)	15,400 (1)	13,100 (1)
1974-75				
American	25,000 (3)	18,800 (3)	15,700 (3)	13,700 (1)
Catholic	22,800 (4)	16,600 (5)	14,200 (5)	11,900 (4)
D.C. Teachers	24,500 (1*)	18,600 (1)	17,300 (1*)	14,200 (1*)
Federal City	26,900 (1)	20,800 (1)	17,700 (1)	14,700 (1)
Gallaudet	24,800 (2)	20,800 (1)	17,300 (1)	14,200 (1)
Geo. Washington	28,100 (2)	19,900 (2)	15,900 (2)	11,900 (4)
Georgetown	26,900 (2)	20,700 (1)	15,400 (3)	12,700 (2)
Howard	27,000 (2)	20,800 (1)	17,100 (1)	12,500 (3)
Wash. Tech. Ins.	23,300 (1)	20,900 (1)	16,900 (1)	15,800 (1)
1975-76				
American	27,160 (2)	20,530 (2)	16,970 (2)	15,070 (2)
Catholic	23,370 (3)	17,780 (4)	15,040 (4)	12,760 (4)
D.C. Teachers	27,340 (2)	18,820 (4)	16,250 (3)	11,030 (5)
Federal City	28,460 (1)	21,600 (2)	17,680 (2)	14,590 (2)
Gallaudet	27,173 (2)	22,998 (1)	19,422 (1)	16,023 (1)
George Washington	29,920 (1)	21,420 (2)	16,990 (2)	12,800 (4)
Georgetown	30,090 (1)	22,550 (1)	16,850 (2)	14,180 (2)
Howard	28,720 (1)	21,640 (2)	17,690 (2)	12,960 (3)
1976-77 Actual average compensation at Gallaudet College*	29,769 (1)	24,581 (1)	20,329 (1)	16,927 (1)
1977-78 Projected average compensation at Gallaudet College	31,815 (2)	25,792 (1)	21,315 (1)	17,917 (1)

* Actual averages from other colleges in the area are not available yet.

POSITION TITLE		ORGANIZATION																						
		1	2	3	4	5	6	7	8*	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Cashier	Min.	3.64	3.34	3.44	3.41	3.78	5.67	4.29	5.37	3.55	5.11	4.78	3.63		3.99								4.96	5.91	
	Max.	4.70	4.17	4.72	5.24	4.50	7.46	5.58	6.98	4.55	6.90	6.22	4.88		5.53								6.84	5.91	
Account Clerk	Min.	3.94	3.73	4.00	3.41	3.95	4.27	3.83	4.84	3.55	4.29	4.29	3.63	3.41		3.73	3.68		4.11	4.16	4.02	4.50	4.44		
	Max.	5.19	4.86	5.56	5.24	4.70	5.44	4.99	6.29	4.55	5.58	5.58	4.88	4.44		4.93	4.56		6.20	5.82	5.62	6.62	6.14		
Senior Account Clerk	Min.	4.27	4.71	4.28	3.86		4.81	4.78	5.37	4.03	5.81	5.56	4.02	5.31	4.99	3.73	3.74	4.23	4.56	5.19	4.43	5.38	4.96		4.35
	Max.	5.72	6.15	6.00	5.99		6.20	6.22	6.98	5.17	6.90	6.90	5.38	6.90	7.64	5.06	4.56	6.71	6.58	7.26	6.15	7.85	6.84		5.49
Accounts Payable Supervisor	Min.	5.17		6.23	5.77		5.22	6.48	6.56		7.81	5.31		9.32											
	Max.	7.32		8.56	7.69		6.80	8.42	8.52		10.16	6.90		12.12											
Payroll Supervisor	Min.	6.93	6.22	6.12	7.69	7.36	5.22	7.81			5.31	5.31	8.00	9.32			4.56		7.02	6.09			6.66		
	Max.	10.35	8.40	8.56	10.99	8.85	6.80	10.16			6.90	6.90	10.72	12.12			5.09		10.53	8.62			11.53		
Accountant	Min.	5.70	5.10	6.12	4.84	6.72	5.67	5.31	7.21		6.48	7.81	5.97	9.32	6.11				6.00			6.34	6.82	4.98	
	Max.	8.07	6.08	8.56	6.76	8.07	7.46	6.90	9.37		8.42	16.16	8.00	12.12	9.34				8.89			9.45	8.46	6.74	
Senior Accountant	Min.	7.65	6.47	7.56	7.69	7.36	7.12	9.32	9.43	6.76	7.81		7.26	12.91			7.21		7.79	9.61			9.23	5.42	7.43
	Max.	11.43	8.74	10.60	10.99	8.83	9.42	12.12	12.25	8.66	16.16		9.72	16.73					11.78	14.42			15.38	7.29	9.23
Comptroller	Min.				9.89			17.47	15.22	8.10	10.98			17.47	8.15	15.06				16.00		10.11	12.82		
	Max.				14.29			22.12	16.24	11.03	13.61			18.17	11.30	16.93						15.26	19.74		
Stock Clerk	Min.	3.37		3.72	3.03	3.48		3.83	4.34		5.19	3.83				2.93			3.55	3.27	3.11	3.62	3.98		3.00
	Max.	4.26		5.20	4.24	4.13		4.99	5.64		6.06	4.99				3.33			4.90	4.57	4.35	5.28	5.62		3.58
Storekeeper	Min.	3.94	4.57	4.60	3.86	4.13		4.29	4.84			5.19		11.01					4.56				4.96		
	Max.	5.19		6.44	5.99	4.91		5.58	6.29			6.06		14.32					6.58				6.84		
Senior Clerk	Min.	3.64	4.02	4.00	3.86	3.78	4.27	4.29	3.88	3.55		3.83	2.82		4.46	3.60	3.60	3.60	3.55		3.43	4.17	4.44		3.58
	Max.	4.70	5.24	5.56	5.94	4.50	5.44	5.58	5.04	4.55		4.99	5.08		6.89	4.93	4.56	4.80	4.90		4.80	6.09	6.14		4.10
Secretary	Min.	3.94	3.45	4.00	3.63	4.13	4.44	4.78	4.34	4.03	4.29	4.29	4.41	3.83	5.53	3.46	4.08	4.08	4.37	4.16	4.02	4.89	4.96	4.25	4.10
	Max.	5.19	4.52	5.56	5.60	4.91	5.67	6.22	5.64	5.17	5.58	5.58	7.26	6.90	8.46	5.20	5.62	5.57	6.20	5.82	5.62	7.18	6.84	6.20	4.87
Administrative Secretary	Min.	4.27	4.02	4.28	3.86	4.50	4.62	5.31	4.84	4.57		4.78	5.97	6.48	6.75	4.40	4.63	4.32	4.84	4.90	4.43	5.80	5.50	4.98	4.35
	Max.	5.72	5.24	6.00	5.99	5.37	5.93	6.90	6.98	5.84		6.22	9.26	8.42	9.34	6.66	6.25	6.90	6.90	6.86	6.19	8.59	7.59	6.74	5.38
Executive Secretary	Min.	4.69	4.37	5.68	4.11	4.70	4.81	6.48	5.94	5.50		5.31		7.81		4.66	5.14	4.80	5.33	5.19	4.79	6.34	6.70	5.42	4.61
	Max.	6.31	5.70	7.96	6.40	5.61	6.20	8.42	7.73	6.69		6.90				6.80	6.92	6.90	7.85	7.26	6.71	9.45	9.29	7.29	5.64
Purchasing Agent	Min.	4.69		5.28	3.86	4.70	7.12		6.56		5.31	5.31		6.48	5.53				5.60	7.12			6.08	5.99	4.87
	Max.	6.31		7.40	5.99	5.61	9.42		8.52		6.90	6.90		8.42	8.46				8.32	10.18			8.42	8.04	5.89
Library Clerk	Min.	3.64	3.73	3.52	3.03	3.63	4.11	3.83	4.84		4.29		3.63			5.20		3.50	4.56	4.16	3.82	4.17	4.96		3.33
	Max.	4.70	4.86	4.88	4.24	4.31	5.22	4.99	6.29		5.58		5.97			5.60		4.25	6.58	5.82	5.34	6.09	6.84		3.89
Employment Specialist	Min.	5.17	5.10	4.92	4.95	5.86	5.67	6.48	6.56		7.81	5.31		6.48		4.53			5.60	6.09			8.15		
	Max.	7.32	6.68	6.92	6.87	7.03	7.46	7.81	8.52		10.16	6.90		8.42		6.66			8.32	8.62			11.53		
Key Entry Operator	Min.	3.64	3.59	4.00	3.22		4.11	3.83		3.55	3.83	3.41	3.63	3.41	3.99					4.90	3.66		3.98		3.84
	Max.	4.70	4.69	5.56	4.94		5.22	4.99		4.55	4.89	4.44	4.88	4.99	6.18					6.86	5.12		5.52		5.64
Computer Operator	Min.	4.27	4.20	4.60	3.86		5.81	5.31	4.84	3.55	5.31		5.38	3.83	4.46					3.91	4.43		5.59		
	Max.	5.72	5.50	6.44	5.99		6.49	6.90	6.29	4.58	6.90		7.26	4.99	6.89					5.48	6.19		7.59		
Computer Programmer	Min.	5.70	5.30	5.68	6.59		7.12	6.48		4.91	5.31		5.97	9.32	4.99				5.60				6.03		
	Max.	8.09	6.92	7.96	10.44		9.42	8.42		6.30	6.90		9.72	12.12	8.46				7.93				8.42		

Systems	Min.	7.65	8.85	7.56	9.34		8.83	9.32	7.90		6.48		7.62	11.01		7.69													
Analyst	Max.	11.43	11.96	10.60	12.08		13.96	12.12	10.28		8.43		10.21	14.32		9.33													
Director																													
Computer	Min.	13.73		1.62	10.44		9.45	1.84			8.18	10.98	10.12	17.47	7.42	6.66			13.12				11.79						
Services	Max.	20.59		16.26	14.84		14.48	19.67			11.03	13.60	14.24	18.17	11.30	10.66							19.74						
Security	Min.	3.94	3.71	3.72	4.05	3.78	4.62		4.84		3.41		4.41	3.83							3.55		4.26		3.73				
Guard	Max.	5.19	4.86	5.28	5.10	4.98	5.93		6.29		5.96		7.26	4.99							4.90		4.57		5.18				
Operating	Min.	6.29	6.69	6.56	7.68	7.36	5.44	8.01	7.21	4.95			5.81	10.25							6.00				10.25				
Engineer	Max.	8.93		9.20		8.45	7.12	9.34	9.37	5.59			8.24								8.87				19.74				

POSITION TITLE		ORGANIZATION																							
		1	2	3	4	5	6	7	8*	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Carpenter	Min.	5.17	5.35	5.28	5.15	5.37	5.67	6.12	5.94			6.12	4.11	10.25					5.09						
	Max.	7.32		7.40	5.65	6.14	7.46	7.15	7.73			7.17	6.46						7.35						
Electrician	Min.		5.78	6.12	4.30	5.86	5.67	6.44	6.56			6.44	4.32	10.25					4.80						
	Max.			8.56	4.45	6.72	7.46	7.22	8.52			7.52	6.46						6.90						
Plumber	Min.	5.17	5.56	5.68	5.90	5.86	5.67	6.12	5.94				6.12	4.32	10.25										
	Max.	7.32		7.96	6.05	6.72	7.46	7.15	7.73				7.15	6.46											
Grounds-keeper/ Gardner	Min.	3.37	4.32	3.60	3.85	3.78	4.27	5.50	4.34	3.90			3.36						5.33		7.07	4.25			
	Max.	4.26		3.70	4.25	4.31	5.44	6.42	5.64	4.69			4.32						7.83		8.26	5.77			
Custodian	Min.	3.37	3.85	3.60	3.00	3.48	3.81	3.94	3.81	3.34		3.94	2.84	4.54		2.66		2.70	3.36		2.96		3.62		
	Max.	4.29		3.70	3.60	3.95	4.81	4.59	4.39	4.02		4.59	4.00	5.41		3.20		4.00	4.90		4.15		4.22		
Admissions Officer	Min.	5.70		5.28	4.95	6.99		6.48		6.66															
	Max.	8.09		7.40	6.87	8.27		8.42		9.29															
Academic Counselor	Min.	5.70				6.78		7.81	6.56		7.11		5.96												
	Max.	8.09				8.06		10.16	9.37		9.08														
Psychological Counselor	Min.	6.93		6.12	5.77	6.78		9.32	6.56				5.96												
	Max.	10.35		8.56	7.69	8.06		12.12	9.37																
Director Residential Life	Min.	8.79		8.74	6.59	4.50		15.05	11.14																
	Max.	12.30		12.22	9.34	5.37		19.57	14.48																
Director Student Activities	Min.	8.79		7.56	6.59	6.78		12.91		6.66	7.11		10.12												
	Max.	12.30		10.69	9.34	8.06		16.79		9.69	9.08		14.24												
Director, Career Development & Placement	Min.	9.89		7.56	5.49			12.91		6.66	7.11		9.19												
	Max.	13.85		10.60	8.24			16.79		9.64	9.08		12.93												
Registrar	Min.	10.99			9.89		8.70	11.01	9.43	6.66	10.34		10.12												
	Max.	15.93			13.19		13.34	14.32	12.25	9.69	12.81		14.24												

*Gallaudet College

Mr. FLOOD. How many faculty positions do you have now?

Mr. MERRILL. Seventeen new ones. And in the college now we have how many?

Mr. SCHUCHMAN. 170 in the college. I am making a distinction in the college and the precollege.

Mr. FLOOD. What is the current faculty-student ratio now?

Mr. MERRILL. It runs 1 to 8 in the college, and 1 to 5 in the high school and elementary school.

Mr. FLOOD. Is that good?

Mr. MERRILL. Yes, sir, it is good.

ACCREDITATION

Mr. FLOOD. Is the college in any danger of losing its accreditation?

Mr. MERRILL. Sir, we have just had a visit from the Middle States Association of Colleges and Secondary Schools. Gallaudet College was accredited first in 1958, reaccredited in 1968, and we are applying for reaccreditation again. This means the college entered into a year-long study, and then a team of nine faculty members from other colleges and universities visited our campus. They have recently given us an oral report that was very positive. We expect reaccreditation this May.

NEW POSITIONS

Mr. FLOOD. Twenty-one of these new positions are for general administration. Why do you need 21 new overhead jobs?

Mr. MERRILL. In this category, sir, these are distributed in this manner: three safety and security officers, one for the post office, five new custodians, three in maintenance, two engineers, and so forth. We have, also, four in the office of management—two in planning and two in public relations.

CONTINUING EDUCATION

Mr. FLOOD. Why do you need an increase of $154,000 for continuing education?

Mr. MERRILL. Continuing education is one of the rapidly developing programs. For100 years deaf adults have been virtually left out of any education beyond high school or beyond college. So, about 4 years ago, Gallaudet launched a center for continuing education.

Mr. FLOOD. How many students do you have enrolled in continuing education courses?

Mr. MERRILL. We serve approximately 1,000 annually in the Washington area. The center, however, works with other colleges throughout the country. We do not believe in duplicating effort, so our representative will go to a community college and work with the staff to find the deaf people and to offer the courses that they need.

This has opened up many resources for deaf people and has given them access to existing programs.

MODEL SECONDARY SCHOOL FOR THE DEAF

Mr. FLOOD. You want four new jobs and $76,000 for research at the model secondary school.

What new research projects do you have in mind?

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Mr. MERRILL. I will call on Dr. Hicks to respond to that, please.

Mr. HICKS. Much of the research at the model secondary school relates to the validation of programs and materials.

For instance we do this as we develop a new course of study in a particular subject area. As an example we have just completed the development of a basic course in algebra, which is now being field-tested by other schools. It requires research personnel to insure that the process by which those materials are developed is appropriate and then those individuals monitor the collection of data that lets us know whether or not those materials are effective.

We do studies on our students. We are beginning, of course, a follow-up study of all graduates, and much of the research, therefore, is related to programs.

Mr. FLOOD. You want six more positions for what you call "developmental education" at the model secondary school. What is that? And why do you need it?

Mr. HICKS. This relates to our residence program. Under the umbrella of what we call developmental education, we have all the psychologically oriented services: Counseling, guidance, social work, and psychology, but also our residence program.

We will be completing and opening six small residence buildings this summer, which will permit us to increase our enrollement. These people are needed for the increased enrollment that will be coming next fall.

CONSTRUCTION

Mr. FLOOD. The budget for construction is $16.2 million. Most of that request is for the learning center and a new residence hall. What is the reason for the new facilities? Are you expanding enrollment?

Mr. HICKS. Those are collegial programs.

Mr. MERRILL. I would like to comment on that. In our accreditation review, the team obviously studied our library carefully. I think the fact that we had planning money for a new learning center was a very helpful thing in their opinion that we should continue our accreditation. This learning center will be a building that will permit new classoroom, offices for faculty, educational technology to assist learning, and so forth.

So this is a critically important building to us.

ENERGY CONSERVATION

Mr. FLOOD. Why do you need $350,000 for an energy conservation system?

Mr. MERRILL. This will be extending——

Mr. FLOOD. And what is the total expected cost of the system?

Mr. MERRILL. This is the Delta 2000 system to conserve energy, and it will extend it to other buildings. We have phased this in. We have discovered that this system will permit us to monitor rooms and buildings and actually cut them off when they are warm enough so that we do not overheat. It will also enable us to save on air-conditioning.

We thought it was critically important to get the best possible management of our physical environment.

Mr. FLOOD. What is the total expected cost?

Mr. NANCE. Mr. Chairman, we think it will cost about $150,000 more than the $350,000 that we have there, so we might be coming back to ask for that much more in a future budget.

Mr. FLOOD. In a future budget?

Mr. NANCE. Yes, sir.

Mr. FLOOD. Mr. O'Brien?

ENROLLMENT

Mr. O'BRIEN. Mr. Merrill, what is your enrollment this fall as compared to last fall?

Mr. MERRILL. We expect an increase of 50 students overall at the college level. The Model Secondary School is expecting, with the new residence halls, a new increase. Dr. Hicks, what do you expect this fall?

Mr. HICKS. We are hoping we will get 80 new students and possibly as many as 100 new students this fall. We have a greater capacity than that, however. We think it is important to our program development to phase that increase over 2 or 3 years so that we do not have all new students coming all in 1 year, but from 80 to 100 new studetns in the high school.

Mr. O'BRIEN. Your 1978 request, as you indicate, is a 13.4-percent increase.

Mr. MERRILL. Yes.

NON-STUDENT-RELATED SERVICES

Mr. O'BRIEN. Will the cost per student, including the new students, still be about the same?

Mr. MERRILL. Yes, sir, it will. A proportion of that increase, of course, goes for these services, and they are not necessarily student related. Our research programs are in that, and some of our public service work.

Our College has been making quite an effort to help the general public understand the needs of deaf people and to accept them. We were most successful recently in having Mr. Wallace of "Sixty Minutes" put on a segment of his program. I am told that 30 million viewers saw this, and we received a tremendous amount of correspondence as a result of that, a very positive reaction.

We are working in this sector very much.

STUDENT SERVICES

Mr. O'BRIEN. Do you have an active and fairly successful placement service?

Mr. MERRILL. Yes, sir. We will be pleased to submit for the record our placement record which runs about 85 percent. It is very difficult in these days to get appropriate jobs for college-educated deaf students. But we do not wait until the last 3 months. We work as the NTID does, with industry, where we have representatives of IBM and Xerox and General Telephone and Electronics on our board of directors. These people open many doors for our graduates.

We also have a co-op study program, so that students do not go out cold. They have had experience in industry before they leave. All of that helps.

It is not easy, but we feel we owe it to the students, not only to help them get a job, but also to break into areas, possibly, where deaf people have not worked before.

GALLAUDET COLLEGE COUNSELING AND PLACEMENT CENTER, PLACEMENT STATISTICS—1976

	Number	Percent
Bachelor degrees	149	100
Graduate school	19	13
Other school or training program	5	3
Education	54	36
Teachers	(7)	(5)
Teacher aides	(8)	(5)
Residential advisers	(30)	(20)
Library workers	(2)	(1)
Other	(7)	(5)
Government employees	21	14
Private business	19	13
Rehabilitation/social services	9	6
Homemakers	3	2
Negotiating	9	6
Unable to contact	7	5
Did not use service	3	2
Graduate degrees:		
Audiologists	4	
Teacher	1	
Total audiology	5	
Teachers	30	
Administrator	1	
Housewife	1	
Total education	32	
Counselors	13	
Administrators	4	
Total counseling	17	

Mr. O'BRIEN. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Patten.

GARAGE FACILITIES

Mr. PATTEN. Mr. Chairman, I saw a garage on the south side of Florida Avenue marked "Gallaudet." Is that your facility?

Mr. MERRILL. Yes, sir, it is.

Mr. PATTEN. Is that something new? Do you own it?

Mr. MERRILL. Yes, we own it. It is a part of college property. This property was for sale for a number of years, and since the college was running out of land we needed a place where we could park and repair our vehicles and ground equipment, we purchased it. The property is a 2-acre area with some sheds on it, and we do use this to get things off the campus so we can use the main campus for educational purposes.

Mr. PATTEN. If you look at it, it looks like 1910, the area.

Mr. MERRILL. I think you are right. We have improved it, fenced it, and cleaned it up.

FACULTY HOUSING

How many of your faculty live on the campus in Government-owned buildings?

Mr. MERRILL. Very few. I would say these are people whose jobs require them to be in the dormitories. There are, I think, five houses there. I live on the campus. I am required to live there by my contract. The dean of student affairs lives there, Dr. Hicks also.

Mr. PATTEN. The rest of them are on their own?

Mr. MERRILL. Yes, very few of the teaching faculty live on campus.

Well, I could ask you a lot of questions, because our heart is with your work. I just wonder, now that you have your high school and you have got your model school, the demonstration school, are you any help to New Jersey citizens?

SERVICES TO OTHER INSTITUTIONS

Mr. MERRILL. Yes, sir, we are. We have students from New Jersey. I have a list here.

Mr. PATTEN. We always had a New Jersey school.

Mr. MERRILL. Absolutely. I would like Dr. Hicks to comment on that.

Mr. HICKS. I will be going to New Jersey on Monday to participate on an accreditation team for the New Jersey school at West Trenton. In addition, MSSD has offered and New Jersey has accepted the offer, to have a workshop there in May to assist the schools in the particular area of responding to the needs to develop individualized educational plans for all deaf students. This is a part of the new legislation. That is one of the services that we are able to offer from the model school now.

We will be doing a lot of things of that sort on a routine and regular basis throughout the country, but we do attempt to provide such services, and New Jersey is certainly one of the recipients.

Mr. PATTEN. I just have one suggestion. As we vote this tremendous sum of money, and it is tremedous, you know, as compared to previous years, it would seem to me that many Members of the Congress ought to know something about the college, since it is just a short trip.

I think it would be beneficial if more fellows at least paid one visit there. To me it was dramatic and impressive, and it should not be overlooked.

Mr. MERRILL. Very good. We would like to have more visitors.

Mr. PATTEN. I hate to think that 535 Members of the Congress would be here 20 years and say they never saw Gallaudet and were not on the grounds.

Mr. MERRILL. I agree with you absolutely.

Mr. PATTEN. That is all, Mr. Chairman.

Mr. FLOOD. Thank you very much.

[The following questions were submitted by members of the subcommittee with the request that they be answered for the record:]

MODEL SECONDARY SCHOOL FOR THE DEAF

Mr. NATCHER. What phase of operations are you now in for the Model Secondary School for the Deaf?

Answer. The main building and the gymnasium have now been constructed and are occupied. The residential housing is currently under construction and

should be completed by June 1977. This means that we have approximately 140 students presently enrolled. The enrollment is limited by the number of students who live in the area and can commute to the school and the number of students who can be housed in the dormitory which Gallaudet rents from the Catholic University of America. We anticipate a steady but significant growth in enrollment in this school beginning next year when residential housing will be available when students from the five state area and the District of Columbia will have access to it.

INTER-CHANGE OF FACULTY

Mr. NATCHER. The Model School is next door to Gallaudet College. What kind of arrangements do you have for sharing the use of facilities?

Is there any inter-change of faculty between the two institutions?

Answer. Polices have been developed for the organized sharing of facilites. As you would expect, the needs of each institution come first with the needs of another institution on the campus receiving secondary consideration. The track, for example, is a facility which will remain in mutual use. There will be increasing sharing of the use of these facilities as programs are developed.

The interchange of faculty is beginning to occur. For example, Ms. Roz Rosen who functioned as a staff member in the communication skills program at the MSSD, was invited by Gallaudet College to become the institution coordinator of activities on the campus relating to the Education of All Handicapped Children Act of 1975 (Public Law 94–142). Ms. Rosen moved her office into Hall Memorial Building and now functions as a coordinator for the entire campus. Dr. Doin Hicks, Dean of Pre-College Programs, is now working with educational technology specialists in the Liberal Arts College, MSSD and Kendall Demonstration Elementary School in order to work out cooperative arrangements in the very technical area of television for the deaf, and media services for instructors. Out of this group will come lateral coordination of our resources and skills in educational technology. Such collaboration will take more time, but efforts are being made in order to prevent duplication and improve coordination between and among the collegiate, MSSD and KDES programs.

MODEL SECONDARY SCHOOL FOR THE DEAF

Mr. NATCHER. You show an increase of six new positions for developmental education. Explain what you mean by developmental education and then tell us why you need six more positions.

Answer. These six positions in developmental education are an increase in the staff of MSSD. As mentioned previously, the new residential houses for the Model Secondary School will open in the fall of 1977. Developmental education is the term used at the MSSD to mean growth and development, including counseling and other pupil personnel services as well as academic achievement which occurs in daily living, in the dormitories, on the playgrounds and in off-campus activities. These six new positions will provide persons who will provide supervisory assistance in the dormitories and promote this kind of learning activity.

Mr. NATCHER. Give us a few examples of some "model activities" that the model school is now doing.

Answer. I will name three activities of this nature. The MSSD has now established a system called TICCIT. This stands for Time Shared, Interactive, Computer Controlled Information Television and represents a very modern instructional and communication system. It is quite possible that this system can be expanded to other schools and classes where deaf students are studying and that it can also be replicated as soon as the necessary software reaches a significant level and it has been thoroughly tested.

The MSSD is now producing guidelines for a number of subjects. For example, a course in art or science will be developed, tested with deaf students, refined, and then published. Some of these materials are sent to the national media and materials center at the Ohio State University for distribution nationally, then taking advantage of other federally supported programs.

The model secondary school has developed a model "Individualized Educational Programs Process." Public Law 94–142 requires all schools and school systems serving handicapped children to develop annually "Individualized Educational Programs." The MSSD has put together a procedure for developing such program plans that can be used by schools and school systems throughout the nation. As a matter of fact, many schools are in desperate need of assistance in responding to this particular requirement of Public Law 94–142. The MSSD is assisting them to arrive at an appropriate response.

KENDALL DEMONSTRATION ELEMENTARY SCHOOL

Mr. NATCHER. What is the present enrollment capacity of the Kendall school?

Answer. The present enrollment capacity of the Kendall school is approximately 150 students. This capacity was obtained by converting dormitories into classrooms. Even so, the present Kendall school enrollment exceeds this capacity and is, therefore, crowded. More important, the present facility does not have the capacity nor is it designed to meet the requirements of Public Law 91–587 which requires the Kendall school to become Kendall Demonstration Elementary School, a school which not only offers an exemplary educational program but develops materials for use in other schools for deaf children, provides diagnostic services, and develops and tests materials for assisting with this age group of deaf children.

Mr. NATCHER. How many students are now attending the Kendall school?

Answer. 174 children are now attending the Kendall school. During the year, 187 students have been enrolled. Enrollment fluctuates for normal reasons. Approximately 32 applications beyond this number are now being processed for next fall. We expect additional inquiries for fall enrollment during late spring and summer.

Mr. NATCHER. Are you planning to expand these facilities in the near future?

Answer. Plans were drawn several years ago to construct a new Kendall Demonstration Elementary School and the Gallaudet budget for 1977 contained funds for this construction. The Kendall schoolchildren are being relocated in two buildings on the campus during the time of the reconstruction of this school. Although this will be somewhat inconvenient to the faculty and staff, it will permit an enrollment increase to approximately 200, every consideration has been given to developing safe and functional facilities for the children during the time of this construction.

Mr. NATCHER. Do you have a tuition charge for attending Kendall school?

Answer. There is no tuition charge for attending Kendall school. Both the MSSD and the KDES do not charge tuition, for elementary and secondary education is historically free of charge in the tradition of American education.

CONSTRUCTION

Mr. CONTE. You are requesting about $16.2 million for construction for next year. How much was spent on construction last year? Would you provide a listing of the projects on which this $16.2 million will be spent?

Answer. In fiscal year 1977 Gallaudet College spent $15,575,000. $13,625,000 was spent to construct a new Kendall Demonstration Elementary School and $1,950,000 was spent to expand the utility plant and to connect heating and cooling lines to the new Kendall Demonstration Elementary School.

The projects requested in the fiscal year 1978 budget total $16,216,000. The allocation of these proposed construction funds is as follows: $1,750,000 for equipping the new Kendall Demonstration Elementary School, $13,917,000 for the construction of the learning center and the fifth resident hall, $350,000 for the acquisition of the Honeywell Delta 2000 System, and $199,000 for planning the renovation of the Ely Hall.

Planning funds for both the learning center and the fifth resident hall were received in fiscal year 1977 and architects are currently designing these structures. The acquisition of the Honeywell Delta 2000 System will expand this system to other facilities on the campus and result in the control and conservation of energy. Funds requested for planning the renovation of Ely Hall will permit this older structure to be incorporated in the student union complex to serve as housing for expanding academic and professional programs.

Mr. CONTE. You are proposing $6 million for a fifth dormitory. How many students will be housed in that dormitory? What will be the basic layout of the dormitory?

Answer. Dormitory No. 5 is being designed to accommodate approximately 280 students. The basic layout of the dormitory is 9 floors with 32 students per floor. This is comparable to Clerc Hall and Dormitory No. 4 which have been built in the past 10 years.

CONTINUING EDUCATION

Mr. CONTE. Would you tell me about the external degree program that you are proposing to establish in 1978?

Answer. The center on continuing education is a very responsive program. Not only does this center offer a variety of courses to deaf adults in the Washington

area with and through other college programs, but it cooperates with other postsecondary institutions across the country to this end. The point here is that Gallaudet College is assisting deaf people wherever they are to have access to existing programs at minimal expense and without duplication. The external degree program is a plan which is currently under development to respond to the needs of deaf people who have dropped out of college, obtained work, perhaps now have a family, but who wish to pursue continued postsecondary study. We hope these plans will meet a very pressing need so that deaf people will have not only more to offer on-the-job market but more interest in participating in civic affairs.

ENERGY CONSERVATION

Mr. CONTE. How much will you be spending in 1978 on your energy conservation system? Would you describe the energy conservation system you propose to install? How much energy would you estimate will be saved following installation? At what point will savings from decreased energy costs equal the cost of installation—in other words, how long is your payback system?

Answer. We have included in this fiscal 1978 budget request the amount of $350,000 for energy conservation. The system we are planning to install is the Honeywell Delta 2000 system which allows us to control heating and air-conditioning from a central location with the controls based on predetermined temperatures by location, by time of day and night, and by day of week. This installation should help us slow down the rate of increase in utility costs, and the estimated savings in rate of increase in costs should be enough to amortize original investment in approximately 4 years.

SALARIES

Mr. CONTE. How do the salaries of your college and secondary levels compare to those at other institutions?

Answer. The staff (nonfaculty) salaries are comparable to the average of the highest three of our competition. We consider the competition to be other individual colleges and universities in the area, and the Federal Government.

The salaries of the faculty at the MSSD are comparable to those paid in the local area school districts adjusted for the fact that the MSSD faculty work a longer school year.

LIBRARY

Mr. CONTE. How much work needs to be done to bring your library up to those standards set by the American Library Association?

Answer. Our present Edward Miner Gallaudet Library does not meet current ALA standards for libraries. At present, our library includes 21,900 square feet. ALA standards require 40,000 square feet for print materials (books and magazines) alone. This figure does not include nonprint materials such as films and videotapes which we make heavy use of. Based upon our projections of future student enrollments, ALA standards would require approximately 50,000 square feet for print materials alone. In short, our present library space is far short of present and future space requirements; however, our construction request for the Learning Center will enable us to meet those needs and standards.

JUSTIFICATION OF THE BUDGET ESTIMATES

Appropriation Estimate

GALLAUDET COLLEGE

For carrying out the Model Secondary School for the Deaf (80 Stat. 1027) and for the partial support of Gallaudet College authorized by the Act of June 18, 1954 (68 Stat. 265) [$40,840,000] *$45,976,000* of which [$15,575,000] *$16,216,000* shall be for construction and shall remain available until expended: *Provided*, That if requested by the College, such construction shall be supervised by the General Services Administration.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

SPECIAL INSTITUTIONS

Gallaudet College

Amounts Available for Obligations

	1977	1978
Appropriations	$40,840,000	$45,976,000
Proposed Supplemental Appropriation	958,000	----
Sub-Total, Appropriation	41,798,000	45,976,000
Receipts and reimbursements from Non-Federal sources	+2,451,000	+2,574,000
Unobligated balance, start of year	+6,055,000	+65,000
Unobligated balance, end of year	-65,000	-65,000
Total, obligations	50,239,000	48,550,000

Summary of Changes

1977 Estimated obligations	$50,239,000
1978 Estimated obligations	48,550,000
Net Change	-1,689,000

	Base		Change from Base	
	Pos.*	Amount	Pos.*	Amount
Increases:				
A. Built-in				
1. Faculty payraise (College - $286,000; Model Secondary School - $275,000; Kendall School - $120,000)	-----	-----	-----	$+ 681,000
2. Staff payraise (College - $560,000; Model Secondary School - $60,000; Kendall School - $35,000)	-----	-----	-----	+ 655,000

*All positions are Non-Federal.

Summary of Changes (Cont.)

	Base		Change from Base	
3. Annualization of part-year positions approved in 1977 (College - $63,000; Kendall School - $241,000)	----	----	----	$+ 304,000
4. Annualization of costs of facilities occupied during 1977 (Model Secondary School - $89,000)	----	----	----	+ 89,000
5. Cost of operating and maintaining facilities occupied during FY1978 (College - $11,000)	----	----	----	+ 11,000
6. Increased cost in utility services (College - $110,000; Model Secondary School - $46,000; Kendall School - $9,000)	----	----	----	+ 165,000
7. Bookstore, Food Service, and Transportation costs (College - $118,000; Kendall School - $14,000)	----	----	----	+ 132,000
Sub-Total				+2,037,000
B. Program:				
1. Liberal Arts College - Operations				
(a) Instruction and Related Activities	264	7,261,000	+ 5	+ 141,000
(b) Student Services	77	1,814,000	--	+ 78,000
(c) Research and Curriculum Development	19	601,000	--	+ 34,000
(d) General Institutional and Administrative Activities	321	6,419,000	+21	+ 463,000
(e) Continuing Education	13	430,000	+ 4	+ 154,000
(f) Auxiliary Enterprises	20	1,536,000	--	+ 5,000
2. Model Secondary School - Operations:				
(a) Instruction	94	1,928,000	--	+ 12,000
(b) Research and Evaluation	12	262,000	+ 4	+ 76,000
(c) Developmental Education	40	771,000	+ 6	97,000
(d) Curriculum Development and Media Services	42	996,000	+ 7	+ 91,000
(e) General Administration	24	3,386,000	+ 1	+ 254,000

Summary of Changes (Cont.)

	Base		Change from Base	
3. Kendall Demonstration Elementary School - Operations:				
(a) Instruction; student and family services and related activities	106	$ 2,441,000	----	$+ 162,000
(b) General Administration	13	829,000	----	+ 56,000
4. Construction				
(a) Kendall Demonstration Elementary School				
1. Equipping the new facility. . . .	----	----	----	+1,750,000
(b) Liberal Arts College				
1. Construction of the Learning Center and the Fifth Residence Hall.	----	----	----	+13,917,000
2. Acquisition of the Honeywell Delta 2000 System.	----	----	----	+ 350,000
3. Planning for the renovation of Ely Hall. . . .	----	----	----	+ 199,000
Subtotal.			+48	+17,839,000
Total, Increases. . .			+48	+19,876,000
Decreases:				
A. Program				
1. Construction:				
(a) Kendall Demonstration Elementary School..	----	----	----	-13,625,000
(b) Liberal Acts College	----	----	----	-3,074,000
(c) Model Secondary School	----	----	----	-4,866,000
Subtotal				-21,565,000
Total, decrease . .				-21,565,000
Total, Net Change			+48	-1,689,000

Explanation of Changes

Increases:

A. Built-in:

1. The $681,000 requested will provide for a faculty pay raise enabling the Model Secondary School and Kendall School to maintain a competitive salary schedule with other schools in the area and enabling the Liberal Arts College to remain competitive with other colleges and to maintain the current American Association of University Professors (AAUP) ranking held by the College.

2. The $655,000 requested will provide a 5.5% salary increase for staff personnel, enabling the College, MSSD and Kendall to remain in a competitive position to attract, retain and reward highly qualified staff.

3. An increase of $304,000 will annualize the salaries of 14 faculty and staff positions at the Kendall School and 4 faculty positions for the Liberal Arts College. The positions were approved for one-quarter year funding in 1977.

4. The $89,000 requested will partially annualize the costs of operating and maintaining Model Secondary School residence halls. Funds were provided in 1977 for one-half year's operation of approximately one-half of the residence hall complex.

5. An increase of $11,000 will support operations and maintenance of recently acquired College property including a small building for the Center on Law and Deafness and a vehicle repair and maintenance garage.

6. The $165,000 requested will provide for the increased cost of utility services.

7. The $132,000 requested is necessary to meet increasing food and transportation costs and to provide additional bookstore services. ($118,000 of this increase is from non-Federal sources.)

B. Program:

1. Liberal Arts College - Operations

(a) The $141,000 requested will provide for improvement of audio-visual services, expansion of the Graduate School and improvement of speech and hearing services. Also included are funds for continuation of existing programs and modest program improvements.

(b) The $78,000 requested will provide increased student aid and will maintain student activities at existing levels.

(c) The $34,000 requested will enable the research programs of the College to continue providing 1977 levels of service.

(d) The $463,000 requested in this category will provide for better security and improved care of the physical plant including building maintenance and repair, and custodial and grounds services. Other increases are related to enhancing the staff development program, increasing the public's awareness of Gallaudet College and its programs, and improving management services.

(e) The $154,000 requested will enable the implementation of an External Degree Program, improved information and services to the public, and expansion of the Adult Education program.

(f) The $5,000 requested will allow the College to maintain the 1977 levels of operation in the bookstore and residence halls. (This increase is from non-Federal sources.)

2. Model Secondary School - Operations

(a) The $12,000 requested will permit increased liaison with parents of MSSD students.

(b) The $76,000 requested will provide for evaluation of MSSD's expanded production of instructional models, for developing and maintaining a computerized data base, and for increased dissemination of materials.

(c) The $97,000 requested will enable the staffing of new MSSD residence halls scheduled for opening in 1978. Also included is MSSD's share of the increased cost of operating the new infirmary.

(d) The $91,000 requested will provide for staffing of the TICCIT system - a major electronic instructional support and communications system.

(e) The $254,000 requested will support a program to increase the public's awareness of the MSSD and of the services and programs it provides. Also included are increases for general physical plant, business management and administrative services.

3. Kendall Elementary School - Operations

(a) The $162,000 requested will allow Kendall School to undertake a major expansion of the Summer School Program and to continue providing 1977 levels of services and supplies to other programs within the school. Also included is a request for a mobile classroom to provide parent education services in homes of Kendall students.

(b) The $56,000 requested will support the increased cost of operation and maintenance of the physical plant and of central business management services.

4. Construction

(a) Kendall Demonstration School:

1. Equipping and furnishing the new KDES facility $1,750,000

(b) Liberal Arts College:

1. Construction of the learning center and a fifth residence hall	13,917,000
2. Acquisition of the Honeywell Delta 2000 energy conservation system	350,000
3. Planning for the conversion and renovation of Ely Hall	199,000

Obligations by Activity

Page Ref.	1977 Estimate Pos.	1977 Estimate Amount	1978 Estimate Pos.	1978 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
Operations:						
(a) College. . . .	714	$18,061,000	744	$20,084,000	+30	+$2,023,000
(b) Model Secondary School for the Deaf	212	7,343,000	230	8,343,000	+18	1,000,000
(c) Kendall Demonstration Elementary School .	119	3,270,000	119	3,907,000	---	+ 637,000
(d) Construction .	---	21,565,000	---	16,216,000	---	- 5,349,000
Total Obligations	1,045	50,239,000	1,093	48,550,000	+48	- 1,689,000

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Grants, Subsidies and contributions.	$50,239,000	$48,550,000	$-1,689,000
Total obligations by object	50,239,000	48,550,000	-1,689,000

Authorizing Legislation

Legislation	1978 Authorized	1978 Appropriation Requested
"An Act to amend the charter of the Columbia Institute for the Deaf." (D.C. Code 31-1032) Enacted June 18, 1954, P.L. 420 83rd Congress, Sec. 8, 68 Stat. 266.	Indefinite	$ 31,976,000
"An Act to modify and enlarge the authority of Gallaudet College to maintain and operate the Kendall School as a demonstration elementary school for the deaf to serve primarily the National Capital region, and for other purposes." (Public Law 91-587) 91st Congress, S.4083 December 24, 1970, 84 Stat. 1579.	Indefinite	5,657,000
"An Act to authorize the establishment and operation by Gallaudet College of a Model Secondary School for the Deaf to serve the National Capital region." (31 D.C. Code 1051) Enacted October 15, 1966, P.L. 89-694, Sec. 2, 80 Stat. 1027.	Indefinite	8,343,000

GALLAUDET COLLEGE

Year	Budget Estimate To Congress	House Allowance	Senate Allowance	Appropriation
1968	$ 5,815,000	$ 5,815,000	$ 6,001,000	$ 5,815,000
1969	5,305,000	4,536,000	4,536,000	4,536,000
1970	6,086,000	6,086,000	6,400,000	6,400,000
1971	9,612,000	9,514,000	9,869,000	9,559,000
1972	30,246,000	29,101,000	30,862,000	30,862,000
1973	14,073,000	19,033,000	19,033,000	19,033,000
1974	15,012,000	14,942,000	15,012,000	15,012,000
1975	35,595,000	35,595,000	35,595,000	35,595,000
1976	22,435,000	22,435,000	22,435,000	22,435,000
1977	40,840,000	40,840,000	40,840,000	40,840,000
1977 Proposed Supplemental	958,000			
1978	45,976,000			

Justification

	1977		1978		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Liberal Arts College	714	$18,061	744	$20,084	+30	+$2,023
Model Secondary School	212	7,343	230	8,343	+18	+ 1,000
Kendall Demonstration School	119	3,270	119	3,907	---	+ 637
Construction	---	21,565	---	16,216	---	- 5,349
Total	1,045	50,239	1,093	48,550	+48	- 1,689

General Statement

Program Purpose

Gallaudet College is a private, non-profit educational institute providing college preparatory, undergraduate, and continuing education programs for the deaf and a graduate program in fields related to deafness.

As provided under Public Law 89-694, the Model Secondary School for the Deaf serves as a laboratory for educational experimentation and development; disseminates working models throughout the field of education of the deaf; prepares deaf adolescents for post-secondary academic and/or vocational pursuits; and provides deaf adolescents with the skills necessary to become well-adjusted, contributing and effective members of the society.

Kendall Demonstration Elementary School was established as a national demonstration school for the deaf by act of Congress (Public Law 91-587). Its purposes are to develop an exemplary educational program for children through age 15; to develop a diagnostic center; to develop a parent education program; and to become a source of research on the learning problems of young deaf children.

Budget Policy

In 1978, Gallaudet College is requesting only those increases necessary to ensure the integrity of its existing programs. Accordingly, the request reflects very modest increases in the area of program expansion. The College is placing first priority in its program request on funds for the construction of badly needed facilities and on planning for the renovation of functionally obsolete facilities.

In 1978 budget estimates for the Liberal Arts College will provide for faculty and staff salary increases, increased utility and maintenance costs; enhancement of the Graduate Program; improved information and services to the alumni and the public; improved security on the campus; establishment of an external degree program; and increased costs of maintaining programs at the 1977 level.

The estimate for the Model Secondary School will also support faculty and staff payraises, operations and maintenance of the MSSD facility, and improvement of the instructional, research, dissemination, academic support and public information programs of the MSSD.

Kendall School's request includes annualization of part-time funding for positions approved in 1977, implementation of the Summer Program for deaf children, faculty and staff pay increases, and improvement of operations and maintenance of KDES facilities.

The construction request includes equipment and furniture for the new Kendall School; the construction of the Learning Center and a Fifth Residence Hall for the College; planning funds for renovation of Ely Hall; and acquisition of an energy conservation system - also by the College.

In the 1977-1978 academic year, the College will directly serve approximately 2,000 deaf persons; the MSSD anticipates an enrollment of about 240 students in its programs; and Kendall School will enroll 210 students. Gallaudet indirectly serves many tens of thousands of deaf persons both in the United States and abroad and also serves more than 10,000 teachers and administrators in deaf education.

The teaching faculty to student ratios in 1978 will be 1:7 for the Liberal Arts College; 1:5 for the Model Secondary School; and 1:5 for the Kendall School.

Operations

Liberal Arts College

Narrative

The 1978 budget estimate for operations of the Liberal Arts College represents an increase of $2,023,000 and 30 positions over 1977 levels. Of this amount, $846,000 is for pay increases and $1,177,000 represents continued support of existing programs and a very modest increase in program activity to ensure the viability of instructional and support programs. The distribution of these funds and positions is indicated below.

	1977		1978		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Instruction and Related Activities.....	264	$ 7,261,000	269	$ 7,751,000	+5	$+ 490,000
Student Services.....	77	1,814,000	77	1,892,000	---	+ 78,000
Research and Curriculum Development.....	19	601,000	19	635,000	---	+ 34,000
General Institutional and Administrative Activities.....	321	6,419,000	342	7,563,000	+21	+1,144,000
Continuing Education...	13	430,000	17	584,000	+4	+ 154,000
Auxiliary Enterprises..	20	1,536,000	20	1,659,000	---	+ 123,000
Total	714	18,061,000	744	20,084,000	+30	+2,023,000

1. Instruction and Related Activities: Funds are requested for an additional three faculty members in the Graduate School in order to meet demands for enrollment. Support is also requested for a position of clinical therapist to improve speech and hearing services, and for an audio visual technician to maintain the new public exhibit on deafness. The faculty salary increase requested, representing 6% increase over 1977 salaries, is based on projections supplied by the American Association of University Professors (AAUP). This increase will enable the College to continue to attract and retain faculty who are qualified in their academic disciplines and who can be trained to meet the special needs of deaf students. The remaining increases are associated with the cost of maintaining programs at the 1977 level.

2. Student Services: Funds are requested to provide increased aid to graduate and undergraduate students who are unable to finance their education from other sources. Other increases are related to maintaining programs in counseling and placement services to residential programs, and coordination of student activities.

3. Research and Curriculum Development: In 1978 the College will implement a comprehensive campus-wide plan to coordinate research with a view to avoiding duplication of research effort and to achieving maximum benefit for the resources committed to research. Since the campus-wide research plan is currently in developmental stages, the small increase requested will only support the maintenance of existing programs. Areas of continuing research activity are in improvement of the reading and writing ability of deaf persons; development of a broad range of more effective educational techniques through studying the educational psychology, testing and measurement, cognition and learning and social behavior of deaf persons; and development of instructional techniques which make use of the increasing technology available.

4. General Institutional and Administrative Activities: Increases requested in this area are related to efforts to increase the public's awareness of Gallaudet College and its programs and activities through a program designed to support and help deaf persons on a broader national basis. The College provides many indirect services to the millions of hearing impaired Americans; however, there are many who remain unaware of Gallaudet's role in education of the deaf. Support is requested also for improved physical plant services by enhancing the quality and amount of building maintenance and repair. Included are programs to improve custodial care of facilities; provide better preventive maintenance; upgrade security services; and improve the care of the 92 acres of grounds at Kendall Green. Management services will also be improved through establishment of an institutional research program and through provision of better in-house support of the facilities planning effort, as well as an enriched staff development program.

5. Continuing Education: Funds are requested to support the implementation of an External Degree Program which will enable deaf persons to work toward baccalaureate degrees on a part-time basis at off-campus centers. The funds needed by the College will provide only for the coordination of this program. The direct costs will be borne by the students themselves and the institutions participating in the program. In 1978, programs will be established in Washington, D. C., New York City and Kansas City. The programs are designed to attract deaf adults who, because of family and job obligations, cannot leave their home areas to attend classes on Kendall Green. Also supported will be a program to modestly increase services to the deaf-blind and to inner-city deaf persons in Washington, D. C.

6. Auxiliary Enterprises: The funds requested will provide support for inflationary costs of food services and of supplies and services necessary to continue providing regular housekeeping and maintenance of residence hall facilities. (This increase of $5,000 is from non-Federal sources.)

Operations

Model Secondary School for the Deaf

Narrative

The Model Secondary School is requesting an increase of $1,000,000 for 1978 operations. Of this amount, $335,000 is for pay increases and $74,000 is related to operations and maintenance of that part of the residence complex which will be opened in 1978. The remaining increases of $591,000 are related to implementation of mandated programs in the new MSSD facility and to improve operations and maintenance of that facility.

	1977		1978		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Instruction	94	$1,928,000	94	$1,965,000	---	$+ 37,000
Research and Evaluation	12	262,000	16	338,000	+ 4	+ 76,000
Developmental Education	40	771,000	46	939,000	+ 6	+ 168,000
Curriculum Development and Media Services	42	996,000	49	1,116,000	+ 7	+ 120,000
General Administration	24	3,386,000	25	3,985,000	+ 1	+ 599,000
Total	212	7,343,000	230	8,343,000	+18	+1,000,000

1. Instruction: Funds are requested for including parents in the development of an individualized education program for each MSSD student as required by Public Law 94-142. These funds will allow the Division of Instruction to provide seminars and conferences for parents at least on an annual basis.

2. Research and Evaluation: Funds in this category will provide for increased field testing and evaluation of MSSD's curricular models, and will allow the broader dissemination of various instructional models and other materials to schools for the deaf nationwide. In addition, a model data base information management system will be implemented in order to improve decision making in regard to programming for student needs.

3. Developmental Education: Support is requested for staffing and programming in the new residence complex - part of which will be opened in 1978. A three-fold increase in the number of resident students is anticipated for 1978. New residential environments and structural modes will be tested in the residence halls. The residence staff will be increased by six persons. Designing and evaluating model residence programs requires that these persons be high caliber professionals who are able to make a substantial contribution to education of deaf adolescents. Also, the increases include MSSD's share of the cost of operating the central infirmary.

4. Curriculum Development and Media Services: Support is requested for the staffing and maintenance of the recently installed electronic instructional support and communications system. The funds will provide MSSD with the capability to offer a continuous generation of computer-type programming for both closed-circuit communications and instructional use, to acquire outside assistance for special television or other visually-oriented program productions; to maintain and repair the system; and to obtain the high-caliber personnel required to ensure effective use of the system.

5. General Administration: As MSSD completes its first full year of operation in its new facilities, it is essential that adequate funds be provided to continue operations and maintenance of the facilities. The increases requested will support physical plant services including custodial care, a share of the utility plant operating expense, and the higher costs of fuel, building maintenance and grounds care. Funds are also requested for a program to provide the community of educators of the deaf and the public at large with an awareness of the services and programs available through the MSSD. Also included in this category is a 7.5 percent increase for faculty salaries. This increase is based on a survey of secondary school salaries in the Washington, D. C. metropolitan area and on MSSD's need to attract the best possible personnel in order to provide its mandated program.

Operations

Kendall Demonstration Elementary School

Narrative

The 1978 operations request for Kendall School is $3,907,000 or $637,000 over 1977 levels. Of this amount $241,000 is for the annualization of 14 part-time positions approved in 1977; $155,000 is for faculty and staff pay increases; and $241,000 is for the summer school program, parent education program, increased costs of operations and maintenance of the physical plant, and continuation of existing programs.

	1977 Revised		1978		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Instruction, Student & Family Services & Related Activities	106	$2,441,000	106	$2,974,000	---	+$533,000
General Administration	13	829,000	13	933,000	---	+ 104,000
Total	119	3,270,000	119	3,907,000	---	+ 637,000

1. Instruction, Student and Family Services and Related Activities: Funds are requested to support annualization of salaries and benefits for the 14 faculty and staff positions added in 1977. These positions were required as a result of an increased enrollment and a stronger dissemination effort. The faculty pay increase represents a 7.3% increase over 1977. This salary level is based on surveys of similar positions in the Washington, D. C. metropolitan area adjusted to ensure that Kendall School is able to attract the best qualified teachers and staff. Also supported will be a major effort to improve the Summer School program offered to deaf children on a nationwide basis. In 1978, approximately 360 children and 37 teachers will participate in the four-week exchange program for Kendall students and for students from other regions and schools for the deaf. The program will provide the experiential learning opportunities for hearing-impaired children that are critical for the development of the total child. The increase also provides for expansion of the family training program through purchase of a vehicle which will be equipped with materials and instructional aids for use by a teacher at the homes of Kendall students. Additionally, the program will enable Kendall School to disseminate model program designs to other schools for the deaf. The request will also support the modest increases in the cost of operating the infirmary used by Kendall students.

2. General Administration: Most of the increase in this category is related to the maintenance of the physical plant and to business management services. The remaining amount is associated with merit increases for staff employees.

Construction

Gallaudet College

Narrative

Gallaudet College is requesting $16,216,000 for construction in 1978. Of this amount, $1,750,000 is for equipping and furnishing the new Kendall School facility. $14,466,000 is for the construction and equipping of the Learning Center and the Fifth Residence Hall for the Liberal Arts College, the planning and design costs for the renovation of Ely Hall and the purchase of an energy conservation and safety system. The details are as follows: Learning Center construction -- $7,083,000; Learning Center equipment costs -- $787,000; Residence Hall V construction -- $5,442,000; Residence Hall V equipment cost -- $605,000; planning and design costs for renovation of Ely Hall -- $199,000; and purchase of an energy conservation and safety system -- $350,000.

	1977		1978		Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Liberal Arts College	--	$ 1,950,000	--	$14,466,000	--	$+12,516,000
Model Secondary College	--	---	--	---	--	---
Kendall Elementary School	--	13,625,000	--	1,750,000	--	-11,875,000
Total	--	15,575,000	--	16,216,000	--	641,000

For the past several years Gallaudet College has been involved in an intensive campus-wide effort to develop comprehensive Program and Facilities Master Plans to translate program requirements into space needs.

In reviewing space currently available on Campus, and in planning for the future, several factors were taken into consideration: (1) a maximum on-campus enrollment of 1,500 undergraduate and 300 graduate students; (2) the need to provide adequate and satisfactory space for existing and future programs and students; (3) the need to have a barrier-free campus easily accessible to all handicapped people; (4) the special education and social needs of deaf students; (5) the recycling of parts of old and obsolete buildings to meet existing and future program needs; and the construction of needed new space.

Each of these factors has a significant impact on planning new facilities for Gallaudet College. Those factors relating to the special needs of deaf students and to existing structures, most of which were built in the late 1950's, do not adequately serve the current student population. In these buildings, utility systems are inadequate, the design does not meet the needs of deaf students, and in many cases, extensive renovation and repair are required. As the College proposes new buildings, careful consideration has been given to productive and efficient use of existing buildings. These facilities need to be extensively renovated to serve any purpose. In the process of renovation, the College proposes to change the program functions of some buildings to those which are more suitable to the design and condition of the structure.

Further, Gallaudet College is very concerned with the need to be accessible to all handicapped people. As increasing numbers of Gallaudet students have secondary handicapping conditions, particularly in mobility and vision impairments, barrier-free construction becomes increasingly important. In all plans for renovation of existing buildings and construction of new buildings, the needs of handicapped students have been given special consideration.

The following items of Gallaudet College construction request are presented in their order of priority to the College.

1. Equipment and Furnishings for the Kendall Demonstration Elementary School - The budget request includes $1,750,000 for equipping and furnishing the new Kendall Demonstration Elementary School. These funds will not only enable the Kendall School to provide a very sophisticated diagnostic center, high quality audio systems, computer-assisted instructional systems and other forms of educational technology, but will also enable the school to maximize its utilization of the flexible design of the new facility. The instructional program and its attendant support services will require new furnishings and equipment consistent with needs dictated by the design of the spaces and the activities to be carried out in the various program areas. The school will of course incorporate existing furnishings and equipment whenever possible into plans for furnishing the new building. This request is essential to the Kendall School's fulfilling its mandate to be a national demonstration school addressing the total needs of young deaf children and sharing the results of experimentation and development of innovative programs and techniques with schools and programs across the country.

2. Learning Center - This facility will be the hub of the learning process for the Liberal Arts College and will be designed in such a way as to emphasize accessibility and delivery of services to students. The construction of this new facility will significantly improve the College's ability to use new educational technology in the delivery of services to students. The existing space for the television operations including captioning and closed-circuit transmission, film media services, instructional materials development, and other technological services is not only limited but completely inadequate. As developments in these areas have grown, the College has had to adapt existing space to meet these needs and consequently has not been able to provide the quality of space required. For example, the College's TV Studio is currently housed in a building which was completed in 1868. The use of a variety of forms of educational technology has become increasingly important in educating deaf students, and Gallaudet College especially needs to have high quality facilities to deliver these services.

   Another educational supportive service which will benefit from the construction of the new Learning Center is the Library. The space currently available on campus for library services is far below the standards required by the American Library Association. These standards are also used by the Middle States Association for accreditation and will be applied to the College during its re-accreditation review in 1977. Plans for the new Learning Center will be used to support the College's request for re-accreditation and to indicate the College's intention to improve the space available for library services.

The new Learning Center will also provide the College with classrooms specifically designed to meet the special needs of deaf college students. Increasingly sophisticated information on the most effective types of classroom space, seat arrangements, audio visual services, and other factors will enable the College to provide a learning environment in which deaf students can excel. This information and an extensive review of existing classroom space and special needs, indicate that the classrooms provided in the new Learning Center will have a significant impact on future academic programs at Gallaudet College.

3. Construction of a Fifth Residence Hall - Construction funds for this facility will be required in 1978 if it is to be completed and ready for use in 1980 when enrollments will already have exceeded the capacity of existing residence halls. The College currently has residence space for 953 students and anticipates an enrollment in 1976 of 972 students needing on-campus housing. The 953 spaces include one substandard building, Fowler Hall, and two other buildings, Peet Hall and Ely Hall, which are currently used as dormitories but which do not provide a suitable living environment for deaf students.

   In 1977, Residence Hall IV will be completed and will provide the College with approximately 230 additional spaces. These spaces are already committed to an increase in the number of students and to the moving of the students currently housed in Fowler Hall.

   In 1980, the College will continue to face a shortage of residence hall space. This shortage will necessitate converting lounges into student rooms at the start of the fall semester. Housing students under such conditions increases the dropout rate in the first month or two of the semester enough to relieve the overload. The College considers this situation untenable.

   The residence halls at Gallaudet College are active living and learning environments, and they must be designed and constructed to provide Gallaudet students with the best opportunity possible to provide social, academic, and leadership skills. In order to achieve these goals for residence hall living, the College plans to move students out of Ely Hall in 1977. If this move is successfully implemented, the need for the fifth residence hall will become increasingly important.

4. Acquisition of the Honeywell Delta 2000 Control System - Included in the central utilities building currently under construction are the central control components of this energy conservation, safety and security system which has the potential for substantial savings in the amount of energy used, the lowering of demand charges, the improvement of surveillance and protection of life. The funds requested here are for the distribution and building connection components and remote units to make the entire system work.

5. Ely Hall - As additional residence space is constructed, the College plans to phase students out of unsuitable living space into the new residence halls. Ely Hall is one of the residences scheduled for renovation. The planned rehabilitation of this structure will provide additional space for the Student Body Government and other student activities, and will house the Counseling Department, the Counseling and Placement Center and the Tutorial Center. The design and location of Ely Hall makes it more suitable for office and meeting space than for use as a residence hall.

(BL)

GALLAUDET COLLEGE

Enrollment Projection

1974 - 1984

	ACTUAL ENROLLMENT		PROJECTED ENROLLMENT							
	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Liberal Arts College Undergraduate and Preparatory [1]	1023	1006	1037	1090	1139	1234	1330	1424	1494	1500
Liberal Arts College Graduate [1]	167	206	206	267	275	274	278	282	282	300
Continuing Education (full-time equivalent) [2]	152	183 [5]	157	208	229	250	250	250	250	250
Sign Language Programs (full-time equivalent) [2]	68	78	80	80	80	80	80	80	80	80
MSSD [3]	133	132	140	240	365	415	465	515	565	600
KDES [4]	160	171	182	210	210	210	230	255	285	300
TOTAL	1703	1776	1832	2095	2298	2463	2633	2806	2956	3030

1) Includes full-time, part-time and special students enrolling in the fall semester.
2) Includes summer, fall and spring enrollment and uses a ratio of 10 enrollments per 1 full-time equivalent
3) Fall enrollment figures
4) June enrollment figures
5) Based on actual 1975 summer and fall enrollment and an estimated 1976 spring enrollment

Source: Gallaudet College Planning Office

07/C2/76

TABLE II

GALLAUDET COLLEGE

Analysis of Financing

	1976 Actual	1977 Actual	1978 Estimate
Non-Federal Income:			
1. Tuition	$ 527,000	$ 610,000	$ 610,000
2. Other Services	30,000	55,000	55,000
3. Auxiliary Enterprises	1,273,000	1,786,000	1,909,000
Total Non-Federal	1,830,000	2,451,000	2,574,000
Federal Appropriations:			
Liberal Arts College	12,490,000	15,610,000	17,510,000
Model Secondary School	5,373,000	7,343,000	8,343,000
Kendall Elementary school	2,713,000	3,270,000	3,907,000
Construction	2,255,000	15,575,000	16,216,000
Total Appropriations	22,831,000	41,798,000	45,976,000
Total Financing	24,661,000	44,249,000	48,550,000

SPECIAL INSTITUTIONS

Gallaudet College

Program Purpose and Accomplishments

Activity: Operations - Liberal Arts College (Public Law 91-587)

1977		1978		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
714	$15,610,000	Indefinite	744	$17,510,000

Purpose: Gallaudet College serves deaf persons through the provision of appropriately designed educational opportunities and through the training of teachers and other professionals; and through its strategic position as the capstone of educational opportunity for the deaf, it provides a maximum of leadership, inspiration, and exemplary service to institutions, organizations, and individuals serving the deaf.

Explanation: The College derives its operating revenues from Congressional appropriation and through non-Federal sources of income such as tuition and income from auxiliary services.

Accomplishments 1977: In 1977, the College expanded operations and maintenance services for new facilities and improved academic and non-academic services to students and the national deaf community. Faculty salaries were improved and management systems and services were upgraded.

Objectives 1978: In 1978, the College will expand the Graduate School; improve speech and hearing services; establish an external degree program; increase the amount of financial aid available to students; improve faculty and staff compensation; and improve care of the physical plant.

SPECIAL INSTITUTIONS

Gallaudet College

Program Purpose and Accomplishments

Activity: Operations - Model Secondary School for the Deaf (Public Law 89-694)

1977		1978		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
212	$7,343,000	Indefinite	230	$8,343,000

Purpose: The Model Secondary School for the Deaf serves as a laboratory for educational experimentation and development; disseminates working models throughout the field of education of the deaf to programs serving 60,000 deaf students and 10,000 educational professionals; prepares deaf adolescents for post-secondary academic and/or vocational pursuits; and provides deaf adolescents with the skills to become well-adjusted, contributing and effective members of the society.

Explanation: The MSSD conducts its mission in a new facility located on the Gallaudet College campus and through several field teams. The mission is supported totally through an annual Congressional appropriation.

Accomplishments 1977: In 1977, the Model Secondary School implemented an expanded operations and maintenance program in the new facility. The school continued to develop and test new courses, residence programs and social programs for the increased student enrollment. Dissemination of models was continued as was the individualized instructional program for 240 students.

Objectives 1978: In 1978, MSSD will improve the instructional, research, dissemination and academic support services provided to an increasing student enrollment and to the community of educators of the deaf; improve the public information program; provide faculty and staff pay increases; and improve the operations and maintenance of the new and expanded facilities.

SPECIAL INSTITUTIONS

Gallaudet College

Program Purpose and Accomplishments

Activity: Operations - Kendall Demonstration Elementary School (Public Law 91-587)

1977		1978		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
119	$3,270,000	Indefinite	119	$3,907,000

Purpose: Kendall School operates as a national model elementary school for the deaf. Its instructional program involves provision of learning activities and on-site instruction for 171 children, from infancy through age 15. The supportive services program provides services to students, families and instructional personnel in the areas of social service, family education, speech therapy, audiology, student counseling, learning diagnosis and disability, and medical services. The design and evaluation program provides clinical and technical design and development, and dissemination and evaluation.

Explanation: Kendall School is totally supported through annual Congressional appropriation.

Accomplishments 1977: In 1977, Kendall School was able to improve and to evaluate instructional, co-curricular and family education programs. The acquisition and repair of group amplification equipment for the hearing impaired Kendall students was accomplished. The program of testing and diagnostic evaluation was expanded to 75 percent of the student body.

Objectives 1978: In 1978, Kendall School will annualize the part-year funding of positions approved for 1977; implement the expanded Summer School Program for deaf children; improve the family education program; and provide faculty and staff pay increases and improvement of facilities operations and maintenance.

87-936 O - 77 - 38

SPECIAL INSTITUTIONS

Gallaudet College

Program Purpose and Accomplishments

Activity: Construction

1977			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$15,575,000	Indefinite	---	$16,216,000

Purpose: The purpose of this activity is to provide for continuing development of facilities in accord with program plans and objectives of the College, the Model Secondary School for the Deaf and the Kendall Demonstration Elementary School as set forth in the Program Master Plan and Facilities Master Plan.

Explanation: The Model Secondary School for the Deaf and the Kendall Demonstration Elementary School are totally supported through annual Congressional appropriation. The Liberal Arts College derives its support from Congressional appropriation and from non-federal sources of income such as tuition, auxiliary services revenue, and vocational rehabilitation funds received from the States.

Accomplishments 1977: In 1977 construction was completed on the six MSSD residence halls and construction was begun on the new KDES facility and expansion of the central utility plant. Planning for a new learning center and residence hall V was completed and plans for the new field house were carried through the design development stage.

Objectives 1978: The construction funds requested will provide for equipping the new KDES facility, for building and equipping a learning center and fifth residence hall, for the installation of the Honeywell Delta 2000 System and for planning the conversion of Ely Hall.

HOWARD UNIVERSITY

WITNESSES

DR. JAMES E. CHEEK, PRESIDENT
DR. CASPA L. HARRIS, JR., VICE PRESIDENT FOR BUSINESS AND FISCAL AFFAIRS—TREASURER
DR. CARLTON P. ALEXIS, VICE PRESIDENT FOR HEALTH AFFAIRS
DR. LORRAINE WILLIAMS, VICE PRESIDENT FOR ACADEMIC AFFAIRS
DR. ROGER D. ESTEP, VICE PRESIDENT FOR DEVELOPMENT AND UNIVERSITY RELATIONS
DR. CHARLES S. IRELAND, HOSPITAL DIRECTOR, HOWARD UNIVERSITY HOSPITAL
AUGUSTUS L. PALMER, ASSISTANT TREASURER, HOWARD UNIVERSITY, AND FINANCIAL DIRECTOR, HOWARD UNIVERSITY HOSPITAL

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. FLOOD. Next is Howard University.

The presentation will be made by Dr. James E. Cheek, president of the university.

We have your biographical sketch, Doctor, which we will place in the record at this point, and your statement.

[Biographical sketch and statement follow:]

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HOWARD UNIVERSITY

Biographical Sketch

NAME	:	James E. Cheek
POSITION	:	President of the University
BIRTHPLACE AND DATE	:	Roanoke Rapids, North Carolina; December 4, 1932
EDUCATION	:	Shaw University, 1955, B.A. Colgate-Rochester Divinity School, 1958, M.Div. Drew University, 1962, Ph.D.
EXPERIENCE		
Present	:	President, Howard University
1963-1969	:	President, Shaw University, Raleigh, North Carolina
1961-1963	:	Assistant Professor of New Testament and Historical Theology, Virginia Union University, Richmond, Virginia
1959-1961	:	Instructor in Western History, Union Junior College, Cranford, New Jersey
1959-1960	:	Teaching Assistant in Historical Theology, Drew Theological School, Madison, New Jersey
ASSOCIATIONS/ MEMBERSHIPS	:	Board of Directors: National Council on Educating the Disadvantaged Joint Center for Political Studies National Association for Equal Opportunity in Higher Education National Permanent Federal Savings and Loan Association Union First National Bank of Washington Washington Urban League Board of Trustees: Colgate-Rochester Divinity School Federal City Council Institute of International Education National Consumer Information Center United Way of the National Capital Area
HONORS AND RECOGNITIONS	:	Doctor of Humanities, Shaw University, 1970 Doctor of Humane Letters, Trinity College, 1970 Doctor of Laws, A&T State University, 1971 Doctor of Laws, Drew University, 1971 Docteur Honoris Causa, l'Universite d'Etat d'Haiti, 1972 Doctor of Education, Providence College, 1972 Doctor of Laws, Delaware State College, 1972 Doctor of Humanities, University of Maryland, 1975 Doctor of Divinity, Bucknell University, 1975

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Statement by the President, Howard University

on

Howard University

Mr. Chairman and Members of the Committee:

I am privileged to have this opportunity to appear before this Committee to present the 1978 budget request on behalf of Howard University.

The total University Federal request for 1978 is $99,118,000. Our request is presented in three categories: The Academic Program category in the amount of $73,087,000, an increase of $9,600,000 over 1977; Howard University Hospital, $22,106,000; and Construction, $3,925,000, an increase of $1,425,000 over our 1977 request.

The Academic Program component of our 1978 budget is composed of built-in increases in the amount of $5,000,000 and program increases in the amount of $4,600,000. Built-in increases represent $1,560,000 for annualization of non-teaching pay raises; $2,120,000 for non-faculty pay increases in the 1978 fiscal year representing an average 4.83% increase expected to be provided other area institutions in FY 78; periodic step increases and promotions $845,000 and $475,000 for annualization of the 1977 faculty pay increase. Our program request represents $2,600,000 for faculty salary increases in line with recent AAUP studies; $500,000 in support of the University Library System that will support all of our schools and colleges; $500,000 as partial support for the College of Medicine that will allow us to acquire ten (10) additional

faculty and four (4) support personnel as well as providing a modest amount for supplies and materials; $500,000 in support of our School of Communications for equipment in the Department of Television Broadcasting and Cinematography and $500,000 for retirement allowance that is expected to bring the University into full compliance with the Pension Reform Act of 1974 and to provide a modest increase in support of persons who will retire in 1978.

The University is not seeking any additional funds for the Howard University Hospital from the Federal Government in 1978. The hospital plans to obtain $1,125,000 in additional revenue from an increase in room rates and patient fees. These funds will be used to meet corresponding increased cost of operations.

Our total Construction request for FY 78 is $3,925,000 for three University projects. The University is seeking $2,000,000 in 1978 to continue payment on the First and Second Trust Notes for our Dunbarton College Campus in an amount of $1,000,000 and the remaining $1,000,000 will be used for our building renovation program. We are also seeking $1,800,000 for the University Center Building for equipment and furniture. This building is currently under construction and is expected to be completed during the 1978 fiscal year. The last item in our construction request is $125,000 for Women's Dormitory #7. This request is the result of a dispute between the General Services Administration and a contractor during the construction phase of the project. The University is responding to a request from the General Services Administration to provide these funds in order to close out this project.

Mr. Chairman, I would again like to express my sincere appreciation for the opportunity to appear before this Committee in connection with the Howard University 1978 Budget request. I will be happy to answer any questions that you or members of the Committee may have concerning our request or other programs at the University.

INTRODUCTION OF ASSOCIATES

Mr. FLOOD. You have people here you would like us to meet, of course.

Dr. CHEEK. Yes, sir.

Dr. Lorraine Williams, our vice president for academic affairs; Dr. Caspa Harris, vice president for business and fiscal affairs; Dr. Carlton Alexis, vice president for health affairs are here at the table.

In the audience we have Dr. Roger Estep, vice president for development; Dr. Charles Ireland, director of the university hospital; and Mr. Augustus Palmer, assistant treasurer and comptroller of the hospital.

Mr. FLOOD. You have the varsity here.

BUDGET REQUEST

Doctor, this budget request is $99.1 million; so you are finally nearing the $100 million mark. Ten years ago the appropriation for Howard University was $26 million.

What do you think? Is Howard a much better institution than it was 10 years ago?

Dr. CHEEK. Mr. Chairman, I certainly think it is. We have expanded a number of schools and colleges. We are in a number of programs we were not in before. We have a larger hospital than we had, and we carry on a number of services in the hospital that we did not have 10 years ago.

I think overall the quality of the institution has increased tremendously. It still is not where we would like it to be, nor the budget where we would like it to be.

ACCREDITATION PROGRESS

Mr. FLOOD. Of course, this committee hopes that Howard is a first-rate institution. But we are concerned about some of the reports from the accrediting agencies and the people over at the Office of Education.

It appears there are some academic deficiencies at the university. Can you tell us what these deficiencies are?

Dr. CHEEK. Mr. Chairman——

Mr. FLOOD. And what caused the deficiencies?

Dr. CHEEK. A number of the deficiencies are related to the absence of sufficient space. The absence, in certain schools and colleges, of executive personnel is a factor creating rather large student-teacher ratios.

In the case of the library, we are suffering from, I hate to say, approximately a quarter of a century of inattention to the library in relation to the growth of the school.

The Middle States report indicates that one of the serious deficiencies of the institution, which we have not been able to address adequately through the direct appropriations process, is the lack of sufficient middle management personnel, and to quote from the report, it says that, "Too much of a burden is placed on too few, and this is due to an insufficient number of middle management people."

Mr. FLOOD. To what extent does this 1978 budget overcome these deficiencies you are listing now?

Dr. CHEEK. The budget addresses, in part, the continuing problem in the college of medicine of not having sufficient faculty in the basic sciences, in view of the fact that the college of medicine has to bear the burden of teaching in the basic sciences, not only students in medicine, but also students in all of the health science schools, of which there are five in addition to the college of medicine.

Mr. PATTEN. Say that again, will you?

Dr. CHEEK. Yes. The basic sciences represent the first 2 years of the curriculum in the college of medicine. These courses are also taken by students in pharmacy, nursing, allied health, dentistry——

Mr. PATTEN. I know what you are saying now. Pardon me, Mr. Chairman.

Dr. CHEEK. In other words, the college of medicine has to bear the burden not only for the medical students, but for the health and science students, also.

BASE PROJECTION TOWARD MEDIAN

Mr. FLOOD. We understand Howard made a comparison with 11 other institutions. The report says, "Howard was below the mean and median in physical, human, and financial resources that should be available to operate adequately an institution of this size and national stature."

Will Howard University ever be able to achieve a level of comparability with other similar institutions, and, if so, how?

Dr. CHEEK. Mr. Chairman, we, of necessity, must achieve that kind of level, if we are to remain competitive for students, for faculty, as well as competitive in terms of resources from the private sector, and I emphasize the second, because in the private sector, and I mean corporations and foundations, they simply are not responsive to institutions unless they think they are already institutions of high quality.

Mr. FLOOD. Have you made a budget projection showing the amount of funds in the future that will be needed to bring Howard up to a mean or median?

Dr. CHEEK. The last year for which we were able to get the figures was 1971–72, and for that year in order to have been at the average, we would have needed an overall operating budget increase of approximately $40 million.

Now, that was in 1971–72.

Mr. FLOOD. Do you have a budget projection showing that now?

Dr. CHEEK. Well, if we were to use the 1971–72 figures, that would have indicated what we would have needed at that time. We do not have hard data on which to base a projection for comparative purposes, but it would be my view that it would approximate $60 million.

STUDENT ENROLLMENT

Mr. FLOOD. How many students do you have enrolled at Howard now?

Dr. CHEEK. We have a gross enrollment, that is, part time and full time, 10,779.

Mr. FLOOD. Now that black students have more opportunities to go elsewhere, do you find your enrollment is declining? If so, what can you do to attract more students?

Dr. CHEEK. Mr. Chairman, first of all, black students do not have the kinds of opportunities to go to other schools that appear in newspaper articles.

Mr. FLOOD. Yes. I wondered about that.

Dr. CHEEK. There is at least—at least we detect a trend developing now that is the reverse of what happened in the 1960's, when there was a great deal of emphasis on affirmative action and open-door policies and this kind of thing.

In the key areas where Howard will expand in the future, in graduate schools, the opportunities are severely restricted, and what significant growth or increase has taken place has taken place in undergraduate institutions and community colleges.

Mr. FLOOD. How many foreign students do you have?

Dr. CHEEK. Approximately 2,000.

FACULTY INCREASES

Mr. FLOOD. You ask an increase of $4.7 million for faculty and staff increases. How did you arrive at that amount?

Dr. CHEEK. For faculty increases, we have been following all along the American Association of University Professors' scale, and Howard University is classified as a university in category one, meaning complex universities, and it has been our objective to try to achieve and maintain all ranks at step one of the AAUP scale.

Mr. FLOOD. Do staff and faculty receive the same rate of increase?

Dr. CHEEK. No, they do not.

NONFACULTY POSITIONS

Mr. FLOOD. What is the status of the new pay system for the nonfaculty positions you were talking about last year?

Dr. CHEEK. The Hay Associates just delivered to us on Friday the results of its study, and it indicates roughly a 7.7- or 7.7-something-percent increase to our nonfaculty salary budget in order to implement the system that they have designed and recommended for us.

Mr. FLOOD. When will it be established?

Dr. CHEEK. We will begin to implement it in the 1978 fiscal year, and we will phase it in. We won't be able to establish it all at one time.

NEW POSITIONS

Mr. FLOOD. You are requesting 14 new positions for the college of medicine. The justification seems to indicate that these positions are to offset a reduction in Federal grants.

Dr. CHEEK. Yes, that is correct.

Mr. FLOOD. Will you explain that?

Dr. CHEEK. Dr. Alexis can explain it more to the point.

Dr. ALEXIS. Mr. Chairman, we referred to the Health Professions Education Assistance Act of 1971, as later amended in 1976, which provided for capitation awards to schools of medicine.

With an appropriation that was reduced by some 50 percent in fiscal year 1975 and fiscal year 1976, the College of Medicine has sustained a loss of some $500,000 in capitation grant funds when one compared

fiscal 1977 with fiscal 1975. There was about half a million less, and these funds are aimed at restoring those positions.

Mr. FLOOD. For your library, you are requesting six new positions and $500,000.

Dr. CHEEK. Yes.

Mr. FLOOD. Now, you remember we talked about this last year. We allowed six new positions last year for the library, didn't we?

Dr. CHEEK. Yes, Mr. Chairman, I have with me the report——

Mr. FLOOD. Why do you need six more new positions?

Dr. CHEEK. Actually, according to the most recent report of the Association of Research Libraries, and I have the published reports with me, in order to be at the required level, we would need 75, approximately, new positions, principally in the nonprofessional area. That is, catalogers, technicians, clerks, et cetera.

The six positions represent what we felt we could finance out of the ceiling we were allowed, and that is a small step in the direction of meeting that requirement.

Mr. FLOOD. For the hospital, you want 20 new positions, but the financing would be derived from increased patient fees?

Dr. CHEEK. Yes.

Mr. FLOOD. Are you being a little bit optimistic about that?

Dr. CHEEK. I am optimistic because the staff provided me with that data, and the data are optimistic. Dr. Alexis can explain it further, if you like.

Dr. ALEXIS. Mr. Chairman, I guess I generated the optimism, based on a good rate of occupancy. We feel if we can improve on our collections, the increase can be achieved by the current patient load at the hospital.

Mr. FLOOD. Are you sure about that? You feel that is so?

Dr. ALEXIS. Yes, I am relatively certain we can do it.

Mr. FLOOD. To what extent will these increased charges that you are talking about force your patients to go to other hospitals?

Dr. ALEXIS. Well, Mr. Chairman, as you recall, we increased our rates for the outpatient clinics a year ago, and to a degree those increases were counterproductive, not so much in having our patients go elsewhere, but because of our inability to collect those rates.

Mr. FLOOD. That is something else.

COMPARISON OF HOSPITAL ROOM CHARGES

I tell you what you can do for the record. Insert your proposed hospital fees, and then compare them with other hospitals in the District of Columbia area here. You can do that for various services. You can pick out various selected services when you prepare that.

[Information follows:]

SELECTED RATE DATA

Howard University Hospital, George Washington University Hospital
and Georgetown University Hospital

Rate or Item	Howard University Hospital	Georgetown University Hospital	George Washington University Hospital
Room Rates 1/			
One Bedroom	153	165	182
Two Bedroom	146	148	165
Four Bedroom	136	-	-
Intensive Care Unit	400	372	480
Coronary Care Unit	400	372	600
Stroke Unit	400	-	-
Surgical Intensive Care	400	-	-
	F.Y. 1977 and F.Y. 1978 est.	Calendar 1975	Calendar 1975

1/ Median for accommodation

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CONSTRUCTION

Mr. FLOOD. I notice for construction you are asking for $2 million for the Dunbarton campus.

Dr. CHEEK. Yes.

Mr. FLOOD. What is the total estimate cost of that?

Dr. CHEEK. Dr. Harris will explain that.

Dr. HARRIS. The original purchase price was $8.3 million for the Dunbarton campus. We estimated it would take $5 million to renovate the facilities to make it totally operational.

Mr. FLOOD. That is the total estimated cost?

Dr. HARRIS. Yes; $13.3 million.

Mr. FLOOD. What method of financing are you using?

Dr. HARRIS. We have several long-term notes. We have a first and second trust on the building, and we have been paying that off at the rate of $1 million a year.

That is on the acquisition of the property. The rates vary because we assumed some outstanding loans from the seller, but the average rate of interest on it right now is approximately 7 percent, when we purchased it.

BELTSVILLE PROPERTY

Mr. FLOOD. In the 1977 appropriations bill, Congress appropriated $500,000 for—and we talked about this at some length—the proposed campus in Beltsville, Md.

What is the current plan for that facility?

Dr. CHEEK. The current plan is to develop it in three phases. The first phase will be for an interim animal resource center.

Mr. FLOOD. You remember we had the definite impression, and you made quite a point of it last year, that you were about to lose this Beltsville property unless you began development. Is that still the case?

Dr. CHEEK. Yes, that still is the case, Mr. Chairman.

Mr. FLOOD. What is your plan for that?

Dr. CHEEK. As you know, the $500,000 was appropriated with a condition that the university submit to the committee, this committee, a proposed plan of development, which we did, and we are now awaiting the committee's response to our report, because the funds have not been released.

The planning funds that we have have practically all been obligated, and they are currently working on completing the plans for the first phase.

Mr. FLOOD. Mr. O'Brien.

PROPOSED HOSPITAL COST CEILINGS

Mr. O'BRIEN. Can I address a question back to Dr. Ireland.

Doctor, I am interested in hospitals, particularly those in my district, but all over, and the Secretary, Mr. Califano, has talked about the possibility of a cap on costs. Some of my administrators have been concerned about a cap on supplies and services. Would that be a problem for you?

Dr. IRELAND. It is an increasing problem, and it would make it very difficult for us to decide on new programs as far as expansion of health facilities and health programs.

Part of our problem is the fact that at the present time the majority of our reimbursements come from medicaid or medicare, for the most part, and as we approach the difference between costs and charges, whichever is smaller, the increases, with the cap, would be rather difficult for us.

Mr. O'BRIEN. Someone in my area suggested that that policy will tend to limit services that a hospital will be able to offer. Is there some truth in that?

Dr. IRELAND. I think there is. What you come down to finally is, you get yourself between a rock and a hard place in that you have to decide which services you will have to discontinue, and go back to basics only, if necessary.

Mr. O'BRIEN. Some of those decisions would be hard human decisions

Dr. IRELAND. Yes, they would be hard human decisions.

FACULTY/STUDENT RATIOS

Mr. O'BRIEN. Dr. Cheek, I had a question relative to a comment you made when you were touching on deficiencies. When you speak of gross student body, you are talking about part time and full time?

Dr. CHEEK. That is correct.

Mr. O'BRIEN. And the full time is approximately 9,200?

Dr. CHEEK. That is correct.

Mr. O'BRIEN. As near as I figure it, your faculty runs about 1.83 to 1. Back, again, in my home territory, all senior institutions in the State of Illinois are 15.1 to 1. My university, Northwestern, which is one of the 12, I am sad to say, most expensive schools, their ratio is 9.1 to 1. Joliet Junior College, in my hometown, the oldest junior college in the United States, the very first, the ratio is 12.85 to 1.

Aren't you "steam-cleaning" your children with that ratio?

Dr. CHEEK. Our ratios are different. We have a chart for each of the institutions and colleges. Some of the institutions you mentioned may have that ratio, such as the medical school. The recommended ideal ratio for a medical school is actually 1 to 1.

In our case in our medical school it is 1.6 to 1, and we have in some schools as high as 1 to 29.

The ratios actually vary in terms of the nature of the institution.

For graduate school for arts and sciences, it should be 1.6 to 1 or 1.7 to 1 of faculty to students.

I think, also, at our institution, because of the backgrounds of a large percentage, we have to operate a facility which we call the Center for Academic Reenforcement. That means that Howard University is faced with the burden of doing the job that some of the secondary schools did not do.

Mr. O'BRIEN. Would you supply for the record a copy of that chart?

Dr. CHEEK. Yes, we would be happy to.

[Chart follows:]

COMPARISON OF FACULTY-STUDENT
AND SUPPORT PERSONNEL - STUDENT RATIOS FOR
1976-1977 AND 1977-1978

COLLEGE	1976-1977				PROJECTED ADDITIONS 1977 - 1978			PROJECTED TOTALS 1977 - 1978				
	Student Enrollment*	Faculty F.T.E.	Support Personnel	Faculty Student Ratio	Add. Student Enroll.	Add. Faculty F.T.E.	Add. Support Pers.	Student Enrollment*	Faculty F.T.E.	Support Personnel	Faculty Student Ratio	Supp. Per. Student Ratio
Medicine	442 1643	266.64	345	1:6.16	22	10	4	471 1676	276.64	349	1:6.06	1:4.80
Dentistry	440	93.62	103	1:4.70	32	-	-	472	93.62	103	1:5.04	1:4.58
Nursing	234	23.31	7	1:10.03	16	-	-	250	23.31	7	1:10.72	1:35.71
Pharmacy and Pharmacal Sciences	230	25.95	20	1:8.86	22	-	-	252	25.95	20	1:9.71	1:12.60
Allied Health Sciences	366	36.15	13	1:10.09	16	-	-	382	36.15	13	1:10.57	1:29.38

* The figure on the top represents data related to the official enrollment, i.e., students actually enrolled in the college; the figure on the bottom represents the true enrollment, i.e., students being serviced by the college.

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AND SUPPORT PERSONNEL - STUDENT RATIOS FOR
1976-1977 & 1977-1978

March 16, 1977

School or College	PROPOSED 1976-1977				PROJECTED ADDITIONS 1977-1978			PROJECTED TOTAL 1977-1978				
	Student Enrollment	Faculty F.T.E.	Support Personnel	Faculty Student Ratio	Add. Student Enroll.	Add F.T.E Faculty	Add. Support Pers.	Student Enrollment	Faculty F.T.E.	Support Personnel	Faculty Student Ratio	Sup. Pers. Student Ratio
Architecture & Planning*	240	25.42	8	1:9.44	+28	------	------	268	25.42	8	1:10.54	1:33.50
Business and Pub. Admin.*	866	42.39	24	1:20.43	-41	------	------	825	42.39	24	1:19.46	1:34.38
Communications	450	61.50	26	1:7.32	+150	------	------	600	61.50	26	1:9.76	1:23.08
Education*	450	48.00	10	1:9.38	+25	------	------	475	48.00	10	1:9.90	1:47.50
Engineering*	625	52.38	24	1:11.93	+25	------	------	650	52.38	24	1:12.41	1:27.08
Fine Arts*	350	57.70	11	1:6.07	+90	------	------	440	57.70	11	1:7.63	1:40.00
Graduate**	1450	53.72	31	1:6.07	-210	------	------	1240	53.72	31	1:23.08	1:40.00
Hum. Ecol.	208	22.64	10	1:9.19	---	------	------	208	22.64	10	1:9.19	1:20.80
Law	430	29.98	20	1:14.34	-5	------	------	425	29.98	20	1:14.18	1:21.25
Liberal+ Arts	3000 4200	363.09	149	1:8.26 1:11.57		------	------	3000 4200	363.09	149	1:8.26 1:11.57	1:20.13 1:28.19
Soc. Work	200	23.26	9	1:8.60	+25	------	------	225	23.26	9	1:9.67	1:25.00
Religion	70	10.49	2	1:6.67				70	10.49	2	1:6.67	1:35.00

*Projected figures include students enrolled in Graduate programs

+The figure on the top represents data related to the official enrollment, i.e., students actually enrolled in the College. The figure on the bottom represents the true enrollment, i.e., students actually being serviced. The faculty figures includes CAR.

** Excluding Architecture, Education, Engineering, and Fine Arts.

CAMERA COPY

Mr. O'BRIEN. Thank you, Mr. Chairman.
Mr. FLOOD. Thank you. Off the record.
[Discussion off the record.]
Dr. CHEEK. Thank you very much, Mr. Chairman.
[The following questions were submitted by members of the subcommittee with the request that they be answered for the record:]

WOMEN'S DORMITORY NO. 7

Mr. CONTE. You are requesting $125,000 for Women's Dormitory No. 7. What is the nature of the dispute between the General Services Administration and a contractor over this construction, and why do you need another $125,000?

Answer. Howard University received funds for construction prior to 1973 for Women's Dormitory No. 7. Upon authorization of the receipt of these funds, the funds were transferred to the General Services Administration in order that GSA would contract and supervise the construction of this building. As you may recall Mr. Conte, prior to 1973 Howard University did not have Congressional authority to enter into construction contracts or supervise construction contracts on its own, but under the law, we were required to utilize the services of the General Services Administration for this type of construction. Our records indicate that the General Services Administration terminated the services of William Green Construction Company, Inc. for purposes of which we are not familiar. It is also our understanding that the William Green Construction Company, Inc. took the matter to the Court of Claims and the Board of Contract Appeals and after negotiations with GSA and representatives of the bonding company, an agreement was made that William Green Construction Company, Inc. was entitled to $125,000 in addition to whatever payments may have been made to them by GSA subsequently. Howard University was notified on November 17, 1975 by the Regional Administrator of the General Services Administration concerning the agreement with a request that we transfer to GSA the $125,000 as agreed upon.

We are therefore requesting these funds in order that this dispute may be settled. You should understand that the University was not a party to the dispute or the settlement agreement and we were not requested to express our views in any portion of the settlement, except for the request to forward the funds to the General Services Administration.

FACULTY/STUDENT RATIOS

Mr. CONTE. How many students do you propose to have enrolled in 1978? How many faculty members will you have? Isn't this a significanty lower student to faculty ratio than prevails at most other institutions of higher education? How do you justify what appears to be a significant over-use of faculty positions?

Answer. The University estimates that it will have approximately 11,089 students enrolled on both a full and part time basis in 1978. Our records also indicate that we will have approximately 1,246 full-time equivalent faculty members during the 1977–78 school year. We are enclosing herewith a schedule of appropriate faculty student ratios as projected for each school and college during fiscal year 1978. According to our information, Howard does not have a significantly lower faculty student ratio than prevails at most other institutions of higher education. In fact, the reverse is true in almost every school and college represented at Howard University. Therefore, we do not feel that we have a significant over-use of faculty positions.

FACULTY RESEARCH VS. TEACHING LOAD

Mr. CONTE. What portion of your faculty actually teaches, as opposed to conducting research? What is the average teaching load among various divisions of the faculty?

Answer. Information supplied me indicates that each faculty member has teaching responsibilities. The average teaching load at the graduate level is 9 semester hours or approximately 3 courses. The average undergraduate teaching load is 12 semester hours or approximately 4 courses. The average teaching load in the health related sciences is approximately 30 contact hours. This is composed

of lectures, consultation and clinical contact hours with the students on a per weekly basis. None of these hours take into consideration other responsibilities and duties of faculty members such as thesis advising in the graduate programs and counselling and committee obligations in all divisions of the University.

ACCREDITATION PROGRESS

Mr. CONTE. What academic deficiencies remain at Howard based upon Office of Education and accrediting agency reports? What will be done in 1978 to correct those deficiencies?

Answer. A detailed report on accreditation problems that outline the deficiencies as viewed by the accrediting agencies has been submitted to the committee. There are no specific recommendations available from the Office of Education. The university in 1978 will correct all of the deficiencies that do not require additional revenue. Our 1978 budget will provide little relief in this area, since we are only permitted to request funds for six (6) non-faculty positions in the university library. This, of course, will assist us in reducing deficiencies in this area but the ten (10) faculty positions requested for our college of medicine will be used to replace current faculty members that have been supported by grant funds that were reduced.

COMPARATIVE STUDY OF FACULTY SALARIES

Mr. CONTE. How do faculty salaries at Howard compare to other institutions of higher education in the Washington area? What about the comparability of tuition and other student fees?

Answer. I am inserting in the record a comparative chart showing comparable salaries between Howard University and other area universities and a chart of comparable tuition and other student fees.

HOWARD'S AVERAGE FACULTY SALARIES IN COMPARISON WITH THE OTHER 4 MAJOR WASHINGTON AREA UNIVERSITIES

	Average compensation by rank (nearest hundred)			
	Professor	Associate	Assistant	Instructor
American University	27.2	20.5	17.0	15.1
Catholic University of America	23.4	17.8	15.0	12.8
George Washington University	29.9	21.4	17.0	12.8
Georgetown University	30.1	22.6	16.9	14.2
Howard University	28.7	21.6	17.7	13.0

GRADUATE AND PROFESSIONAL GOALS—1978

Mr. CONTE. Your justification states a goal of becoming more graduate and professionally oriented during 1978 (p. 153). What are the implications of such a goal for the continuing quality of undergraduate education at Howard?

Answer. The university's plan to become more graduate and professionally oriented will in no way diminish the need, emphasis and quality of its undergraduate programs. A strong graduate and professional program thrives upon well-prepared undergraduates. Conversely, the undergraduate students benefit from an atmosphere which stresses scholarship, research and service. Blacks constitute a very small percentage of scholars who have been awarded the Ph.D. degree. We must have a strong undergraduate program in order to prepare our students for the terminal degree. It is our view that our graduate and professional orientation can only have a positive effect on our undergraduate programs.

PLACEMENT PROGRAM FOR HOWARD'S GRADUATES

Mr. CONTE. What can you tell me about the placement program at Howard? How successful are your students at finding jobs? Have you done any follow-up studies to see how your students fare several years after graduation?

Answer. Howard University has had a very comprehensive program of on campus recruitment for over 20 years. More importantly the career development components of the program expose our underclassmen to career opportunities not available to ethnic minorities until recently. Our graduates in engineering and in business have been very successful in securing jobs while those in other disciplines, particularly in liberal arts, have met with varying degrees of success.

This is not unlike the experience of graduates of other universities. Forty to fifty-five percent of our liberal arts graduates continue their education in graduate and professional schools across the country, many of them attending one of the more than forty-five major collegiate institutions recruiting our graduates on campus each year. The Office of Career Planning and Placement conducts an annual salary survey to ascertain the entry level salaries of our graduates.

Data collected annually by the Office of Career Planning and Placement includes career plans, organization, job title and a composite salary.

We have no general follow-up studies to determine how our graduates generally fare several years after graduation. We do have selected data on some of our graduates who have been employed for several years by some of our Nation's leading corporations.

PERCENTAGE OF FEDERAL SUPPORT, 1975–77

Mr. CONTE. What portion of your total budget is currently provided from Federal sources? How does this compare to your request for next year and the portion from previous years?

Answer. According to our figures, approximately fifty-seven percent (57%) of the total University budget is currently provided from Federal sources. This includes the hospital as well as the University. We have not yet prepared our request for the 1979 fiscal year and at this time, we are not prepared to provide an estimate of Federal support for fiscal year 1979. In 1977, Federal support was approximately fifty-four percent (54%) of the total budget. In 1976, it was fifty-seven percent (57%); and in 1975, it was also fifty-seven percent (57%) of our total budget.

ANALYSIS OF MINORITY AND NONMINORITY STUDENTS

Mr. CONTE. How does your student body break down between minority and nonminority students?

Answer. I will enclose for the record a schedule of our student body by minority and nonminority category.

FALL 1976 ETHNIC ORIGIN REPORT—DEC. 16, 1976 [1]

	Black	American Indian	Asian	Caucasian	Hispanic	Nonresident alien	Total
Undetermined records							88
Undergraduate:							
Liberal arts	2,553	7	15	37	14	288	2,914
Allied health	246	1	1	35	1	21	306
Architecture and planning	189	1	5	3	3	58	259
Business	563	1	3	6	1	117	691
Communications	488	2	3	5	0	28	526
Education	46	0	0	0	0	6	52
Engineering	425	0	16	7	3	71	523
Fine arts	405	0	0	7	1	12	425
Human ecology	198	3	1	1	0	21	224
Nursing	204	0	2	2	2	18	228
Pharmacy	149	0	8	19	2	58	236
Dental hygiene	17	0	0	10	1	3	31
University without walls	54	0	0	1	0	2	57
Total undergraduates	5,537	15	54	133	28	703	6,470
Graduate and professional:							
Graduate school	1,045	3	51	100	14	359	1,572
Medicine	338	1	2	52	1	52	446
Dentistry	233	2	5	96	6	84	426
Law	382	0	2	60	4	18	466
Social work	195	0	2	26	1	8	232
Religion	63	0	1	5	1	10	80
Architecture	31	0	0	0	1	26	58
Business	74	0	1	2	1	25	103
Engineering	8	0	0	0	0	2	10
Fine arts	24	0	0	0	0	3	27
Total graduates and professionals	2,393	6	64	341	29	587	3,420
Grand total	7,930	21	118	474	57	1,290	9,978

[1] Figures reflect ethnic categories in which students perceive themselves to be. Thus, for example, the nonresident alien category is grossly underrepresented by approximately 660 students.

JUSTIFICATION OF THE BUDGET ESTIMATES

Appropriation Estimate

HOWARD UNIVERSITY

For the partial support of Howard University [$82,409,000] *$99,118,000* of which [$2,500,000] *$3,925,000* shall be for construction and shall remain available until expended: *Provided*, That if requested by the University, such construction shall be supervised by the General Services Administration.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SPECIAL INSTITUTIONS

Howard University

Amounts Available for Obligation

	1977	1978
Appropriation	$ 82,409,000	$ 99,118,000
Proposed supplemental	5,684,000	---
Subtotal, appropriations	$ 88,093,000	$ 99,118,000
Receipts and reimbursements from non-Federal sources	60,872,000	64,337,000
Unobligated balance, start of year	13,966,000	999,000
Unobligated balance, end of year	-999,000	-999,000
Total, obligations	$161,932,000	$163,455,000

Summary of Changes

1977 Estimated obligations	$161,932,000
1978 Estimated obligations	163,455,000
Net Changes	$ +1,523,000

	1977 Base Pos.	1977 Base Amount	Change from Base Pos.	Change from Base Amount
Increases:				
A. Built-in				
1. Annualization of non-teaching pay raise	---	---	---	$ 1,560,000
2. Non-Faculty Salary increase	---	---	---	2,120,000
3. Periodic step increases and promotions	---	---	---	845,000
4. Annualization of faculty pay increase	---	---	---	475,000
Subtotal				$ 5,000,000

	1977 Base		Change from Base	
	Pos.	Amount	Pos.	Amount
B. Program				
1. Academic Program				
a. College of Medicine	362	$ 8,474,000	14	$ 500,000
b. School of Communications	81	2,794,000	---	500,000
c. University Libraries	169	4,244,000	6	500,000
d. Faculty salary increases	---	---	---	2,600,000
e. Partial support of the Retirement program	---	---	---	500,000
Subtotal				$ 4,600,000
2. Increase in reimbursements from non-Federal sources				
Academic program	---	---	---	$ 2,340,000
Howard University Hospital	---	---	---	1,125,000
Subtotal				$ 3,465,000
3. Construction:				
Dunbarton College Campus	---	---	---	$ 2,000,000
University Center Building-Equipment	---	---	---	1,800,000
Women's Dormitory #7	---	---	---	125,000
Subtotal				$ 3,925,000
Total, increases				$ 16,990,000
Decreases:				
A. Program:				
Construction - non-recurring projects	---	---	---	-15,467,000
Subtotal				$-15,467,000
Total decreases				$-15,467,000
Total, net change				$+ 1,523,000

Obligations by Activity

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Operations:						
(a) Academic program	2,984	$101,856,000	3,004	$113,796,000	+20	$ 11,940,000
(b) Howard University Hospital	1,741	44,609,000	1,761	45,734,000	+20	1,125,000
Subtotal	4,725	$146,465,000	4,765	$159,530,000	+40	$+13,065,000
Construction:						
(a) Planning and site development	---	$ 100,000	---	$ 215,000	---	$ +115,000
(b) Buildings and land acquisition	---	15,367,000	---	3,710,000	---	-11,657,000
Subtotal	---	$ 15,467,000	---	$ 3,925,000	---	$-11,542 000
Total obligations	4,725	$161,932,000	4,765	$163,455,000	+40	$ +1,523,000

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Grants, subsidies and contributions	$161,932,000	$163,455,000	$+1,523,000

Significant Items in House and Senate
Appropriations Committee Reports

Item	Action taken or to be taken
1977 House Report	
Construction	
1. Committee provided $500,000 for construction of Beltsville Maryland Campus. Funds cannot be obligated until Committee approves University plans for use of property.	The University will provide detail plans and specifications for construction, academic programs, and related short and long term use of Beltsville Maryland Campus as required for Committee approval.

Authorizing Legislation

Legislation	1978 Authorization	1978 Appropriation Requested
"An Act to Incorporate Howard University" (20 U.S.C. 128) Sec. 8, PL 79-615	Indefinite	$77,012,000
"Howard University Hospital, formerly Freedmen's Hospital" (20 U.S.C. 124), PL 87-262	Indefinite	$22,106,000

APPROPRIATION HISTORY

HOWARD UNIVERSITY

Fiscal Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1966	$18,742,000	$18,742,000	$18,742,000	$18,742,000
1967	23,638,000	23,515,000	23,515,000	23,515,000
1968	45,582,000	26,397,000	26,397,000	26,397,000
1969	29,970,000	28,778,000	28,778,000	28,778,000
1970	61,969,000	61,969,000	61,969,000	61,969,000
1971	38,197,000	38,197,000	38,197,000	38,197,000
1972	60,486,000	60,486,000	60,486,000	60,486,000
1973	58,881,000	58,881,000	58,881,000	58,881,000
1974	62,146,000	62,146,000	62,146,000	62,146,000
1975	81,700,000	81,700,000	81,700,000	81,700,000
1976	86,558,000	86,558,000	86,558,000	86,558,000
1977	81,909,000	82,909,000	81,909,000	82,409,000
1977 Proposed supplemental	5,684,000			
1978	99,118,000			

JUSTIFICATION

Howard University

	1977		1978		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	4,725	$109,183,000	4,765	$118,326,350	+40	$+9,143,350
Other expenses.....		52,749,000	---	45,128,650	---	-7,620,350
Total.....	4,725	$161,932,000	4,765	$163,455,000	+40	$+1,523,000

General Statement

Academic Program

Howard University, located in the District of Columbia, chartered by an Act of Congress, will celebrate 110 years of service to higher education on March 2, 1977. The University consists of seventeen schools and colleges and offers programs in higher education on the undergraduate, undergraduate professional, graduate, and graduate professional levels. Undergraduate students are registered in the College of Liberal Arts; undergraduate professional students are registered in Schools of Architecture, Business, Communications, Education, Engineering, Fine Arts, Human Ecology, and the Colleges of Pharmacy, Nursing, and Allied Health; graduate students seeking the Masters and Doctor's degrees are registered in the Graduate School of Arts and Sciences; and graduate professional students seeking Masters and Doctor's degrees are registered in Architecture, Business, Engineering, Fine Arts, Law, Religion, Social Work, Medicine, Dentistry, and Pharmacy. (The School of Religion receives no support from Federal funds.) The University offers the Masters degree in 43 departments and the Doctor of Philosophy degree in 21 fields.

Enrollment of Students	1976 Actual	1977 Estimate	1978 Estimate
Undergraduate	2,630	2,650	2,650
Graduate	1,099	1,100	1,200
Professional Schools	5,040	5,443	5,618
Howard University Hospital	169	169	169
Total	8,938	9,362	9,637

	1976	1977	1978
Faculty			
No. of faculty	1,898*	1,939	1,939

*Includes 879 part-time teachers

Howard University Hospital

	1976 Act.	1977 Est.	1978 Est.
Patient statistics:			
Admissions	12,979	13,500	13,500
Average daily patient load including newborns	364.5	380	380
Outpatient visits:			
Clinic	64,191	70,000	70,000
Emergency	54,851	60,000	60,000
Total	119,042	130,000	130,000

Building Program

The building program at Howard University has been revised several times since the master development plan was inaugurated in 1951. The University is currently revising the master development plan due to enrollment modifications and increases during the past several years; expansion of its educational programs and the availability of the Old Freedmen's Hospital complex. The University has completed twenty five building projects since 1946 including the new university teaching hospital. It is anticipated that four building projects will be under construction in 1977 and three major renovation projects are expected to be underway during this same period as well as seven projects in various stages of planning.

Program Goals for 1978

Howard University proposes as a major program goal in FY 78 to eliminate as many of its academic deficiencies as possible within budgetary contraints. The University has been constantly working towards this goal and will continue to do so until all deficiencies have been removed. A careful analysis and review of accrediting agency reports and reports from the Office of Education regarding academic deficiencies have been made and corrective action will be taken where funds are available to meet these deficiencies.

Careful cost reduction and an analysis of expenditures will continue in effect at the University during the 1978 fiscal year. The University has already begun an intensive internal review of expenditure control and cost analysis. This review will be expanded significantly during the 1978 fiscal year to assure the administration that total value has been received for each dollar spent. We anticipate the installation of several cost reduction programs during this period as well as a continuing budgetary analysis to determine that our available resources are properly allocated.

The University's goal of becoming more graduate and professionally oriented will move forward according to our plans during 1978. It is anticipated that the graduate school will continue to expand within its available budgetary resources and a review and analysis of professional school academic programs will continue to assure that minorities are well represented in those critical areas that

continue to show deficiencies on a nationwide basis. The University also proposes to continue strengthening its undergraduate liberal arts college by providing special education opportunities for those students who are deficient in some of the basic skills required to satisfactorily complete college level work.

Howard University will continue its primary mission to provide quality educational opportunities to all students without regard to race, creed, religion or national origin. Emphasis will be placed on serving minority students without denying the same opportunities to any other student that desires to seek the educational training offered at Howard.

HOWARD UNIVERSITY

Academic Program

	1977		1978		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	2,984	$ 79,481,000	3,004	$ 88,028,350	+20	$ +8,547,350
Other expenses.....	---	22,375,000	---	25,767,650	--	+3,392,650
Total	2,984	$101,856,000	3,004	$113,796,000	+20	$+11,940,000

Narrative

The 1978 budget estimate for the academic program represents an increase of $9,600,000 over the 1977 appropriation. Of this total $1,000,000 is requested for support of two schools and colleges including 10 positions for instructional purposes, and 4 new supporting personnel positions; $500,000 for the university library system including 6 new positions; $2,600,000 for faculty salary increases and $500,000 for partial support of our retirement program. A distribution of the instructional funds and positions are presented below:

	1977			1978		
	Fac.	Supp. Pers.	Amount	Fac.	Supp. Pers.	Amount
1. Faculty Salary increase....	--	--	$1,900,000	--	--	$ 2,600,000
2. Non-Faculty Salary increase	--	--	--	--	--	2,120,000
3. Communications.....	--	--	325,000	--	--	500,000
4. Medicine.....	11	--	375,000	10	4	500,000
5. Staff Benefits (Retirement Allowances.....	--	--	1,000,000	--	--	500,000
6. University Libraries.....	--	6	300,000	--	6	500,000
7. Non-faculty pay increase annualization.....	--	--	520,000	--	--	1,560,000
8. Faculty pay increase annualization.....	--	--	--	--	--	475,000
9. Periodic step increase and promotions.....	--	--	340,000	--	--	845,000
10. Annualization of new faculty positions.....	30	--	561,000	--	--	--
11. Non-Federal new faculty positions.....	30	--	750,000	--	--	--
12. Partial support-Utilities.	--	--	90,000	--	--	--
13. Non-Federal utilities.....	--	--	--	--	--	1,210,000
14. Non-Federal Dormitory operating expenses.....	--	--	--	--	--	1,130,000
Total	71	6	$6,161,000	10	10	$11,940,000

Faculty Salary Increases, Budget Authority, $2,600,000 -

Funds are requested for a faculty salary increase for the 1978 fiscal year in accordance with AAUP projections. Howard University has consistently used level one of the AAUP salary study in order to remain competitive and to maintain salary levels in line with similar educational institutions. This request is not designed to provide an across-the-board increase, but is proposed to provide increases on an individual basis as recommended by the University administration in accordance with internal criteria and with academic ranking as established by the AAUP study. This request will average a 6% increase for 1978.

Salary Increase for Non-faculty Employees, Budget Authority, $2,120,000 -

The University is seeking an average salary increase of 5% for non-faculty employees for the 1978 fiscal year. This request is in line with the cost-of-living increase that has been projected for salaries within the Metropolitan Washington area and represents an increase that is expected to be provided for employees of similar educational institutions, private industry and the Federal and District of Columbia Governments during the 1978 fiscal year.

University Libraries, Budget Authority, $500,000 -

We are requesting additional funds to support our total library system at the University that services all of our seventeen schools and colleges. Our current library system ranks far below other library systems of similar educational institutions of the same size and scope of Howard. Published statistics have revealed that Howard ranks at, or near the bottom in almost every important category of the Association of Research Libraries (ARL), an organization that includes eighty-eight (88) libraries in its membership. In addition, Howard has consistently been listed as deficient in its library resources by accrediting agencies as well as other organizations that have included us in their comparative reviews.

This request provides funds for six (6) supporting staff in the amount of $66,000; and an amount of $434,000 for other objects (primarily books and periodicals).

College of Medicine, Budget Authority, $500,000 -

Additional teaching and non-teaching personnel are critical for the support of the current expanded curriculum and to meet the basic science needs of all of the colleges in the Center for the Health Sciences. The need for additional basic science faculty is due to the necessity to reinforce the standard medical curriculum with remedial courses and programs needed to correct deficiencies in the preprofessional educational preparation of a large number of the students served by this college; the escalation in numbers of courses added to the curriculum in order to offer small group teaching; and the large volume of basic science teaching responsibility for such disciplines as dentistry, nursing, pharmacy and the allied health sciences (clinical nutrition, medical technology, radiologic technology, radiation therapy technology, physicians assistants, occupational therapy, physical therapy, medical dietetics, etc.).

In FY 1973, FY 1974, and 1975, the College of Medicine received approximately $1 million dollars each year from Federally supported grant funds (Capitation Grant) to supplement the regular budget. These funds enabled the administration to acquire many of its valuable faculty and supporting staff. In FY 1976, the grant was cut $276,815; and again in FY 1977 by $281,311 representing a decrease over fifty (50) percent in the two-year period. Consequently, we are compelled to submit our request for the 1978 fiscal year for $275,000 for ten (10) additional faculty; $48,000 for four (4) support personnel and $177,000 for other objects including supplies and materials.

The School of Communications, Budget Authority, $500,000 -

The School of Communications was opened in 1972 including as a part of its curriculum training in television broadcasting and cinematography (films). The principal area of underdevelopment in the School, which is handicapping the quality of instruction, is in the area of television and films. The University has been granted a construction permit by the Federal Communications Commission to establish an educational television station (WHMM-TV, Channel 32) to serve as a television broadcast training laboratory. In order to continue the program and improve its quality, we are requesting funds for additional supplies, materials and equipment that are considered essential.

Retirement Allowance, Budget Authority, $500,000 -

The University is seeking partial support for its retirement program in order to comply fully with the Pension Reform Act of 1974 (ERISA) and to provide partial funding for personnel who are expected to seek retirement during the 1978 fiscal year. This request includes an amount of $300,000 in additional funds to comply fully with the funding requirement of the Pension Reform Act. The remaining $200,000 of our request will provide partial support for those employees who will be eligible to retire during the 1978 fiscal year under our normal retirement plan.

The Pension Reform Act of 1974 (ERISA) requires all private pension plans to fully vest (fund) all retirement contributions while individuals are employed and will not allow vesting at the time of retirement. Howard previously funded a major portion of its retirement plan when the employee retired that is no longer permissable under ERISA.

HOWARD UNIVERSITY

HOWARD UNIVERSITY HOSPITAL

	1977		1978		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel compensation and benefits.....	1,741	$29,702,000	1,761	$30,298,000	+20	$ +596,000
Other expenses.....	---	14,907,000	---	15,436,000	---	+529,000
Total.....	1,741	$44,609,000	1,761	$45,734,000	+20	$+1,125,000

NARRATIVE

In the 1978 fiscal year, the hospital will continue the full utilization of its inpatient facilities by maintaining an average daily census of 380 patients including newborn. Outpatient activity will also continue at the rate of 130,000 visits per year. This patient load projection reflects the same level as in fiscal year 1977 for both inpatient and outpatient activities. In addition to providing patient care to the community, the hospital serves as a facility for training physicians, nurses and other professional and technical health practitioners. It is our purpose to provide health care and a teaching program fully equivalent to that which is available in the other university hospitals in the Washington Metropolitan area.

The hospital proposes a net increase in obligations of $1,125,000 in 1978, as compared with 1977. The added support which will provide 20 additional positions for direct patient care and for some expected increases in cost will be entirely funded by an increase in patient care receipts. This increase is expected to be achieved by further improvement in collection procedures.

The hospital is not requesting an increase in appropriations for FY 78 from the Federal Government. The proposed increase in funds of $1,125,000 will be available from increased patient fee revenue.

CONSTRUCTION

	1977		1978		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Other expenses.....	---	$15,467,000	---	$3,925,000	---	$-11,542,000
Total obligations	---	$15,467,000	---	$3,925,000	---	$-11,542,000
Subactivities:						
Planning and site development.....	---	$ 100,000	---	$ 215,000	---	$ +115,000
Buildings and Land acquisitions.....	---	$15,367,000	---	$3,710,000	---	$-11,657,000
Total obligations	---	$15,467,000	---	$3,925,000	---	$-11,542,000

The building program at Howard University has followed the master development program as prepared in 1951 with the cooperation of the General Services Administration, authorized by an appropriation of $50,000 by the Congress (Public Law 639, 80th Congress, approved June 1949). This program was based upon a twenty year projection which would make it possible to accommodate an equivalent of 5,200 full-time students in ten schools and colleges for a regular two semester school year. The student projection of 5,200 was reached in 1963. The full-time equivalent student enrollment for 1977 is expected to be 9,362. In order to update the master development program, the Congress authorized two appropriations in 1965 and 1967 totalling $60,000 to study the building needs of the university for the next twenty years. This study was completed in 1966 and received the approval of the National Capital Planning Commission. In general, the revised master development program provided educational, administrative, service and auxiliary facilities for a full-time equivalent of 12,000 students or an increase of 6,800 over the 1951 plan. The university is currently revising the 1966 plan. The transfer of Freedmen's Hospital to the supervision of Howard University, the acquisition of the old Griffin Stadium site, construction of a new 500 bed teaching hospital, the acquisition of the Dunbarton College site and the acquisition of 108 acres of land in Beltsville, Maryland for an animal research center represent the major developments not contemplated in the original program.

Buildings and Land Acquisition

Dunbarton Campus, Budget Authority, $2,000,000 -
The University continues to seek funds for the payment of the first and second trust notes on the Dunbarton College Campus in the amount of $1,000,000

for FY 78. These funds represent annual payments due in accordance with the purchase agreement when the University acquired this property. We are also seeking an additional $1,000,000 for the renovation of the current buildings in accordance with our original plans to provide central air conditioning and to provide the necessary renovations of these buildings required to provide quality education on a college level.

University Center Building, Budget Authority, $1,800,000 -

The University Center Building is currently under construction. We have been advised by the General Services Administration and our architects that the University must provide an additional $1,800,000 for furniture and equipment before the building can be made available for occupancy. Our initial appropriation was not adequate to construct this facility and to provide the necessary equipment and furniture for a building of this type. These funds will enable the University to fully utilize this building when construction is completed in early FY 78.

Women's Dormitory #7, Budget Authority, $125,000 -

This request is made in accordance with instructions from the General Services Administration in settlement of a claim between GSA and a contractor that arose during the construction of the building. Howard University was not a party to the contract or the claim of the contractor, nor did we participate in the settlement agreement. The General Services Administration is requesting the University to provide these funds to settle this dispute.

TABLE I

ANALYSIS OF FINANCING IN SUPPORT OF BUDGET ESTIMATES
FOR FISCAL YEARS 1976 THROUGH 1978

	1976 Actual	1977 Estimate	1978 Estimate
From Non-Federal Sources			
1. Student Fees - Tuition*.....	$ 8,166,000	$ 9,498,000	$ 9,948,000
Incidental & Service.....	1,604,000	1,663,000	1,963,000
2. Endowment Income.....	288,000	288,000	288,000
3. Gifts and Grants.....	16,785,000	19,110,000	20,700,000
4. Sales & Services of Educational Departments & Activities.....	271,000	275,000	275,000
5. Other Income.....	183,000	247,000	247,000
6. Auxiliary Enterprises.....	3,119,000	5,030,000	5,030,000
7. Student Aid.....	3,000,000	2,258,000	2,258,000
8. Patient Collections - Howard University Hospital	17,700,000	22,503,000	23,628,000
Total, Non-Federal.....	$ 51,116,000	$ 60,872,000	$ 64,337,000
From Government Appropriations			
Howard University - Academic Program Operations.....	$ 55,995,000	$ 63,487,000	$ 73,087,000
Construction			
NOA.....	10,000,000	2,500,000	3,925,000
Unobligated balance.....	4,375,000	12,967,000	---
Howard University Hospital - Operations.....	20,563,000	22,106,000	22,106,000
Total, Government Funds.	$ 90,933,000	$101,060,000	$ 99,118,000
Total, Financing.....	$142,049,000	$161,932,000	$163,455,000

*Yearly tuition costs for schools and colleges is $1,350, except for Dentistry ($1,650), Medicine ($1,850), Music ($1,418) and Law ($1,500).

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Howard University

Program Purpose and Accomplishments

Activity: Operations, Academic Program

1977		1978		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
2,984	$63,487,000	Indefinite	3,004	$73,087,000

Purpose:

This activity provides the required support for the academic program of the university and includes the required sub-activities classified as instruction and departmental research; research and training sponsored by outside agencies and organizations; a comprehensive library system that services the colleges and schools of the university including highly specialized professional schools as well as undergraduate and the graduate areas of instruction; administrative and support services; operation and maintenance of physical plant, auxiliary enterprises and student aid.

Explanation:

The instructional activity, with its supporting sub-activities, provides education on the undergraduate, graduate, and professional levels for students who elect to attend a highly complex institution to secure a high grade quality education that is not available within their own locality. While this education is available at Howard University to all students without regard to race, creed, or national origin, the university undertakes to meet its primary mission by providing special attention to the needs of Blacks and other minorities.

The academic program is supported by an annual Federal appropriation as well as receipts from student fees, endowment income, gifts and grants for research or specified projects, sales and services of educational departments, auxiliary enterprises income, and gifts and grants for student aid.

Accomplishments in 1977

Howard University in 1977 will: (1) continue a program to maintain faculty salaries on a competitive basis and seek a level of comparability with similar institutions of like size and scope; (2) provide 41 teaching positions in 10 schools to assist educational programs; (3) add 6 additional professional librarians and support personnel for the unversity library system and provide additional funds for the purchase of books, supplies and equipment and (4) provide professional training equipment for our school of communications.

Objection for 1978

The 1978 objective is to eliminate as many of the accreditation deficiencies as possible within budgetary restraints of the university. In meeting this objective, the university will continue to analyze both its current programs and its operating budget to maximize our resouces to accomplish this objective as soon as possible.

A new non-faculty salary scale will be adopted based on an annual comparison with similiar educational institutions, local private industry and the Federal and District of Columbia Governments.

The university will be in full compliance with the Pension Reform Act of 1974 (ERISA) in FY 1978 as required.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Howard University

Program Purpose and Accomplishments

Activity: Operations, Howard University Hospital

1977		1978		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
1,741	$22,106,000	Indefinite	1,761	$22,106,000

Purpose:

The Howard University Hospital furnishes inpatient and outpatient care for the community and serves as a facility for the training of physicians, dentists and other professional and technical health personnel. It is the teaching center for Howard's health programs.

Explanation:

Operation of the hospital is financed by direct appropriation and income derived from charges for medical and hospital services to patients, medicare patients and patients certified by the District of Columbia and other jurisdictions. The hospital operates a total of 457 beds and bassinets.

Accomplishments in 1977:

By 1977 the hospital will care for an average daily census of 380 patients including newborns, an increase of 15.5 patients or 4.3 percent over 1976 levels. Outpatient visits will increase by 10,958 to 130,000 a rise of 9.2 percent over the preceding fiscal year.

Objective for 1978:

In 1978 the hospital will continue to provide inpatient care to an average daily census of 380 patients. Outpatient visits at a total of 130,000 for the year will continue the 1977 level. Twenty additional positions will provide needs for direct patient care. The Howard University Hospital will continue to provide patient care and a teaching program for professional and technical health trainees that is on a par with that available in the other teaching hospitals in the Washington Metropolitan Area.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Howard University

Program Purpose and Accomplishments

Activity: Construction - Land Acquisitions, Equipment and Building Renovations

1977			1978 Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$2,500,000	Indefinite	---	$3,925,000

Purpose:

The construction activity of the building program at Howard University is designed to execute projects after plans and specifications have been completed by the architect-engineer, and to implement related construction projects, including major renovations or the purchase of land and facilities.

Explanation:

Appropriations are requested to fund the construction projects in accordance with the master development plan. These require the actual construction or acquisition of physical facilities to house the various educational programs or activities as needed. Howard University derives its support for construction from the Congressional Appropriations, construction grants and from non-Federal funds.

Accomplishments in 1977:

The University has started construction of the new student center building and renovations are underway in the university library building and in the chemistry building in accordance with completed plans and specifications. Major renovations of the old Freedmen's Hospital building have started and sections of the facility will be occupied in FY 77. The University has acquired a facility for our school of business and public administration on the Sherman Avenue site and renovations are underway in this facility. The University purchased the Dunbarton College site and is in a phased process of making major renovations in these buildings to accommodate several academic programs.

Objectives for 1978:

The budget request provides for additional funds for partial payment of the Dunbarton College site, and to continue our planned renovation program of the buildings to be used for academic purposes. It is estimated that construction of the library building extension will be started as well as the addition of the fourth and fifth floors of the college of dentistry and the addition to the medical school building. Renovation projects in other campus buildings where funds are available should be completed during FY 78.

THURSDAY, MARCH 31, 1977.

OFFICE FOR CIVIL RIGHTS

WITNESSES

ALBERT T. HAMLIN, ACTING DIRECTOR, OFFICE FOR CIVIL RIGHTS AND SPECIAL ASSISTANT TO THE SECRETARY FOR CIVIL RIGHTS
BARBARA WALKER, ACTING DEPUTY DIRECTOR, OFFICE FOR CIVIL RIGHTS
RICHARD F. FOLEY, ACTING ASSISTANT DIRECTOR FOR ADMINISTRATION AND MANAGEMENT, OFFICE FOR CIVIL RIGHTS
CHRIS HAGEN, ACTING ASSISTANT GENERAL COUNSEL, CIVIL RIGHTS DIVISION
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, COMPTROLLER

Mr. FLOOD. We have the Office for Civil Rights. The presentation will be made by Albert T. Hamlin, the Acting Director of the Office for Civil Rights, Special Assistant to the Secretary for Civil Rights.

We have your biographical sketch, Mr. Hamlin, which we will place in the record at this point as well as your statement.

[The documents referred to follow:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE FOR CIVIL RIGHTS

BIOGRAPHICAL SKETCH

Name: Albert T. Hamlin.
Position: Acting Director, Office for Civil Rights.
Birthplace and date: Raleigh, N.C., June 6, 1926.
Education: Shaw University, B.S. 1944, Howard University, J.D. 1956.
Experience:
Present: Acting Director, Office for Civil Rights (on detail from position as Acting Assistant General Counsel, Civil Rights Division).
1967–76: Deputy Assistant General Counsel, Civil Rights Division, Department of Health, Education, and Welfare.
1966–67: Supervising Attorney, Civil Rights Division, Office of General Counsel, Department of Health, Education, and Welfare.
1963–66: Trial Attorney, Department of Justice.
1961–63: Private practice.
Association membership: Member, District of Columbia Bar.

Mr. Chairman and members of the committee: I am pleased to present the fiscal year 1978 budget request for the Office for Civil Rights.

The fiscal year 1978 budget request would provide 1,202 positions and $36,061,000, an increase of 200 positions and $6,291,000 above the fiscal year 1977 level.

BALANCED COMPLIANCE PROGRAM

The purpose of the staff increase is to achieve a balanced compliance program under which all the civil rights authorities are enforced effectively. This objective is critical in light of the increasing number of beneficiaries protected by the various nondiscrimination provisions enacted in recent years, and the new obligations placed on recipients of Federal financial assistance as a result of these enactments.

We recognize that this request represents a substantial increase in staff, especially in view of the fact that the Office has experienced a high vacancy rate during the past calendar year. Generally, the time required to initiate and fully process recruitment actions for new positions, in keeping with departmental and

Civil Service Commission rules, has been a contributing factor. The Office received a large increase of 150 positions last year, effective October 1, 1976.

Audits were conducted by the HEW personnel offices and the Civil Service Commission, and the organizational structure of the Office has been under review. The audits have placed a temporary halt on new hire and promotion actions, particularly at the GS–12 level and above. To alleviate the problem over the short run, we have initiated action to fill vacancies with temporary appointments. But it must be resolved definitively and permanently, and for this reason, we are moving quickly to make decisions on the organizational structure of the Office and on all related personnel issues. We are determined to prevent this situation from arising again.

Notwithstanding the vacancy rate, the department believes that the currently authorized positions are not sufficient to provide for a compliance program that addresses all complaints of discrimination on a timely basis, that benefits all protected groups and that reaches a significant number of institutions and other recipients not dealt with in investigations of complaints.

Generally, the statutes the department enforces are designed to protect persons against discrimination on the basis of race, color, national origin, sex, and physical and mental handicap. The Office for Civil Rights is responsible for enforcing the nondiscrimination requirements at approximately 16,000 school systems, 2,600 institutions of higher education, 7,000 hsopitals, 6,700 nursing homes and home health agencies, educational broadcasting facilities, and various State and local governmental agencies receiving Federal funds. In addition, the Office enforces Executive Order 11246 with respect to institutions of higher education and other nonconstruction contractors, who are obligated not to discriminate in their employment practices and must take affirmative action to ensure against such discrimination.

To enforce the civil rights provisions efficiently and in a comprehensive manner, a balanced compliance program calls for:

The prompt resolution of all complaints of discrimination.

The conduct of compliance reviews to identify and eliminate patterns and practices of discrimination.

Effective monitoring of compliance plans and affirmative action plans, to ensure that recipients and contractors are living up to their commitments.

The capacity to provide technical assistance to recipients, so that they are able to identify problem areas and achieve compliance on a voluntary basis.

Adequate legal services, to permit the Office to comply with court orders, to process cases on a timely basis, and to furnish guidance in interpreting and applying the statutes and regulations we enforce.

An effective training program for our staff to ensure that they are equipped with the expertise necessary to enforce the statutes and regulations competently and efficiently.

To meet this central objective, the fiscal year 1978 budget request would provide 125 additional staff to conduct compliance reviews, 27 additional persons assigned to technical assistance, training, and general management, and 48 positions for the Office of General Counsel, Civil Rights Division.

FISCAL YEAR 1977 DEVELOPMENTS

The Office has embarked on a major 2-year program to eliminate the backlog of complaints and to ensure the timely resolution of all incoming complaints. As of October 1, 1976, the backlog stood at 1,697 complaints, and we anticipate receiving about 1,600 additional complaints this year.

The priority assigned to the handling of complaints came about as a result of the court order issued in the case of *Adams* v. *Mathews*, which establishes procedures and time frames governing the investigation of all complaints filed against school systems in the 17 Southern and border States.

To ensure a uniform national policy, we have applied these groundrules to complaints filed against all school systems nationwide.

The Office will also assign staff to a certain number of compliance reviews, notably those which were initiated prior to the start of the fiscal year and those which are necessary under the Emergency School Aid Act. Due to the fact that we have had to commit a total of 487 persons to carry out the complaint handling obligations assumed under the *Adams* settlement, the Office is able at present to assign only 171 persons to the conduct of compliance reviews.

COMPLIANCE REVIEWS

In short, while the timely resolution of individual and class complaints is an essential element of an effective compliance program, it is equally important for the Office to be able to address patterns and practices of discrimination that are not related to the allegations raised in complaints. Moreover, the statutes obligate the Department not to provide financial assistance to institutions which are discriminating, and this obligation presupposes an effective effort to monitor and review recipients on a continuing basis.

For this reason, the majority of new positions requested for fiscal year 1978 are intended to field an effective compliance review program and rectify the imbalance created by the necessary commitment of resources to complaint handling. The additional 125 positions requested for fiscal year 1978, and a reallocation of 22 existing positions, would permit the Office to increase the number of compliance review actions by 1,201 over this fiscal year.

A compliance review is a detailed examination of all aspects of the operation of a recipient in order to determine whether the requirements of the applicable civil rights mandates are being met.

Compliance reviews now focus on several statutory provisions. In 1975, the Department issued a regulation to implement title IX of the Education Amendments of 1972, which prohibits, with certain exceptions, discrimination on the basis of sex in federally assisted education programs. In the near future, a regulation will be issued to implement section 504 of the Rehabilitation Act of 1973, which prohibits discrimination against qualified handicapped persons on the basis of physical and mental handicap in federally assisted programs. These new requirements will, of course, generate additional complaints. And to adequately enforce them, without jeopardizing compliance activity connected with other important civil rights legislation, we believe that substantial additional resources are needed.

MANAGEMENT AND OPERATIONS

At the same time, the civil rights requirements place an obligation on the Office to provide recipients with technical assistance, so that they will be able to properly implement regulations and guidelines, develop acceptable compliance plans to remedy violations, and initiate action on their own to correct discriminatory practices. Ten additional positions are included in the fiscal year 1978 request to carry out this function.

Because of the increasing complexity of civil rights enforcement, developments in case law, the enactment of new statutory authorities and changing program requirements, we are moving forward on a comprehensive staff training program. Regional personnel are no longer assigned exclusively to any one particular civil rights statute, such as title VI of the Civil Rights Act of 1964, title IX of the Education Amendments of 1972, and section 504. Rather, they must conduct complaint investigations and compliance reviews under all nondiscrimination provisions. The budget request would provide seven positions to meet training needs. A civil rights institute will provide compliance-related as well as management and supervisory training.

A further objective is to develop an effective management evaluation system to improve supervision and accountability. Finally, we are requesting five additional positions to equip the Office with the means to respond more promptly to public inquiries, so that program staff can concentrate fully on enforcement activities.

OFFICE OF GENERAL COUNSEL-CIVIL RIGHTS

An additional 48 positions are requested for the Office of General Counsel-Civil Rights. As the focus of OCR activities has expanded under new authorities, cases being handled are increasingly more complex both as to legal theory and evidentiary requirements. The schedule of complaint investigations, and the additional compliance review activity planned in fiscal year 1978, will generate an increased demand for timely legal review and guidance. Our ability to provide recipients with technical assistance, to resolve the policy issues that are arising under recent regulations, and to comply with the investigative time frames mandated in the *Adams* case, will depend, crucially, on the availability of legal assistance.

SPECIAL FUNDS

We have also requested an increase of $500,000 to implement the Automated Organizational Information System. This is a comprehensive system to standardize data collection, maintenance and retrieval. It would also allow OCR to use recipient data collected by other agencies and thereby eliminate duplicative and costly reporting requirements.

CONCLUSION

Mr. Chairman, I have highlighted some of our objectives in moving to achieve a balanced civil rights enforcement program.

In summary, the fiscal year 1978 budget request would provide 1,202 positions and $36,061,000, an increase of 200 positions and $6,291,000 above the fiscal year 1977 level.

Mr. HAMLIN. Yes, Mr. Chairman.

To my extreme right, Mr. Charles Miller, who I am sure you are familiar with, Deputy Assistant Secretary, Comptroller; to my immediate right—they have changed the designation as you know—the Acting Deputy Director of the Office for Civil Rights, Ms. Barbara Walker; and to my left, the Acting Assistant Director for Administration and Management, Mr. Richard Foley.

REORGANIZATION

Mr. FLOOD. Well, are you planning to reorganize the Office for Civil Rights?

Mr. HAMLIN. Yes, Mr. Chairman.

Mr. FLOOD. That is quite a word in town now. You are?

Mr. HAMLIN. We are.

Mr. FLOOD. Well, why?

Mr. HAMLIN. There are several reasons, Mr. Chairman. First of all, we found over the past few years as a matter of fact that the present operation does not fit the structure, it is not an efficient way to run the organization. As you know, it is divided now along program lines of health and social services, elementary and secondary education, higher education, and contract compliance.

We have had recent enactments such as title IX of the Education Amendments of 1972 and 504 of the Rehabilitation Act, which cut across all lines. They are major functions of the Office. We have decided that the best way to reorganize the Office, at least the headquarters staff, is along functional lines, so that we will have a planning office, a policy development unit, within the headquarters office.

The major needs within the Office for Civil Rights are, one, to have an orderly process for developing policy, two, an orderly process for disseminating the policy, and three, an orderly process for training the staff who will have the primary enforcement functions.

STAFF CEILING

Mr. FLOOD. At the present time do you have a freeze on the hiring of new staff?

Mr. HAMLIN. I woudn't say there is a freeze. There is a ceiling currently imposed. We have requested an exemption from that ceiling and I have every reason to believe that we may be able to get that.

Mr. MILLER. The specific current situation, Mr. Chairman, is that we are not at the present time filling vacancies that occurred before February 28. We are filling three out of four afterwards. We will get new ceilings the middle of this month and recruit to those ceilings.

Mr. FLOOD. I was going to say, how long will whatever it is come about?

Mr. MILLER. It will be about the middle of this month.

VACANCY RATE

Mr. FLOOD. Congress approved 150 new positions for your Office in the 1977 appropriations bill. How many of these positions are still vacant?

Mr. HAMLIN. The present vacancy rate of the Office is 225. When the appropriation was approved, we began recruiting in October of 1976.

Mr. FLOOD. Now you are asking for 200 new positions for 1978. In calculating the cost of these new positions, what date did you assume for filling them?

Mr. HAMLIN. We are continuing with our recruiting actions. At present, we have 114 recruit actions, we have 23 commitments out of those 225 vacancies. Mr. Foley is daily processing recruiting actions in anticipation of the assignment of the ceiling in the middle of the month.

BALANCED PROGRAM

Mr. FLOOD. In your justifications, and also in your opening statement, you make frequent reference to what you call a balanced and effective enforcement program—that is your language.

Mr. HAMLIN. Absolutely.

Mr. FLOOD. Sounds impressive. What does it mean exactly? Does that mean your present program is out of balance; is it not effective; or what?

Mr. HAMLIN. It is not at all balanced. The present program is highly skewed towards elementary and secondary education and towards complaint investigations. In the survey that we have been conducting in the past couple of months, we find that very few complaint investigations result in a finding of discrimination. In our view that is a waste of resources.

We are now in the process of setting goals and objectives for fiscal 1978 and particularly fiscal 1979, that will lead to a more balanced program in the areas of health and social services and in the area of vocational education.

COMPLAINTS

Mr. FLOOD. Will the increase of 200 positions permit you to handle all compliance reviews and all discrimination complaints on a current basis?

Mr. HAMLIN. We hope to catch up with our backlog by the middle or end of fiscal 1978. We still have a backlog of complaints. Once having caught up, we will be able to plan for the next year to handle compliance reviews in areas other than in elementary and secondary education.

Mr. FLOOD. One of your objectives for 1977 is to reduce the backlog of complaints. That is the big thing in the presentation.

Fiscal year 1977 is half over; and you have whatever you call it, you have in effect, a freeze on hiring. Now what do you think? Will you be able to reduce the backlog as planned?

Mr. HAMLIN. I doubt seriously that we will reduce the backlog to the extent anticipated at last year's hearings. For the first 6 months of this year, my preliminary findings—and they are preliminary—are that we have a larger backlog, than we did at the beginning of October. We are shifting staff now to deal with this backlog, even though there is a freeze on, as you call it.

ADAMS V. MATHEWS

Mr. FLOOD. Well, on the *Adams-Mathews* case, what effect did that court order have on complaints against the northern school districts? Did that in itself create a backlog?

Mr. HAMLIN. My feeling is, and it is only my feeling, that we do not have all the evidence in. The effect of the *Adams-Mathews* order last year, which applied to the 17 Southern and border States, and that also under the annual operating plan was——

Mr. FLOOD. I am talking about what effect it had on complaints filed against the northern districts?

Mr. HAMLIN. I was about to say, Mr. Chairman, the *Adams* order was expanded administratively by the Office for Civil Rights to apply to the entire Nation. There has been a slight increase in complaints. The largest volume of complaints has been in higher education which has nothing to do with the *Adams* order.

Another factor has been the anticipation of the signing and issuance of the section 504 regulations.

DISCRIMINATION AGAINST HANDICAPPED

Mr. FLOOD. When are the regulations going to be issued to implement section 504 of the Rehabilitation Act of 1973?

Mr. HAMLIN. I am expecting the Secretary will sign the regulation in a very short period of time.

Mr. FLOOD. Will these regulations use the same definition of the term "handicapped" as the regulations for the education for all handicapped children law?

Mr. HAMLIN. Those regulations are under review by the Secretary now, Mr. Chairman, and I have no idea about that.

Mr. FLOOD. I would think these two regulations would be coordinated.

You estimate that 325 complaints under section 504 of the Rehabilitation Act are going to be received in 1978.

This law involves 25 million handicapped individuals. Is your estimate of 325 complaints just a wild guess, or do you have a firm basis for the estimated workload?

Mr. HAMLIN. I think that estimate is a little low.

In the last calendar year 1976, we received about 150 complaints under that law. In the first 2 weeks of March we received 60 complaints. That is almost half the total number we received in the last calendar year. I would not venture at this point a guess as to the future trend. I would have a better idea 3 or 4 months from now.

COMPLIANCE REVIEWS

Mr. FLOOD. All right, now on compliance reviews, you are requesting 135 new positions.

How frequently do you make these compliance reviews?

Mr. HAMLIN. During the last——

Mr. FLOOD. Does this vary by statutory program at all?

Mr. HAMLIN. That is one of the things that we mean by having a balanced compliance and enforcement program.

Mr. FLOOD. I see.

Mr. HAMLIN. Our intent is to have compliance reviews evenly balanced for all the statutory mandates that we have to administer. During the current year, some of the compliance reviews that were planned had to be abandoned because of the *Adams* order and because of the vast numbers of complaints that came in, and, of course, under the order, we are compelled to give complaints top priority.

Mr. FLOOD. How does the workload of compliance reviews originate? Is it only through court orders?

Mr. HAMLIN. No; the compliance reviews are the one thing we have some control over. Generally, we receive data, we look at the data, it is analyzed, and this review sometimes raises flags as to where there may be problems. Compliance reviews are then planned around those factors.

Mr. FLOOD. Well, again on compliance reviews, you have different categories. For elementary and secondary compliance reviews, you show an increase of 45 new positions.

What is the main reason for an increase like that? Is it compliance with title VI of the Civil Rights Act or is it title IX of the education amendments?

Mr. HAMLIN. Many of the reviews would be initiated under title IX of the education amendments, some of them would be scheduled as a result of the Emergency School Aid Act investigations which may lead to problems under title VI. Again, under the court order, this is where we may have to conduct compliance reviews in elementary and secondary education.

TITLE IX

Mr. FLOOD. Have you clarified the ruling on mother-daughter, father-son activities? Are they still considered as sex discrimination under the title IX regulations?

Mr. HAMLIN. Fortunately, Mr. Chairman, the Congress did that for us.

Mr. FLOOD. That is a help, isn't it?

Mr. HAMLIN. Yes; it always is.

Mr. FLOOD. We did what for you?

Mr. HAMLIN. They exempted the mother-daughter, father-son banquets from the effect of title IX.

HIGHER EDUCATION

Mr. FLOOD. For the higher education compliance reviews, you show an increase of 30 positions.

What areas of higher education are involved here? Is that mostly due to title IX?

Mr. HAMLIN. Well, the compliance review, Mr. Chairman, as opposed to reaction to a complaint, as I stated, is somewhat under the control of the Office and it is our view that if we have a compliance review that it should cover title VI, title IX and section 504. All of the authorities so that we don't have to keep going back to the same universities reviewing them and reviewing them under different mandates.

Mr. FLOOD. The Supreme Court is reviewing a California case involving the constitutionality of college admission practices. Some feel this is going to have nationwide implications.

If the Supreme Court upholds that lower court decision, will that have a significant impact on your work? If so, how?

Mr. HAMLIN. The Department is always bound by the law as interpreted by the courts, particularly——

Mr. FLOOD. I am glad of that.

Mr. HAMLIN [continuing]. Particularly by the Supreme Court. We have nothing to do with admissions practices in setting goals for affirmative action reasons as the *Bakke* case was concerned with.

Mr. FLOOD. Then you don't look for any significant reaction nationwide if the lower court is sustained?

Mr. HAMLIN. I think there will be a significant effect nationwide. I am sure that there will be in whatever direction the Supreme Court acts.

Mr. FLOOD. Mr. Natcher?

EXECUTIVE ORDER TRANSFER

Mr. NATCHER. In your justifications, you show a comparative transfer of $1,534,000 to the Department of Housing and Urban Development.

Why the transfer?

Mr. HAMLIN. That comes under Executive Order 11246, Mr. Natcher. The Department of Labor has the lead function in administering Executive Order 11246.

Under their—I will let Mr. Miller expand on this, but as I understand it, under their direction, we were to transfer approximately 52 positions and $1.5 million to the Department of Housing and Urban Development to handle construction contract compliance matters.

Mr. MILLER. I don't need to expand on it. I wanted to make sure you understood that the Executive Order applies to construction contracts and that is under the direction of the Department of Labor and they have transferred all Federal staff now, to HUD.

TRUST FUND TRANSFER

Mr. NATCHER. Also in your justifications, you show a decrease in trust fund transfers from $919,000 to $514,000.

Why the decrease?

Mr. HAMLIN. Again, sir, since that is a departmental thing, I will ask Mr. Miller to comment.

Mr. NATCHER. Go ahead, Mr. Miller, it is a pleasure to have you back.

Mr. MILLER. It is a pleasure to be here.

There are two reasons for that, Mr. Natcher. First of all, we had a set formula for a number of years on transfers from the trust funds to the Office of the Secretary for various jobs we do which affect social security. We went out and actually priced it last year so that we wouldn't just be running year after year on a formula which might be antiquated. When we did that for the Office for Civil Rights, we discovered the formula overcharged the trust fund and, therefore, we reduced it.

Second, the work that we charge the trust fund for in Civil Rights includes a survey of hospitals and nursing homes under medicare and that does not constitute as large a share of their workload as are some of their other reviews. So that decreases the charge to the trust fund.

EXECUTIVE ORDER COMPLAINTS

Mr. NATCHER. You are asking for four new positions, I believe, for compliance reviews involving membership organizations. Why do you need these new positions, and when you say membership organizations, what do you have in mind?

Mr. HAMLIN. Yes. We have complaints now that we are obligated under the Executive order to investigate. We are also working out agreements with the Department of Labor and the Equal Employment Opportunity Commission in regard to some membership organizations. The one that comes to my mind immediately is the American Bar Association. We have had some complaints about their employment practices in Chicago.

Mr. NATCHER. You also requested five new positions for Indian preference compliance reviews. This is a new workload item, isn't it?

Mr. HAMLIN. Well, the Indian Preference Act has been an area that we have neglected for the last couple of years and, if you will, it has been done that way and we intend to go forward with that now. Those positions are necessary.

Mr. NATCHER. For your headquarters activity, you are requesting 10 new positions. How many positions are now assigned to headquarters?

Mr. HAMLIN. We now have 315 positions assigned to the headquarters.

Mr. NATCHER. The 10 are necessary and would be in addition to your 315?

Mr. HAMLIN. They are necessary and would be in addition to the 315.

Mr. NATCHER. Thank you, Mr. Chairman.

HEALTH AND SOCIAL SERVICES

Mr. FLOOD. Now for the health and social services. You have an increase of 63 positions.

Mr. HAMLIN. That is right, sir.

Mr. FLOOD. All of these additional positions are for what you refer to as postgrant?

Mr. HAMLIN. Yes.

Mr. FLOOD. What does that term mean?

Mr. HAMLIN. Postgrant reviews——

Mr. FLOOD. Yes and why do you need 63 jobs?

Mr. HAMLIN. In order to have a balanced compliance program. Health and Social Services has been called the stepchild of OCR. At this time, we cannot conduct postgrant reviews. There is just not enough time. So whenever a problem is signified, we intend to conduct postgrant reviews.

That is, after the moneys are granted to the recipients, if there are problems, we conduct the reviews.

GENERAL COUNSEL

Mr. FLOOD. For the General Counsel, you are asking for 48 new positions. How many of those are attorney positions?

Mr. HAMLIN. Usually we have——

Mr. FLOOD. How many of those are attorney positions?

Mr. HAMLIN. We will have 15 positions in the headquarters office——

Mr. FLOOD. Out of the 48?

Mr. HAMLIN. Out of the 48.

Mr. FLOOD. Out of the 48, how many are attorneys?

Mr. HAMLIN. Thirty-five are attorneys.

Mr. FLOOD. Well, how many attorneys are now assigned to the Civil Rights Division?

Mr. HAMLIN. There are 33 attorney positions assigned to the Washington office and 24 attorney positions assigned to the regional offices.

Mr. FLOOD. Are you sure of the figures?

Mr. HAMLIN. That is to the best of my recollection.

Mr. FLOOD. Why can't you use attorneys from the Department of Justice for some of your work?

Mr. HAMLIN. Well, Mr. Chairman, we are mandated to administer different statutes. Whenever possible, when we have found a violation or discrimination, we can refer the matter to the Department of Justice for trial, but the Department of Justice budget will not allow them to take on so many cases. They claim that they are understaffed; also, they have their other statutory mandates to administer, and, in addition, we need attorneys at the investigatory stage as well as at the trial stage.

INFORMATION SYSTEM

Mr. FLOOD. All right.

You want $500,000 for what you call automated organizational information system. What is that system?

Mr. HAMLIN. That has a dual function, Mr. Chairman. We have found that there are more than 30 million pieces of paper that are filed someplace or other. To go back and recapture those papers becomes an almost impossible task. One object is to go back and recapture those papers.

Another part of that money will help us disseminate policy as we develop it. To disseminate it in an orderly fashion.

Mr. FLOOD. Why can't that system be developed from other resources that are available in the Office of the Secretary?

Mr. HAMLIN. We have checked throughout the Department, Mr. Chairman, and there are no resources available to us for that kind of system.

SCHOOL SURVEY

Mr. FLOOD. What are you doing to simplify your survey forms? We ask everybody that, of course, because we continually receive complaints about the burden of these forms on local institutions. That is not peculiar to you but I am asking you, too.

Mr. HAMLIN. That last form that was developed, the 101 and 102's, were developed through a complicated process. There were meetings with the counsel of chief State school officers; there were meetings with various interest groups. We have staff today working on that form trying to find out what questions can be eliminated. I am sure you will agree that the form is a necessary form to conduct a compliance program, but we want to make it as simple as we possibly can.

Mr. FLOOD. Off the record.

[Discussion off the record.]

Mr. FLOOD. Thank you very much.

Mr. HAMLIN. Thank you, Mr. Chairman.

Thank you, Mr. Natcher.

[The following questions were submitted by members of the subcommittee with the request they be answered for the record:]

OCR STAFF INCREASES

Mr. MICHEL. We have been giving the Office for Civil Rights 20 to 30 percent increases each year for the past several years and now you are asking for another 20 percent increase this year. Is there ever going to be an end to your bureaucratic buildup, or are you just going to continue to soar onward and upward?

Answer. The Office has increased from a staff of 278 in its first year of operation to a currently authorized position level of 1,054. The substantial increase in personnel has accompanied the enactment by the Congress of additional statutory authorities prohibiting discrimination in federally assisted programs and activities. For several years the Office's enforcement responsibilities were restricted to title VI of the Civil Rights Act of 1964 and Executive Order 11246, as amended. As a result of later enactments, the Office also enforces sections 799A and 845 of the public Health Service Act; section 504 of the Rehabilitation Act of 1973; title IX of the Education Amendments of 1972; section 321 of the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970; section 407 of the Drug Abuse Office and Treatment Act of 1972; section 606 of the Education of the Handicapped Act; and title VII of the Education Amendments of 1972.

The provision of adequate resources is critical in light of the large number of beneficiaries protected by the various nondiscrimination provisions, and the new obligations placed on recipients of Federal financial assistance as a result of these enactments. These beneficiaries include the 44 million children in the Nation's public schools and the 11 million students at our colleges and universities and the more than 30 million needy, aged, sick, and disabled individuals who benefit from HEW assistance and services. Recipients covered by the statutes include more than 16,000 elementary and secondary school systems; 2,600 colleges and universities; 7,000 hospitals; 4,500 skilled nursing facilities; 2,200 home health agencies; 2,700 supply and service contractors; 1,260 construction contractors; and hundreds of libraries, day care centers, educational broadcasting facilities, medical laboratories, and various State and local agencies.

OCR BUDGET REVISION

Mr. MICHEL. President Ford felt you ought to be able to get along on a 14-percent increase, but under the Carter budget that was increased by another $2.2 million. Doesn't this fly in the face of President Carter's promise to reduce the size of the bureaucracy?

Answer. The revised budget request reflects the administration's commitment to expand and improve the Department's efforts in assuring compliance with the civil rights authorities. If the Congress allows the budget request, the Office for Civil Rights still would account for less than 1 percent of the Department's total authorized positions

Mr. MICHEL. Isn't it true that the Office for Civil Rights is one of the most harassing of our bureaucratic agencies, and the fact that President Carter wants to substantially expand this bureaucracy would appear to indicate that he wants to further extend the bureaucracy into the everyday lives of our people and expand the harassment and regulation of the American people and our various institutions; isn't that right?

Answer. The Office is responsible for implementing some of the most important civil rights provisions enacted by the Congress. The wide applicability of the provisions, in terms of covered recipients and beneficiaries, requires that the Office avoid abuses in performing its complex and sensitive responsibilities. Further, in order to enforce the laws efficiently and fairly, the Office must cooperate closely with both beneficiaries and federally assisted recipients. The fiscal year 1978 budget request places a high priority in assisting recipients to comply with the statutory provisions. In the next year or so, the Department plans to establish "technical assistance" divisions in the regional offices to further help recipients review their policies and practices against their nondiscrimination obligations as well as address potential compliance issues. In this way a preventive capability could be utilized in a number of circumstances as an alternative to the more traditional and formal means of enforcement.

CIVIL RIGHTS LEGISLATION

Mr. MICHEL. Aren't we really becoming a little paranoid in this country in thinking that everybody and his brother is being discriminated against, and so we need legislation outlawing supposed discrimination against this group, that group, or every other group. It's almost like the "Communist under every bed" syndrome. You keep looking for discrimination and you will think you find something is discrimination when it really isn't. When is this all going to end so that we can get back to living our lives with and among people without the heavy hand of Government constantly hanging over us?

Answer. The Department is obligated under our constitutional system to enforce the statutory provisions enacted by the Congress. In the area of civil rights, Congress has enacted a number of critical provisions to ensure that public funds do not support discrimination on the basis of race, sex, or handicap. While the legislation is addressed to those groups of people which from a historical perspective have been subject to widespread and often State enforced discrimination, the nondiscrimination requirements nevertheless apply to all persons.

POSITION VACANCIES

Mr. MICHEL. Last year we gave you 150 additional positions and as I understand it, most of these are not even on board as yet. And yet you are now asking for an additional 200 positions Why don't you wait until these other positions are filled before asking for substantial additional increases?

Answer. The filling of authorized position vacancies is affected by a number of factors, a number over which the Office cannot exercise any control. The processing of recruitment and selection of personnel must be in conformance with departmental and Civil Service Commission regulations. The regulations concern classification, advertisement of positions, merit staffing, personnel rights accorded special groups, certification of candidates, et cetera. The process is further impacted by the date appropriations are enacted, establishment of employee ceilings, imposition of hiring freezes, conduct of position management audits, and reorganizational proposals. In essence, the Office would be running a year behind if we delayed requests for additional resources until all position vacancies were filled.

SCHOOL SURVEY

Mr. MICHEL. Who's idea was it in your shop to develop and send out this massive and idiotic survey to all the schools last year?

Answer. The Office for Civil Rights has been conducting a nationwide survey since 1966, initially pursuant to the nondiscrimination provisions of title VI of the Civil Rights Act of 1964 and, since 1972, pursuant to both title VI and title IX of the Education Amendments of 1972. A large, nationwide survey has been conducted on a biennial basis in even-numbered years. In the intervening years, a survey of a smaller segment of the Nation's school districts has been conducted.

In December 1975, the Office sent a notification to chief State school officers stating that districts would not be required to submit information for the 1975–76 school term. Rather, selected districts were required only to compile and retain information called for in previous surveys. The survey was discontinued for the 1975–76 school year to afford the Office an opportunity to reassess past surveys and make appropriate adjustments to survey instruments in light of new statutory authorities and changing program requirements. These new authorities include section 504 of the Rehabilitation Act of 1973, as well as title IX. In this regard, no comprehensive data are currently available with respect to these provisions.

The need for the survey was stressed in the September 10, 1975, Report of the Senate Committee on Appropriations (Report No. 94–366), in which the committee urged the Department to continue the civil rights data collection program and directed the office to expand the surveys to cover title IX and section 504.

Mr. MICHEL. My school district in Peoria says it is going to cost $14,000 and 1,300 man-hours to fill it out. Why do you insist on placing this additional burden on our school districts, when they are already overburdened?

Answer. The survey is designed to carry out the Department's responsibility to enforce the nondiscrimination provisions of Federal law. The Department realizes that completing the survey represents an administrative burden to local school officials and this year's survey was expanded to reflect the additional statutes enacted in recent years. The chief State school officers were advised, on February 17, 1977, that whereas this year's survey covered all school districts in the country, approximately 3,500 districts will be surveyed during the next school year. There will be no new questions added to the 1977–78 school survey. In fact, some questions may be deleted after we receive the views of the council of chief State school officers and others on this matter. The Secretary also has expressed his determination to minimize data collection requirements wherever possible and HEW personnel will be made available to assist in the completion of next year's survey forms.

COST OF SCHOOL SURVEY

Mr. MICHEL. How many of your people and how much money is going to be required to handle this survey including a correlation of the results?

Answer. The Office employs a contractor for the 1976–77 elementary and secondary school civil rights survey and only two of our employees have substantial responsibilities in monitoring and coordinating arrangements with the contractor. The total estimated cost of the survey, in terms of contracted services, is $1,091,764. The cost includes the entire process of mailing, editing of returned forms, construction of the data base, and analyses.

USE OF SURVEY DATA

Mr. MICHEL. Isn't it likely that most of the information will simply end up sitting on some shelf somewhere?

Answer. A wide utilization is made of the data solicited by the survey. In terms of internal use, the survey is essential for the enforcement of the nondiscrimination provisions of law which the Department administers. It is required to: (1) identify possible civil rights violations; (2) detect discriminatory practices by school districts and to monitor the elimination of such practices; (3) target school districts for indepth reviews and set priorities for the Department's compliance programs; (4) conduct compliance reviews and complaint investigations; (5) review funding applications submitted under the Emergency School Aid Act; and (6) establish budgetary levels for undertaking enforcement activities.

The conduct of a survey during the 1976–77 school year also affects the Office's ability to fulfill the requirements of the court order in *Adams* v. *Mathews* and the objectives of the fiscal year 1977 annual operating plan.

In addition to internal usage, a variety of organizations have requested data from the survey over the years. Under the Freedom of Information Act (Public Law 90–23), forms 101 and 102 are made available to the public upon request. In the period from June 27, 1974 to April 23, 1976, 39 organizations requested and received 66 data tapes from previous surveys.

The "Directory of Public Elementary and Secondary Schools in Selected Districts" was published in 1968, 1970, and 1972. There was no directory published of the data collected for 1974. However, Secretary Califano announced on February 17, 1977, that the Department will reinstitute publication of the directory as this document forms an important basic information source through which schools and the public may trace trends in desegregation and compare progress made by region or by district.

Mr. MICHEL. Why do you need all the information you are requesting on student discipline and punishment?

Answer. The purpose for the inclusion of questions related to student discipline is to enable the Department to fulfill its responsibilities to enforce title VI of the Civil Rights Act of 1964 and title IX of the Education Amendments of 1972. It is a violation of these statutes for a school district receiving Federal funds to impose differential treatment, based on race, national origin, or sex, in taking disciplinary action against a student or otherwise discriminate in its disciplinary practices because of a student's race, national origin, or sex.

DISCRIMINATION COMPLAINTS

Mr. MICHEL. In how many of the complaints of discrimination you receive do you find that there really was no discrimination?

Answer. In our review of the disposition of complaints filed with this Office, it was determined that the majority did not result in a finding of discrimination.

COMPLIANCE REVIEWS

Mr. MICHEL. What is the basis for your determination on where to conduct compliance reviews?

Answer. A number of factors are used in establishing compliance reviews. Data solicited by surveys may indicate a need for further inquiry to determine a recipient's compliance status. Because of staff limitations, priority is given frequently to reviews of recipients where the statistical information suggests the greatest problems. The size of the recipient, the amount of Federal financial assistance, the dates of previous reviews, and the existence of complaints and other information also will enter into the scheduling of reviews.

OCR EMPLOYMENT BY RACE

Mr. MICHEL. The Office for Civil Rights, of course, has been discriminating against white males in its own hiring policies, where only something like 20 percent of your employees are white males. Are you going to correct that imbalance?

Answer. As of March 26, 1977, the number of white males was 158 or 19.1 percent of the staff on board as of that date. However, white males represent 37.8 percent of employees in GS 13–15 but only 2.1 percent of employees in GS 1–8.

The Office will continue efforts to identify qualified minorities, women, and handicapped applicants for employment. Certainly, our own affirmative action efforts must at least equal those required of Federal contractors and subcontractors under the Department's jurisdiction.

SCHOOL SURVEY

Mr. CONTE. I have received a number of complaints from my district about your elementary and secondary school civil rights survey (OS/CR forms 101 and 102). The main complaint seems to be that it requires a substantial amount of work by local school personnel, to the extent of actually examining each student's individual file to accumulate the data for this survey. Now I have been one of the strongest advocates of civil rights in this Congress, but I wonder if you have any idea what kind of paperwork burden your forms have placed on

local schools, and how expensive it is to process them. Could you comment on this year's survey?

Answer. The survey is designed to carry out our responsibility to enforce the nondiscrimination provisions of Federal law. The survey was not conducted last year to afford the Office for Civil Rights an opportunity to reassess past surveys and make appropriate adjustments to survey instruments in light of new statutory authorities and changing program requirements. These new authorities include section 504 of the Rehabilitation Act of 1973 and title IX of the Education Amendments of 1972. There are no comprehensive data currently available with respect to these provisions.

The forms do not require a record search of individual student files and, for the most part, school districts possess most of the requested data as part of their basic informational system. In a November 8, 1976, memorandum alerting chief State school officers to the forthcoming 1976–77 survey, the Office indicated that it would consider alternate data reporting approaches where districts do not have on hand some of the information requested. Additionally, in cases where districts collected pupil membership data earlier in the school year, and prior to receipt of the forms, it was indicated that such information was acceptable as long as the Office was properly notified and the information could be integrated into the data base.

Mr. CONTE. Is there any way a school or school district could be reimbursed by the Federal Government for the additional costs that result from the need to fill out your forms?

Answer. There is no authority for such reimbursement. However, HEW personnel are available to assist school officials in completing the forms. It should be noted that next year's survey will affect not more than 3,500 selected school districts, as contrasted with this year's inclusion of all 16,800 school districts. Also, there will be no new questions added to the 1977–78 school survey and, in fact, some questions may be deleted after we receive the views of the Council of Chief State School Officers and others on this matter.

EXTENDING REPORTING DATE

Mr. CONTE. Has anything been done about extending the deadline for the completion and return of your survey forms?

Answer. In order to assist school officials, the initial February 1, 1977, reporting date was extended to April 30, 1977. Those school districts applying for funds under the Emergency School Aid Act were given until March 1, 1977, to furnish the race and ethnic data requested in the survey, to enable the Office to process their applications. However, applicants under the Emergency School Aid Act also are expected to complete the survey forms by April 30.

In order to assure adequate advance notice, the Office announced the conduct of the 1977–78 elementary and secondary school civil rights survey in a February 17, 1977, memorandum to chief State school officers.

STAFFING INCREASE

Mr. CONTE. You are requesting substantial increases in personnel for next year. How does this square with the President's "three-for-four" hiring freeze, and general desire to reduce the size of government?

Answer. The three-for-four hiring is an interim hiring limitation and not a freeze. The limitation is imposed on all Federal agencies pending the establishment of new ceilings for each Department. The new ceilings are expected by mid-April. Once the Department's ceiling is established, the Secretary will allocate, or reallocate, ceilings with regard to the constituent agencies. The Office for Civil Rights has presented to the Secretary detailed justifications for establishing our ceiling at the level of the fiscal year 1978 budget request.

UNFILLED POSITIONS

Mr. CONTE. How many authorized positions do you now have which are unfilled?

Answer. As of March 26, 1977, there were 225 position vacancies. Of this number there are 114 recruitment actions pending and 23 commitments of employment.

Mr. CONTE. Why do you think you will be able to fill all those you are requesting?

Answer. There has been marked progress in recent months in filling position vacancies. For example, on January 24, 1977, at the time I was named the Acting Director for the Office for Civil Rights, there were approximately 260 unfilled positions. The Office will continue to move as rapidly as possible in utilizing the resources which the Congress provides.

NEED FOR BALANCED COMPLIANCE PROGRAM

Mr. CONTE. What distortions have there been in your compliance program in the past few years, and what are you doing to eliminate those distortions this year?

Answer. There has been an imbalance created largely by a required commitment of resources to complaint investigations. This came about as a result of a court order issued in the case of *Adams* v. *Mathews*. The order commits the Department to handling all complaints which allege race, national origin or sex discrimination in accordance with strict time frames regarding elementary and secondary school systems in the 17 Southern and border States. The time frames mandate that complaints be fully investigated within 105 days from their receipt and provide an additional 90-day period to negotiate necessary corrective action. In order to ensure a uniform national policy, we are applying the order nationwide and also to complaints dealing with discrimination against physically and mentally handicapped persons.

Because of these commitments, the Office was compelled to reduce compliance review activities during the current fiscal year despite their importance in identifying and eliminating systemic discrimination. A compliance review addresses all aspects of a recipient's nondiscrimination obligations and crosses all statutory authorities. During the current fiscal year, compliance review activity is being restricted to the completion of pending reviews and several new reviews. The additional positions requested in the fiscal year 1978 budget request would permit the Office to increase the number of compliance review actions by 1,201 over this fiscal year.

EMPLOYEE TRAINING

Mr. CONTE. Your justification says that all employees will require some training during 1978. Why is that? Aren't at least some of your employees trained?

Answer. Our staff training needs parallel the increasing complexity of civil rights enforcement, enactment of new statutory authorities, changing program requirements and the development of new policy and compliance standards. Regional personnel are no longer assigned exclusively to any one particular civil rights statute, such as title VI of the Civil Rights Act of 1964, title IX of the Education Amendments of 1972, and section 504 of the Rehabilitation Act of 1973. Rather, they are responsible for conducting complaint investigations and compliance reviews under all the authorities which the Office enforces.

TITLE IX COMPLAINTS

Mr. CONTE. How many title IX complaints do you have pending?

Answer. The backlog of title IX complaints is 512 in the elementary and secondary education area. The figure is based on unedited data compiled as of March 30, 1977. There were 393 title IX complaints unresolved in the area of higher education as of December 31, 1976.

COMPLAINT BACKLOG

Mr. CONTE. What is being done to bring down your backlog?

Answer. The Annual Operating Plan for the Office for Civil Rights calls for elimination of the entire backlog of complaints in elementary and secondary schools during fiscal year 1977 and one-half of the backlog of complaints in higher education during this period. The remainder of the backlog of higher education complaints would be eliminated during fiscal year 1978.

JUSTIFICATION OF THE BUDGET ESTIMATES

Appropriation Estimate

OFFICE FOR CIVIL RIGHTS

For expenses necessary for the Office for Civil Rights, [$29,685,000], $35,547,000, together with not to exceed [$919,000] $514,000, to be transferred and expended as authorized by section 201(g) (1) of the Social Security Act from any one or all of the trust funds referred to therein.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

DEPARTMENTAL MANAGEMENT

OFFICE FOR CIVIL RIGHTS

Amounts Available for Obligation

	1977	1978
Appropriation	$29,685,000	$35,547,000
Proposed Supplemental for Pay Raise	700,000	---
Subtotal, Appropriations	$30,385,000	$35,547,000
Comparative Transfers to:		
The Department of Housing and Urban Development for the Construction Contract Compliance function	-1,534,000	
Subtotal, Budget Authority	$28,851 000	$35,547,000
Receipts and Reimbursements from:		
Trust Funds	$ 919,000	$ 514,000
Total, Obligations	$29,770,000	$36,061,000

Summary and Explanation of Changes

1977 Estimated Obligations	$29,770.000
1978 Estimated Obligations	36,061,000
Net Change	+$6,291,000

	1977 Base Pos.	1977 Base Amount	Change from Base Pos.	Change from Base Amount
Increases:				
A. Built-in:				
1. Annualization of 150 new 1977 positions	---	$2,820,000	---	+$ 560,000
2. Anticipated increases in charges for space and building management services by the GSA	---	1,920,000	---	+ 376,000
3. Reimbursement to the Working Capital Fund and other increased administrative costs	---	2,541,000	---	+ 375,000
Subtotal	---	---	---	+$1,311,000
B. Program:				
1. 100 new FY 1978 positions to initiate significant compliance review activities for a balanced and effective enforcement program	1,002	29,770,000	+200	+$4,480,000
2. Automated Organizational Information System to provide data and analytic support to expanding compliance enforcement activities	---	---	---	+500,000
Subtotal	---	---	+200	+$4,980,000
Total, Net Change	---	---	+200	+$6,291,000

Obligations by Activity

	1977 Estimate Pos.	1977 Estimate Amount	1978 Estimate Pos.	1978 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
Civil Rights	1,002	$29,770,000	1,202	$36,061,000	+200	+$6,291,000

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Total number of permanent positions	1,002	1,202	+200
Full-time equivalent of all other positions	16	16	---
Average number of all employees	962	1,198	+236
Personnel compensation:			
Permanent positions	$18,003,000	$21,370,000	+$3,367,000
Positions other than permanent	333,000	335,000	+2,000
Other personnel compensation	34,000	40,000	+6,000
Subtotal, personnel compensation	$18,370,000	$21,745,000	+$3,375,000
Personnel benefits	1,521,000	1,809,000	+288,000
Travel and transportation of persons	1,703,000	1,998,000	+295,000
Transportation of things	33,000	40,000	+7,000
Rent, communications and utilities:			
Standard level user charges	1,920,000	2,296,000	+376,000
Other rent, communications and utilities	963,000	1,234,000	+271,000
Printing and reproduction	184,000	215,000	+31,000
Other services	4,306,000	5,824,000	+1,518,000
Supplies and materials	155,000	179,000	+24,000
Equipment	615,000	721,000	+106,000
Total obligations by object	$29,770,000	$36,061,000	+$6,291,000

OFFICE FOR CIVIL RIGHTS

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1970:				
Appropriation	$5,139,000	$5,139,000	$5,139,000	$5,298,000
SSA transfer	856,000	856,000	856,000	856,000
1971:				
Appropriation	8,461,000	8,461,000	9,408,000	8,461,000
SSA transfer	947,000	947,000	---	947,000
1972:				
Appropriation	10,710,000	10,710,000	10,710,000	10,710,000
SSA transfer	1,049,000	1,049,000	1,049,000	1,049,000
1973:				
Appropriation	13,009,000	14,648,000	14,648,000	14,648,000
SSA transfer	1,049,000	1,180,000	1,180,000	1,180,000
1974:				
Appropriation	17,323,000	17,323,000	17,323,000	$17,323,000
SSA transfer	1,253,000	1,253,000	1,253,000	1,253,000
1975:				
Appropriation	21,360,000	20,820,000	20,706,000	20,706,000
SSA transfer	1,466,000	1,466,000	1,466,000	1,466,000
1976:				
Appropriation	24,223,000	23,762,000	23,762,000	23,762,000
SSA transfer	1,351,000	1,351,000	1,351,000	1,351,000
1977:				
Appropriation	28,151,000	28,151,000	28,151,000	28,151,000
SSA transfer	919,000	919,000	919,000	919,000
Proposed supplemental	700,000			
1978:				
Appropriation	35,547,000			
SSA transfer	514,000			

Office for Civil Rights

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Office for Civil Rights	1,002	$29,770,000	1,202	$36,061,000	+200	+$6,291,000

General Statement

The Office for Civil Rights is responsible for enforcing the following civil rights statutes and authorities:

-- Title VI of the Civil Rights Act which prohibits discrimination on the basis of race, color, or national origin in federally assisted programs and activities;

-- Title IX of the Education Amendments of 1972 which prohibits discrimination on the basis of sex in federally assisted education programs;

-- Section 504 of the Rehabilitation Act of 1973 which prohibits discrimination against qualified handicapped persons on the basis of physical or mental handicap in federally assisted programs;

-- Sections 799A and 855 of the Public Health Service Act, which requires that schools of medicine and nurse training, as a condition of receiving Federal support, must provide assurances that there is no discrimination on the basis of sex in admissions.

-- Executive Order 11246 which prohibits employment discrimination on the basis of race, color, sex, religion, and national origin and requires affirmative action on the part of Federal contractors and subcontractors; and

-- Section VII of the Higher Education Amendments of 1972 which provide aid to desegregating institutions.

In order to identify and remedy discrimination existing in these institutions, it is essential that OCR carry out a balanced compliance program which provides an effective level of activity to each client group at each of the categories of institutions for which OCR is responsible. These institutions include public school districts, colleges and universities, hospitals, nursing homes, medical laboratories and other medical facilities, and various State and local governmental agencies receiving Federal financial assistance. Such a program calls for:

-- The prompt resolution of all complaints filed with OCR,
-- The conduct of compliance reviews,
-- The effective monitoring of conciliation agreements we reach on behalf of our clients in order to assure that the institutions are living up to them, and

-- The provision of technical assistance to each of the recipients of Federal assistance in order that they may take self-initiated steps to comply with the law.

Over the past few years, distortions have occurred in the OCR compliance program, in part, due to court decisions which have required that we apply our resources to one segment of client groups to the detriment of services to other segments. Decisions of this type inevitably lead to suits by other client groups intended to secure court ordered requirements for OCR to act on their behalf in a more timely manner.

During FY 1976, OCR reviewed these problems and initiated steps to resolve them to the extent possible with available resources. The first step was more effective management of the resources currently available. Organizational improvements have been made to facilitate initiation and conduct of enforcement actions by regional staffs and to concentrate headquarters attention on improving the quality of OCR's planning, policy development, training, and evaluation of operations.

FY 1978 Request

An increase of 200 positions is requested for FY 1978 to enable the Office to initiate significant new compliance review activities which will lead to a balanced and effective enforcement program.

OCR launched in FY 1977 a two-year effort to eliminate the backlog of complaints and process new complaints according to uniform procedures and timetables, in keeping with a Federal district court order. The effort to eliminate the complaint backlog and remain current with all incoming complaints, will absorb most staff resources and is producing dislocations and imbalances. OCR's objective is a balanced program that not only addresses all complaints on a timely basis but also provides for a reasonable level of compliance reviews, affecting all protected groups and a significant number of covered institutions not dealt with in investigations of complaints.

The increase is on a base of 1,002 positions. Of the 200 new positions, 135 would be allocated for regional enforcement and voluntary compliance activities, 33 for regional legal services, 17 for headquarters management, and operational activities, and 15 for headquarters legal services. A position summary follows.

Position Summary Table

	FY '76	FY '77	FY '78 Increase
Activities			
I. Regional Offices			
1. Complaint Investigations	271	487	-22
2. Compliance Reviews	227	171	147*
3. Technical Assistance	9	--	10
4. Office of General Counsel	20	24	8
5. Monitoring	40	16	--
			168

	FY '76	FY '77	FY '78 Increase
II. Headquarters			
1. General Management	85	66	10
2. Operations	62	72	7
3. Planning and Policy	90	115	--
4. Office of General Counsel	48	51	15
			32
TOTAL	852	1,002	200

*22 of the requested increase of 147 positions for compliance reviews will be met by the transfer of 22 positions allocated to complaint activities in FY 1977.

I. Regional Offices

1. Complaint Investigations

Accomplishments - FY 1977

A major obstacle to a balanced compliance program has been court orders requiring application of resources to complaints filed by a specific client group or against a specific type of institution. To resolve this litigation and preclude such court orders in the future, OCR has established a national goal to eliminate the backlog of complaints against elementary and secondary schools during FY 1977 and to remain current with incoming complaints against these recipients in the future. These goals are stated in an order of the court in the case of Adams v. Mathews. Although not embodied in a court order, we have also set a goal to eliminate all other complaint backlogs, most notably those involving institutions of higher education, by the end of FY 1978, and to remain current with incoming complaints in the future.

As Table A indicates, our backlog of complaints at the beginning of FY 1977 will be 1,697 and we expect to receive 1,593 new complaints during that year. By allocating 487 person years to this activity during FY 1977 the backlog will be reduced to 501 by the beginning of FY 1978 and the 1,593 new complaints will have been processed.

Program Plans - FY 1978

An allocation of 465 person years to this activity during FY 1978 will completely eliminate the backlog and facilitate processing of the expected 1,902 new complaints received during that year. The FY 1978 allocation represents a staff savings of 22 person years over the FY 1977 allocation. These saved resources will be utilized to conduct compliance reviews.

TABLE A

Complaint/Activity	Fiscal Year 1977 Backlog	New Complaints	Activities Planned	Total Staff (Pers-yrs)	Fiscal Year 1978 Backlog	New Complaints	Activities Planned	Total Staff (Pers-yrs)
Higher Education								
Title VI	246	73	198	60	121	80	201	61
Title IX and PHSA	267	284	419	127	132	341	473	143
E.O. 11246	304	-0-	155	47	148	-0-	148	45
Elementary & Secondary Ed.								
Title VI	350	594	944	110	-0-	653	653	76
Title IX	430	292	722	84	-0-	350	350	41
Indian Preference PL 93-638	-0-	-0-	-0-	-0-	-0-	43	43	9
Health & Social Services								
Title VI	50	100	100	17	50	110	160	27
Handicapped Persons								
Section 504	50	250	250	42	50	325	375	63
Totals	1697	1593	2788	487	501	1902	2403	465

2. Compliance Reviews

Accomplishments - FY 1977

A compliance review is a detailed examination of all aspects of the operation of a recipient of Federal financial assistance in order to determine whether the requirements of applicable civil rights mandates are being met. While compliance reviews are the most time-consuming of the compliance procedures, they are the most effective means of achieving compliance with civil rights statutes and, in our opinion, are the most effective use of our staff resources. Since they are the primary means of identifying and eliminating systemic discrimination, compliance reviews are key to the concept of a balanced compliance program. Unlike complaint investigations, compliance reviews focus on:

-- All phases of an institution's practices including those which on their face appear to be rational and fair, but which in practice have a cumulative effect which puts minorities, women, and the handicapped at a discriminatory disadvantage and

-- An institution's compliance with all statutory requirements (Titles VI, IX, Section 504, EO 11246, etc.) that are applicable.

To effectively fulfill all of our statutory and Executive mandates in a balanced manner, OCR should conduct compliance reviews on a continuing basis under each of its statutes and Executive Orders in each of its program areas (i.e. health, education, social services and construction).

OCR estimates that the conduct of a balanced review program would require a total of 546 positions for compliance reviews. In FY 1977 we will only be conducting those compliance reviews mandated by court order or specifically required by statute or regulation. As Table B indicates, we allocated 171 staff persons for this activity in FY 1977.

Program Plans - FY 1978

An increase of 125 positions is requested for FY 1978, for a total of 318. These positions would permit substantial achievement of the balanced program objective but do not permit its full achievement in every statutory and program area. Together with 22 positions reallocated from complaint investigations, 147 new positions would be available in this area in FY 1978.

This increase would permit performance of 4,437 reviews, an increase of 1,201 over FY 1977. Additional reviews to be accomplished are:

-- 800 Post-grant Health and Social Services reviews;
-- 49 Higher Education Reviews;
-- 293 Elementary and Secondary Education Reviews;
-- 24 Membership Organization reviews;
-- 35 Indian Preference Reviews.

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Table B

Summary - Compliance Reviews

Compliance Activities[1]	FY 1977 Number of Activities	FY 1977 Staff Years	FY 1978 Number of Activities	FY 1978 Staff Years	Position Increase
A. Elementary and Secondary Education...	975	125	1,268	170	45
B. Higher Education.....	61	35	110	65	30
C. Health and Social Services:					
Pre-Grant.....	2,200	11	2,200	11	-0-
Post-Grant.....	-0-	-0-	800	63	63
D. Membership Organizations.....	-0-	-0-	24	4	4
E. Indian Preference.....	-0-	-0-	35	5	5
	3,236	171	4,437	318	147[2]

1/ These reviews are comprehensive in that they focus on an institution's compliance with all statutory requirements including Titles VI and IX, EO 11246 and all others where applicable.

2/ Includes 22 positions allocated to complaint investigations in FY 1977.

3. Technical Assistance

A balanced compliance program requires the Department to work closely with state and local officials and other recipients in assisting them to comply with the variety of legal requirements to which they are subject. A high priority has been given to this activity for FY 1978. Technical assistance divisions would be established in each OCR regional office to be staffed by persons highly specialized in the practices of institutions under OCR's jurisdictions (schools and colleges, health care and social services agencies). They would work closely with institutional officials exploring potential problems and possible remedies. The principle thrust of this activity would be to establish an alternate "preventive" mechanism for ensuring compliance outside of the traditional and highly legalistic complaint investigation/compliance review approach.

In FY 1976, 9 person years were assigned to technical assistance; no resources were spared for such assistance in FY 1977 due to the priority given complaint investigations. For FY 1978, an increase of 10 positions on a base of 0 is requested for technical assistance, to be apportioned among ten regional offices.

4. Office of the General Counsel

The Civil Rights Division of the Office of the General Counsel is legal advisor to the Office for Civil Rights. The responsibilities of the OGC attorneys are to: 1. Advise on legal issues relating to complaint and other investigations; 2. Take non-complying recipients to administrative hearing; 3. Represent the Department (in coordination with the Department of Justice) in judicial litigation; and 4. Prepare legal opinions, regulations, guidelines, and training manuals.

In the past, OCR has not had sufficient staff to allocate significant legal resources to compliance reviews and other activities which are designed to eliminate discrimination before it results in complaints. The majority of legal activities have been conducted as a consequence of complaints and resulting administrative or court proceedings. As a result, the compliance review process has not been as productive as possible due to inadequate handling of legal issues and insufficient legal guidance to compliance review teams. Frequently, this lack of legal attention has impaired the effectiveness of OCR's compliance enforcement. Adequate legal assistance in the compliance review process and related technical assistance activities are essential to the conduct of an effective balanced compliance review program.

An increase of 48 positions is requested for FY 1978 on a base of 75. Of these, 33 would be allocated to regional offices and 15 to headquarters. This new staff would permit Civil Rights to handle major increases in administrative hearings and litigation arising mainly from increased Title IX and Section 504 caseloads. The increase would also enable OCR to provide significant legal assistance for the first time to its compliance review and technical assistance efforts. The increase would permit attorneys to participate as members of OCR's compliance review teams in many of OCR's projected 4,437 FY 1978 compliance reviews. This participation will increase the effectiveness of these compliance reviews and strengthen OCR's efforts to eliminate discrimination.

5. Monitoring

A continuing OCR responsibility is to assure that recipients of federal financial assistance are implementing agreements or plans to eliminate instances of non-compliance identified by OCR through its complaint investigation and compliance review activities. Such activity is essential to assuring that institutions are living up to their commitments and that the remedies to which clients are entitled are being provided. Beginning in FY 1977, monitoring of approved compliance agreements will be systematically undertaken by a separate branch in each regional office. No increase for monitoring activities is requested in FY 1978.

II. Headquarters

1. General Management

The general management staff, in the Immediate Office of the Director, manages the Office for Civil Rights as a whole. With a base staff of 66 positions, it includes the Executive Secretariat and the Office of Administration and Management. An increase of 10 positions is requested for FY 1978.

Five positions would be allocated to the Executive Secretariat which is responsible for the preparation of all general correspondence, reports and policy documents which must be prepared for the Secretary, the Under Secretary, Congressional committees, other HEW components, other Federal agencies and the general public. It is expected that the volume of correspondence and reports will increase significantly during FY 1978 due to the planned expansion of all enforcement and compliance activities and particularly those dealing with the handicapped. The increase of 5 positions would assure the timely preparation of these reports and policy documents and the responsiveness and timeliness of our communications with the public.

Five positions are requested for the Office of Administration and Management to develop a management evaluation system. The system is intended to improve the effectiveness of the Office through the continuous monitoring and evaluation of the performance of all OCR managers.

2. Operations

Operations, with a FY 1977 base staff of 72 positions, is responsible for planning and monitoring regional enforcement and compliance activities; assuring that policies and procedures are uniformly applied; providing training for headquarters and regional staff, and; providing technical expertise to support the activities of the regional and headquarters offices. During FY 1977 staff training programs will be developed for current, new, and revised programs, policies and procedures. It is expected that because of the realignment of functions, the development of new policies and procedures, employee turnover, and new Congressional staff authorizations, all employees will require some training during FY 1978. An increase of 7 positions is requested to meet these training needs in FY 1978.

3. Planning and Policy

Planning and Policy, with a FY 1977 base staff of 115 positions, is responsible for the development of all policies and procedures for the Office for Civil Rights, including the formulation of regulations, guidelines, policy statements, and staff operating manuals and procedures; for developing long-range enforcement and compliance plans; for evaluating the impact of the Office's policies and enforcement and compliance programs; and for managing the Office's data collection and analysis systems. No increase of positions is requested for this activity.

4. Special Funds

An increase of $500,000 is requested for the Automated Organizational Information System. Data and analytic support needs have grown in proportion to expanding compliance enforcement activities. The FY 1978 special projects budget will emphasize the development of an overall system to standardize data collection, maintenance, retrieval and analysis techniques and to maximize the use of existing data. This proposed effort would permit OCR to utilize data gathered by other Departments from recipients of Federal funds thereby reducing OCR's need to collect these data from the recipients.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office for Civil Rights

Program Purpose and Accomplishments

Activity: Office for Civil Rights

1977		1978		
			Budget Estimate	
Positions	Amount	Authorization	Positions	Amount
1,002	$29,770,000	---	1,202	$36,861,000

Purpose: The Office for Civil Rights is responsible for the enforcement of Title VI of the Civil Rights Act of 1964, Executive Order 11246, as amended, Titles VII and IX of the Education Amendments of 1972, the anti-sex discrimination provisions of the Comprehensive Health Manpower and Nurse Training Acts of 1971, and Section 504 of the Rehabilitation Act of 1973.

Explanation: To provide funding of salaries and expenses for the staff of the Office for Civil Rights both in Headquarters and the regional offices.

Accomplishments and Objectives 1977:

Complaint Investigations - The major focus of OCR's enforcement activities in 1977 was to meet the requirements of the court order in the Adams vs. Mathews litigation. This entailed the investigation of approximately 1700 backlogged complaints and addressing an estimated 1600 new complaints expected to be received during the year. While the court order was specific in its requirement to investigate complaints concerning Elementary and Secondary Education, it was felt logical to apply the requirements to the extent feasible to complaints in areas other than Elementary and Secondary Education, such as Higher Education, Health and Social Services and those received pursuant to Section 504 of the Rehabilitation Act of 1973. It is estimated that as many as 500 of the total complaints will remain backlogged at the end of 1977.

Compliance Reviews - Approximately 3200 compliance reviews will be conducted during 1977, the bulk of these being 2200 pre-grant reviews of new applications for Federal financial assistance in health and social services programs. There will be approximately 1000 compliance reviews of elementary and secondary education applicants or recipients, and over 60 compliance reviews of institutions of higher education.

The regulations for the Section 504 enforcement program have been drafted, issued for public comment and finalized. They will be pilot tested.

Objectives 1978

An increase of 200 positions is requested for FY 1978.

Complaint Investigations - By the end of FY 1978, OCR will have eliminated all backlogs of complaints and will process 1,900 new complaints. Total complaints processed in FY 1978 will be 2,400. A total of 22 positions will be reassigned from complaint investigations to compliance reviews. A total of 465 positions will be assigned to complaint investigations in FY 1978.

Compliance Reviews - An increase of 125 regional positions, for a total of 318, is requested to permit substantial progress toward the goal of a balanced compliance program. Together with 22 positions reallocated from complaint investigation, 147 new positions would be available in this area in FY 1978. This increase would permit performance of 4,437 reviews, an increase of 1,201 over FY 1977.

An additional ten regional positions would support a balanced program through Technical Assistance to State and local officials and other recipients of federal assistance. The aim of this activity is to ensure compliance before complaints occur or compliance reviews are necessary.

Forty-eight positions would be assigned to the Civil Rights Division of the Office of the General Counsel to improve the quality of legal aspects of the compliance enforcement process. These would be 33 regional and 15 headquarters positions.

Seventeen positions would be assigned to headquarters to handle increased correspondence, develop a management evaluation system, and meet OCR's increased training workloads. An increase of $500,000 would permit implementation of the Automated Organizational Information System.

NEW POSITIONS REQUESTED
FISCAL YEAR 1978

	GRADE	NUMBER	ANNUAL SALARY
Attorney Adviser	GS-14	3	$ 86,175
Equal Opportunity Specialist..	GS-13	10	243,080
Attorney Adviser.....	GS-13	5	121,540
Equal Opportunity Specialist..	GS-12	22	449,724
Management Analyst.....	GS-12	3	61,326
Training Officer.....	GS-12	3	61,326
Attorney Adviser.....	GS-12	8	163,536
Equal Opportunity Specialist..	GS-11	23	392,288
Management Analyst.....	GS-11	2	34,112
Training Officer.....	GS-11	2	34,112
Attorney Adviser.....	GS-11	19	324,064
Equal Opportunity Specialist..	GS-9	23	324,231
Writer/Editor.....	GS-9	3	42,291
Conference Coordinator.....	GS-9	1	14,097
Equal Opportunity Specialist..	GS-7	18	207,414
Writer/Editor.....	GS-7	2	23,046
Equal Opportunity Assistant...	GS-5	8	74,424
Clerical Assistant.....	GS-5	13	120,939
Clerical Assistant.....	GS-4	15	124,740
Clerical Assistant.....	GS-3	17	125,936
TOTAL.....		200	$3,028,401

POLICY RESEARCH

WITNESSES

HENRY AARON, ASSISTANT SECRETARY FOR PLANNING AND EVALUATION-DESIGNATE
JOHN D. YOUNG, ASSISTANT SECRETARY, MANAGEMENT AND BUDGET
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, FINANCIAL MANAGEMENT
WRAY SMITH, DIRECTOR, OFFICE OF TECHNICAL SUPPORT AND STATISTICS
CHARLES F. KEARNEY, DIRECTOR, DIVISION OF OS BUDGET SERVICES

Mr. FLOOD. All right, now policy research.

This presentation will be made by Henry Aaron, Assistant Secretary for Planning and Evaluation.

We will place your statement and biographical sketch in the record at this point.

[The statement and biographical sketch follow:]

Name: Henry Aaron.
Position: Assistant Secretary for Planning and Evaluation Designate, Department of Health, Education, and Welfare.
Birth: June 16, 1936.
Date and place: Chicago, Ill.
Education:

Ph. D—Economics, Harvard University, 1963.
M.A.—Russian regional studies, Harvard University, 1960.
B.A.—Political science and economics, U.C.L.A., 1958, Phi Beta Kappa.

Experience:

Senior fellow, The Brookings Institution, September 1968–January 1977. Research on Federal housing policies, welfare reform, property taxation, income tax indexing, and the use of research in the formulation of public policy on human resources. Resulted in four books, one manuscript, and congressional testimony.

Professor of economics, University of Maryland, September 1967–January 1977. Taught courses in public finance, macroeconomic theory and policy, the economics of poverty and discrimination, and the theory of collective decisions.

Chairman, Panel on the Housing Allowance Experiments, Department of Housing and Urban Development, 1975–77. Chairman of external interdisciplinary panel to monitor the progress of the housing allowance experiments, evaluate the research reports prepared by the principal contractors in order to assist HUD in determining how these reports should be used in the formulation of policy and the contractors in modifying research methods.

Visiting professor of economics, Harvard University, fall 1974. Taught courses in public finance and the economics of income distribution.

Other experience, 1966–77; Dr. Aaron was a Senior Staff Economist for the Council of Economic Advisors, and served as a consultant on a wide variety of income maintenance, taxation and housing related issues.

Mr. Chairman and members of the committee: My associates and I are here to present the Department's fiscal year 1978 request for policy research activities currently authorized under section 232 of the Community Services Act and section 1110 of the Social Security Act. This request of $22,400,000 will allow for the continuation of the major experiments demonstrations and statistical analysis from prior years and full year funding of the income survey development program.

The importance of the research being conducted under this program is accentuated by the welfare reform and national health insurance initiatives for which the Office of Planning and Evaluation is taking the lead. Right now and for the next few years, results from the experiments will play an important role in

determining the shape of eventual legislation and the operation of programs themselves. Many smaller nonexperimental income and labor supply studies as well as our computer support and statistical data activities will support these initiatives. Other continuations include small followup demonstrations on consolidation of disability insurance determinations and incentive reimbursement system for long-term care; a study of alternatives to long-term care; progress in specifying early childhood policies; a comparative analysis of the process and impact of desegregation in several communities; an analysis of alternative Federal policies for promoting desegregation and equal education opportunity; projects aimed at improving the general management and planning capacity for delivery of human services by State and local governments; and support of interagency efforts to improve the measure of poverty.

In this request, $2 million of the $2.4 million increase is for the income survey development program, which is the one new initiative in the policy research program of the past few years. This development program will provide us with a unique ongoing survey of program participation and eligibility, income and assets of recipients which will make substantial improvements to program planning and evaluation activities in HEW, congressional offices such as CBO and many other Government agencies in the 1980's. Since the largest share of the Department's budget goes toward the support of programs that provide services, vouchers or cash to people on the basis of their income, this program will fill an important need for more reliable estimates of outlays required by alternative Federal policies.

I believe it is worth taking 2 or 3 minutes to review with you, a few of the major accomplishments in this program during fiscal year 1976 and our rationale for conducting this program in the Office of the Secretary.

Preliminary results from the Gary and Seattle/Denver income maintenance experiments, and final results from the rural experiment were obtained in 1976. Results from these and earlier experiments consistently indicate that a moderate income support level will not create a disincentive to work efforts, the percentage of work reduction ranging between 0 and 7 percent. Even some of that reduction involves time taken to seek training or a better job. The responses of wives, who generally work considerably fewer hours than husbands, was more substantial with a reduction in work effort of about 17 to 30 percent.

There are also findings suggesting that a more adequate income support program will reduce the demand for social services, thus freeing those resources for other uses. Analysis of the experimental data has proceeded to the point where we can estimate total costs of alternative income maintenance programs, taking account of all variables including the range of potential labor supply results.

Earlier research from the experiments indicated that the use of monthly retrospective reporting in the AFDC program would result in substantial savings of AFDC payment costs each year, for example, between $535 and $857 million in fiscal year 1976. Field testing being conducted by the Social Rehabilitation Service validates the realization of substantial savings and the administrative feasibility of implementing the procedure in the AFDC program.

In fiscal year 1976 a number of research projects identified important findings that will help address policy issues in the areas of health costs, quality of health care, and health insurance. In the health insurance field the early experimental data from the experiments became available for analysis. While we are 2 to 3 years away from reporting major results from this study, there are already findings from nonexperimental data that if borne out in the experiment, will have great significance for the kind of alternatives considered for financing national health insurance. One preliminary finding was that health insurance with a $200 deductible for the nonpoor would not cause a large increase in demand, while demand for nonhospital services would increase substantially if there were no out-of-pockets payments. These and other findings will be clarified in the results from the experiment itself.

There have been several significant advances in our research on disability issues. In the fiscal year 1975 annual report, we cited an estimate from one study that the current disability program structure could result in total costs of $223 billion in 1990 in disability transfers as well as medical and survivor payments as compared with $36 billion in 1970.

In a related disability issue, we have found some positive answers to GAO questions regarding costs and benefits in usage of the disability insurance trust fund. While the rate of depletion of trust fund reserves is a serious problem, we

found that for each trust fund dollar spent, $1.16 was returned by those rehabilitated into gainful employment.

In order to address the cost issue, in long term care facilities we have developed and simulated an incentive reimbursement system designed to constrain costs yet reward long term care facilities for cost efficiency and quality of care. The merits of this work, combined with the need for policy action in this area, will likely result in a full-scale simulation and small state demonstration as a next step.

A major function of the Office of the Assistant Secretary for Planning and Evaluation is to provide a central location for the coordination of the Departments research and evaluation activities. This policy research program serves as an active tool in our efforts to avoid unnecessary duplication and overlap on research initiatives which cut across agency lines. In many instances we are able to organize combined funding efforts which result in one coordinated product instead of several individual efforts seeking to meet the same objective.

For example in 1976, work proceeded on three different congressionally mandated studies with the Office of the Assistant Secretray for Planning and Evaluation serving as the lead office on each one. Along with the completed report on "The Measure of Poverty," initial planning was undertaken for the study required by section 822 of the Elementary and Secondary Education Act, to be completed in 1977. Also in 1976 we completed much of the work involved in evaluating the appropriateness of the Federal interagency day care standards requirements which will be completed in 1977.

SUMMARY

In summary Mr. Chairman this request of $22,440,000 is essential to the continuation of activities critical to our planning for welfare reform, national health insurance and other important policy issues being addressed within the Department.

BUDGET REQUEST

Mr. FLOOD. The budget request is $22.4 million. As you know, that is a net increase of $2.4 million over 1977. But the actual increase is $5.5 million of you consider the projects that are going to be terminated, is that right?

Mr. AARON. Yes, sir. The increase is actually smaller than $2.4 million because the fiscal year 1977 total for the health insurance experiment is artificially depressed by a carryover of funds from the transition quarter.

INCOME MAINTENANCE EXPERIMENTS

Mr. FLOOD. Before discussing the details of the budget, we want you to explain how the income maintenance and the health insurance experiments relate to the Secretary's initiative in welfare reform and health insurance.

Your opening statement touched on that, but we are still not clear about it.

Mr. AARON. Yes.

Mr. FLOOD. Off the record.

[Discussion off the record.]

Mr. AARON. Thank you, Mr. Chairman, for asking that question because it is one I would really like to address.

Mr. FLOOD. You are not surprised you were asked the question?

Mr. AARON. I am not surprised nor flustered. It is an important question.

Mr. FLOOD. I am glad you agree. Go ahead.

Mr. AARON. In the jargon of the consumer reports, these experiments will prove to have been "best buys" for the Nation in terms of

what they contribute to our planning for welfare reform and for national health insurance.

Let me give you just one specific illustration. One of the earliest experiments used monthly retrospective accounting as a device for finding out how much should be paid to each household. That procedure resulted in substantial savings over the practices now used in the AFDC program.

As a result of those findings, some analysis was done and the Social and Rehabilitation Service was persuaded to conduct an experiment in two cities, Boulder and Denver, Colo. On the strength of those two experiments we estimate that the AFDC program could save roughly $1 billion per year in total payment costs, that food stamps could save roughly $500 million, a reduction of about $1.5 billion in AFDC and food stamps.

Needless to say, these results have obvious implications for the methods of accounting that might be suggested in a welfare reform proposal.

Another payoff from the experiment has concerned administrative procedures. One of the most important payoffs, it seems to me, was the headache, pain and suffering that had to be gone through in order to put those experiments in the field.

The travail that we experienced in the operational stage with the SSI program in some measure we experienced at the experimental stage with these income maintenance experiments.

The results of those experiments are being used daily by a task force on administrative problems that is working in tandem with our efforts on welfare reform.

I could include some other items if you would like me to submit them for the record that would indicate the payoffs.

Mr. NATCHER [presiding]. Fine.

[The supplemental information follows:]

PAYOFF FROM THE EXPERIMENTS

Since the experimental program has been in operation for several years now, many important studies have already been completed. Many more, of course, will be forthcoming in the future. A brief discussion of some of the more significant behavioral and other research findings now available is presented below. The importance of the findings from the experiments to policymakers is suggested by the fact that each of the first three findings discussed below provide information on alternative policy decisions whose costs are measured in the hundreds of millions to billions of dollars.

LABOR SUPPLY RESPONSES

Preliminary results from the Seattle, Denver, and Gary experiments, and final results from the rural and New Jersey experiments are now available. Taken together they indicate that: (1) The response of male heads of households to a moderate income support program (75 percent of poverty level guarantee—50 percent benefit reduction rate), is not large, with estimates of the reduction in work effort for such heads ranging between 1 and 7 percent; (2) the response of wives and other secondary workers, who generally work considerably fewer hours than husbands, was more substantial, with estimates of the reduction in work effort for wives ranging between 17 and 27 percent; and (3) the response of female headed families was about a 6-percent reduction in work effort.

However, it is important to note the evidence from the largest and best of these experiments, the Seattle/Denver experiment, shows conclusively that the response of individuals to alternative income maintenance programs varies greatly and depends upon the program support levels and tax rates being considered.

In order to be able to extrapolate these important experimental findings from Seattle/Denver to the national level, a related effort was undertaken to incorporate the Seattle/Denver labor supply response estimates into the transfer income model (TRIM). The TRIM model is the basic microsimulation model used by HEW to estimate the costs and caseloads of alternative income maintenance programs. The model is also extensively used by other government agencies, such as the Congressional Budget Office and the Departments of Treasury and Agriculture. With this important new capability, it is possible to explore complicated interactions among income maintenance program support levels and benefit reduction rates, the size and composition of the eligible population, and labor supply behavior. This permits estimates to be made of the costs of alternative income maintenance programs, taking full account of potential labor supply responses. The attainment of this capability was one of the major objectives of the income maintenance experiments program.

Two examples of how these findings are useful to policymakers are as follows:

We are now able to provide statistically reliable estimates of the effects of different program tax rates (benefit reduction rates) or support levels which take full account of labor supply responses on costs, caseloads, and work effort for a variety of income maintenance plans. For example, we now have good evidence on the labor supply effects of increasing the program benefit level from $3,000 to $4,000 or the program tax rate from 50 to 70 percent. Preliminary research with this new capability shows that the costs of labor supply responses of different plans vary greatly and by hundreds of millions to billions of dollars.

The results indicate that the most substantial reductions in labor supply at least in percentage terms are centered among secondary workers. This implies that a simple work requirement aimed at male heads of families could not be fully effective as a means of offsetting the overall reduction in family labor supply.

ADMINISTRATIVE IMPROVEMENTS IN THE WELFARE SYSTEM

a. Monthly Retrospective Reporting of Income

Earlier research from the experiments indicated that the institution of monthly retrospective reporting (the administrative procedure used in the experiments) in the AFDC program would result in substantial reductions in the rates of ineligibility and amount of overpayments, thereby producing substantial savings in program costs. Savings were estimated at about 10 percent of AFDC payment costs each year. In order to validate these preliminary findings and to provide related information on administrative feasibility and costs, a field test of monthly retrospective reporting in a regular AFDC program was undertaken in a project called the Colorado monthly reporting experiment. Preliminary results from the field tests confirm that substantial savings of about 8 to 10 percent of payments costs can be achieved through the use of the monthly retrospective reporting system, and that such a system can be implemented with only about a 5 percent increase in administrative costs. Since AFDC administrative costs are only about one-tenth the size of payments costs, extrapolation of these results to the national level suggests that the potential net savings (reduction in overpayments minus the increase in administrative costs) from full implementation of monthly retrospective reporting would be about $800 million to $1 billion. Slightly more than half of these savings would be in Federal funds.

Further, a new research study completed this year indicates that the use of monthly retrospective reporting in the food stamp program would also result in substantial savings each year, with savings estimated to range between $380 million and $550 million in terms of fiscal year 1976 program costs. This is an example of how some of the findings from the experiments have application across many program areas.

b. The accounting period for determining eligibility for benefits

Another very important experimental finding is that certain administrative details can be among the most important determinants of the character and impact of an income maintenance program. Chief among these is the definition of an accounting period for determining eligibility for benefits. For example, the use of an annual accounting period will result in an income maintenance system far different from that which employs a monthly accounting period (which is similar to that being employed in the current AFDC and food stamp programs) in terms of cost, coverage, equity, and work incentives.

Our study shows that large amounts of welfare benefits go to families who, while legally eligible for benefits, are only temporarily needy. In many cases, on

the basis of annual income these families are substantially less needy than other families who receive smaller benefits or no benefit at all. Better definition of income accounting procedures can result in substantial improvements in distributional equity, better targeting of program benefits on the neediest families, and savings to both Federal and State governments which could be used to improve benefits for the truly needy.

This experimental research finding has made an important contribution to the resolution of one of the issues of welfare reforms since, as a direct result of this research finding, virtually all major structural welfare reform alternatives considered incorporate an annual or at least semiannual accounting period concept. While the accounting period may sound like a minor technical detail, the way in which it is defined can change program costs by billions of dollars and program coverage by millions of recipients.

OTHER FINDINGS FROM THE EXPERIMENT

Other findings from the experiment show that income support programs of the types tested in the experiments have positive effects among the lowest income families on the school performance of children, on the educational attainment of male teenagers, on nutrition, and on home ownership. In addition the experimental data suggest that such support payments reduce the demand for social services (by 4 percent) and for public housing.

Another study shows that the cost of bringing all day care centers into compliance with existing Federal standards would increase average center care costs by about 5 percent while costs would increase by about 11 percent if the stricter standards were implemented. Another day care study shows that there appears to be significant resistance to the use of formal market child care arrangements (that is, center and family day care homes), particularly by families in which teenage children or other adults are present. Thus, if it is desired to increase the utilization of formal care arrangements, despite the higher costs of such care and the exhibited preferences of families for informal care, the results suggest that formal care must be made more attractive, or subsidiaries must be applied differentially to that mode if substantial increases in use of formal care are to be stimulated by public policy.

Question. Why do we still have only preliminary results from the Gary and Seattle/Denver experiments?

Answer. The results of the Seattle/Denver income maintenance experiment are preliminary primarily because the basic operational phase of the experiment will not be completed until the fall of 1977, and thus all the data from the experiment have not yet been collected or analyzed. The results from the Gary experiment are preliminary because they are based on the analysis of only a portion of the data collected during the course of the experiment. Although the final data collection activities under this experiment were completed by the beginning of 1976, the editing and documentation of the massive set of data collected during the course of this experiment was a major undertaking and required a long period of time to do it carefully and correctly. Mistakes made in this process would only lead to subsequent misinterpretation of experimental results. Researchers analyzing the Gary experiment are now working with the full set of data and final results for that project are expected about the end of the year.

WHY SEPARATE APPROPRIATION

Mr. NATCHER. Since you as the Assistant Secretary supervise all these efforts, why not put them together under the appropriation for "General departmental management"?

Mr. AARON. I think that will involve some institutional history, and having been here for 2 months, I may not be aware of it. I will say a few words and suggest that Mr. Miller may wish to add some thoughts.

Policy research involves crosscutting research activities of a quite different nature than the conventional departmental activities.

It also involves some rather basic research, the development of data, and the gathering of new information. I think it is desirable to have those right up front so that you can take a look at them as you are

now doing and decide whether you think those moneys are well spent or not. If they were buried in department management, I think it might be a little more difficult to identify and it might well deprive you of some control over this specific activity.

Mr. MILLER. They were together once, Mr. Chairman. We split them out about 2 years ago primarily because this is an operating research program, and to throw that program in with an overhead appropriation, which has to do with the costs of the Office of the Secretary in running the Department, makes that overhead look much larger than it is, and these funds should be identified separately.

To put it another way, we budget staff under general departmental management, not program funds.

INCOME MAINTENANCE EXPERIMENTS

Mr. NATCHER. To what extent are other HEW agencies involved with these experiments?

Mr. AARON. These experiments in all cases go through a review process inside the Department, a kind of a quality control effort, and in each case we try to determine that similar activities are not being performed in other parts of the Department because we are quite concerned and anxious to avoid duplication between the activities carried out in policy research and those in which the other agencies are engaged.

Mr. NATCHER. For income maintenance experiments you are requesting $7.3 million. How many experiments would be supported by this amount?

Mr. AARON. Bits and pieces go to different experiments. We are winding up and will soon have a report on the Gary income maintenance experiment.

The Seattle and Denver experiments, which account for the bulk of these costs, are ongoing and in my opinion, sir, represent the most refined of the income maintenance experiments to date. Having built on our previous experience, in some cases our previous mistakes, I think we are going to be able to get more specific information about the impact of different guarantee levels and about the impact of different benefit reduction rates on the labor force behavior of household members and on other aspects of household behavior.

Mr. NATCHER. How much has been invested to date for income maintenance experiments?

Mr. AARON. I believe——

Mr. NATCHER. Can you give us this figure?

Mr. AARON. I do not have the number specifically, if you count the New Jersey and Pennsylvania experiment, the rural income experiments, the Gary income experiment and the Seattle-Denver experiments, that the number is approximately $50 million, but I would like to reserve the right to correct that for the record.

Mr. NATCHER. Yes, and if you would expand on this in the record, listing each one and the aggregate cost of each.

Mr. AARON. I will do so, yes.

[The information follows:]

LIST OF INCOME MAINTENANCE EXPERIMENTS WITH INDIVIDUAL COSTS

The approximate cost of the income maintenance experiments to date is as follows:

New Jersey experiment	$7, 800, 000
Rural experiment	6, 000, 000
Denver experiment	33, 000, 000
Seattle experiment	27, 000, 000
Gary experiment	20, 000, 000
Total	93, 800, 000

RURAL INCOME MAINTENANCE EXPERIMENT

Mr. NATCHER. What were some of the significant results from the rural income maintenance experiement?

Mr. AARON. The experimental results are reminiscent of Sherlock Holmes' story of the dog that didn't bark. It turned out that most of the reactions of households were rather similar to those that had been previously encountered in the New Jersey income maintenance experiments in terms of the reduction in work effort.

There is some evidence in the rural income maintenance experiment payments, although I must confess it is not terribly robust, that there are beneficial effects on such related forms of behavior as school performance.

And one contribution of the rural income maintenance experiment was to indicate how a general welfare reform plan might operate in rural areas where, as I am sure you are aware, the administrative problems are rather different from the ones encountered in urban areas. In particular, there is a lot of work on the farm, seasonal labor, and this raises a number of special problems not found in such intense form in cities.

Mr. NATCHER. Now I believe last December your office released your report, is that correct?

Mr. AARON. I believe so. I was not in this office in December.

Mr. NATCHER. What use is now being made of this final report, if any? Are you using it?

Mr. AARON. Yes, we are. We are using it in the same way that we are trying to use the other components of the income maintenance experiments in the area of administration, as I mentioned before. I think any serious attempt to reform the welfare system will have to involve consideration of how that system should operate in rural areas.

The administrative experience from the rural experiment, I think, should prove invaluable. In addition, the labor force response findings will inform our judgments about what are acceptable guarantee and benefit reduction rates in terms of their impact on work incentives.

We are interested, also, in the impact of the income maintenance experiment on the consumption of social services. Incidentally, we have gotten better results on that from the Gary experiment, but there are some indications from the rural experiment.

HEALTH INSURANCE EXPERIMENTS

Mr. NATCHER. For the health insurance experiments, I believe the request is $6.3 million.

Mr. AARON. Yes, sir.

Mr. NATCHER. This is an increase of $2.7 million over 1977. How much has been invested in this experiment to date?

Mr. AARON. Approximately $30 million. Let me say something about the $2.7 million increase.

In some measure that is a bit misleading. Some funds were carried over from the transition quarter into fiscal year 1977. That depressed fiscal 1977 expenditures below those actually occurring in an operational sense, so the effective increase is much smaller than that and I would submit that information for the record, if you wish.

[The information follows:]

The $2.9 million in transitional quarter funds obligated for the Health Insurance Experiment reduced the need for fiscal year 1977 funding to cover actual operations. The $6.3 million requested for fiscal year 1978 covers only the continuation of activities funded in fiscal year 1977.

Mr. AARON. The increase does not represent any change in plans, but the maturation and growth of the experiment as originally planned. This is not a change of program, it is a fulfillment of a plan originally articulated. Total expenditures will be approximately $54 million when completed.

Mr. NATCHER. Can you cite benefits that have been derived from the health experiment?

Mr. AARON. I think so. First of all, let me say that the health experiment like the planning that may go on for health insurance within the administration is not as far advanced as that on welfare reform.

We are hoping to have some indication of the impact on the health status of participants on the demand for health care of the effects of price changes which we are varying at different sites and within sites. We want to look at the differential impact across income classes, and we want to get some fix, although it is difficult to do, on the way in which different health plans affect the health delivery system.

As you can appreciate, and as we are emphasizing in our discussions on hospital cost containment, that is an area of no minor importance for the future health expenditures.

Based on preliminary simulation work, it appears that if one had a health insurance plan with a $200 deductible, there would be no major increase, no significant increase in total demand for health care nationwide if it replaced the existing system. The obvious importance of that, of course, derives from the concern we all feel about the impact that medicare and medicaid may have had on health cost inflation.

NATIONAL HEALTH INSURANCE

Mr. NATCHER. If we had a national health insurance program today, would it be necessary to continue this experiment?

Mr. AARON. Well, if we had one today, it would still be desirable, but we don't. Let me say why I think it would be desirable even if we had a plan today and say why I think it is especially important since we don't.

If through some legislative and executive legerdemain a plan were produced today and enacted tomorrow, it would still be the case that a plan would be phased in over a number of years. It would be amended and changed in such respects as deductibles, coinsurance, kinds of services covered, and we would certainly want to learn from the experience under such a program. We have the opportunity through this experiment to learn before we put the program in place.

But I guess my main reaction is that one might have asked the same question about the income maintenance experiments back in 1969 when FAP was introduced. Here we are 8 years later with the income maintenace experiments producing real results but still worrying about welfare reform.

INCOME SURVEY

Mr. NATCHER. For the income survey project, you show an increase of about $2 million?

Mr. AARON. Yes, sir.

Mr. NATCHER. What is the estimated total cost of this survey?

Mr. AARON. Let me check on that. I do not know the answer to that question.

Mr. WRAY SMITH. The total development cost will be somewhere in the neighborhood of $8 to $10 million. The operational survey that is planned, might well be in the $10 to $15 million per year range. Of course, at that stage it would not be a research expenditure. It would be an operational expenditure.

Mr. NATCHER. When will the survey actually start?

Mr. SMITH. We hope to have a pilot in 1979 that will give us data of sufficient coverage nationally that we could actually publish the results. In that sense it would be operational, but it would be after the 1980 census before we went fully operational with the new survey.

Mr. NATCHER. What results do you expect to gain from this survey?

Mr. AARON. Well, Mr. Chairman, we think there are a number of important areas about which we lack information at the present time that this survey will help us with. We don't have very good data on in-kind income that households receive. As you know from the recent CBO report, that has a critical impact on how we measure poverty.

We have no data on intrayear income flows, again a critical question when we relate benefits to needs. We don't have data on income spanning more than 1 year. The CPS's are cross-sectional cuts at one point and a new cut is made next year.

We have poor information on assets, liabilities and pension coverage, and as a result some of our information about the real eligibility for Federal programs out there is not as precise as we would like.

BASIC RESEARCH

Mr. NATCHER. For basic research you request $1.4 million. Is this one project or several projects?

Mr. AARON. The answer is "Yes" to both parts of your question. It is a single grant to the Institute for research on poverty at the University of Wisconsin where the grant supports a wide range of research and a prolific output of findings to which I can testify from my previous activities as an analyst. It is hard to keep up with breadth

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and depth of the research going on at Wisconsin, by statisticians, sociologists, political scientists, and economists. It is an area that I think merits support at this level on a continuing basis.

Mr. NATCHER. For the record supply a breakdown of the components of the $1.4 million budget at this point. If you would submit that please.

[The information follows:]

The following is an approximation of how the Institute for Research on Poverty is planning to spend the $1.4 million in the fiscal year 1978 budget.

Area	Estimated level of effort	Percent
1. Poverty, economic status, and inequalities	$290,000	20
2. Income maintenance programs	333,500	23
3. Education, income, and attainment	275,500	19
4. Poverty, household decisionmaking, and demographic behavior	232,000	16
5. Segregation, discrimination, and poverty	116,000	8
6. The legal, political, and administrative systems affecting the poor	174,000	12
7. Miscellaneous topics	29,000	2
Total	1,400,000	

PUBLIC SERVICE EMPLOYMENT

Mr. NATCHER. We understand that you have supported research relating to public service employment. What have you found out about this important subject?

Mr. AARON. I confess that that is one of the projects I have not yet become familier with in my 2 months on the job.

Mr. NATCHER. You might put something in the record in answer to that question.

Mr. AARON. Yes, sir.

[The information follows:]

PUBLIC SERVICE EMPLOYMENT RESEARCH

The research referred to is the supported work project funded jointly with DOL, LEAA and two other agencies within the Department. DOL is the lead agency and largest contributor. Results are at least several years away but a short description of the purpose of the project may be helpful.

The concept of supported work (SW) is to provide work experience in a supportive environment to disadvantaged persons in an effort to permanently connect those individuals with the labor force. The research component includes an experimental group, random assignment, planned program variations, and postprogram followup data. Target groups are ex-addicts, ex-offenders, youth that have not completed school, and AFDC mothers with little recent work experience. Most of the participants who will be observed are only now participating in SW so that results are at least several years away. When available, the results will provide information relevant for employment programs of low-income disadvantaged workers about the value of output produced, about program administration and operation, and about transition from created job slots to the regular labor market. Supported work itself could have only a limited role in overall income support strategy.

MONTHLY RETROSPECTIVE REPORTING

Mr. NATCHER. In your general statement to the committee, you mentioned an earlier experiment concerning monthly retrospective reporting in AFDC. Apparently, savings up to $800 million can be achieved from that procedure.

Mr. AARON. Yes, sir.

Mr. NATCHER. Is the procedure being implemented?

Mr. AARON. The procedure is taking place on an experimental basis in Boulder and Denver, Colo. We are urging within HEW that this procedure be extended using AFDC research moneys to three to five additional States. We think it is very important.

By extending this practice gradually we can proceed in an orderly manner and not thereby risk what we think are the very high payoffs from this procedure.

MEASURE OF POVERTY

Mr. NATCHER. Recently your office completed a report on "The measure of poverty."

Mr. AARON. Yes, sir.

Mr. NATCHER. Do you expect any change in the definition of poverty as a result of this report?

Mr. AARON. My truthful answer to that is I do not know. I think it quite possible—this is a personal judgment—that we may end up as we are with unemployment statistics or the money supply with several alternative measures of each. I think it would be undesirable to discontinue the existing measure but for some purposes it may be desirable to develop additional measures of poverty. This is not a departmental view. It represents my personal opinion.

Mr. NATCHER. Who are the principal users of the poverty report in the executive branch? HEW, CSA, OMB? Which would you say?

Mr. AARON. All of the above.

Mr. NATCHER. All: is that right? Any others?

Mr. AARON. Yes, I would say so. I would say the poverty statistics are among the most extensively used, not only in the executive branch but also in Congress. They are used in several pieces of legislation.

PERSONNEL IN POLICY RESEARCH PROGRAM

Mr. NATCHER. How many people are assigned to policy research?

Mr. AARON. At present, we have 19 people inside planning and evaluation working on policy research.

Mr. NATCHER. Do these people actually perform research or do they just supervise and monitor research projects?

Mr. AARON. Both. They engage in some research activities themselves because one must be able to do research in order to supervise research. One has to be a good analyst to know good analysis.

FUNDING THE POLICY RESEARCH PROGRAM

Mr. NATCHER. What other HEW funds are available for policy research?

Mr. AARON. One gets into a semantic difficulty here.

The policy research funds are unique in the sense that they are not tied down by legislation to a particular kind of research. As you well know, there are also funds set aside for evaluation under a number of specific titles: for example in health and in education. To a limited measure in social services, too.

But to the best of my knowledge, these funds are the only source available for policy research on these general terms.

Mr. NATCHER. I believe last year when we were examining this question—that is for fiscal year 1977—HEW gave us a figure of $280 million. Is that correct?

Mr. AARON. I was not here last year. William Morrill was here last year. I do not know the basis of that but I will inquire.

Mr. MILLER. I would guess what we did, and the word policy is what gives us trouble in this testimony, was to list all the research funds in the Department where we look at problems in health, education, and welfare which are similar to the ones looked at by this office.

Mr. NATCHER. Do you have any control over these funds and how they are being used?

Mr. AARON. I can speak to the evaluation moneys over which we share control with the agencies who programs contain the set-aside funds. Again there is an intra-agency group concerned with that activity.

CONTRACTS AND GRANTS

Mr. NATCHER. About two-thirds of your budget is used for contracts and one-third is for grants.

How do you decide whether to use a contract or a grant in awarding projects?

Mr. AARON. I think in many cases that will hinge on whether there is an identifiable deliverable at the outset that we can be certain of obtaining or whether we are going to be supporting a kind of basic research.

If one can identify a specific task which one wants performed, a deliverable product at the end that is clearly identifiable—as for example in the experiments, then contracting procedures are ideal. In some cases, it may depend on the legal status as well of the person or group doing the research.

RESEARCH AND EVALUATION

Mr. NATCHER. Last year we discussed somewhat in detail this matter and I am just wondering to what extent policy research is considered as evaluations?

Mr. AARON. I can only give my impression of the budget as I reviewed it since I have taken office and it seems to me that it is evaluation to a negligible extent. If you look at the components of our budget, the largest items are the income survey for which we are requesting funds for next year; the income maintenance experiments, the health insurance experiment, and the partnership program. In none of those cases would I think the name "evaluation" is closer to the mark than the name "policy research."

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. FLOOD [presiding]. Well, thank you very much.

We have been looking over your biographical sketch in some detail, with the staff, and it was just a question of timing that you would be confirmed. We have had so many actors here the last few months that it is good to have you here in your full capacity.

Mr. AARON. Thank you, I am glad to be here in that capacity as well.

Mr. FLOOD. Thank you.

Mr. NATCHER. Thank you very much.

Mr. FLOOD. That is it for this morning. We will come back at 2 p.m.

[The following questions were submitted by members of the subcommittee with the request that they be answered for the record:]

STATUS OF WELFARE REFORM EFFORT

Mr. MICHEL. Where does your welfare reform effort stand at present?

Answer. At present, we are developing a set of welfare reform alternatives for the President's consideration. The welfare reform consulting group will have received a paper that contains the alternatives with descriptions and preliminary estimates of their costs and effects and will have had an opportunity to discuss personally with Secretary Califano their views on these issues. We still intend to submit a report to the President on May 1st.

MAY 1 WELFARE REFORM DEADLINE

Mr. MICHEL. Is that May 1st deadline a rigid one? In other words, I'd hate to see you send up only a partially thought out proposal simply to meet a deadline.

Answer. We don't intend to send up a partially thought out proposal. We understand, of course, not only that this problem is complex, but also that a lot of important decisions are made during the legislative drafting and implementation planning phases. We intend during that period to continue to consult with State and local governments, recipient groups, the Congress, and a wide variety of other interested parties as we prepare legislation and implementation planning.

FUNDING OF THE WELFARE REFORM EFFORT

Mr. MICHEL. Is this effort being funded out of your agency, and if so how much is it costing?

Answer. The Office of the Assistant Secretary for Planning and Evaluation is the lead agency for the welfare reform effort. In fiscal year 1977 this effort will cost just under $1.1 million and $3.3 million in fiscal year 1978.

ROLE OF THE WELFARE REFORM TASK FORCE

Mr. MICHEL. Will the welfare reform task force you have established be determining the nature of the welfare reform proposal or will it simply be offering suggestions?

Answer. The welfare reform consulting group is considering alternative proposals. Secretary Califano and other Cabinet officials will advise the President on courses of action.

MEMBERSHIP OF THE WELFARE REFORM TASK FORCE

Mr. MICHEL. In going over the membership of the task force, I failed to see any identifiable Republicans from membership?

Answer. We included neither Democrats nor Republicans from membership. We asked the chairman of committees of Congress that had an interest in the proposal to send staff representatives and I presume the staff of these committees represent the committees in the manner their chairmen wished them to. We asked the National Governors' Conference, the Conference of Mayors, the League of Cities, the Conference of State Legislatures, and the National Association of County officials also to send representatives and we presume that they represent those organizations and not necessarily any political party. The same is true of the representatives appointed by the Federal agencies, including the Legal Services Corporation, who appointed representatives that could speak for the recipient community. It is, of course, true that the executive branch is currently operating in a Democratic administration and that most of the Federal representatives would, of course, be representatives of that administration.

MONTHLY RETROSPECTIVE REPORTING

Mr. MICHEL. According to your statement, your research findings indicate that use of monthly retrospective reporting in the AFDC program would result in a savings or between $535 and $857 million in AFDC payment costs each year. Will the administration be moving expeditiously to adopt this approach?

Answer. A field test of monthly retrospective reporting in a regular AFDC program was undertaken in a project called the Colorado monthly reporting experiment. Preliminary results are now available from the Colorado project and confirm that savings of about 8–10 percent of payments costs can be achieved, and that such a system can be implemented with only about a 5 percent increase in administrative costs. Since AFDC administrative costs are only about one-tenth the size of payment costs, extrapolation of these results to the national level suggests that the potential net savings (reduction in overpayments minus the increase in administrative costs) from full implementation of monthly retrospective reporting would be about $800 million to $1 billion. Slightly more than half of these savings would be in Federal funds.

While we have not yet made a final decision about whether to implement the monthly reporting system on a national basis, the results are so clearly promising that we hope to expand the use of monthly retrospective reporting in several more areas on a carefully phased basis. We are considering a phased expansion plan consistent with a national implementation strategy, since changeover of the entire AFDC system to monthly retrospective reporting requires both careful planning and adequate lead time if it is to be done well. Doing it well means achieving maximum savings in benefit costs while minimizing increases in administrative costs so that the net result is a substantial reduction in overall program costs. Doing it well, of course, also means improving the accuracy of benefit payments to families and maintaining or improving the responsiveness of the program to needy families.

Monthly Retrospective Reporting for Food Stamps

Mr. Michel. I understand a similar savings would result if monthly retrospective reporting were applied to food stamps. Would you give us some of the specifics of your findings in this regard?

Answer. Because it was obvious that monthly restrospective reporting might also be appropriate for use in other needs tested programs, simulation research was recently carried out that analyzed the impact of alternative recipient reporting systems for the food stamp program. The research was accomplished through the use of the unique monthly data files created by the income maintenance experiments which provide detailed information on month to month changes in income sources, welfare program participation, and family status and composition over a period of several years for thousands of families. I would like to interject at this point that this valuable research study would not have been possible without these unique monthly data files, for there are no other national or large scale data bases in this form, despite the fact that virtually all cash and in-kind transfer programs determine eligibility and benefits on the basis of monthly income.

Although the technical task of simulating alternative reporting systems is a difficult and demanding effort, the key research product produced is basically a very simple one, a comparison of the amount of benefits paid under current prospective food stamp administrative procedures with amounts paid under alternative reporting and accounting procedures. The study results indicate that the institution of monthly retrospective reporting would save between 7 and 10 percent of food stamp benefit costs annually or between $378 million and $553 million in fiscal year 1976 program costs. The range of savings depends upon whether one assumes stringent current program administration, the low estimate of savings, or more lax current program administration, the high estimate.

Evidence from a survey conducted by the Department of Agriculture suggests that the high estimate of savings is more likely to be correct. While implementation of such a system would increase program administration costs, evidence from the income maintenance experiments and from the Colorado monthly reporting project indicate that such increases would be small, and indeed, were an integrated updating system introduced for both AFDC and food stamp programs, substantial administrative savings might be realized.

More details about this simulation research study are contained in the final research report by Jodie Allen and Richardo Springs of mathematical policy research. I will send a copy of this report to the committee and be pleased to send additional copies to any member who is interested in the details of this research effort.

Monthly Retrospective Reporting Savings

Mr. Michel. Can you tell us why monthly retrospective reporting would result in significant savings?

Answer. The reason such savings are achievable through the simple introduction of monthly retrospective reporting is that although vast changes have occurred in the characteristics of the welfare population over the course of 30 to 40 years, the administrative procedures are still based on the notion that the income and circumstances of welfare recipients change infrequently and that recipients have little attachment to the labor force. Given these assumptions, it seemed reasonable to design an administrative system that determined the amount of payments on a prospective basis and required infrequent redetermination of eligibility and benefits. Hence, we presently have an AFDC system in which benefit payments are based on a prospective estimate of a family's monthly income and are only redetermined once every 6 months, if then.

In practice this means that grants are based on predictions of the future income and circumstances of recipients. These predictions remain unchanged for at least 6 months, even when recipients' incomes change. In fact, most States do not even comply with the 6-month redetermination requirement. In between the 6-month redeterminations, recipients are supposed to voluntarily report significant changes in circumstances. Few such reports are filed, however, and even when they are, most welfare agencies take several months to adjust grants to reflect reported changes.

It is now known that earlier assumptions about the stability of the circumstances and lack of attachment to the labor force of the welfare population were incorrect. For example, census statistics show that 55 percent of welfare eligible female heads of families work at some time during the year. More importantly, data from the income maintenance experiments show that the incomes and circumstances of lower income families vary considerably from month to month. This later finding clearly implies that if payments are to be responsive to changing family needs, welfare recipients should be required to report their income and circumstances on a monthly retrospective basis and benefits should be adjusted promptly on the basis of these reports. Corroboration for the need for more frequent reporting of income and circumstances is also provided by various quality control studies, which show about 10 percent of all payments are the result of overpayments or payments to ineligibles.

New Income Survey

Mr. Michel. What is this income survey development program you are funding?

Answer. The Secretary of HEW approved establishment of the income survey development program to plan for the development of a new survey of income, assets and programs to overcome inadequacies in the currently available data. HEW, with its major income-tested and income-security programs as well as its institutional concern for the poor, is greatly affected by the need for improved data on income and related subjects.

The main thrust behind the income survey development program is the need to research and resolve a multitude of issues before the design of the new survey can be specified and the final survey costs estimated. These issues include the specification of data requirements, technical issues such as how the sample should be structured and what its size should be, and administrative or operational issues. It is expected that the majority of these issues can be resolved by the early 1980's so that an operational national survey can be conducted on a regular basis.

Definition of Moderate Income Level

Mr. Michel. According to your statement, the income maintenance experiments indicate that a moderate income support level will not create a disincentive to work efforts. What is your definition of "modern income level"?

Answer. We have used the phrase "a moderate income support program" to describe a program with a support level—that is, the basic benefit provided to a family with no other source of income—equal to about 75 percent of the poverty level, and with a benefit reduction rate—that is, the rate at which the benefit is reduced as other sources of income increase—of 50 percent.

Job Satisfaction

Mr. Michel. Does this survey get into the type of job these people would be willing to take? In other words, most people would be willing to work if the job is a good one, with good pay and in their preferred field, but it is another story when the job may be lower paying and less than desirable. What does the survey show on this factor, if anything?

Answer. The surveys undertaken as part of the income maintenance experiments do gather some information on individuals' willingness to take jobs and their satisfaction with particular jobs. Most of that data is still being analyzed so we cannot give a detailed answer to this question at this time. However, on the basis of the New Jersey and rural income maintenance experiments, it appears that individuals with low paying or undesirable jobs who were receiving experimental income maintenance payments were more likely to leave their jobs and look for better jobs than similar members of the control group. Individuals with high paying or better jobs who were receiving experimental payments were less likely to quit their jobs than similar members of the control groups.

Characteristics of Current Welfare Population

Mr. Michel. Are you undertaking any studies on what current welfare recipients spend their money on? In other words, on the proportion that may go toward food, the types of food, and then what might go toward fuel bills, et cetera, as against what might be spent on so-called luxuries?

Answer. No activities are underway which address this issue in a full and complete manner. However, analyses of the recently completed Survey of Income and Education, which was partially funded through Policy Research funds, will show the proportion of total income that goes to purchase housing broken by income classes as well as for welfare recipients. For food stamp recipients, data will also be available to show how much money is spent to purchase food. Analyses have been conducted using a variety of data sources which indicate that low income families, in comparison to typical families, spent a higher proportion of their income on housing and food and a lower proportion on all other items, including luxuries.

Costs of Alternative Income Maintenance Programs

Mr. Michel. You mention you have developed estimated total costs of alternative income maintenance programs. Can you provide us with some of the specific findings in this regard?

Answer. We are in the process of preparing a report which will analyze the cost and impact of alternative income maintenance programs. I will be happy to send this report to the committee as soon as it is completed. I expect to be able to send this report to you within the next several weeks.

Interagency Coordination on National Health Insurance

Mr. Michel. Are your health insurance experiments being coordinated with those of the Health Resources Administration?

Answer. The health insurance study has been coordinated carefully with the studies of the Health Resources Administration (HRA). Personnel from HRA have been briefed extensively on the health insurance study, and a member of our staff is currently participating on a review panel for a study of prepaid dental care sponsored by the Division of Dentistry of the Bureau of Health Manpower of HRA.

Administrative Problems of Health Insurance

Mr. Michel. Are these health insurance experiments considering administrative problems at all? In other words, the articles in the Washington Post in recent days showing the adverse impact on the Social Security Administration of loading it up with all sorts of additional programs and responsibilities certainly point out the need to consider the administrative impact of adopting large new programs.

Answer. Studying the administrative feasibility of various health insurance proposals has been a major objective of the health insurance study. Particular consideration has been given to the issue of administering various cost-sharing

provisions such as coinsurance rates, deductibles, and income-related out-of-pocket expenditure ceilings. Considerable experience has been gained with the computer systems required for efficient claims processing. Our experience indicates that the kind of plans represented in the health insurance study would cause neither serious administrative problems nor excessive costs.

Health Insurance Deductibles

Mr. Michel. Would you elaborate somewhat more on the finding that a substantial deductible is necessary to avoid a large increase in demand for health care?

Answer. If a national health insurance plan were enacted which had no provision for cost-sharing by recipients, the demand for medical care would increase greatly. While there would probably be very little effect on the demand for hospital care, since it is already extensively covered by insurance, large increases would occur in the demand for outpatient care, dental care, and drugs, for which little insurance coverage now exists. It has been estimated, for instance, that a full-coverage plan would increase the demand for office visits in the neighborhood of 75 percent. Various cost-sharing arrangements would reduce this increase. For instance, with a 25 percent coinsurance rate or a copayment of $2 or $3 per office visit, demnd would probably increase only about 30 percent. A sizable deductible, possibly around $200 per person, would result in an increase in demand of only 5 to 10 percent. These figures are tentative and more definite estimates, and information about the effects on families at different income levels, will be provided by the health insurance study. Sudden large increases in demand will result in rationing of medical services through mechanisms such as price increases, delays in receiving appointments, longer waits in the office, or reduction of time spent with each patient. A temporary deductible for the nonpoor phased out over several years would mitigate these problems.

Health Care Utilization by the Poor

Mr. Michel. A deductible is offered as a possible deterrent to increased demand for health care by the nonpoor. But what do we use as an incentive to curb excessive use by the poor? I have the feeling that is one of our current problems with the medicaid program.

Answer. Only in recent years has the medical care utilization of the poor approached the levels of the nonpoor. In fact there is no aggregate evidence of overutilization of health services by the poor. The abuses leading to excessive service provision in the medicaid program stem from medical care providers (not program beneficiaries) prescribing additional and sometimes unnecessary services in order to maximize their program reimbursement.

Incentive Reimbursement System

Mr. Michel. What is the nature of this incentive reimbursement system you have developed to constrain disability program costs?

Answer. The incentive reimbursement system was developed as an alternative to the accounting cost systems, presently in use, which have failed to constrain the costs of health care and long-term care services.

It allows, on the basis of actuarial experience, reimbursement for the costs of long-term care production that take into account differences due to (*a*) patient debility levels; (*b*) occupancy rate; (*c*) voluntary versus proprietary status; (*d*) bed size of facility; (*e*) certification status (medicare, medicaid); (*f*) staffing characteristics (R.N. day and evening shift); (*g*) type of therapy programs; and (*h*) economic region of the country which the facility is located.

Utilizing the above factors, an incentive reimbursement formula was developed. The effects of the incentive reimbursement formula were simulated using actual facility data from Minnesota and North Carolina. Results showed that (*a*) Total medicaid costs would remain the same, and (*b*) the distribution of reimbursements among facilities would be altered so that inefficient facilities (that is, low occupancy, high administrative costs and tendency for poor quality of care) would receive a lower rate of reimbursement. Conversely, facilities more efficient, in terms of these factors, would receive higher rates of reimbursement.

Status of Health Insurance Experiment in Franklin County

Mr. Conte. As you know, a portion of the health insurance study is going on in my district, in Franklin County. I wonder if you could tell me how that study is going, what preliminary results you have, how long it will continue, and so forth?

Answer. The health insurance study is progressing on schedule in Franklin County as well as the other sites. In Dayton the pilot sample has completed its full 3 years in the field and will shortly complete its exit surveys. The full sample in Dayton has been in operation for over 2 years, and preliminary analysis has begun on data from the baseline and the first year of operation. Enrollment was completed in Fitchburg and Franklin County, Mass., and in Seattle, in September 1976, and enrollment of the 5-year sample in Charleston and Georgetown County, S.C., was completed in January 1977. Within a year, over half of the total family years of data will have been collected, and enough data will be available to begin analysis of the effects of the study on the demand for medical care, quality of care, and health status of participants. Thus, preliminary findings will be available long before the end of the study. Field work will be completed early in 1982, and the final report will be available within a year thereafter.

While results are not yet available from the experimental data, considerable research has been performed using existing nonexperimental data. This work has yielded information on issues such as the effect of a deductible on the demand for medical care, the choice between individual and family deductibles, the effects on income distribution of alternative national health insurance proposals, and the effects on employment and the tax base of employer-paid premiums for national health insurance.

Alternative Long-Term Care Proposals

Mr. Conte. What sorts of alternatives to long-term care are you studying? Is this in conjunction with the Office on Aging?

Answer. We are currently studying ways of providing community based services to those populations in need of long-term care. In particular, we are funding a study of home health agency caseload over a period of time. Our goal is to determine utilization patterns, service patterns, and characteristics of a clientele that uses home health services over a long period of time (long term care). Our expectation is to obtain information on the magnitude of home health services needed to keep individuals with certain characteristics at home. It is hoped that this and other data will enable us to begin to predict need for long-term care.

In addition we are working with both in-house and with outside experts to analyze and develop models for community-based long-term care systems which would foster coordination, availability, and continuity of services.

This work is not specifically in conjunction with the Administration on Aging. However, the substance of the study has been coordinated with them. Our concerns encompass not only the aged but those persons of all ages who suffer disabilities and functional limitations, and who are in need of community or institutional long-term care services.

Duplication of Research Efforts

Mr. Conte. In your opening statement, you mentioned that one of the functions of your office was to avoid unnecessary duplication on research initiatives. Could you give me some examples of what might be considered "necessary" duplication?

Answer. In some cases, there is a necessary duplication of effort in the research community to establish confidence in initial research findings. The replication of findings validates broad policy issues before the implementation of new procedures. For example, some of our major statistical projects collect data similar, to some degree, to that contained in census statistical projects. That is, they collect data of poverty populations that overlap with normal census surveys. Through such efforts we have documented some problems with currently avai'able data. Such findings indicate the value of some research that appears duplicative. However, other components within those same projects also collect data which is excluded from the normal census surveys but necessary in the policy decisionmaking processes. The common data elements serve as a validating factor in the description of national characteristics.

Status of Income Maintenance Experiments

Mr. Conte. I see that you are reducing the levels of funding for all of your experiments except the health insurance project. Why is that? Are these other experiments approaching completion? How do you explain the decreases?

Answer. The amount is decreasing simply because the operational phase of the income maintenance experiments (the phase when income maintenance payments are made to families) is either coming to an end as in the case of the Seattle/Denver experiment, or has ended completely, as in the case of the Gary experiment.

Research on Labor Supply

Mr. Conte. You are proposing research on the labor supply. Is the Department of Labor conducting any similar research? What exactly are you going to investigate?

Answer. The labor supply research being carried out by this office is aimed at estimating the labor supply response of individuals and families to programs that are administered, or would probably be administered by HEW. Virtually all our labor supply research is carried out as part of the income maintenance experiments program. In that program the focus is on determining the labor supply response of individuals to alternative income maintenance programs. The Labor Department has no comparable experimental research program dealing with labor supply research questions.

Research and Evaluation Efforts at DHEW

Mr. Conte. A portion of the budgets for many of the programs in HEW is permitted to be used for research and evaluation—I believe it is 1 percent. To what extent are research activities carried on within the programs themselves. Can you provide the total amount of research spending that will take place next year for HEW programs?

Answer. The 1 percent evaluation set-aside supports Department-wide program evaluation only. These funds cannot be used for basic research, although the funds can support data collection that is a prerequisite to an evaluation of a DHEW program. In total, the Department spends about $700 million annually on social research, demonstrations, evaluation and statistical data collection. Of this, about $40 million is for evaluation (1 percent set-aside) with the remainder primarily focused on research and demonstrations directed at third part interests rather than Federal policy concerns. That is, most of this effort is directed at subjects such as better teaching methods, better methods of operating hospitals, general-purpose vital statistics, and the like rendering schools, the medical profession and other non-Federal parties as the intended audience.

New Income Survey

Mr. Conte. Would you explain exactly what your new income survey is, and what it measures? How will it be used?

Answer. The new income survey will provide vastly improved measures of individual and family income, assets, program participation and eligibility. Inadequacies in the current income data and other household characteristics data collected in the March current population survey (CPS) have led to the serious consideration of developing this survey. HEW, with its major income-tested and income-security programs as well as its institutional concern for the poor, is greatly affected by the need for improved measures of income, assets, program participation and eligibility and other related subjects. When the new income survey is operational, accurate and timely data will be available to the executive and legislative branches for:

Evaluating existing programs in terms of cost and impact;

Making cost and coverage estimates for new programs (welfare reform, etc.)

Planning modifications to existing programs;

Estimating the size of target populations for particular programs;

Analyzing policy issues relating to tax-transfer programs; and

Measuring the economic and social well-being of the population as a whole.

JUSTIFICATION OF THE BUDGET ESTIMATES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

DEPARTMENTAL MANAGEMENT

Policy Research

Amounts Available for Obligation

	1977 Estimate	1978 Estimate
Appropriation	$20,000,000	$22,400,000

Summary of Changes

1977 Estimate	$20,000,000
1978 Estimate	22,400,000
Net change	+2,400,000

An increase of $2,400,000 is requested to continue major health and income maintenance experiments, analytical study activities, and statistical surveys carried out in FY 1977. The major shift in emphasis in the Policy Research program would be funded by an increase of $2,025,000 to conduct developmental work for design and testing of the New Income Survey.

Obligations by Activity

	1977 Estimate	1978 Estimate	Increase or Decrease
Policy Research	$20,000,000	$22,400,000	+$2,400,000

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Total number of permanent positions	10	10	---
Personnel compensation:			
Permanent positions	$231,000	$251,000	+$20,000
Other personnel compensation	1,000	1,000	---
Total personnel compensation	232,000	252,000	+20,000
Personnel benefits:			
Civilian	21,000	23,000	+2,000
Travel and transportation of persons	2,000	2,000	---
Other rent, communications, and utilities	8,000	9,000	+1,000
Printing and reproduction	2,000	2,000	---
Other services	12,617,000	15,780,000	+3,163,000
Supplies and materials	2,000	2,000	---
Equipment	5,000	5,000	---
Grants, subsidies, and contributions	7,111,000	6,325,000	-786,000
Total, Obligations by object	$20,000,000	$22,400,000	+$2,400,000

Authorizing Legislation

Policy Research

Legislation	1978 Authorized	1978 Appropriation Requested
Community Ser- -es Act of 1974, S- - 232; and Social - -ty Act, Section 1110.	No more than 15% of amounts appropriated for Title II of the CSA can be authorized under Section 232. The amount authorized under Section 1110 is indefinite.	$22,400,000

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1974:				
Appropriation...	$29,810,000	$29,810,000	$29,810,000	$29,810,000
1975:				
Appropriation...	31,810,000	27,500,000	24,950,000	24,950,000
1976:				
Appropriation...	29,260,000	26,300,000	24,950,000	24,950,000
1977:				
Appropriation...	24,950,000	24,950,000	12,475,000	20,000,000
1978:				
Appropriation...	22,400,000			

Policy Research

	1977 Estimate	1978 Estimate	Increase or Decrease
Subactivities:			
I Experiments, Demonstrations and Related Analysis	$15,500,000	$15,350,000	-$ 150,000
A. Income Maintenance Experiments	9,900,000	7,300,000	-2,600,000
B. Other Income Maintenance Analysis	303,000	100,000	-203,000
C. Partnership Program Grants	1,725,000	1,650,000	-75,000
D. Health Insurance Experiment	3,572,000	6,300,000	+2,728,000
II Analytical Studies and Activities	2,900,000	5,600,000	+2,700,000
A. Long-Term Care and Other Services	500,000	700,000	+200,000
B. Survey of Institutionalized Persons	25,000	0	-25,000
C. New Income Survey	850,000	2,900,000	+2,025,000
D. ESEA Section 822 (a) Survey Supplement	50,000	50,000	---
E. Scientific Computation	500,000	650,000	+150,000
F. Desegregation and Other Education Research	125,000	350,000	+200,000
G. Other Analysis and Statistical Studies	850,000	950,000	+150,000
III Basic Research			
A. Institute for Research on Poverty	1,600,000	1,450,000	-150,000
Total	20,000,000	22,400,000	+2,400,000

General Statement

The Policy Research Program is located within the Office of the Assistant Secretary for Planning and Evaluation. The appropriation request is authorized under two separate acts, Section 232 of the Community Services Act of 1974, and Section 1110 of the Social Security Act. This research activity is unique in two respects. First, it provides the only comprehensive assessment of current or proposed social policies and their impact on the poverty population. Secondly, the research coordination function of the Office permits it to address policy issues which are not incorporated in Agency research plans and which involve the programs of more than a single agency. Examples of past, current and expected results are described in the FY 1976 Report to Congress on the Policy Research Program.

The Program consists of three sets of activities: (1) major social experiments designed to test how individuals and families would behave and what choices they would make under alternative assistance programs; partnership projects with state and local governments to improve and disseminate methods for delivering human services using innovative management techniques, planning systems and service integration methods; (2) analytical studies on a variety of education and human services programs and statistical problems which affect the disadvantaged; (3) basic research into the underlying causes and solutions to poverty problems being carried out by the Institute for Research on Poverty at the University of Wisconsin.

This request would continue most of the experiments, studies and statistical survey activities carried out in FY 1977 while allowing for a number of significant shifts in emphasis. A large decrease in the cost of the Income Maintenance Experiments reflects a winding down of operations and an emphasis on analysis of results. The effective funding level for the Health Insurance Experiment in FY 1977 was $5 million. However FY 1976 Transitional Quarter funds were used to reduce actual FY 1977 obligations thus showing an artifically large increase in FY 1978. The level of funding for this experiment peaks in FY 1978 and FY 1979 before trailing off substantially in FY 1980. The largest increase in this request is for full year funding of developmental work for design and testing of the New Income Survey. FY 1977 accomplishments and plans for FY 1978 are described in more detail below.

I. Experiments, Demonstrations and Related Analysis-Accomplishments in FY 1977

Income Maintenance Experiments - The major emphasis in the Income Maintenance Experiments has been carefully controlled experiments on the major behavioral and societal effects of alternative income maintenance policies, with particular emphasis on the work incentive effects of such policies. Virtually no other hard data are available on the likely responses of individuals to changes within our income maintenance system. In addition to providing unique data on their responses, the experiments also provide important information on ways to improve the administration of the current welfare system.

Two analyses were conducted on the determinants of families in poverty, one focusing on the impact of different definitions of "family" and "household" ineligibility determinations for means-tested programs, and another which examined data from the Panel Study of Income Dynamics (University of Michigan) to determine the nature of labor market handicaps for women who head poor families.

Several labor supply studies based on initial data from the Gary, Seattle, and Denver Income Maintenance Experiments were completed. These studies improve our understanding of the impact of income maintenance programs on the employment efforts of individuals and on the impact of using monthly retrospective reporting in the food stamp program.

In addition to these major studies on labor supply, several other policy studies which used the experimental data were finished, including studies of the effects of income maintenance on family stability, fertility, the school performance of children, the demand for day care and social services, and the interaction of income maintenance and manpower training.

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Health Insurance Experiment - The Health Insurance Study is a major multi-site experiment designed to measure the impact of a wide range of cost-sharing arrangements on the demand for health care and on health status over time. It will yield a unique data base, including detailed data on health care utilization and resultant changes in health status; measures of quality of care; and demographic and economic data on families over time. In addition, the experiment will provide valuable information on the feasibility of administering income-conditioned insurance plans. In FY 1977 baseline data became available from all four sites. Theoretical modeling was substantially completed, studies of data quality were performed, and initial analysis of the experimental data was undertaken. Considerable non-experimental research concerning demand for medical services and analysis of the private insurance market was completed.

Partnership Program - During this year the Partnerhsip projects continued to be aimed at improving the general management and planning capacity of state and local governments. The selected research and demonstration activities are designed to increase our understanding of systems, techniques, and processes which improve the cross-program, policy management and planning of human services while still being broad and flexible enough to allow state and local governments to develop projects which are consistent with local needs and situations.

Program Plans for FY 1978 - $15,350,000 is requested for Experiments and Demonstrations in FY 1978, a decrease of $150,000 from the FY 1977 level.

Income Maintenance Experiments - The primary analysis of the Gary Income Maintenance Experiment will be completed. In addition, major public use data files for large parts of the Gary, Seattle and Denver Experiments will be created and made available for general use. Apart from their experimental uses, the data bases developed during the course of these experiments provide a rich and unique source of information on the dynamics of the low-income population which has many important potential uses in the analysis of current and future welfare issues. For example, the data bases will be used in an analysis designed to improve current capabilities for measuring and predicting Aid to Families With Dependent Children and food stamp eligibility and participation rates. Several smaller non-experimental research projects concerned with income maintenance progr[illegible] will also be carried out including research planned on different family [illegible]d household structures and the impact of Department policies, especially income maintenance and means-tested programs, upon them.

The decrease reflected in the experiments in FY 1978 reflects a winding down of operations and an emphasis on analysis of results.

Health Insurance Experiment - Field work will be completed for the first of the experimental groups in the Health Insurance Study. Analysis of the baseline data, notably a study of the demand for dental care, will continue. Studies of the health status of participants will be completed, and analysis of quality of care as a function of patient and provider characteristics will be undertaken. Plans will be made for estimating national demand for health care under various insurance schemes. A small amount of non-experimental research on health issues will also continue.

The effective funding level for the Health Insurance Experiment in FY 1977 was $5,000,000, rather than the $3,572,000 shown on the table. FY 1976 transition quarter funds were used to reduce necessary FY 1977 obligations thus showing an artificially large increase in FY 1978.

Capacity-Building Clearinghouse dissemination of collected findings of new methods for organizing and delivering human services developed in ongoing Partnership grants will take place.

II. Analytical Studies and Activities - Accomplishments in FY 1977

-- Activities continued developing a design of a continuing nationally representative survey for the 1980's that will reduce limitations in current measures of income, assets, program eligibility and participation.

-- Analysis of the first eight years' data from the Panel Study of Income Dynamics was completed, as well as several in-house policy studies using these data.

-- An analysis of the usefulness of income data collected between national census surveys was undertaken, as mandated by section 822(b) of the Education Amendments of 1974.

-- Accomplishments in the long-term care and other areas included: specifications for consolidating Disability Insurance Determinations; planning for a follow-up demonstration to the simulation of an incentive reimbursement system for long-term care; completion of disability policy overview papers for the White House Conference on the Handicapped; support of the Under Secretary's initiative on Disability Insurance Rehabilitation Research; integration of information generated by special interest and public interest groups regarding the appropriate Federal role in day care regulations and standard setting.

-- Some additional accomplishments in analytical efforts include: analysis of data produced by the Current Population Survey on ways to prevent single-parent households from becoming welfare dependent; and identification of desegregation plans which have been successful in promoting social integration of minority and non-minority children in both schools and communities.

Program Plans for FY 1978 - $5,600,000 is requested for Analytical Studies in FY 1978, an increase of $2,700,000 over FY 1977.

New Income Survey - Of the requested increase, $2,025,000 would provide full year funding of developmental work for design and testing of a New Income Survey. This developmental effort includes system and sample design, survey content determination, question development and testing, and special statistical studies.

The Survey would be in continuous operation by the Bureau of the Census during the 1980's. It would provide new and better measures than currently possible of income, assets, programs eligibility, and participation. This new survey will make considerable improvements

in the information used to assess the effectiveness of and to make changes in Federal social policy.

-- Other FY 1978 plans include follow-up demonstrations on consolidation of Disability Insurance determinations and an incentive reimbursement system for long-term care; follow-up efforts on alternatives to long-term care for the developmentally disabled, the chronically ill, and the aged; progress in specifying early childhood policies; a comparative analysis of the process and impact of desegregation in several communities; an analysis of alternative Federal policies for promoting desegregation and equal education opportunity;

-- Also included will be some modeling and data collection activities, primarily in the areas of income dynamics and the measurement of non-cash income and program benefits. Interagency studies for improved measurement of poverty will be supported.

III. Basic Research - Accomplishments in 1977

The University of Wisconsin Institute for Research on poverty performs basic research on issues related to poverty including work directly related to current policy issues. In 1977 a wide range of policy-related studies were completed by the Institute. These include publication of major volumes on food stamps, the aged, poor, and the effect of taxes and public transfer programs on income distribution in the U.S.

Program Plans for 1978

The request will primarily continue FY 1977 research efforts. New topics expected to receive particular emphasis in FY 1978 are issues related to public employment, employment for persons requiring special services, the distribution of income, effected school desegregation, and labor supply.

Program Purpose and Accomplishments

Activity: Policy Research

1977	1978 Authorization	1978 Budget Estimate
$20,000,000	1/	$22,400,000

Purpose: To support research activities which provide relevant and useful information for the Department's policy formulation activities with specific emphasis on issues relating to poverty and dependency and on the delivery of social services.

Explanation: To provide funding for a modest program of intramural research and the extramural conduct of research, analysis, demonstrations and evaluations thru grants and contracts.

Accomplishments in FY 1977:

-- An extensive analytical effort was begun utilizing data from the Gary and Seattle and Denver Income Maintenance Experiments. These analyses should show how individuals within a pilot negative income tax program respond to these programs and thus allow policy makers to more reliably predict the results of alternative policy decisions.

-- Preliminary design work performed in-house has provided a solid foundation for the full design development of the New Income Survey in preparation for continuous operation by the Bureau of the Census in the 1980's.

-- Continued use was made of the income simulation model to analyze long-range financing options for Social Security and for 10 year projection of welfare costs and caseloads.

The Health Insurance Experiment, a large-scale field test of alternative health insurance plans became fully operational in four cities. Dayton, Ohio; Seattle, Washington; Fitchburg and Franklin County, Massachusetts; and Charlestown and Georgetown County, South Carolina.

Objectives for 1978: The 1978 budget request for Policy Research includes $2.1 million over the FY 1977 obligational level. Of this $7.3 million will continue major experiments to examine the effects of income maintenance systems; $6.3 million will continue health insurance experiment studies which should result in a better understanding of the effects of health services systems; $1.7 million will continue activities dealing with other human resources problems; and $7.0 million will provide for continuation of research on the basic causes of poverty improvement of statistical data on poverty and analysis of that data; and design work for an improved Income Survey to be operational within the Bureau of the Census in the 1980's.

1/ Section 232 of the Community Services Act of 1974 as well as Section 1110 of the Social Security Act.

AFTERNOON SESSION

OFFICE OF HUMAN DEVELOPMENT

WITNESSES

ARABELLA MARTINEZ, ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT
SAUL R. ROSOFF, ACTING DIRECTOR, OFFICE OF CHILD DEVELOPMENT
JEANNETTE WEAVER, ACTING COMMISSIONER, OFFICE OF YOUTH DEVELOPMENT
ARTHUR S. FLEMMING, COMMISSIONER, ADMINISTRATION ON AGING
JOSEPH MOTTOLA, ACTING COMMISSIONER, REHABILITATION SERVICES ADMINISTRATION
FRANCIS X. LYNCH, DIRECTOR, DEVELOPMENTAL DISABILITIES OFFICE
DOMINIC MASTRAPASQUA, ACTING DIRECTOR, OFFICE OF NATIVE AMERICAN PROGRAMS
JERRY SUTTON, DIRECTOR, OFFICE OF ADMINISTRATION AND MANAGEMENT
ARMANDO D. SAVET, DIRECTOR, BUDGET AND FINANCIAL MANAGEMENT, OAM
WILFORD FORBUSH, DEPUTY ASSISTANT SECRETARY, BUDGET

OPENING REMARKS

Mr. FLOOD. The committee will come to order.

Now we have the Office of Human Development. The presentation will be made by Arabella Martinez, Assistant Secretary for Human Development. We have your biographical sketch, which is very impressive, which we will place in the record at this point, as well as your statement.

[The material referred to follows:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE—OFFICE OF HUMAN DEVELOPMENT

BIOGRAPHICAL SKETCH

Name: Arabella Martinez.
Position: Assistant Secretary, Office of Human Development.
Birthplace and date: Trinidad, Colo., July 31, 1937.
Education: B.A. University of California at Berkeley, 1959, M.A. University of California at Berkeley, 1966.
Experience:

Present: Assistant Secretary, Office of Human Development.

1974–77: Self-employed Social Program Consultant to such organizations as the Ford Foundation, University of Houston Graduate School of Social Work, Spanish-Speaking Unity Council, Chicano alliance of drug abuse programs, and Peralta Services Corp.

1969–74: Executive Director of the Spanish-Speaking Unity Council, a community development corporation, in Oakland, Calif.

1966–68: Executive director of the Valley Communities Economic Opportunities Organization, an antipoverty agency, in Livermore, Calif.

1964–66: Graduate student—unpaid field work placement: September 1964–June 1965, Caseworker in the International Institute in San Francisco 2 days per week. June 1965–September 1965, Research Assistant in the Grad-

uate School of Social Welfare at the University of California in Berkeley. September 1965–June 1966, Community Organizer in the city of Berkeley's Social Planning Division 3 days per week.

1959–1964: Caseworker: Old Age Security, Aid to Needy Blind, August 1959–December 1962, Aid to the Disabled (all now under SSI); and Aid to Families of Dependent Children (single parent and unemployed parents), Alameda County in Oakland, Calif., September 1963–May 1964. State of California Department of Welfare: Special AFDC Study. August 1963–August 1964, Contra Costa County Social Services Department.

STATEMENT BY THE ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT

Mr. Chairman and members of the committee, first, I want you to know how honored I am to have the opportunity to head the Office of Human Development and to serve as an advocate for the most vulnerable groups and individuals in our society: Children, young people, the aged, the handicapped and Native Americans. I look forward to working closely with this subcommittee to help provide both adequate funding and accountability.

Second, if the subcommittee has no objection, I would like to place my testimony in the record and only briefly highlight our 1978 budget.

As the subcommittee knows we did not have very much time to amend the original budget. Nevertheless we were able to restore all recommended cuts in the Ford budget and to add additional funds bringing the total budget to $1,950,178,000 approximately $51 million more than the original budget.

The budget for the Office of Child Development has been increased by $12 million and by restoring the $9 million cut for the Office of Youth Development, we saved the entire operation. Program funds for the Aging have been increased by approximately $24 million to insure the continuity of the Multipurpose Service Centers and the Multidisciplinary Centers on Gerontology.

The budget for the Rehabilitation Services Administration has been increased by approximately $24 million of which $1.7 million, was added by the present administration to provide and insure that North Dakota does not get less than its original basic State grant and to provide additional funds for special projects, especially with respect to migratory workers. Budgets for the Office of Developmental Disabilities and the Office of Native American programs remain the same. We are requesting an additional $3 million for the planning of a White House Conference on Families and approximately $1,017,000 for within grade increases for salaries and expenses and to support positions added for the Architectural and Transportation Barriers Compliance Board. Incidentally, the description of the White House Conference on Families in the written testimony may be somewhat misleading as it is too specific. We are barely in the preplanning stages and no decisions have been made about the theme, the timing, the location or any other facet of the proposed conference. For the most part this increase does not take into account cost of living increases. The primary reason for this fact is that the administration wanted the opportunity to take a hard look at each of its program units to determine if they are operating in the most efficient and effective manner. We are deeply committed to being accountable to our clients, to the Congress and to the general public. To this end we have begun to visit programs we fund to hear directly from clients what the problems are, what the issues are and what changes they recommend. We are also meeting with the providers of service whether they are State agencies or nonprofit organizations. In addition, we are conferring with professional associations.

We hope that by consulting with these groups that we will be able to provide the Congress with better information about programs and thus contribute to the Congress effort to improve programs.

Prior to concluding my remarks I would like to comment on the reorganization. As the subcommittee knows, most of the social services in the Department have been placed in the Office of Human Development. The transfer is not complete yet as we are still determining which elements and which positions in the Social and Rehabilitation Service staff units will go to which organizational unit and how the regional operations will be divided. We have decided that the WIN program will be lodged in the Office of Human Development but we have not determined its organizational placement in OHD. The budget for the Public Service Administration and WIN will be discussed by witnesses from SRS at a separate hearing.

Mr. Chairman, this concludes my remarks. My colleagues and I will be delighted to answer any questions you and the other committee members may have.

Statement by the Assistant Secretary for Human Development

INTRODUCTION

Mr. Chairman and members of the committee, I am happy to come before you with members of my staff to discuss the programs of the Office of Human Development. As you know, this Office is located in the Office of the Secretary of DHEW and consists of various programs dedicated to the delivery of services to individuals and families who find themselves with a variety of special needs, particularly children, youth, older Americans, the physically and mentally handicapped, the developmentally disabled, and native Americans.

It is my purpose to discuss these programs in a general way, dealing with the special thrust of each, and addressing variances from the 1977 appropriation levels.

Although the President's budget requests an increase of only $52 million for the Office of Human Development, we feel that the total program as planned will provide improved services to the entire clientele of OHD. Let me explain how this will come about.

OFFICE OF CHILD DEVELOPMENT

In the Office of Child Development we are requesting $520,628,000, an increase of $12 million over the 1977 appropriation; $10 million of this increase will support expanded research, demonstration and evaluation activities to undertake a multiyear study of alternative approaches to delivering comprehensive child development services. Through this study we will be able to identify areas for program improvement and future program models within Head Start and to provide improved information on which to develop policy on early childhood and family services.

The remaining $2 million increase will support expanded research and demonstration activities related to foster care and adoption in concert with the recent added importance assigned adoption and foster care as positive responses to caring for children whose parents are unable or unwilling to provide a stable, loving environment.

The Head Start program will continue to emphasize meeting the developmental needs of preschool children and their families by providing comprehensive services to approximately 349,000 children. Research and demonstration activities will continue to be designed to improve the quality of children's programs and to measure the impact of these programs on children and their families. Level funding of the child abuse and neglect programs will provide continued support for activities designed to improve the identification, treatment, and prevention of child abuse and neglect and to stimulate public and professional awareness of this critical problem.

OFFICE OF YOUTH DEVELOPMENT

We are requesting $9 million for the Office of Youth Development, the same level as was appropriated in fiscal year 1977. Of this amount, $8 million will continue to support grants and provide technical assistance to localities and nonprofit private agencies for the purposes of meeting the immediate needs of runaway youth, reuniting families and resolving intrafamily problems, strengthening family relationships, and assisting youth in deciding on a future course of action. There are 132 projects which serve approximately 4 percent of the estimated 1,300,000 youth between the ages of 10 and 17. Particular emphasis in 1978 will be directed to providing services to prevent conditions that contribute to youth running away.

An amount of $1 million will support research and demonstration activities which will build upon information generated by previous research efforts and which will focus upon testing new service approaches and program components to determine their effectiveness in meeting the needs of youth in crises.

ADMINISTRATION ON AGING

For programs for the aging we are requesting $423,450,000 in fiscal year 1978, an increase of $21,850,000 over the 1977 appropriation. Of this increase, $21,475,000 will enable the nutrition program to operate on an annual level of $225 million the level achieved in 1977 with an appropriation of $203,525,000

and carryover funds from previous years of $21,475,000. This level of funding will provide 435,000 daily meals, 5 days per week, through 8,500 sites.

The request of $151 million for community services will maintain this activity at its 1977 level. Of this amount, $17 million will provide continued support to 56 State Agencies in their focal point and advocacy role, in their service system development role for area Agencies on Aging and nutrition projects, and in the acquisition/renovation of multipurpose senior center facilities. For area planning and social services, $122 million will provide continued support to 545 area Agencies on Aging to enable them to strengthen their capacity to serve as local focal point and advocate on matters relating to older persons, to improve their performance in developing comprehensive service systems, to increase their effectiveness in resource development, and to improve their technical skills so that they can provide better technical assistance to local service providers. For model projects, $12 million will support activities initiated in previous years, further stimulate the testing of alternatives to institutionalization, and determine better ways to meet the needs of minority, limited English-speaking, low income, and rural elderly.

For training, a level of $14,200,000 will continue the program thrust of 1977 at the 1977 funding level. In 1978, over 30,000 trainees will benefit from a variety of activities including long-term career training and inservice training. All projects are designed to improve and develop new techniques to assure an adequate number of trained personnel in the field of aging.

For research and development, $7 million is requested, a reduction of $1,500,000 from the 1977 level. The level requested will continue support for research projects designed to increase the capacity of State and area Agencies to foster the development of comprehensive service systems for the elderly and to increase the Federal capacity to contribute to achieving the goals of the national objectives set forth in the Older Americans Act. The reduction in funding, although permitting fewer new projects, will not adversely affect the program.

Level funding is requested for both multidisciplinary centers of gerontology and multipurpose senior centers. A level of $3,800,0000 for gerontology centers will support the continued growth and increased effectiveness of existing centers and provide funds to develop 12 new centers. A level of $20 million will support the expansion and improvement of existing multipurpose senior centers and/or new centers. Emphasis will be placed on meeting the needs of the elderly in rural areas.

For the Federal Council on Aging, $450,000 is requested, a reduction of $125,000 from the 1977 level. This reduction will have no adverse impact as the Council will have completed the major congressionally mandated studies.

Finally, $2 million is requested for the National Information and Resource Clearing House for the Aging. These funds will support the establishment of three decentralized centers to coordinate the vast and expanding literature on the field of aging. A central processing point will be established to effectively and efficiently locate material requested by all agencies, organizations, and individuals concerned with the well being of the elderly.

REHABILITATION SERVICES AND FACILITIES

For rehabilitation services and facilities, we are requestng $851,700,000 for 1978, an increase of $14,291,000 over the 1977 appropriation.

An increase of $20,163,000 for basic State grants will provide the full authorized amount of $760 million and $472,050 to prevent North Dakota from receiving less than it did in 1973 ($2,472,050). In 1978 the funds requested for the State grant programs, together with funds available under the Social Security Act, will serve over 1.8 million handicapped people and rehabilitate 286,000 of whom 138.100 are severely disabled.

For innovation and expansion projects, $18 million is requested, the same as the 1977 appropriation. These funds will provide continued support for 200 projects which serve handicapped people who might otherwise be unserved or underserved and provide support for 100 new projects to broaden the scope of services to the more severely disabled.

For service projects, we are requesting $24,227,950, a reduction of $872,050 below the 1977 level. These projects include client assistance, training services and facility improvement, migratory workers, projects with industry, technical assistance, the National Center for the Deaf/Blind, special projects for the severely disabled, and evaluation.

An increase of $1 million for projects related to migratory workers will support four new projects in areas not presently served. A reduction of $619,000 for projects with industry will not affect initiations begun in 1977, and the program will serve 4,500 people. An amount of $250,000 is requested to support technical assistance to rehabilitation facilities. An increase of $400,000 for the National Center for Deaf/Blind Youths and Adults will provide a level of $2,500,000 which will enable 650 deaf/blind individuals to receive services. An increase of $648,950 for projects for the severely handicapped will provide a level of $4,747,950 to support 32 projects and rehabilitate 1,145 people, an increase of 8 projects and 175 people rehabilitated over the 1977 level. No funds are requested for construction of facilities this year. An increase of $1.3 million is requested for evaluation activities. This $3.8 million will enable some expansion of effort to improve program content, eligibility determination, client planning, and other areas.

For research activities, we are requesting $29 million the same as the 1977 level. Efforts will continue to be directed to funding projects relative to end-stage renal disease, spinal cord injury, rehabilitation engineering, and international aspects of research.

For training, we are requesting $20 million, a reduction of $5 million below the 1977 level. The level requested will provide a program level of $25 million. As you will recall, this program is partially forward funded. Of the $25 million appropriated in 1977, $10,500,000 will support programs for 1977–78, providing a program level of $25 million. The $5,500,000 remaining in the 1978 request will support programs of academic year 1978–1979.

DEVELOPMENTAL DISABILITIES

For programs directed toward the needs of the developmentally disabled, we are requesting $58,125,000, an increase of $200,000 above the 1977 level following a reprograming action. This requested increase merely seeks to restore the program to the original 1977 appropriation level.

For State and advocacy grants, we are requesting $33,058,000, the same level as was appropriated in 1977. The primary objective in 1978 is to assist States in carrying out their new responsibilities under the 1975 amendments, and to increase the provision of quality services to the developmentally disabled.

For special projects, $19,567,000 is requested. The level of $13,801,000 requested for project grants will support projects which emphasize technical assistance, training, alternatives to institutionalization, and improving local capabilities for providing services. Approximately 102 projects will be continued and 50 projects will be initiated. The level of $4,695,000 requested for projects of national significance will provide support for the continuation of major projects initiated in 1976 and 1977. The completion of the two remaining special studies will be supported by $500,000, and $571,000 will support three projects directed to ward evaluating the effectiveness of all developmental disabilities activities.

For university affiliated facilities we are requesting $5,500,000, an increase of $250,000 over the 1977 level. This increase reflects the basic policy change for providing increased assistance in this area. A level of $5,500,000 will provide increased financial support for existing facilities and start-up costs for two or three new facilities. Not only will more persons be served, but the training capability and demonstration techniques will be broadened and extended to more students/trainees.

The feasibility studies supported in 1977 will be completed and no new studies are anticipated in 1978.

SPECIAL PROGRAM FOR NATIVE AMERICANS

For programs directed toward promoting the goal of economic and social self-sufficiency for Native Americans, $33 million is requested, the same level as appropriated in 1977.

The program will continue to fund the tribal and Indian organizations, including urban Indian groups, Alaskan and Hawaiian natives, with emphasis on research and evaluation initiatives to improve grantee planning and management capabilities, to identify and eliminate gaps in services, and develop methods to avoid duplication of services.

In 1978, the funding level requested will provide support to 100 tribal governing entities, and 65 urban Indian centers, including 4 in Alaska and 1 in Hawaii.

Training and technical assistance will emphasize assisting grantees to conform to grant administration requirements, regulations, and evaluation standards, improving the effectiveness in local communities of services provided with ONAP funds, and increasing efforts to enlarge resources from other areas.

Research and evaluation activities in all areas of program involvement will be continued.

WHITE HOUSE CONFERENCE ON HANDICAPPED INDIVIDUALS

The White House Conference on Handicapped Individuals is scheduled for May of this year. Authority for the Conference expires with the close of fiscal year 1977. Therefore, no funds are requested for this activity in 1978.

WHITE HOUSE CONFERENCE ON FAMILIES

We are requesting $3 million and extended availability for the White House Conference on Families to be held in the spring of 1979. In 1978 extensive plans will be made in preparation for this Conference. The extent of this Conference is to focus on the importance of our Nation's families, on the need to examine carefully the impact on families of government actions and policies, and on the need to restructure institutions and amend policies to strengthen the family unit. Institutions and policies which will be examined include legislation at all levels, the court systems, the media, business and labor, and voluntary organizations. The Conference will respond to the diversity and pluralism that characterize American families through the involvement of not only professionals and public offices, but the lay public as well.

SALARIES AND EXPENSES

For administering programs within the Office of Human Development, we are requesting $51,875,000, an increase of $2,426,000 over the 1977 level. This increase results from built-in increases such as annualization of pay raises, within-grade increases, rent increases, and $1 million and 20 positions for the ATBCB.

REORGANIZATION

I know you and your committee are aware that the reorganization of HEW will expand the responsibilities of the Office of Human Development through the addition of child welfare and title IX programs previously administered by the Social Rehabilitation Service. The budgets for these programs will be discussed by witnesses at a separate hearing.

Mr. Chairman, this concludes my formal remarks. My colleagues and I will be delighted to answer any questions you and the committee may have.

Mr. FLOOD. Now, I see you have the varsity with you.

Ms. MARTINEZ. It is called the front line.

INTRODUCTION OF WITNESSES

Mr. FLOOD. Let's have each of you introduce yourselves.

Mr. LYNCH. I am Fran Lynch from the Developmental Disabilities Office.

Mr. MASTRAPASQUA. I am Dominic Mastrapasqua from the Office of Native American programs.

Ms. WEAVER. I am Jeanette Weaver from the Office of Youth Development.

Mr. FLOOD. Off the record.

[Discussion off the record.]

Mr. MOTTOLA. I am Joseph Mottola from RSA.

Mr. SUTTON. Jerry Sutton, Office of Administration and Management.

Mr. ROSOFF. Saul Rosoff, Office of Child Development.

Mr. FLEMMING. Arthur Flemming, Commissioner on Aging.

REORGANIZATION

Mr. FLOOD. All right, now the big word around town, and around this room for some weeks, has been "reorganization." We all know how to spell it by this time. How does this recently announced reorganization affect the Office of Human Development?

Ms. MARTINEZ. Well, it makes us bigger. And it doubles our budget, not our staff, and I think what it really does is to provide us with the opportunity to be more supportive to our other programs, our programs on aging, children, Native Americans.

As you know, the title XX is basically a block grant to States so they really decide how they are going to spend the money for social services, but we hope that we can work together so that that money is spend for our target populations for the most part.

Mr. FLOOD. Well, now, when does the reorganization become effective?

Ms. MARTINEZ. Well, it has been effective in part. There is a transition period. The central office staff of the Public Service Administration has already been transferred to our office.

However, the staff's unit of the Social and Rehabilitation Service Administration is still intact and we are now trying to figure out how to divide them among receiving agencies.

The regional offices are still not divided among the three units yet and we hope that maybe in the next couple of months we can do all of that division but it will probably take all the way through September 30 to finish the reorganization.

Mr. FLOOD. That makes me ask this. Will the 1978 budget be revised to reflect the reorganization?

Ms. MARTINEZ. Mr. Forbush.

Mr. FORBUSH. We are trying to give you the information you need to appropriate on the new basis. We are going to try to provide tables, appropriation language, and justification to show how that would go.

We are trying to get that done as quickly as possible.

Mr. FLOOD. All right, I understand.

Mr. FORBUSH. We want to have it in ample time before your markup.

CHILD DEVELOPMENT

Mr. FLOOD. We hope so.

For the child development programs you are requesting an increase of $12 million.

Ms. MARTINEZ. Yes, sir.

Mr. FLOOD. But all these increases are for research and demonstration.

Ms. MARTINEZ. Yes, that's correct.

Mr. FLOOD. None of the increases are for services to children. Why are you emphasizing research instead of services in a department like this?

Ms. MARTINEZ. One great concern of ours coming in brand new was to really take a very hard look at all program units to see how they were operating, if they were efficient, effective in their delivery of services.

We also believe that in terms of serving children, in terms of Head Start, we really needed to look at how we could expand those services and sustain the quality given the limited dollars for program, whether it is now or in the future, there is not always going to be enough money for the prgoram.

We so wanted to have an opportunity to look at the program and see how it could be changed, modified, expanded, et cetera.

The money isn't just for research. Much of the demonstration effort actually is a service effort.

HEAD START RESEARCH

Mr. FLOOD. Last December we received a draft report on the Head Start research which was conducted since 1969. Now that report— it is 134 pages in all—shows all the summaries for research projects.

Doesn't the size of that report and all that research indicate that enough research has been done on the Head Start program? Why do you need to do more?

Ms. MARTINEZ. Well, I think in our particular situation at this time, with the new administration, we are really concerned about what has happened in the past and we really want to have the time to take a look at what has been done and to also look at Head Start with a different perspective in terms of innovation, et cetera.

We have not had that opportunity yet. And again, much of the research and demonstration money is in fact demonstration money which means there is service.

I would assume that there are all kinds of research projects available and we could certainly look at those and we certainly will. But it was our feeling that we needed to have this additional amount of money to see how that program could be expanded, changed, modified, so that basically more children could be served.

INFLATIONARY IMPACT

Mr. FLOOD. Well, now, of course, with no increase in project funding won't this increased cost due to inflation, have the effect of cutting back the whole Head Start program?

Ms. MARTINEZ. It certainly might. I don't know the impact, whether they would continue to serve the same number of children— that is what we are planning to do. We are hoping to go out and use other resources. We are doing a lot of work with linking of other resources to the program.

CHILDREN SERVED IN HEAD START

Mr. FLOOD. All right, you indicate that the 1978 budget will serve 349,000 children in the Head Start program. Well, what is the total number of children that are eligible to be in the Head Start program?

Ms. MARTINEZ. I think about 1.8 million children.

Mr. ROSOFF. About a million children in the area, there are another million eligible.

Mr. FLOOD. How many communities need a Head Start program and don't have one now?

Mr. ROSOFF. Approximately 1,000 communities that don't have Head Start that do have concentrations of poor children.

Mr. FLOOD. That being so, how much would be required to expand the Head Start program so that all eligible children will be served?

Ms. MARTINEZ. Could we submit that for the record.

Mr. FLOOD. I don't blame you, all right.

[The information follows:]

COSTS OF PROVIDING HEAD START SERVICES TO ALL ELIGIBLE CHILDREN

We estimate that approximately 1,800,000 children are eligible for Head Start. Of these, about 350,000 are now served in local programs. At current cost per child of $1,505 it would cost approximately $2.4 to $2.5 billion to provide the full range of comprehensive Head Start services to the remaining 1,450,000 children and special services to the minimum of 145,000 handicapped children who would be enrolled.

HEAD START EXPANSION

Mr. FLOOD. Well, do you think that the Head Start agencies are equipped to undertake an expansion of 25 or 50 percent in the next year?

Ms. MARTINEZ. If it was just a matter of expanding the existing Head Start programs with no major expansion into new areas, we could do it.

Mr. FLOOD. A major expansion now.

Ms. MARTINEZ. No, not into new areas. They are not equipped to do so.

Mr. FLOOD. They are not?

Ms. MARTINEZ. I do not think so. It would require a lot of groundwork to do so and additional staff.

HEW AUDIT OF HEAD START

Mr. FLOOD. A recent HEW audit—you know about this—shows that some Head Start funds have been pretty badly mishandled or mismanaged. This audit report indicates a lack of administrative control and improper use of what is known as the "grant award mechanism."

Are these reports accurate? If they are, what are you doing to resolve the problems?

Ms. MARTINEZ. Mr. Rosoff?

Mr. ROSOFF. The programs get audited professionally once a year and there have been some exceptional cases, I believe, where there has been misuse of funds but we have had a major GAO audit about 3 years ago where in fact they have surveyed the program and basically said the program was accomplishing its goals.

Now every time there is an audit and we find some problems we immediately take steps to remedy those problems in terms of working with the grantee to make sure that right systems are in place.

GRANT AWARDS

Ms. MARTINEZ. Mr. Chairman, with respect to the procedures for the grant award, within the department, the whole Department of HEW, we are doing a study of our procedures and processes and certainly we are doing the same in the Office of Human Development

to see if in fact those procedures and processes do function properly and that we are doing the awards based upon merit.

So we are trying to check that out.

SERVICE TO HANDICAPPED CHILDREN

Mr. FLOOD. The basic law requires that handicapped children comprise at least 10 percent of the enrollment of the Head Start programs.

Now, we are under the impression here that you are—what should I say—barely meeting that minimum at this point. Why aren't you making a special effort, a very special effort, to serve more than just the bare minimum of that handicapped children population?

Ms. MARTINEZ. We are actually meeting that 10 percent and more, to tell you the truth.

Mr. FLOOD. Well, at least you are meeting the minimum.

Ms. MARTINEZ. More than the minimum.

Mr. FLOOD. But is that the best you can do?

Ms. MARTINEZ. But also it is more expensive to provide Head Start services to handicapped children and that would mean less children would be served. The more handicapped children we serve, the fewer other children are served.

Mr. FLOOD. Well, off the record.

[Discussion off the record.]

IMPACT OF INCREASE OF MINIMUM WAGE

Mr. FLOOD. Mr. Obey, do you have a couple questions on Head Start?

Mr. OBEY. Yes, I do, Mr. Chairman, just a very few questions.

I apologize for not being here at the start of the hearing.

Let me just ask, do you have factored into your budget any increase to take into account any expected increase in the minimum wage?

Ms. MARTINEZ. No, we do not. We have not factored that in.

HEAD START SERVICE TO HANDICAPPED

Mr. OBEY. OK.

What about handicapped kids? You are presently servicing, what, a little over 10 percent?

Ms. MARTINEZ. 12.2 percent. In addition to that there are many services to handicapped children that we get from other resources.

Mr. OBEY. How many handicapped kids do you think there are in the country presently not served by Head Start?

Mr. ROSOFF. There are a number of programs trying to work with handicapped children.

Mr. OBEY. How many handicapped kids are not being served?

Mr. ROSOFF. I think, obviously, there are some and we have tried to expand our effort, but let us get the data and provide it, if you will.

Mr. OBEY. It would be a fair amount, though, wouldn't it?

Mr. ROSOFF. Yes, there would be some.

[The information follows:]

NUMBER OF HANDICAPPED CHILDREN ELIGIBLE FOR HEAD START

We estimate that about 120,000 children who are handicapped are eligible for enrollment in Head Start.

Mr. OBEY. The law requires you to handle at least 10 percent handicapped but there is nothing in the law that says you can't go 15, 20, 25?

Mr. ROSOFF. No, there isn't.

HEAD START EXPANSION

Mr. OBEY. We might even hit 50 percent, wouldn't that be rough?

What about expansion of the Head Start program? The Budget Committee on which I serve added some money at the request of Congressman Mitchell to support an expansion of Head Start. What is the position of your shop? How well would you be able to use that money?

Ms. MARTINEZ. Well, the position of the administration was not to ask for an increase.

Mr. OBEY. I understand that, what I really should ask is can you effectively use that money if we would make it available in the appropriations process?

Ms. MARTINEZ. It depends on what it is for. If the money could be used for the expansion of existing Head Start programs, then we could make good use of it without much difficulty.

If it is for new programs in areas where Head Start does not now exist, this could be more difficult if it were a major expansion because we would have to develop new grantees and obtain additional staff in the regions.

Mr. OBEY. I don't understand that answer.

Ms. MARTINEZ. Well, I am referring to a question which Chairman Flood raised which was how many children, additional children could we serve. There are 1 million children more who are in need of Head Start services in areas in which we are presently located.

There are approximately 1,000 communities where we are not located, to be able to expand to that extent would require a great deal of planning and additional staff resources which we do not have.

Mr. OBEY. Do you think you would be able to fully use the amount of money which Mr. Mitchell's amendment made available yesterday?

Mr. SUTTON. We would need to know what that amount represents, Mr. Obey.

Mr. OBEY. Well, the money is there, this committee has the authority, really, to use it for any Head Start purpose we would want to use it for. We are not necessarily bound by the specific intention of the Budget Committee. They just made the equivalent amount of money available.

Ms. MARTINEZ. How much was that, sir?

Mr. OBEY. What was it, $150 million finally?

Mr. PFLUGER. Yes, $150 million.

Mr. OBEY. But you have the capacity to absorb that kind of money, don't you?

Mr. ROSOFF. We would be able to absorb the additional children in the areas where we are, and in terms of expanding into new areas it would be somewhat more difficult and we would hopefully be able to get some additional staff. There is some need out there and it could be handled, although, as Ms. Martinez had pointed out, she had preferred additional time to look at the programs.

But she has identified there is a need out there and much of it could be handled.

COST-OF-LIVING INCREASE

Mr. OBEY. Let me ask you one other question. You have not provided any factoring in your budget to take into account cost-of-living increases, have you?

Ms. MARTINEZ. That's correct.

Mr. OBEY. Yet you say you can serve the same number of kids?

Ms. MARTINEZ. Without any increases in staff salaries. You serve the same number of children but you do not provide for salary increases.

Mr. OBEY. Do you think that's fair?

Ms. MARTINEZ. Well, I wouldn't say it is fair.

Mr. OBEY. I wouldn't either.

Mr. Chairman, I have a couple other questions I would like to provide for the record.

Thank you.

Mr. FLOOD. Without objection, so ordered.

[The information follows:]

QUESTIONS OF MR. OBEY

EFFECT OF INFLATION HEAD START COSTS

Mr. OBEY. How is it possible to maintain the current number of Headstart children being served, with no additional funding requested to cover such increased project costs due to inflation as utilities, fuel for heating centers and vehicles for transporting children, food, classroom supplies, and as well, an anticipated increase in the Federal minimum wage?

Answer. Head Start programs have been successful in getting the support of total community agencies in providing services and support to their activities. The EPDST program has been helpful in paying for the costs of screening and medical care in a number of cases. The consistent effort spent on assisting local programs to improve their management will assist in making project funds go further.

Mr. OBEY. What alternatives are there for local Headstart projects which will receive funding in fiscal year 1978 and also face increased program costs, besides reducing staff or cutting services or supplies or lowering program quality levels, particularly if other sources of funds are unavailable to make up the difference between higher expenses and current funding level?

Answer. We hope that the local Headstart programs will not lose any of their community support or support from other federally funded programs such as EPSDT. We will work to assist local Headstart programs to maintain this current level of activity to the degree possible.

Mr. OBEY. With a continued emphasis on enrolling handicapped children and on providing individualized services to meet their special needs, at the same

time no increase in funding is requested, how can local Head Start projects carry out their responsibilities to maintain program quality and continue to serve the current level of children?

Answer. The Headstart projects have been successful in getting local services and backing in providing the special services to the handicapped children enrolled in this program. In the most recent year nearly 70 percent reported that they were receiving support from other local community agencies. We are continuing to encourage those not getting local services to find them and bring them to bear.

HEADSTART BUDGET REQUEST TO OMB

Mr. OBEY. What was the original fiscal year 1978 budget request for Headstart sent from the Office of Child Development to the HEW Comptroller's office and to OMB?

Answer. The budget request for Headstart sent to the HEW Comptroller's office and to OMB was $485,400,000.

EXPANSION OF HEADSTART

Mr. OBEY. If the Congress were to add sufficient funds to your fiscal year 1978 request to serve, lets say 80,000 more children, could you serve these children? Would the money be well spent assuming it would go to existing local projects.

Answer. Yes. The money would be well spent and we would provide the full range of Headstart services to the new enrollees, if the additional children were enrolled in existing programs.

STATE CHILD ABUSE GRANTS

Mr. OBEY. How many States have met eligibility requirements for child abuse and neglect grants? Please provide a listing of States and the current amount of grant funds provided to each State.

Answer. 29 States have met eligibility requirements for child abuse and neglect grants. These are:

Hawaii	Minnesota	Georgia
New York	New Hampshire	Michigan
Tennessee	North Dakota	Texas
Arkansas	Vermont	Louisiana
Maine	Connecticut	Kansas
Missouri	Massachusetts	South Dakota
Oklahoma	Rhode Island	California
Utah	Puerto Rico	Washington
Virginia	New Jersey	Delaware
Illinois	Alabama	

Mr. OBEY. Assuming that in fiscal year 1978 several more States will meet eligibility requirements for child abuse and neglect grants, and that the funds requested remain at the current level, how many States will have their grants reduced? Please provide a listing of States expected to meet eligibility requirements in fiscal year 1978 and updated listing of grant funds to be allocated to each existing and new State participating in the program in fiscal year 1978.

Answer. Since States are awarded a prorata share of 20 percent of the appropriation under the act, no States will have their grants reduced in fiscal year 1978. The following is a list of States expected to meet eligibility requirements in fiscal year 1978. The amount of grant funds to be allocated to each State (as indicated on the chart) assumes that the present appropriation under the act ($18,928,000) remains constant.

You will note that the list includes all States, the Virgin Islands and Puerto Rico, but excludes Guam, the Trust Territories, and Samoa. It must be emphasized that this is a best estimate based on staff discussions with State officials; actual eligibility in some cases will require changes in State legislation, and legislative action cannot be predicted with 100 percent accuracy.

Expected

Alabama	66,187	Nebraska	39,090
Alaska	25,054	Nevada	27,349
Arizona	48,419	New Hampshire	30,148
Arkansas	45,659	New Jersey	108,331
California	269,283	New Mexico	35,980
Colorado	51,452	New York	231,806
Connecticut	56,934	North Carolina	86,987
Delaware	27,309	North Dakota	28,243
District of Columbia	28,011	Ohio	155,256
Florida	110,274	Oklahoma	52,192
Georgia	84,265	Oregon	46,865
Hawaii	30,963	Pennsylvania	158,250
Idaho	30,691	Rhode Island	31,042
Illinois	158,443	South Carolina	56,974
Indiana	88,191	South Dakota	28,748
Iowa	55,301	Tennessee	70,581
Kansas	46,826	Texas	176,716
Kentucky	62,377	Utah	37,224
Louisiana	71,940	Vermont	25,988
Maine	33,180	Virginia	80,572
Maryland	71,397	Washington	62,339
Massachusetts	88,775	West Virginia	41,576
Michigan	139,316	Wisconsin	78,201
Minnesota	70,309	Wyoming	24,626
Mississippi	52,308	Virgin Islands	21,012
Puerto Rico	65,643		
Missouri	77,462	Total	3,721,630
Montana	29,565		

MR. DAVID R. OBEY

MULTIPURPOSE SENIOR CENTERS

Mr. OBEY. Under the multipurpose senior center program, please provide a listing by State of the number of grants made or obligated in fiscal year 1977, including a breakdown of the number of grants in urban and rural areas within each State, as well as the amount of funding for those grants by State and urban rural areas within those States.

Answer. Fiscal year 1977 title V awards have not yet been made. Final title V regulations are being prepared for publication in the Federal Register. As soon as final regulations are issued, the amount of title V funds reserved for awards in each State from the fiscal year 1977 title V appropriation of $20 million will be announced and applications for funding will be considered. The amount of funds to be awarded to urban and rural areas within each State therefore is not known at this time.

RESOURCE ACCESS PROJECTS

Mr. FLOOD. Take a look at page 18 of your justifications. You refer to what you call resources access projects, relating to handicapped children.

What are those projects all about?

Mr. ROSOFF. As we entered into the handicapped effort and spent a couple years at it, we realized we really needed some additional help in brokering resources around the country. Basically what these resource projects do is help the grantees to locate special assistance in order to serve the handicapped children and find community sources

that can be of help, maybe voluntary groups in universities. Basically it helps to focus more resources on the handicapped child and provide more assistance to them.

RESEARCH AND DEMONSTRATION

Mr. FLOOD. You want $16.7 million for child development research and demonstration, we talked about that a moment ago. That is an increase of $2 million over 1977.

Why do you need increases in these projects?

Mr. ROSOFF. The $2 million is for—the increase to $16.7 million represents a $2 million increase——

Mr. FLOOD. That is what I said.

Mr. ROSOFF. It is basically for adoption and foster care services. It is help to strengthen families. It is to be able to train placement workers, to be able to provide and help recruit homes for children to be adopted, it is to help achieve better foster care services.

Basically, there are a number of children out there who need this help and with this we can bring some children into permanent family situations.

CHILD ABUSE AND NEGLECT

Mr. FLOOD. Now, still talking about youth—what is the current situation with reference to child abuse?

Is that a growing problem?

Ms. MARTINEZ. I don't know that it is a growing problem. I don't know that we have identified it as such. But I think what has happened is that, as a result of our child abuse activity, people are more aware of the problem and how to deal with it.

Mr. FLOOD. Just what is the situation?

Ms. MARTINEZ. I think we are identifying more cases of child abuse and neglect. That does not mean there is an increase in child abuse and neglect.

CAUSE OF CHILD NEGLECT

Mr. FLOOD. What have you found to be the major cause, then, of child abuse or child neglect?

Mr. ROSOFF. Really there are a number of causes

Mr. FLOOD. It might be different things, yes, but make it child neglect for this purpose.

Mr. ROSOFF. I think there are economic situations, family stress, sometimes a history of some personal problems in terms of the parents that cause them to react this way—there are a whole range of things that cause individuals and families to react this way.

One of the things we are trying to do in a number of our projects is to show how groups in the community can work with families where they have this problem——

Mr. FLOOD. But my question was, what are the major causes?

Mr. ROSOFF. Well, I think in a number of areas sometimes it is unemployment, sometimes it is family stress where for a variety of reasons there is maybe some husband-wife problems, sometimes it relates to also how the parents themselves were reared.

So there are a number—four or five key reasons.

Mr. FLOOD. It seems to me on that kind of quesiton, you better develop that one for the record.

Mr. SUTTON. We will, sir.

[The information follows:]

CAUSES OF CHILD ABUSE

There are many factors which contribute to the abuse and neglect of children. We know from various studies that only a small percentage (5 percent to 15 percent) of abusing parents are actually psychologically or mentally ill, in terms of current psychiatric definitions. Instead, it is generally agreed that the causes of child abuse and child neglect are derived from a variety of sources which could be placed in three broad categories: the psychological/personality characteristics of the parents themselves, the sociological/cultural context in which a family lives, and the precipitating environmental/situational pressures that many modern families face. The many factors contained in these three broad categories interact in such subtle and complex ways that they cannot be considered independently of one another. With this in mind, the following factors appear to be contributory to child abuse and neglect:

Sociocultural conditions, including: Insufficient income, unemployment; inadequate housing and crowding; social isolation; cultural/community norms (such as the sanction of violence), heavy, continuous child care responsibility; lack of knowledge on child development or parental skills; and alcohol/drug abuse.

Psychodynamic conditions, including: Nonsupportive marital relationships; poor self-concept and low self-esteem; parental history of having been abused as a child, or having been reared in a nonnurturing environment; impulse-ridden personality with little control of aggression; unrealistic expectations of children and role reversal; and parental perceptions that a child is different or difficult.

Immediate precipitating conditions, including: Child misbehavior; divorce/separation; loss of job; or any unanticipated personal crisis.

CHILD ABUSE PREVENTION

Mr. FLOOD. You are requesting $18.9 million for child abuse prevention programs. How effective are these programs in preventing child abuse?

Ms. MARTINEZ. The majority of the money by law is spent on demonstration; 50 percent of the money is for demonstration purposes. The major tool that we have used is to, one, train people in identifying child abuse and the next——

Mr. FLOOD. I understand, but what results do you have?

Ms. MARTINEZ. And to provide services to the family so this stress can be reduced, whatever the stress is, whether it is unemployment, or domestic problems or other problems. It could even include the environment in which the family lives.

So a great deal of money goes into providing training to people whether they are doctors, lawyers, social workers, teachers, and even Head Start personnel. And that has resulted by just identifying that, that has reduced, I would think, the amount of child abuse and neglect.

RUNAWAY YOUTH

Mr. FLOOD. You also talk about the runaway youth program as distinguished from the others. The budget request here is $8 million.

How does this kind of program differ from the runaway youth projects funded through the juvenile deliquency program over in the Justice Department?

Ms. MARTINEZ. The LEAA money is generally in the form of State block grants while HEW makes individual grants directly to local projects.

Ms. WEAVER. As you know, Mr. Chairman, title III, the Runaway Youth Act, is part of the Juvenile Justice and Delinquency Prevention Act of 1974. The runaway youth programs which are funded by HEW are required by law to be outside of the juvenile justice system and law enforcement structure.

The programs funded by LEAA many times are part of that system and, therefore, our programs are defined to focus on the provision of social services.

Mr. FLOOD. Off the record.

[Discussion off the record.]

FEDERAL ROLE REGARDING RUNAWAY YOUTH

Mr. FLOOD. You mention in your statement that the budget for the runaway youth projects will serve 4 percent of the estimated 1.3 million youths. Well now, what is the Federal role in dealing with the runaway youth problem? Or is this basically a State and local responsibility?

Ms. WEAVER. Are you talking about dealing with the population which is served by HEW-funded projects—the entire population being 1.3 million youths?

Mr. FLOOD. Well, you have a budget request in which you say it will serve 4 percent of the estimated 1.3 million youths. What is the Federal role?

Ms. WEAVER. We are also looking at the additional social services provided through HEW as resources for the 96 percent of the runaway youth population who are not served directly by our programs.

There are, however, other social service resources provided through the HEW budget which can be used as resources to address some of the problems although they are not directly supported by this act.

Ms. MARTINEZ. I think, Mr. Chairman, that the reason that the Federal Government became involved in the runaway youth program was because there were not enough local and State resources to help with this problem. The problem has increased greatly over the last few years. There's a great many more runaway youths now than there were in the past. This program was an effort by the Federal Government to help States and local governments.

Mr. FLOOD. You are talking male and female. The problem is generally identified with the male. You are talking about male and female.

Ms. MARTINEZ. That's correct.

ADMINISTRATION ON AGING

Mr. FLOOD. All right.

There are certainly problems for the aged, people are getting older. That is not new. [Laughter.]

COMMUNITY SERVICES

For the community services for the aged, you are asking for $151 million and by the way that is the same amount as the 1977 appropriation.

Do you think that the budget is sufficient to continue the same level of these services?

Ms. MARTINEZ. Well, Mr. Chairman ——

Mr. FLOOD. Including everything? Same level? Without a problem?

Ms. MARTINEZ. No, Mr. Chairman, I would not say that it is sufficient to meet the need.

Mr. FLOOD. You would have to be Houdini to do that, wouldn't you?

Ms. MARTINEZ. Yes, sir. I think, again, this was another situation in which we wanted to really take a very hard look and see how they could be made more efficient and more effective. I think this needs to be done with all of our program units. So this was the reason for requesting no increase.

RELATIONSHIP OF AREA AGENCIES TO STATE AGENCIES

Mr. FLOOD. How do the area agencies on aging relate to the State agencies?

Ms. MARTINEZ. Dr. Flemming?

Mr. FLEMMING. Mr. Chairman, under the law, under the 1973 amendment to the Older Americans Act, each State, once a year, must present to the Administration on Aging a plan. Once that plan has been approved, then the funds that the State is entitled to under the formula that is incorporated in the law are made available to it.

At that time it is in a position to consider a plan and a budget from each area agency within the State.

Once that plan and budget is submitted to the State, the State agency has the final word on the plan and the budget and then the State agency must monitor the work of the area agency.

Mr. FLOOD. Who decides where the area agencies are going to be located?

Mr. FLEMMING. The State Agency on Aging makes that decision.

Mr. FLOOD. The State? All right, do you think at the present time there is an adequate number of area agencies to serve all the older Americans?

If not, why not?

Mr. FLEMMING. The area agencies that we now have represent about 90 percent of the population of older persons.

In other instances, the services are provided by the State agency oftentimes in an area that is essentially rural. Oftentimes they decide that they could deal more effectively in a direct manner with that part of the State.

TRANSPORTATION SERVICES

Mr. FLOOD. What kind of programs do you have to provide the elderly with transportation? We have all these other programs. What about the transportation to have them reach all of these services you are talking about?

Mr. FLEMMING. The area agencies, taking the country as a whole, are using about 25 percent of the resources that are available to them for transportation.

In addition to that, these area agencies take the initiative in trying to pool other resources that are available for transportation. But the

area agencies have indicated by their needs that they regard transportation as No. 1 in terms of the kind of service they should be rendering older persons.

MODEL PROJECTS

Mr. FLOOD. What new model projects for the aging are proposed in 1978?

Mr. FLEMMING. As far as the model projects are concerned, I think the best thing to do would be to give you just a brief rundown on how the 1977 money is being used on, by and large——

Mr. FLOOD. I want to know about the new model projects for 1978.

Mr. FLEMMING. That, we don't know.

Mr. FLOOD. Do you have any kind of idea?

Mr. FLEMMING. We won't know it until we get the funds and have the opportunity to receive applications.

Mr. FLOOD. But you can't give me any specific proposals now?

Mr. FLEMMING. Not proposals, I can indicate to you where the emphasis will be in 1978, what kind of applications we will give a high priority to.

For example, we do support under the model project program a nursing home ombudsman program and that we will continue to do.

We also support a legal services development program. As you know, the Congress has shown great interest in making available——

Mr. FLOOD. These are not new, however.

Mr. FLEMMING. Except there will be new proposals under each one of these headings.

Mr. FLOOD. Oh. I see. You will extend existing projects but they will not be new in their own right?

Mr. FLEMMING. They will come under the same categories that——

Mr. FLOOD. But right now you don't propose to give birth to anything new as of today; not yet?

Mr. FLEMMING. I hope that some of those proposals that come in under these various categories will represent creative and imaginative approaches. Those that are creative and imaginative will get the highest priority.

Mr. FLOOD. Mr. Natcher.

DEFINING DEVELOPMENTAL DISABILITIES

Mr. NATCHER. What is your present definition of a developmental disability?

Ms. MARTINEZ. One of the requirements of the law is a report establishing the definitions of developmental disabilities. There is a national task force working on these definitions. The task force has not yet finished its work. In addition to the task force there are other groups working on defining developmental disabilities.

There are a number of groups that want to be included in these definitions and it is going to be a very difficult programmatic and political decision on which disabilities will be included.

Mr. NATCHER. In establishing the definition for the developmental disability, it will include more than mentally retarded?

Ms. MARTINEZ. It does right now; yes.

Mr. NATCHER. It does now?

Ms. MARTINEZ. Yes; it includes mental retardation, epilepsy, cerebral palsy, and autism.

OTHER PROGRAMS SERVING THE DEVELOPMENTALLY DISABLED

Mr. NATCHER. The budget for developmental disabilities is $58.1 million. What other programs are available to the States for this purpose?

Ms. MARTINEZ. The basic thrust of the program is really a planning and coordinating mechanism. The State agencies are supposed to identify other resources from both Federal and State, which can be applied to the programs for the developmentally disabled. It is a leverage type of program.

Mr. NATCHER. Then the States can use funds under the Rehabilitation Act for serving the developmentally disabled?

Ms. MARTINEZ. Yes; in that case it must be determined that that person can be vocationally trained for employment. Under the Rehabilitation Services Act services must be provided to those people who have the chance of becoming employed after training.

PERSONS CONSIDERED DEVELOPMENTALLY DISABLED

Mr. NATCHER. How many persons in this country do you consider to be in the developmentally disabled category? Approximately how many would you say?

Mr. LYNCH. Of the estimated 37 million persons with developmental disabilities, this program benefits either directly or indirectly at least one-third of this estimated population.

SPECIAL PROJECTS

Mr. NATCHER. You are requesting almost $20 million for special projects. For the record—and with your permission, Mr. Chairman—I would like for them to summarize five special projects. Pick out five now and summarize it and we will place it in the record at this point.

Mr. FLOOD. Without objection, so ordered.

[The information follows:]

DEVELOPMENTAL DISABILITIES

Examples of Special Project Grants

Title: A Model Demonstration Program for Hearing Impaired Developmentally Disabled Persons

This is a project conducted by the University of Arizona to define and establish a model demonstration program on awareness development, diagnosis, evaluation and accommodation of the needs of the hearing impaired mentally retarded. A chain of services representing agencies and organizations throughout Arizona with outreach to neighboring States will expand comprehensive services to these hearing impaired persons living in remote rural areas. The project will also includes training of professional personnel and practitioners who work with these developmentally disabled persons.

Title: Training the State Developmental Disabilities Councils or Subsets of the Councils: State Developmental Disabilities Council Planners and Other Council Staff

The University of Alabama's Center for Developmental and Learning Disorders is conducting this training project. It is directed toward the establishment of three regional training centers designed to provide a continuing education program for Developmental Disabilities Planners and Council Members, Mental Retardation State Coordinators, and directors of residential and community-based facilities for the mentally retarded and other developmentally disabled persons. The intent of the program will be to develop and improve the management skills necessary for institutional reform and deinstitutionalization efforts including institutional intervention and avoidance practices. The outcome of this program will result in a coordinated nationwide continuing education program and curriculum materials specifically designed for the use of persons involved with the Developmental Disabilities Councils.

Title: Campaign of Concern

Heretofore, many dentists would not accept developmentally disabled persons as patients; therefore the dental needs of these individuals were unmet. To fill this service delivery gap, a grant was awarded to the Academy of Dentistry, Springfield, Ohio, to conduct a "Campaign of Concern" to organize and systematize the delivery of dental services to developmentally disabled individuals. Two slide/tape presentations have been produced. One of these presentations is an overview of developmental disabilities and is designed to sensitize practitioners and dental students; the other is a generic dis-

cussion of the physicological, psychological, and sociological needs of handicapped people for proper dental care.

This project has successfully generated local funds to support preventive dentistry programs for the developmentally disabled. These preventive programs are throughout the State of Colorado, Newark, New Jersey, Milwaukee, Wisconsin, and Minneapolis, Minnesota. Additional programs are being organized in Portland, Oregon, Seattle, Washington, Kansas City, Missouri, Flint, Michigan, Baltimore, Maryland, and Fitchberg, Massachusetts. The original goal of this project was to serve at least 5,000 individuals; the actual number is closer to 8,000 and ultimately about 10,000 will derive benefits as a result of the "Campaign of Concern."

Title: A Coordinated Approach to Community Recreation Services for Multiple Handicapped Adults

This project grant concerns a coordinated approach to community recreation services for multi-handicapped adults, a city-wide program, under the direction of Temple University, Philadelphia, Pennsylvania with linkages with its university affiliated facility. The grantee has collaborated with Carousel House, the City of Philadelphia's Recreation Center for the Handicapped to provide recreational and leisure time activities for the developmentally disabled. Previously, the city had limited activities designed for this handicapped group. Temple University has both extended and added activities specifically applicable to persons with developmental disabilities. They also developed additional projects with other generic recreation facilities to which they provide consultation, and guidance as well as coordinating transportation services.

Title: Effects of Living Environment on the Mentally Retarded

A demonstration project conducted by the University of Massachusetts in Amherst concerns the effects of the living environment on the mentally retarded and the staff serving them. The project uses a multiple-baseline, experimental design in which both state school residents and attendents are observed before, during, and after their present living quarters (large sleeping wards, dayhalls, and dormitories) are converted into smaller homelike spaces. Residents who still need institutional type services will have the benefit of a more normalized living environment. Residents who can be moved to a group home, for example, will find such a move less traumatic and can more readily adjust to their new environment. The results of this grant will provide background evidence and guidelines for other institutions to follow in the process of developing deinstitutionalization models.

UNIVERSITY-AFFILIATED FACILITIES

Mr. NATCHER. Give us an example of a university-affiliated facility project? What example could you give?

Mr. LYNCH. One example is the John F. Kennedy Institute at the Johns Hopkins University. This university-affiliated facility was constructed under Public Law 88–164. It provides the basis for multidisciplinary training of health and health-related personnel in terms of the developmentally disabled population.

It has a clinical base of persons with developmental disabilities. Therefore the students can be provided with not only practicum but theory or the other way around, theory and practicum.

The clinical base is also required by the legislation to serve as a model program for service delivery. In the instance of the Johns Hopkins facility, it is a model program for diagnosis and evaluation.

Another facility may be a model program for the delivery of educational services, or another for the delivery of deinstitutionalization services or alternatives to institutional care.

OFFICE OF NATIVE AMERICAN PROGRAMS

Mr. NATCHER. You are requesting $33 million for native American programs. How do these programs differ from other Federal programs such as Indian health services or the Bureau of Indian Affairs? Any difference?

Ms. MARTINEZ. Yes; there is a difference.

First of all, the Bureau of Indian Affairs and the Indian Health Center serve only federally recognized tribes. As you know, there are many Indians who do not live in the tribal areas, but in urban areas.

Second of all, they are not federally recognized.

Our programs serve those groups.

In addition, our program is a very broad program. Our program is—one of grants to the tribal government to fill in gaps in services essentially. I would like Mr. Mastrapasqua to comment on this.

Mr. MASTRAPASQUA. Essentially, we under no circumstances engage in Indian health service activities if in fact we are coordinating with them on a regular basis. We attempt, as Ms. Martinez has pointed out, to pick up whatever slack that is created by agencies who are unable to provide that service.

NATIVE HAWAIIANS

Mr. NATCHER. What kind of programs do you conduct concerning native Hawaiians?

Mr. MASTRAPASQUA. Jerry?

Mr. SUTTON. As you know, the 1975 amendments included a requirement that we provide special assistance to native Hawaiians. In 1976 we provided a grant to Hawaii to do some planning in terms of their own needs. We plan to provide a grant in 1977 to begin putting in place services for the number of groups that are interested and are eligible for service. We plan to continue to fund a grant in 1978 for approximately $700,000.

ALASKAN NATIVES

Mr. NATCHER. What about Alaskan Natives? What type of a program are you conducting there?

Mr. SUTTON. We have several projects that have been funded for several years for native Alaskans and I don't recall at this point, but we can provide for the record the location of those grants and the amount of money that is related to them.

But I think we have three grants specifically related to the problems in Alaska.

Mr. NATCHER. Now in operation?

Mr. SUTTON. Yes.

[The information follows:]

GRANTS SPECIFICALLY RELATED TO THE PROBLEMS IN ALASKA

Grantee	Amount	Purpose
Metlakata Indian Community, P.O. Box 458, Metlakatla, Alaska	$92,300	Community action program.
Alaska Federation, Natives, 670 West Fireweed Lane, Anchorage, Alaska.	283,415	Training and technical assistance.
Kenai Native Association, P.O. Box 1210, Kenai, Alaksa	800,000	Economic development.
Total	1,175,715	

WHITE HOUSE CONFERENCE ON FAMILIES

Mr. NATCHER. The budget includes $3 million for a White House Conference on Families. Is this Conference authorized by some specific legislation?

Ms. MARTINEZ. No, it is not. It is certainly a request to the Congress.

Mr. NATCHER. Now pending.

Ms. MARTINEZ. Now pending.

Mr. NATCHER. On this committee we need a little more information on the budget for the Conference. At this point in the record, if you would just amplify that just a little bit.

[The information follows:]

White House Conference on Families

	Estimates, fiscal year 1978
Personnel compensation and benefits:	
Permanent full time	$326,460
Other than permanent	199,500
Consultants	9,000
Advisory Council	60,000
Travel:	
Local staff travel	3,000
Trips to States and regions for conferences and technical assistance	90,000
Advisory Council	70,000
Transportation of things	21,000
Space, Communication, and Equipment:	
Space	76,730
Telephone	37,200
Equipment	26,650
Printing, postage, conference packets, signs, tags, photocopy, final report	85,000
Xerox rental	13,000
Other services	862,460
Grants to States and regions	1,120,000
Total	3,000,000

SALARIES AND EXPENSES

Mr. NATCHER. You are requesting $51.9 million for salaries and expenses and for the record, and with your permission, Mr. Chairman, I would like to have you provide a breakdown of that amount by various offices involved.

Mr. FLOOD. Without objection, so ordered.

[The information follows:]

Office of Human Development salaries and expenses, fiscal year 1978 estimates

	Thousands
Headquarters:	
Office of Child Development	$5,585
Office of Youth Development	811
Administration on Aging	3,601
Rehabilitation Services Administration	6,254
Developmental Disabilities Office	1,028
Office of Native American Programs	799
Architectural and Transportation Compliance Board	1,000
Inter-Departmental Council on Indian Affairs	171
Office for Handicapped Individuals	717
Office of Manpower—CETA	602
Office of Rural Development	184
President's Committee on Mental Retardation	795
Immediate Office of the Assistant Secretary for Human Development	993
Office of Planning and Evaulation	757
Office of Administration and Management:	
Direct	2,724
Centralized Charges	5,446
Subtotal, headquarters	31,467
Regional Offices:	
Region I, Boston	1,815
Region II, New York	2,145
Region III, Philadelphia	2,118
Region IV, Atlanta	2,950
Region V, Chicago	2,413
Region VI, Dallas	1,966
Region VII, Kansas City	1,701
Region VIII, Denver	1,627
Region IX, San Francisco	2,199
Region X, Seattle	1,474
Subtotal, regional offices	20,408
Total, Office of Human Development salaries and expenses	51,875

Mr. NATCHER. Thank you, Mr. Chairman.

NUTRITION

Mr. FLOOD. Now the budget for nutrition for the elderly is $225 million. That is an increase of about $21.5 million over 1977.

Again, is that amount sufficient to provide the same level of services, keeping everything in mind?

Mr. FLEMMING. That does not take into consideration possible increases in unit costs because of inflation.

Mr. FLOOD. All right. That is what we want to know.

Mr. FLEMMING. So it could lead to some reduction below the projected level for this year of 435,000 meals 5 days a week.

Mr. FLOOD. What effect is the increase in the cost of food going to have on program services?

Mr. FLEMMING. I included that when I mentioned inflation.

Mr. FLOOD. I want to be sure we had that in there. I am trying to find out how much of a reduction.

Mr. FLEMMING. There is no doubt about the fact that if we have a sharp increase in cost of food and in other items that we could not maintain the number of meals served at the same level we will reach during 1977.

ELIGIBLE PERSONS NOT SERVED

Mr. FLOOD. Could you give me an idea of the number of elderly people who could benefit from the nutrition program but are not being served at the present time?

Mr. FLEMMING. Mr. Chairman, I start with the assumption that older persons whose annual incomes are below the poverty threshold could benefit from a program of this kind. That is about 3.3 million people.

At the present time our program is reaching about 900,000 older persons. There are some other programs in the picture. Let's assume that they may account for another 300,000 to 400,000.

We have at least 1.5 to 2 million people who could profit from the title VII programs that are not being reached.

Mr. FLOOD. Is this nutrition program available only to low income elderly people?

Mr. FLEMMING. The law specifies that we are to give the highest priority to low income and minority groups but it also specifies that there is to be no means test applied in connection with the operation of the program.

So it is open to other persons who then are encouraged to make contributions.

Mr. FLOOD. Let me put it this way, do you think it should be restricted to low income people only?

Mr. FLEMMING. No, I do not.

Mr. FLOOD. All right. Do you know what percentage of the participants are in the middle or upper income bracket? What percentage?

Mr. FLEMMING. Our best——

Mr. FLOOD. Participants now.

Mr. FLEMMING. Middle and upper income?

Mr. FLOOD. Yes.

Mr. FLEMMING. That runs about 30 to 35 percent.

Mr. FLOOD. Oh. I didn't realize it was that much.

Mr. FLEMMING. About two-thirds are in low income brackets.

Mr. FLOOD. What other Federal programs are available to provide nutrition services to the elderly?

Mr. FLEMMING. Title XX of the Social Security Act can be utilized for the particular purpose. This is also an area where the private sector is also making a significant contribution, particularly through Meals on Wheels programs.

Training Programs

Mr. Flood. For your training program, you are requesting $14.2 million. Again, that is the same amount as the 1977 appropriation.

The basic law requires a periodic appraisal of personnel needs in the whole field of the aging. Based upon whatever appraisal you have made, what is the supply and demand outlook for trained manpower in this field of aging?

Ms. Martinez. Would you like to take that question?

Mr. Flemming. Mr. Chairman, we have over the last 2 years begun a process in cooperation with the Bureau of Labor Statistics——

Assistance from Bureau of Labor Statistics

Mr. Flood. I was going to ask you. What help do you get from the Bureau of Labor Statistics in the Labor Department in developing future needs for trained manpower in this whole field of the aging?

Mr. Flemming. They have done a job for us in connection with the supply-demand situation on nursing homes and also in connection with the supply-demand situation on homemaker home health aid services. They do the work, we reimburse them for the work they do.

Mr. Flood. What is the supply and demand outlook, what do you think?

Mr. Flemming. As far as the——

Mr. Flood. Trained manpower now.

Mr. Flemming. There is a wide gap between the demand and the available supply as far as the nursing industry is concerned. The same situation prevails in the homemaker home health services area. The estimate is that we could utilize about 300,000 trained homemaker-home health aides and we probably haven't got more than 50,000.

Aging Research

Mr. Flood. You are proposing a cutback of $1.5 million in research on the aging. Why?

Mr. Flemming. That will mean we will not be able to finance as many new starts. Actually most of the money was transferred to a new line item dealing with the National Clearing House for the Aging in order to institute a program under which we can——

Mr. Flood. I will probably ask you about that in a minute.

Mr. Flemming. OK.

Multidisciplinary Centers

Mr. Flood. The program for the multidisciplinary centers is pretty new. But can you give us some idea about the work of these centers? And, also, where they are located geographically?

Mr. Flemming. I will have to supply the latter for the record but I will be glad to do so.

Mr. Flood. All right.

[The information follows:]

Appendix II–E

Title IV–C multidisciplinary centers of gerontology grants, fiscal year 1976

Alabama:	
University of Alabama, Center for the Study on Aging, University	$61,172
The University of Alabama in Birmingham, University Station, Birmingham	62,938
California: University of Southern California, Andrus Gerontology Center, Los Angeles	195,463
Colorado: Davis Institute for the Care and Study of the Aging, Denver	67,314
Connecticut: University of Connecticut, University Program in Gerontology, Storrs	49,798
Florida:	
Florida State University, Institute for Social Research, Tallahasse	65,792
University of Miami, Institute for the Study of Aging, Coral Gables	64,062
Hawaii: University of Hawaii at Manoa, Pacific Biomedical Research Center, Honolulu	74,687
Illinois: University of Illinois at Chicago Circle, All University Gerontology Committee, Chicago	67,271
Iowa: University of Iowa, School of Social Work, Iowa City	69,162
Kentucky: Sanders-Brown Center, College of Medicine, University of Kentucky Research Foundation, Lexington	75,000
Massachusetts: Boston University, Gerontology Center, Boston	193,782
New York:	
Syracuse University, All-University Gerontology Center, Syracuse	175,347
City University of New York, Research Foundation, New York	70,941
North Country Community College, Life Sciences-Social Sciences, Saranac Lake	47,600
North Carolina: Duke University, Center for the Study of Aging and Human Development, Durham	171,211
Ohio: Miami University, Scripps Foundation Gerontology Center, Oxford	65,916
Pennsylvania:	
University of Pennsylvania, 3451 Walnut Street, Philadelphia	72,515
Pennsylvania State University, Gerontology Center, University Park	185,255
Texas: North Texas State University, Center for Studies in Aging, Denton	164,286

Mr. FLEMMING. The money was appropriated for use during the transition quarter. About half the money was used to make allocations to institutions that already have a multidisciplinary program underway. Another half of it was utilized to make allocations to institutions that are planning for the development of a multidisciplinary center. We undoubtedly will utilize the money that is available for 1977 in approximately the same way.

MULTIPURPOSE SENIOR CENTERS

Mr. FLOOD. You are asking for $20 million for multipurpose senior centers. Now that is a program that is fairly new, too.

Did you have any problems getting that program off the ground?

Mr. FLEMMING. Again, the funds were first made available for the transition quarter, $5 million.

Mr. FLOOD. We know that mortgage guarantees and interest subsidies for the senior centers have been a problem, of course, but are you getting the program off the ground?

Mr. FLEMMING. The answer is yes.

Mr. FLOOD. That's good. You cant' do better than that. Give us, say, two examples of the projects involving the multipurpose senior centers.

Mr. FLEMMING. May I furnish that for the records?

Mr. FLOOD. All right.

[The information follows:]

TITLE V PROJECT SUMMARIES

GRANTEE	STATE	FEDERAL GRANT	ESTIMATED NO. PERSONS BENEFITING	PROJECT DESCRIPTION
City of Salem Council on Aging	Massachusetts	$34,000.00	7,500	Renovation of a municipal facility into a two-story Multiservice Center for use by the City s elderly for meals, social services, recreation, health, and education. Additionally, the City has earmarked $109,000 of Community Development funds to complete architectural work required and to carry out major structural work. Title V funds will pay for the initial equipment and furnishings of the facility, e.g., chairs, tables, kitchen equipment, desks, paneling, cabinets, etc.
Dubuque Area Project Concern for Elderly and Retired, Inc.	Iowa	$ 5,000.00	200	A facility to provide care and activitires for handicapped/impaired elderly in safe, comfortable, pleasant, social setting with supervision and planned activities. The site selected was a church which required such renovation as ramps to entrances, widening of doors, electrical work, and room separation.
Blue Grass Area Economic Council, Inc. Lawrenceburg	Kentucky	$ 3,506.00	3,200	The purchase of initial equipment for five existing multipurpose senior centers. (The alteration/renovation of the centers were paid for with local funds). Included in the purchase is equipment for commercial cooking facilities for the nutrition program, and audit visual equipment to be used in consumer education programs.

NATIONAL CLEARINGHOUSE FOR THE AGING

Mr. FLOOD. You are asking for $2 million to initiate the National Clearing House for the Aging.

Where is that going to be located? How is that going to work?

Mr. FLEMMING. The National Clearing House on the Aging is one of the operating units in the Administration on Aging.

Mr. FLOOD. All right. Go ahead.

Mr. FLEMMING. This particular request is for $2 million in order to carry out the directive in title II of the Older Americans Act which states that the Commissioner is authorized and directed to establish and operate a national information and resource clearinghouse for the aging which shall collect, analyze, prepare, and disseminate information related to the needs and interests of older persons. We propose to bring into existence three service centers for aging information. This is why we are asking for the $2 million. Our program will be modeled on the educational resources information center operated by the Office of Education. You, of course, are well acquainted with that.

We intend to do everything we can to profit from the experience of the Office of Education. We will apply the same principles in carrying out this mandate.

REHABILITATION SERVICES AND FACILITIES

Mr. FLOOD. The budget for rehabilitation programs is $851.7 million.

And you indicate that 1.8 million handicapped people will be served in 1978. What is your estimate of the total number of the handicapped persons who could benefit from rehabilitation?

Mr. MOTTOLA. It is very difficult to know how many can be benefited by rehabilitation. We know what the approximate numbers of handicapped people are in the country, approximately 38 million.

Mr. FLOOD. But can't you estimate?

Mr. MOTTOLA. I would have to do that for the record.

Mr. FLOOD. All right.

[The information follows:]

APPROXIMATE NUMBER OF HANDICAPPED PEOPLE

(Information for the record, fiscal year 1978 House Hearings)

According to the 1970 Decennial Census of Population and Housing, there were 12,100,000 persons, aged 18 to 64, not living in institutions, who had a partial or total work disability. These people constituted 10.8 percent of all 112,300,000 persons within this age bracket. Approximately 5 million to 6 million of these persons would be eligible to receive services under the State-Federal program of vocational rehabilitation. More precise estimates of the number of eligible disabled are not possible because of the rather dynamic nature of the concept of eligibility. Every day for example, disabled persons are becoming eligible or ineligible for VR services as a result of a myriad of factors related to changes in the work situation, medical condition, et cetera.

FEDERAL ROLL IN REHABILITATING HANDICAPPED

Mr. FLOOD. What do you see as the Federal role in rehabilitating the handicapped?

Mr. MOTTOLA. The Federal role is providing the money and providing the guidance.

Mr. FLOOD. We can be sure about that but beyond that what is it?

Mr. MOTTOLA. Providing the guidance and the standards to the States under which they will actually conduct the programs for rehabilitating the handicapped.

PROGRESS IN REHABILITATING SEVERELY HANDICAPPED

Mr. FLOOD. What progress have you made in rehabilitating the severely handicapped?

Mr. MOTTOLA. Well, we think we have made some progress. As you know, rehabilitation of the severely handicapped was a mandate of the act of 1973.

Mr. FLOOD. That's right. We know all about that law. But what are you doing about it?

Mr. MOTTOLA. Since that time what we have been able to do is increase the percentage of severely handicapped among the total numbers of people who are rehabilitated each year.

For instance, in 1977, of the total we are planning to rehabilitate 44 percent who are severely handicapped. In 1978 we plan to have that number go up to 48 percent.

COST OF REHABILITATING THE SEVERELY HANDICAPPED

Mr. FLOOD. What are the costs of rehabilitating the severely handicapped? Are they much higher than the costs for other handicapped persons?

Mr. MOTTOLA. I will tell you specifically, it costs approximately $4,500 to rehabilitate a severely handicapped individual.

Mr. FLOOD. Are they higher or not?

Mr. MOTTOLA. They are higher.

Mr. FLOOD. How much higher?

Mr. MOTTOLA. About $1,700 higher per case.

Mr. FLOOD. What accounts for that difference in the cost?

Mr. MOTTOLA. The different kinds of services, the more costly kinds of services and the more difficulty there is in placing a severely handicapped person would account for the difference in cost.

MATCHING REQUIREMENTS

Mr. FLOOD. The States are required to match the Federal basic grant allotment.

Mr. MOTTOLA. Yes.

Mr. FLOOD. Is that going to be a problem in 1978? Will the States be able to match their allotments under the budget of $760 million?

Mr. MOTTOLA. Mr. Chairman, we fully expect that they will be able to.

INNOVATION AND EXPANSION PROGRAMS

Mr. FLOOD. For innovation and expansion grants, your budget request is $18 million, the same amount as 1977.

By the way, why do we need this program? Why?

Mr. MOTTOLA. We need to continue it because we feel that it provides money above the basic program kind of money to do things that are new in the field of rehabilitation. It gives the States a chance to experiment.

Mr. FLOOD. I know, but what do these innovation and expansion grants provide that can't be provided by the basic State grants?

Mr. MOTTOLA. They are providing, for instance, demonstrations in regard to rehabilitating severely handicapped people.

In many of the instances they are demonstrating new ways to serve severely handicapped and bring them into the mainstream of the rehabilitation program.

PROJECTS WITH INDUSTRY

Mr. FLOOD. You have projects with industry, and this was a very successful program. At least that is what we thought. But you are proposing to cut it back by $619,000. How do you add that up?

Mr. MOTTOLA. Yes, Mr. Chairman. You are, I am sure, familiar with the history of the program. We had in fiscal year 1977 a major increase to the program of $2.7 million.

We are trying to get those projects out. We are very enthusiastic about the program.

Mr. FLOOD. That is what I hear.

Mr. MOTTOLA. We want to be sure we get the projects out and get into a posture of being able to evaluate them properly before we decide to move ahead.

Mr. FLOOD. Why the cutback?

Mr. MOTTOLA. The cutback will not actually represent a cutback.

Mr. FLOOD. Why not?

Mr. MOTTOLA. It is a cutback in dollars. We are hoping it is not a cutback in terms of projects. What we will do with the money that we have requested in 1978 will be to continue all the projects that we have started this year.

MIGRATORY WORKERS

Mr. FLOOD. Why do you need an increase of $1 million for the hadicapped migratory workers?

Ms. MARTINEZ. This is a group that has been traditionally underserved, the migrant handicapped people. They are hard to find, No. 1, because they are out in rural areas. And this is an effort to expand into areas where we are not now.

REHABILITATION TRAINING PROGRAMS

Mr. FLOOD. Makes sense, I guess.

Now, for the rehabilitation training program, both the House and the Senate specify a program level of $30.5 million for fiscal year 1977. In these budget documents that you sent to us you show a program level of only $25 million. Why is that?

Ms. MARTINEZ. May I have Mr. Forbush answer? That is a very technical question.

Mr. FLOOD. Indeed it is.

Mr. FORBUSH. Mr. Chairman, we sent you a letter on that back in February, you asked us that question in a letter, as you recall, and the basic answer is that we could not use—we could not put it at $30 million in the current academic year and still have funds left over to start the next academic year.

If we had done that, we would have begun the academic year beginning this fall with no funds at all.

Mr. FLOOD. If we want to maintain, as the Congress said, a $30.5 million program for 1978, how much would be required?

Mr. FORBUSH. For fiscal year——

Mr. FLOOD. 1978.

Mr. FORBUSH. For the calendar year—academic year beginning this year it is taken care of with the supplemental appropriation which you provided.

Mr. FLOOD. What about the next academic year?

Mr. FORBUSH. 1978–79.

Mr. FLOOD. I mean 1977–78. Next year.

Mr. FORBUSH. That would be another $25 million.

Mr. FLOOD. If we wanted to forward fund the training program, how much would be required to maintain that same $30.5 million program for 1979?

Mr. FORBUSH. That would be the same as the answer I just gave; yes.

Mr. FLOOD. Both ways.

Mr. FORBUSH. $25 million more than the budget as it stands now.

Mr. FLOOD. Then do this for the record, give me a chart for this.

Mr. FORBUSH. Yes, sir.

Mr. FLOOD. Let's have a chart on the training program showing the appropriation, the amount obligated and the program level for each of the fiscal years since 1973. OK?

Mr. FORBUSH. Since 1973.

[The information follows:]

REHABILITATION TRAINING

[In thousands of dollars]

Academic year	Fiscal year— 1972	1973	1974	1975	1976	Transition quarter	1977	1978	1978 advanced	Total program level
1972–73 (September 1972)	5,564	15,572								21,136
1973–74 (September 1973)		12,128	5,019							17,147
1974–75 (September 1974)			10,553	15,600						26,153
1975–76 (September 1975)				6,600	22,200					28,800
1976–77 (September 1976)						10,822	14,728			25,550
1977–78 (September 1977)							15,772	14,728		30,500
1978–79 (September 1978)								5,272	25,228	30,500
Appropriation/obligation	27,700	15,572	22,200	22,200	10,822	30,500	20,000	[1] 25,228		
								45,228		

[1] This is the amount required in the fiscal year 1978 appropriation to forward fund training.

Mr. FLOOD. Mr. Natcher?

Mr. NATCHER. No further questions, Mr. Chairman.

Mr. FLOOD. Well, off the record.

[Discussion off the record.]

Mr. FLOOD. Thank you very much.

Ms. MARTINEZ. Thank you, Mr. Chairman.

The following questions were submitted by members of the subcommittee with the request they be answered for the record.

HANDICAPPED ENROLLMENT IN HEAD START

Mr. MICHEL. Regarding Head Start, what percentage of the enrollment is currently comprised of handicapped children?

ANSWER. Over 12 percent of the children enrolled in Head Start have been professionally diagnosed as having one or more handicapping conditions. Nearly one out of every three handicapped children has multiple handicaps.

EVALUATION OF PARENT INVOLVEMENT

Mr. MICHEL. Has the 2-year evaluation of parent involvement in Head Start been completed yet, and, if so, what does it show?

ANSWER. The evaluation is not yet finished. The final report is due in the fall of 1977.

HEAD START EVALUATION STUDIES

Mr. MICHEL. We understand that there have been a number of research and evaluation studies of Head Start in recent years. Can you tell us what you have learned about the effectiveness for children of Head Start and similar early intervention programs?

ANSWER. A large number of studies have been conducted that provide additional evidence of the benefits of Head Start. The Social Research Group, George Washington University, has developed a working draft, "A Review of Head Start Research Since 1969," dated December 1976. We are in the final stages of a comprehensive analysis of this study and other Head Start research and evaluation evidence since 1969.

Preliminary results suggest the following four conclusions:

1. Participation in Head Start improves the child's performance in many areas. This includes school readiness and achievement; the child's functioning at home and in the neighborhood; cognitive and language development; socio-emotional development; and health, nutrition, and psychomotor development.

2. Head Start's cognitive gains are sufficiently durable to materially equalize educational opportunity for poor and minority children at least through kindergarten and first grade.

3. A wide variety of program models have been developed and are in actual operation in Head Start programs that produce these benefits in a roughly equivalent fashion, including programs that place special emphasis on working with parents.

4. In addition to the importance of a program focus on parents and the family, OCD has identified other program characteristics that are associated with gains. First and foremost, after parents, is the Head Start teacher. It is not the extent of the teacher's formal education or degrees that matter but what the teacher is able to do, the competencies she displays in working wih children. We are incorporating these results in our Child Development Associate (CDA) training effort. We have also learned that some children benefit greatly from particular types of program variables. For example, Head Start enables some children to avoid placement in special education. Others gain dramatically in school readiness or skills related to future reading. Still others may experience vital improvement in health and nutrition status.

In addition, (1) the Education Testing Services, and (2) a study of comparison Home Start-Head Start children show similar benefits accruing to children who have been in Head Start.

FOSTER CARE

Mr. MICHEL. According to a recent GAO study, foster care is in sad shape in this country. There apparently is a substantial amount of waste and an excessive amount of bureaucratic redtape and regulations. What plans do you have to rectify some of these problems, particularly where the Federal Government is concerned?

Answer. The Office of Child Development, Children's Bureau, has responsibility to: Investigate problems of child welfare; identify problem areas of research, demonstration, legislation and policy where improvements can and should be made; develop and test approaches to solving the problems; and, disseminate and consult with child welfare organizations and agencies on successful or promising results.

Children's Bureau has identified the following key problem areas in foster care for which it is developing approaches and providing consultation on promising results, including the need to develop more effective and timely permanent plans for children in foster care and their families:

CB has made grants to 11 States to demonstrate ways in which States can clear up backlogs of children in foster care and prevent further backlogs from reoccurring. Over 25,000 children in these 11 States are affected.

CB has funded a recent successful project in Oregon to provide consultation and assistance to 15 States on key issues of permanent planning for children in foster care.

CB has developed a model act on freeing children on permanent placement which sets forth clear procedures for ending parental rights for children where this action is appropriate, and protecting the rights of all involved. We plan to disseminate and provide consultation on helping States enact effective legislation in this area.

The need to keep track of children in foster care (accountability through case review):

As part of the overall grant program on improving child welfare service systems in States, CB has made a demonstration grant to Oklahoma to provide training and guidance for workers and supervisors on improving the case review process.

CB is planning a research project in fiscal year 1978 on various types of case review to determine which ones work best.

The need to improve the overall foster care service delivery system:

We have made a grant to Massachusetts to work on the overall problems of the foster care system in order to improve the quality of services.

CB has developed, with American Public Welfare Association, and provided consultation to 25 States in the use of "Standards for Foster Family Services" and systems to help States access and upgrade their services.

CB has developed two training curricula which can be used easily by agencies and institutions on training (1) foster parents, and (2) residential child care workers. We will provide consultation on their use and broad dissemination.

It has provided a grant to National Action for Foster Children Committee to demonstrate how to gain the support of the community and state advocacy groups for children, youth and families in identifying and solving the problems of foster care.

It has also supported publication of and widely distributed a number of comprehensive materials on foster care, including a special issue of Children Today on Foster Care, a study done by the University of Delaware on the real costs and appropriate reimbursement rates for foster family care, and a publication for schools on There's a Child Waiting in Your Classroom.

RESEARCH AND DEMONSTRATION RESULTS

Mr. MICHEL. What kind of results can you cite for the $14.7 million spent on child development research during the past year?

Answer. Child development research and demonstration funds during the past year have been used to achieve results in three major goals areas:

A. Child welfare

1. Prevention

Consultation.—Nationwide consultation at the State and local level, to develop a full range of comprehensive emergency services (CES) for children and families during crises. Services include 24-hour intake; emergency caretaker, homemaker, and foster family services; emergency shelter for families and adolescents and outreach and followthrough. The purpose of these services is to enable agencies to meet the immediate needs of families during crises, while developing effective longer range services to keep children at home or if necessary to place them in foster care.

Twenty-eight communities now operate two or more of these emergency services as a part of a comprehensive plan and six States are developing statewide comprehensive emergency services.

Dissemination.—Nationwide dissemination of training materials to assist in the development of comprehensive emergency services.

Dissemination of "Education for Parenthood" materials involving 37,000 teenage boys and girls and 2,900 college students who have participated in programs to improve their competence as prospective parents. The project involves class-

room instruction and actual experience in working and interacting with over 69,000 preschool-age children. Program sponsors included 1,400 school and non-school agencies in every State and four foreign countries.

2. Permanent planning for children

Demonstration.—Through grants, 11 States have begun to improve their strategies to return children to their own homes or free them for permanently placed adoption, decreasing the 350,000 children backlogged in foster-care arrangements.

A project in three States (Georgia, Tennessee, and Florida) to show how to recruit and utilize potential adoptive parents for children with special needs.

A project to utilize the services of the Urban League in three cities (Chicago, Ill.; Columbia, S.C.; and Houston, Tex.), and provide an adoption specialist in each city to facilitate the adoption of black children.

A project to develop a model program for the recruitment of potential adoptive parents and the adoptive placement of handicapped children which coordinates the resources of a four-county area in Ohio. In the past year, 25 handicapped children have been placed for adoption.

Consultation.—To help States to develop effective subsidized adoption legislation to facilitate the adoption of children with special needs. To date, 42 States/jurisdictions have subsidized adoption legislation.

Consultation has been given to a total of 28 States during this past year to enact new legislation, to improve current legislation and to better utilize adoption subsidy.

Dissemination.—Nationwide dissemination of the following materials developed by the Children's Bureau: "Subsidized Adoption Model Act" and "Regulations and Analysis of Subsidized Adoption in America."

Materials Development.—"Developing a Model Act for Freeing Children for Permanent Placement" which States can use to enact legislation which will free children for adoption. The model is based on constitutionally valid legal standards and sound principles of child development.

3. Improving Specific Child Welfare Services

Consultation.—To help 21 states assess and improve their foster family care services, by using the "Standards for Foster Family Care Services and Systems" developed by the American Public Welfare Association and the Children's Bureau.

To assist States to develop legislation to join the Interstate Compact on the Placement of Children. This compact will enable them to make interstate placements of children under which the jurisdictional, administrative and human rights and obligations involved can be protected. Eleven states joined the compact in the past year, making a total of 41 member States.

To establish action committees for foster children which will assist States and communities to strengthen and improve foser family care. Activities in 25 sites include providing training for foster parents, and examining and/or testifying for State legislation which affects foster family care in the areas of foster family homes, foster parent recruitment, using subsidized adoption, and developing group foster homes for teenagers.

Over a 3 year period, to train trainers in each State in how to use "Introduction to Foster Parenting" to set up and train groups of foster parents. Approximately 80 trainers in nine States will be trained by July, 1977.

Materials development.—Development of three foster parent training curricula (introductory materials are already completed, and training materials for fostering adolescents and mentally retarded children are underway). These materials are for use by State, public, and private agencies who work with foster parents. Through a grant to the Family Service Association, work has begun to establish voluntary accreditation standards for private child welfare services.

Dissemination.—Broad nationwide dissemination of "Standards for Foster Family Services Systems." Broad nationwide dissemination of "Introduction to Foster Parenting."

Nationwide dissemination of the "Administrator's Manual," developed for the Interstate Compact on the Placement of Children.

Research.—A project in Delaware to establish the character of the differences in time, energy, and skills required to parent foster children (normal and atypical) as opposed to biological children of similar types. Research underway. Report due in early fall, 1977. The research will be used to help define the real costs, skills, time needed by foster parents who work with children with special needs.

Research and policy development on independent adoptive placement of children (outside adoption agency auspices). The research covers State laws and regulations, activities of adoptive agencies, and views of biological and adoptive parents and of the intermediaries involved. Report is due in July, 1977.

4. Improving Child Welfare Services Delivery Systems

Demonstration.—A survey of child welfare services delivery systems in 25 States was completed. The findings served as the basis for the development of model systems designs demonstrated through grants to four States.

Research.—Conducted a review of the literature and legislation and a state of the field study of Indian Child Welfare Services, on and off the reservation, involving 22 States with high Indian populations, 12 reservations, four urban Indian communities, and sites in Oklahoma and Alaska. Findings and recommendations to be considered in the preparation of an action memorandum for the Secretary, DHEW.

Two hundred fifty Public Welfare agencies within 41 States participated in five regional meetings to begin development of a methodology for gathering data on the provision of public welfare social services to children and their families. A contractor has begun to review the literature and legislation and conduct a state of the field study of welfare services for migrant children whose families are instream, homebased or settled out. Information and views will be solicited from members of migrant families, leaders in migrant camps, and representatives of State and local social service agencies.

Materials development.—Preparation has begun in the development of a self-assessment manual for use by local child welfare agencies to be field tested in 18 agencies located throughout the 10 regions.

Dissemination.—Work has begun on the development of the "Child Welfare Resource Information Exchange" intended to improve the delivery of child welfare services by identifying successful programs, methods, research and materials, and to assist in their transfer and implementation in other settings.

B. Day Care

1. Establishment of effective program quality dimensions and levels in day care.

The National Day Care Center study is a research program to examine three major cost-related policy issues in day care—care giver/child ratio, group size and level of caregiver professionalism—and to systematically examine variations of different levels of these issues to determine what relationships exist when measured against classroom process and outcome variables. Sound research and corresponding cost information will be generated on the major cost-staffing issues. This information will be helpful in setting levels of program input quality for Federal Interagency Day Care Standards. It will enable us to provide State and local officials with information useful for making decisions regarding public support for day care in both quality and cost dimensions and in terms of alternative day care regulations. Results will also be used to develop a series of brochures and other public documents to help providers improve programs and to assist parents in selecting appropriate day care settings.

The National Day Care Home Study is a 2-year, 3-phase study to describe family day care in major day care markets throughout the United States and to assess the impact of policy-relevant variables in family day care settings. Results will be used to improve the quality of family day care in the United States and to develop provider training and technical assistance programs, consumer information materials, and service delivery models.

The National Day Care supply study will determine generalizability of quality indexes developed in the National Day Care Center Study to the major day care market funded by Federal dollars. Results will provide National and State level agencies with a detailed description of cost/effect implications of policy decisions on staff/child ratio, professionalism and fee structures. This study will develop an econometric model to forecast on a State by State basis the impact of alternative day care regulations on cost and funding strategies. These models will be disseminated to each State through a comprehensive manual, a series of regional/State seminars and training sessions.

2. Examination of alternative arrangements for day care service delivery.

A day care systems study has been initiated to establish a typology of day care systems management models, to determine the efficacy of examplary models and to determine the feasibility of model replication. Results will be used to develop model systems demonstrations with possible future large scale implementation.

3. Development of effective placement and consumer support systems.

A parent's guide to day care is being developed to increase consumer awareness of day care issues and options. This guide will receive wide public dissemination and is expected to undergo periodic revision to serve as a vehicle for the dissemination of rapidly expanding knowledge in the day care field.

4. Examination of day care program licensing.

A study of comparative licensing requirements is assessing the current status of all States in regulation of day care and provides a 10-year trend analysis of development in this area. This study is designed for continuous revision and will form the basis of an ongoing day care licensing information system. The system will be used to monitor state licensing activities, to track State policy trends, and to assess impact of the previously developed HEW guides on State licensing codes.

C. Child and Family Development

1. Long term benefits of early childhood programs

OCD supported this past year followup of studies of 14 early intervention programs which began before 1969. New data were gathered on the achievement, intelligence and placement of the children who are in 5th, 6th, 7th and 8th grades.

The findings indicate:

(*a*) Children in preschool programs are at grade level significantly more than children not in preschool programs. There is less retention in grade.

(*b*) Children in preschool programs are significantly less likely to be placed in special education classes than children not in preschool programs.

(*c*) The involvement of parents in preschool programs enhances the long term impact of the programs.

(*d*) Children in preschool programs have higher IQ scores and higher achievement scores when tested at later grades.

2. Family/institution interface

OCD supported 23 projects examining the relationship between family styles, cultures and needs and the institutions which are to serve the families.

The findings indicate:

(*a*) Families and institutions hold differing and often conflicting views on what is expected from each, what the rights of families are and the limitations of the services, and the conflicts between cultural values.

(*b*) Both parents and teachers must encourage and support children and stimulate their intellectual growth if children are to continue to develop at desired rates over the years.

(*c*) Families, particularly black families have many strengths through a kinship system which are not supported by many Government policies. Inability to use the extended family for child care was one problem recently resolved by legislative action.

(*d*) Families which tend to use service and interact with them successfully have some of the following characteristics:

(1) Families where there is good interaction among the members tend to use agency services more than where the interaction is poor.

(2) Families that make efforts to cope with the environment by becoming involved in a family decision process tend to use agency services more than families who do not make such coping efforts.

(3) Families who have social and cultural linkages with the community tend to use agency services more than families without such linkages.

(4) Families who encourage individual autonomy tend to use agency services more than families who do not encourage such autonomy.

(5) The quality of spouse-mate interaction and father-child interaction is critical in determining use of agency services.

3. Benefits from parent involvement.

OCD supports three Parent Child Development Centers which are examining ways to increase parenting skills with their young children—under 3.

The Lilly Endowment is supporting three replications of the three PCD's at a cost of 1.4 million.

The findings indicate that parents are:

(*a*) More sensitive to children's social, emotional, intellectual developmental needs;

(*b*) More accepting of children;

(*c*) More affectionate, warmer, use less punishment, give more praise;

(*d*) More aware of causes of child distress, more skillful in alleviating distress, comforting child;

(*e*) More aware of range of individual differences between children, place less value on stereotype expectations for children;
(*f*) Use more and more complex language with child, encourage child to verbalize more;
(*g*) Reason more with children, use less punishment, less emphasis on authority as shaper of desired behaviors, praise child initiative more, encourage exploratory behaviors more;
(*h*) Feel less restricted by child rearing and homemaking tasks; find children more interesting and enjoyable;
(*i*) Pursue own educational development more; and
(*j*) Use community agencies more and more skillfully to meet family and child needs.

Children show gains as follows:
(*a*) Greater attentiveness, awareness and response to new and different experiences in first year, followed by more exploratory behaviors in second and third years;
(*b*) Greater vocalization in early months, more and more complex language skills achieved earlier in second and third years;
(*c*) Significantly higher general cognitive development as measured by Bayley at 20+ months, and by Stanford-Binet at 36 months. Gains are retained or extended at 48 months, while controls (except Mexican-American) lose;
(*d*) Earlier and stronger attachment to mothers, followed by earlier and stronger explorativeness, greater capacity to relate to strangers in second and third years;
(*e*) Social interactions with mother richer in texture, in vocalization, touching, smiling, proximity seeking to share discoveries; more eye contact and verbalization from distances, etc.; and
(*f*) More and richer play behaviors and fantasy, shared, first with mothers and then with other adults.

BASIC STATE GRANTS PROGRAM

Mr. MICHEL. What percentage of the handicapped people who receive rehabilitation services under the State grant program are placed in jobs?

ANSWER. In fiscal year 1976, 1,238,446 persons received vocational rehabilitation services. Of these 1,238,446 active cases, 303,328 were rehabilitated, 179,139 were not rehabilitated, and the remaining 755,979 persons were still receiving some type of service at the end of the year.

Of the 303,328 persons rehabilitated, nearly 80 percent were placed in remunerative employment. The remaining 20 perceint were rehabilitated as homemakers and unpaid family workers.

Mr. MICHEL. Has any evaluation of the State grant program been conducted to determine how effective it is?

ANSWER. In general, statistical and financial reports provide a basis for ongoing program analysis. These data, have for example, been used to develop benefit-cost ratios. The latest such estimate is that clients of State vocational rehabilitation agencies whose cases were closed out between fiscal years 1971 and 1975 will, on the average, experience an increase of $12 to $19 in their earnings over a working lifetime for each dollar expended on their rehabilitation.

With your permission, I would like to furnish for the record excerpts from additional evaluation studies.

[The information for the record is attached:]

EVALUATION STUDIES OF THE STATE/FEDERAL VOCATIONAL REHABILITATION PROGRAM

Management review.—In fiscal year 1976, Rehabilitation Services Administration developed a comprehensive review procedure for use by regional offices in assessing State agency programs. The management review is intended to provide a systematic approach to problem identification in State programs, and to facilitate communication between States and regional offices. The review was pretested in late fiscal year 1976 and early fiscal year 1977. While changes must be made, the review is essentially complete. Plans call for the Regional offices to schedule periodic visits to agencies for the purpose of conducting management reviews. These efforts, although not evaluation in strictest sense, do provide an "audit" function. All major areas of Federal requirements present in State plans

will be reviewed, although not at every visit. Over time the management review should help to provide States with assistance and improve services to clients.

Individualized written rehabilitation program (IWRP)—Program administration review (PAR).—The IWRP PAR was begun in fiscal year 1975 as an evaluation project. It had the following objectives:

Identify areas of strength and weakness in administration of the IWRP;

Assure that State agencies are preparing and maintaining IWRP's in accordance with the Rehabilitation Act, Public Law 93-112, as amended, regulations, and guidelines;

Assist State agencies, through consultation and technical assistance based on findings of the PAR, to improve their practices in the use of the IWRP;

Secure information for program planning, and for charting the direction of future State and national activities in the area of IWRP's.

The IWRP PAR was very successful. It involved the review of over 1,600 cases in 19 agencies. Over 590 counselors weer interviewed. The results are presently being analyzed by RSA. A policy implication paper sumarizing the findings of the study will be prepared shortly.

The methodology developed for the fiscal year 1976 PAR has significant implications for continued evaluation of State agency activities. This methodology was framed with the goal of its future use on other rehabilitation topics. This will reduce "startup" costs of future reviews.

Evaluation projects completed in fiscal year 1976

An analytical appraisal of the definition of severe handicap.—The present definition is subject to a variety of interpretations and currently includes certain diagnostic categories, levels of severe physical or mental disability affecting functioning, and the need for multiple services over an extended period of time. This study analyzed data and information provided by States on their operational implementation, of the definition of severe handicap, examined problems in using functional limitation as a basis for the determination of sever handicap and provided RSA with recommendations concerning the present use of the definition and has identified areas for RSA research, training and improved policy guidelines. The recommendations are being implemented by an RSA committee and activities tracked by the operational planning system.

Usage of similar benefits in vocational rehabilitation.—This study included a state of the art and issue analysis of vocational rehabilitation utilization of other programs to provide VR services. A mail questionnaire with a response rate of 95 percent (76 agencies) provided a comprehensive picture of the policies and procedures used by State VR agencies to secure medical, educational and related services from other programs for VR clients. This analysis provided the first factual evaluation of State practices and has provided the data for such additional policy and administrative measures as needed including a review of RSA guidelines.

VR services manpower: survey of providers and training programs.—This survey of VR service providers and manpower training programs yields essential information for production of VR manpower needs. The results provided a better understanding of the demand for and the supply of rehabilitaion specialists and the extent to which various RSA manpower policies may affect the structure of this supply.

Establishment of performance levels for vocational rehabilitation evaluation standards.—This project, now completed, required development and refinement of composite measures and weighting schemes for the general standards. The analysis of procedures for validating data submitted in response to the standards and methodology for making interagency comparisons of program performance from data submitted for fiscal year 1973 was evaluated. The results of this evaluation provided the specific data elements and performance levels in the present reporting requirements.

New and continuation projects

Development of instrumentation and technical support for fiscal year 1976 PAR.—The project has developed the instruments and procedures for a program administration review (PAR) of the individualized written rehabilitation program (IWRP) required by law for all VR clients and for postemployment services (PES). These are new provisions of the law and RSA needed a method for reviewing State agency implementation of the new procedures and State policies.

The data gathering phase of the IWRP evaluation has been expanded to 20 agencies to insure national representation in the implementation of IWRP's for

over 2,900 cases. As a direct result of this project a system for enhancing data processing of IWRP's will be developed. Model components for additional PAR's will also be developed for general distribution and to insure management control.

An analysis of data submitted in fiscal year 1976 on the vocational rehabilitation evaluation standards.—The general purpose objectives of this contract are to validate fiscal year 1974 and fiscal year 1975 data sent to RSA in response to data submitted on VR evaluation standards and to calculate new performance levels on the most recent data submitted by State agencies.

The products obtained by this study will be put into the form of guidance material to be used by both Federal and State Governments. The results may be helpful in refining the data gathering format for the standards as well as assisting the Federal Government in statistical and administrative processes.

Refinement and expansion of the general standards for the evaluation of vocational rehabilitation programs.—The purpose of this first contract for development of new standards was to provide a first conceptual approach to the expansion and improvement of the existing general standards and performance levels for the evaluation of the quality, effectiveness, impact and efficiency of vocational rehabilitation programs and projects. Expected completion is November 1976. The results of this study will be provided State agencies for their response. These responses will, together with the results of this study, provide the basis for continuing contractual work which will result in new evaluation standards.

Continued refinement and expansion of vocational rehabilitation program evaluation standards.—This 1-year contract with option to extend for an additional year is an extension of the effort to develop a more satisfactory and comprehensive set of standards.

The reasons for continuation of the work include:

The present standards are not satisfactory in their coverage or as adequate evaluative instruments for programs and projects of RSA.

A new methodological emphasis is called for so that the standards produced are not only measures of compliance but will permit evaluative research on cause-effect relationships.

A new approach is required which will develop evaluation standards related to State/Federal planning efforts.

Results of this study will be used in immediate modification of the existing VR evaluation standards as well as in the design of procedures for development and testing future modifications.

Follow up study of former vocational rehabilitation clients.—The scope of this study requires client assessment status in several areas including: employment and earnings health and indirect benefits such as notable effects on family members. Furthermore, it is required that the study data be amendable to detailed analysis of relationships, not simply descriptive statistics. For example, it is required that the study data be such that it is possible to identify relationships between client benefit retention and demographic, health or personal characteristics of clients and the type of services required.

SOCIAL SECURITY REHABILITATION FUNDING

Mr. MICHEL. How much in the way of funds is available from the social security program for this rehabilitation program?

ANSWER. Section 222(d)(1) of the Social Security Act permits up to 1.5 percent of the total benefits paid to disability insurance beneficiaries in the preceding year to be made available for rehabilitation purposes. The estimate from the Social Security Administration of the amount for fiscal 1978 is $145,000,000; the requested amount is $83,099,000.

PROJECTS WITH INDUSTRY

Mr. MICHEL. You are budgeting a $619,000 reduction in service "Projects with industry." Why?

ANSWER. The $3 million requested for projects with industry projects in 1978 will continue all the new initiatives begun in 1977. These new projects were started with $2.7 million Congress added to our 1977 appropriation request.

SPINAL CORD INJURY SYSTEMS

Mr. MICHEL. Do you have any plans to expand the number of spinal cord injury centers?

ANSWER. The budget request which you are considering does not include any plans to expand the number of spinal cord injury centers.

Mr. MICHEL. What about existing centers? Are you planning on expansion of funding, perhaps for additional services, to cover these centers?

ANSWER. In the budget request before you, we are funding existing centers at a $250,000 level. Considering the size of the overall appropriation, it will not be possible to expand existing centers.

HUD COMMUNITY DEVELOPMENT FUNDS FOR SENIOR CENTERS

Mr. MICHEL. How much in the way of HUD community development funds is used for senior centers

ANSWER. We have been informed by HUD that approximately $20 million of community development funds were budgeted for senior centers in fiscal year 1976.

YOUTH DEVELOPMENT

Mr. MICHEL. The youth development program is mostly a demonstration program, is it not, since it only serves 4 percent of the youth?

ANSWER. Technically a demonstration program involves the development of models and the analysis of the models to determine whether they can be replicated and implemented on a larger scale for larger segments of the target population. The runaway youth program is not a demonstration program, but rather a service program designed to meet the needs of runaway youth and their families through the provision of temporary shelter, counseling, and other related services. This service orientation is consistent with the intent of the legislation which authorizes the grants and technical assistance to localities and nonprofit, private agencies for the provision of services to runaway youth and their families outside the law enforcement structure and the juvenile justice system.

It is anticipated that the 130 funded runaway projects will provide services this year to over 20,000 youth and families in crisis, not including the estimated 37,000 young people who will be served by the national runaway switchboard. Given the priority of the legislation for funding small, community-based programs, the large number of youth and families who will be served by the 130 projects is a significant indicator of the service nature of the national program.

AGING PROGRAMS—TITLE III

Mr. MICHEL. Have you finalized a rule in the planning stage last year which would provide that no individual social service activity under the Older Americans Title III program could be funded for longer than 3 years unless the Commissioner on Aging approves an exception?

ANSWER. Revised regulations on this subject have been developed and are presently under review within the Department. We anticipate publication of the revised regulation in the Federal Register in the near future. The revised regulations will permit State agencies to approve continued funding of individual social services beyond 3 years where the State agency determines that such continued funding is necessary and justifiable.

Mr. MICHEL. What is the amount of non-Federal funding going into the title III program?

ANSWER. Based on the data provided by the States for the period July 1, 1975, through June 30, 1976, there were $8,114,026 in non-Federal funds expended for title III State administration. This represents 35 percent of the total cost of those activities. In area planning and social services activities, the data indicates that fiscal year 1976 title III funds expended were matched with 18 percent non-Federal funds during fiscal year 1976. Based on the total obligations made by States in fiscal year 1976 of $93,000,000, this would amount to approximately $20,500,000 in non-Federal funds used as matching for area planning and social services activities.

In addition, State agencies reported that $41,808,000 of State funds and $81,157,000 of local public and private nonprofit resources were pooled for social service activities.

Mr. MICHEL. Out in my areas, there has been some dispute between the area agency on aging and other groups sponsoring aging programs over what programs should be funded. Are there any problems along this line in other areas of the country?

ANSWER. Each area agency on aging is responsible for identifying the needs of older persons in its planning and service area, the resources available to meet the needs, and setting priorities for closing the gaps between needs and resources.

Sometimes these priorities are different from the areas which are currently receiving financial support to provide services for older persons. This can lead to some tension. On the whole, I believe that it is a healthy tension, since our society and communities are constantly changing, and yesterday's priorities may no longer be appropriate today.

EVALUATION OF TITLE III

Mr. MICHEL. Do you have any evaluations as yet as to how this title III program and the area agencies are working out?

ANSWER. AOA is currently analyzing the data from the first year of an evaluation of the title III area planning and social services program. The study is attempting to determine whether the area agencies on aging have increased comprehensive and coordinated services to the elderly in their areas. A first year report will b available by June. Some preliminary findings are that:

One: 42 percent of service providers reported that they had increased the percentage of their clients who are elderly since July 1974;

Two: 64 percent of service providers reported that they had increased the average volume or amount of services to the elderly since July 1974; and

Three: 61 percent of service providers thought there was increased coordination since July 1974.

A second study of the program was conducted by the University of Southern California's Andrus Gerontology Center. It was completed in May 1976. Representatives of area agencies on aging in HEW regions VI, VIII, IX, and X were interviewed, by telephone, in both the fall of 1974 and the fall of 1975. Some findings were:

Fifty-five percent of the area agencies have obtained non-AOA sources of funds beyond the required local match by the end of 1975 which is twice as many as were found 1 year earlier; and

Almost one-fourth of the area agencies have obtained, through resource development, more than one non-AOA dollar for each AOA dollar, and for all area agencies, the amount of resource development averaged 80 cents, including in kind contributions, for each AOA dollar, which is far above the required level of matching for the Federal funds.

REORGANIZATION

Mr. MICHEL. You will be getting some additional programs through the reorganization. Will these programs be transferred intact, with the same people running them as are currently running them?

ANSWER. The Public Services Administration (PSA), which administers the title XX and title IV–B programs, and the WIN program office currently colocated with DOL staff are being transferred to OHD. In addition, several other RSD activities that relate largely to social services and are now lodged in SRS' Office of Planning Research and Evaluation will also be transferred to OHD. As for PSA and WIN, these units will be transferred intact, with the same people administering them as are currently in charge. The RSD activities will be separated from their current location, and this will require some change in reporting relationships.

Mr. MICHEL. Will these programs retain their identity, or do you eventually expect them to merge with other programs?

ANSWER. At present, there is no plan to change the identity or merge the PSA or WIN programs with other HD efforts. As for the R. & D. activities, those efforts that relate primarily to the titles XX and IV–B programs will likely be delegated to PSA, and those of a crosscutting nature will most probably be lodged in the OASHD.

Mr. MICHEL. Are you geared up to handle this increased responsibility, and will you be able to do so without a loss of efficiency?

ANSWER. We are currently negotiating with the Department for staff resources from the residual SRS to support this level of responsibility. We anticipate that the reorganization, which makes OHD the central focus for social services in the Department, will result in greater efficiency and effectiveness.

NUTRITION PROGRAMS

Mr. MICHEL. Are there other funds, and if so, how much, going into nutrition programs for the elderly other than the title VII program, such as perhaps title III or the social security title XX program?

ANSWER. Information is not available with regard to title III or title XX funds expended in title VII nutrition projects. Information submitted indicates only the amount of title VII and non-Federal matching funds being expended under the program, and the amount of USDA commodities used by the projects. The current USDA entitlement to the title VII program amounts to $26,446,140 in donated commodities.

MULTIPURPOSE SENIOR CENTERS

Mr. MICHEL. How many multipurpose centers will be developed or expanded with the $20 million?

ANSWER. The Administration on Aging has not begun the fiscal year 1977 funding process for applications under the title V program. Therefore, at this time we are unable to ascertain the number of multipurpose senior centers that will be developed or expanded with the $20 million appropriated for fiscal year 1977.

During the fiscal year 1976 transition quarter period, the Administration on Aging awarded 549 grants under the title V program for the purpose of acquiring, altering, or renovating facilities to be used as multipurpose senior centers. Congress appropriated $5 million to implement the title V program for this period.

Mr. MICHEL. Is there any non-Federal money contributed to these centers, and if so, how much?

ANSWER. Federal funds under title V, sections 501–505, may pay up to 75 percent of the costs of acquiring, altering, or renovating existing facilities designed to serve as multipurpose senior centers. The remaining 25 percent constitutes the non-Federal share, and must be identified by grant applicants in all applications. AOA supported a study of senior centers by the National Council on the Aging. Their 1975 report stated that 40 percent of the senior centers which responded indicated that their funding was only from public sources, 18 percent indicated that their funding was only from private sources, and 34 percent received funds from both public and private resources.

Mr. MICHEL. How much in the way of HUD community development funds is used for senior centers?

ANSWER. We have been informed by HUD that approximately $20 million of community development funds were budgeted for senior centers in fiscal year 1976.

SPECIAL NEEDS OF RUNAWAY YOUTH

Mr. CONTE. During the past year, the Office of Youth Development identified the special needs of runaway youth and developed certain runaway profiles in relation to service needs. Could you tell me what needs were identified; what were the conclusions of your work in this area?

ANSWER. Last year, preliminary data from the national statistical survey on runaway youth indicated that the variables of age, sex, race, and ethnicity may have a significant impact on the service needs of runaway youth and their families.

This year, the task of identifying the special needs and services of runaway youth has just begun. We are now developing a research effort, based on the data from the national survey to determine if runaway youth, in fact, have special needs due to such factors as age, sex, race, and ethnicity, and to identify these needs and the services required to meet them.

We expect to have the final results of this research effort within the next 15 months.

EFFECTS OF INFLATION ON HEAD START

Mr. CONTE. For Head Start you are requesting an additional $10 million to serve the same number of children as this year at the same number of centers. I understand that the $10 million will be for your delivery research program. I have several questions about this, but first of all, tell me how you can continue to serve the same number of children without any additional funds for these services? Hasn't inflation eaten away at your resources the way it has everyone else's?

ANSWER. The costs of some items has risen. To offset some of these increased costs Head Start programs have been seeking and finding local resources to help. The EPSDT program has been helpful in paying for the costs of medical screening and treatment. About 70 percent of the local Head Start programs report that they are receiving services for handicapped children from local resources. In addition, we are working with all of the Head Start programs to continue to improve this planning and management capability to assist them in getting maximum use of grant funds.

CHILDREN ENROLLED AND ELIGIBLE

Mr. CONTE. Your proposed funding level will continue Head Start for some 349,000 children. What portion of those children who are eligible for Head Start and who benefit from it are presently enrolled? How many eligibles are there in the United States?

ANSWER. The 349,000 enrolled children represent about 18 percent of the approximately 1,800,000 eligible children.

PREVENTIVE MENTAL HEALTH PROJECT

Mr. CONTE. Would you tell me about your preventive health projects? (P. 22.) I believe that you have 24 of these projects going—where are they?

ANSWER. There is a typographical error in the table on p. 22. The number of projects will be 14 not 24. These projects will explore ways to better provide mental health services in Head Start through two different approaches. One approach will link a Head Start program closely to community mental health resources where such exist. The other approach, used in areas where mental health resources are scarce will carefully use trained Head Start staff to assist mental health professionals in providing services. The competitive grants process will be used to select sites for the mental health programs. The selection and funding will be completed during the summer of 1977.

Mr. CONTE. What are you doing to increase the number of States meeting eligibility requirements for State grants for child abuse prevention?

ANSWER. To increase the number of eligible States, we are working closely with the remaining ineligible States both at the regional office and central office level. Detailed analyses of the factors preventing full eligibility have been completed and our regional offices are assisting the States to develop the necessary legislative and administrative changes. In addition to this direct assistance, a manual is currently being developed to provide guidance to States on the steps they can take to improve their programs and thus become eligible for State grants.

Headquarters as well as regional office staffs including child abuse specialists and regional attorneys completed training last fall which will better equip them to evaluate State eligibility statements and offer technical assistance to States having difficulty meeting eligibility requirements.

A schedule of site visits and follow-up to ineligible States has been developed to deal with the specific eligibility requirements with which the State has experienced difficulty.

Finally, at the request of the States the NCCAN has developed a Model Child Protection Act, now in final draft, which provides suggested legislative language for the States in updating State child abuse and neglect law. If adopted the provisions of the Model Act would satisfy all of the legal provisions for State eligibility. However, it is not necessary nor is it required that a State comply with the specific provisions of the Model Act. The Model Act is but one tool used in helping a State meet all eligibility requirements.

CRIME AND THE ELDERLY

Mr. CONTE. What did you do in your crime and the elderly program? What can be done to provide more effective protection for the elderly, who are so often prey to crime?

ANSWER. The Administration on Aging has developed with the Law Enforcement Assistance Administration a formal interagency agreement intended to promote cooperation between the two agencies in undertaking activities related to the problem of crime and victimization as related to older persons.

Recently, the Administration on Aging, in cooperation with the Community Services Administration, the Law Enforcement Assistance Administration and the Department of Housing and Urban Development is supporting seven programs to reduce the impact of crime against older persons in six major cities. While we do not believe that the total commitment of approximately $2 million in fiscal year 1977 is sufficient to completely solve these problems, we anticipate that some new program models will be developed as a result of this effort for increased coordination between police departments and social services agencies at the community level. The primary focus of these models is on victim assistance and referral to needed services and facilities, follow-up, reassurance and support for older victims by agency staff and volunteers, education programs in crime prevention,

and new training programs for police departments on aging concerns. We expect to work closely with the LEAA in the future to develop an interagency strategy which will effectively implement new provisions for assistance to older persons under recent amendments to title I of the Omnibus Crime Control and Safe Streets Act.

NUTRITION ELIGIBILITY

Mr. CONTE. You are proposing to hold title VII meals program constant at 435,000 meals per day. Isn't the demand for this program increasing? What would you estimate the demand actually is—how many people are eligible for such meals?

ANSWER. Due to the increasing number of persons aged 60 and over and the increased cost of living, we can assume that the demand for this program is expanding.

I estimate that 1.5 to 2 million older persons below the poverty line are not being reached by the program. If you include the socially isolated older persons above the poverty line, the figure becomes larger.

MULTIPURPOSE SENIOR CENTERS

Mr. CONTE. What is the particular importance of multipurpose senior centers for rural areas? How are they especially suited to meet the needs of the low-income elderly?

ANSWER. The multipurpose senior center can serve as a community focal point for the efficient and economical delivery of social services and nutritional services to the low-income, minority and socially isolated elderly. Because the centers can be one-stop providers of a variety of services needed by the elderly, and are encouraged to coordinate closely with area agencies on aging and nutrition projects, they can be instrumental in meeting the special needs of both the rural and low-income elderly. Program regulations for the title V multipurpose senior center program indicate that priority consideration should be given to support of facilities located in areas having high concentrations of low-income and minority older persons. Additionally, consideration is to be gven to meeting the needs of scattered older persons in the award of funds to planning and service areas that contain rural areas.

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ASSISTANCE TO RURAL ELDERLY

Mr. CONTE. What will you be looking at as far as assisting the rural elderly is concerned ?

ANSWER. Throughout the history of the Administration of the Older Americans Act of 1965, the Administration on Aging and State and Area Agencies on Aging have recognized the necessity of making the act's programs responsive to the needs of the rural elderly. In many rural areas, the elderly comprise a larger percentage of the population than in urban and suburban communities. This is true, at least in part, because there has been a tendency by young people who were born and reared in rural areas to migrate to centers of population. This leaves the rural elderly behind to live out their lives amid familiar surroundings.

As an indication of the concern of the aging network for the rural elderly, of the 455 area agencies on aging in operation in the fall of 1975, 176 were in rural areas and 142 were in areas where there was a rural-urban mixture. Of the 547 multipurpose senior centers funded under title V of the Older Americans Act during the transitional quarter last year, 378 were in rural areas.

With respect to research and development projects now being funded under title IV of the Older Americans Act, seven are studying innovative approaches to meeting the service needs of the rural elderly. Under the model projects program

authorized by section 308 of the Older Americans Act, 22 projects relate primarily or exclusively to the rural elderly.

Looking to the future, we can foresee no decrease in needs for services to the elderly in rural areas, and no lessening of the effort of the national network on aging to meet those needs. The model projects and research and development projects now being implemented in rural areas could reveal approaches to meeting these needs more efficiently and effectively.

RESEARCH ON AGING

Mr. CONTE. I believe you are proposing a $1.5 million decrease in funding for elderly research and development (p. 47). How do you justify such a reduction? What will that cutback do to your program—what will you be unable to do that would otherwise have been done?

ANSWER. The 1973 amendments to the Older Americans Act authorized and directed the Commissioner on Aging to establish and operate a National Information and Resource Clearinghouse for the Aging with several functions. We have conducted a series of studies to identify the needs of the aging community which the clearinghouse should meet, and the best design for the clearinghouse. We have now settled on a design modeled upon the Educational Resources Information Center, ERIC, of the National Institute on Aging. The $1.5 million reduction in the research account is to help fund the full establishment of the celaringhouse, which will, as one of its functions, abstract and disseminate research reports.

There will be some necessary reduction in the number of research projects that will be funded in 1978. This will be a stretchout of projects into future years, however, rather than total elimination of any projects.

PROJECTS WITH INDUSTRY

Mr. CONTE. Why are you proposing no new starts in your projects with industry program (p. 70)?

ANSWER. No new starts are proposed in 1977 based on a decision to stabilize the funding levels pending a complete review of existing programs and accomplishments. Since the program evaluation is planned for the current fiscal year, it was decided that in the interest of sound management no decision would be made on expanding the program until results could be fully appraised.

Mr. CONTE. Hasn't the program been a success? Couldn't more people be helped through the expansion of this program?

ANSWER. Preliminary findings by departmental staff show this program to be a most effective manpower-rehabilitation model for obtaining jobs for handicapped people. It is a most interesting model and certainly can be beneficial to increased numbers of disabled people.

JUSTIFICATION OF THE BUDGET ESTIMATES

HUMAN DEVELOPMENT

For carrying out, except as otherwise provided, section 426 of the Social Security Act, the Act of April 9, 1912 (42 U.S.C. 191), the Older Americans Act of 1965, as amended, the Child Abuse Prevention and Treatment Act, 1/ the Runaway Youth Act, 2/ the Community Services Act of 1974, sections 106, 107 and 306 of the Comprehensive Employment and Training Act of 1973, the Rehabilitation Act of 1973, as amended, the International Health Research Act of 1960, and the Developmental Disabilities Services and Facilities Construction Act, as amended, [and the White House Conference on Handicapped Individuals Act, 3/ $1,896,023,000] *$1,950,178,000,* of which [$740,000,000] *$760,000,000* shall be for activities under section [110(a)] *100(b)(1)* 4/ of the Rehabilitation Act of 1973; [$309,000] *$472,050* shall be for section 110(b) of such Act; *$3,000,000, to remain available until expended, shall be for a White House Conference on Families;* 5/ and $30,058,000 shall be for grants under Part C of the Developmental Disabilities Services and Facilities Construction Act, as amended, together with not to exceed $600,000 to be transferred [from the Federal Disability Trust Fund as provided by section 201(g)(1) of the Social Security Act] 6/ *and expended as authorized by section 201(g)(1) of the Social Security Act from any one or all of the trust funds referred to therein;* 6/

[*Provided further*, that the level of operations for the nutrition services for the elderly program shall be $225,000,000 per annum].7/

Explanation of Language Changes

1/ Legislative authority expires in FY 1977. Extension legislation is pending which includes authorization of such sums as necessary.

2/ Authorization for the Runaway Youth Act expires in FY 1977. Extension legislation will be proposed.

3/ Authorization for the White House Conference on Handicapped Individuals expires in FY 1977. No funds are requested in FY 1978.

4/ Technical Change - citation changed to section for appropriation authorization rather than programmatic authorization.

5/ To authorize the planning and commencement of a White House Conference on Families to be held in FY 1979 at a level of $3,000,000. Funds will be available until expended.

6/ Language simplification.

7/ Language specifying the program level of the Nutrition Program is deleted since specific program levels can be achieved administratively. The 1978 budget proposes a $225,000,000 level.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF HUMAN DEVELOPMENT

Human Development

Amounts available for obligation

	1977	1978
Appropriation.....	$1,896,023,000	$1,950,178,000
Proposed supplemental.....	1,824,000	---
Subtotal, Appropriations	1,897,847,000	1,950,178,000
Unobligated balance, start of year	3,597,101	---
Receipts and reimbursements from:		
"Trust funds".....	600,000	600,000
Total obligations.....	1,902,044,101	1,950,778,000

Summary of Changes

1977 Estimated Obligations	$1,902,044,101
1978 Estimated Obligations	1,950,778,000
Net Change	+48,733,899

	1977 Base		Change from Base	
	Pos.	Amount	Pos.	Amount
Increases:				
A. Built-in:				
1. Annualization of 1977 pay raises	---	$ 1,823,892	---	$ +42,000
2. Annualization of positions budgeted at 75% in FY 1977	---	2,408,000	---	+777,000
3. Withingrade increases	---	---	---	+363,000
4. Increased costs associated with increased rates for uncontrollable supporting services				
a. Rent (SLUC)	---	2,686,000	---	+488,000
b. FTS, telephone, equipment rental, and postage	---	1,713,000	---	+98,000
5. Printing cost rate increases	---	1,088,000	---	+63,000
6. Increased cost of supplies and equipment	---	576,000	---	+34,000
7. Increased costs for WCF, data processing, and reimbursable services	---	41,032,000	---	+342,000
8. Travel cost rate increases	---	2,726,000	---	+158,000
9. Increase in transportation costs	---	21,000	---	+1,000
Subtotal			---	+2,366,000
B. Program:				
1. Increase for research project on different approaches to delivery of services to disadvantaged children	---	---	---	+10,000,000
2. Increase for research in the field of adoption and foster care	---	---	---	+2,000,000
3. Increase in budget authority to continue the Nutrition Program at $225,000,000 level	---	203,525,000	---	+21,475,000
4. Increase to fully implement National Clearinghouse on Aging	---	---	---	+2,000,000
5. Increases for RSA basic state grant support for the disabled	---	740,309,000	---	+20,163,050
6. To fund Architectural and Transportation Barriers Compliance Board at the $1,000,000 level mentioned in reports	---	800,000	---	+200,000

	1977 Base		Change from Base	
	Pos.	Amount	Pos.	Amount
B. Program (continued):				
7. To expand RSA services to migratory workers	---	$ 530,000	---	$ +1,000,000
8. Increased RSA services to deaf/blind through Helen Keller Center	---	2,100,000	---	+400,000
9. Expand evaluation of RSA programs	---	2,500,000	---	+1,300,000
11. Expand RSA services for severely disabled	---	4,099,000	---	+648,950
12. Restoration of the base Developmental Disabilities reprogrammed in prior year	---	---	---	+200,000
13. Funds to support a White House Conference on Families	---	---	---	+3,000,000
Subtotal			---	+62,387,000
Total Increases			---	64,753,000
Decreases:				
A. Built-in:				
1. Termination of authority for the White House Conference on Handicapped Individuals	---	1,564,894	---	-1,564,894
2. Completion of non-recurring studies by the Federal Council on Aging	---	125,000	---	-125,000
3. One-day less pay	---	---	---	-140,000
Subtotal			---	-1,829,894
B. Program:				
1. Elimination of balances carried over from prior years	---	3,468,207	---	-3,468,207
2. To continue increasing State and Area Agency development of coordinated service systems, a decrease in Research in Programs for the Aging	---	26,500,000	---	-1,500,000
3. RSA construction activities	---	3,600,000	---	-3,600,000
4. Decrease in budget authority required to maintain the FY 1977 program level of $25 million for RSA training	---	25,000,000	---	-5,000,000
5. Projects with Industry in RSA	---	3,689,000	---	-619,000
6. Technical Assistance in RSA	---	252,000	---	-2,000
Subtotal			---	-14,189,207
Total decreases			---	-16,019,101
Net Change			---	+48,733,899

Obligations by Activity

Page Ref.		1977 Estimate Pos.	1977 Estimate Amount	1978 Estimate Pos.	1978 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
	Child development:						
	a) Head Start	---	$ 475,000,000	---	$ 485,000,000	---	+10,000,000
	b) Research and demonstration	---	14,700,000	---	16,700,000	---	+ 2,000,000
	c) Child abuse	---	18,928,000	---	18,928,000	---	---
	Youth development:						
	a) Runaway youth programs	---	8,000,000	---	8,000,000	---	---
	b) Research and demonstration	---	1,000,000	---	1,000,000	---	---
	Programs for the aging:						
	a) Community services						
	1) State agency activities	---	17,000,000	---	17,000,000	---	---
	2) Area planning and social services	---	122,000,000	---	122,000,000	---	---
	3) Model projects	---	12,000,000	---	12,000,000	---	---
	b) Nutrition	---	203,525,000	---	225,000,000	---	+21,475,000
	(Program level)		(225,000,000)		(225,000,000)		(---)
	c) Research, demonstration, and manpower						
	1) Research	---	8,500,000	---	7,000,000	---	-1,500,000
	2) Training	---	14,200,000	---	14,200,000	---	---
	3) Multidisciplinary centers on gerontology	---	3,800,000	---	3,800,000	---	---
	d) Multipurpose senior centers	---	20,000,000	---	20,000,000	---	---
	e) Federal Council on Aging	6	575,000	6	450,000	---	-125,000
	f) National clearinghouse	---	---	---	2,000,000	---	+2,000,000
	Rehabilitation services and facilities:						
	a) Basic State grants	---	740,309,000	---	760,472,050	---	+20,163,050
	b) Special projects						
	1) Innovation and expansion	---	18,000,000	---	18,000,000	---	---
	2) Deaf-blind center	---	2,100,000	---	2,500,000	---	+ 400,000
	3) Special projects	---	18,915,000	---	14,327,950	---	-4,587,050
	4) Training and facilities grants						
	-Training services	---	5,000,000	---	5,000,000	---	---
	-Facility improvement	---	2,400,000	---	2,400,000	---	---
	c) Research	---	29,000,000	---	29,000,000	---	---
	d) Training	---	25,000,000	---	20,000,000	---	-5,000,000
	Grants for the developmentally disabled:						
	a) State grants	---	33,088,852	---	33,058,000	---	- 30,852
	b) Special projects	---	19,739,355	---	19,567,000	---	- 172,355
	c) University affiliated facilities	---	5,250,000	---	5,500,000	---	+250,000
	Special programs for native Americans	---	33,000,000	---	33,000,000	---	---
	White House Conference on Handicapped Individuals	---	1,564,894	---	---	---	-1,564,894
	White House Conference on Families	---	---	15*	3,000,000	+15*	+3,000,000
	Salaries and Expenses	1,508	46,763,000	1,508	48,701,000		+1,938,000
	Standard level user charge	---	2,686,000	---	3,174,000	---	+ 488,000
	Total Obligations	1,514	1,902,044,101	1,529	1,950,778,000	+15	+48,733,899

*2 year term positions for White House Conference on Families

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Total number of permanent positions	1,523	1,538	+15*
Full-time equivalent of all other positions	151	164	+13
Average number of all employees	1,443	1,492	+49
Personnel compensation:			
Permanent Positions	$ 31,260,000	$ 32,550,000	$+ 1,199,000
Positions other than permanent	1,861,000	2,305,000	+ 444,000
Other personnel compensation	344,000	352,000	+ 8,000
Subtotal, Personnel Compensation	33,465,000	35,207,000	+ 1,651,000
Personnel Benefits	2,985,000	3,135,000	+ 141,000
Travel	2,736,000	2,976,000	+ 220,000
Transportation of things	21,000	40,000	+ 19,000
Rent, Communications and Utilities	4,077,000	4,644,000	+ 567,000
Printing and Reproduction	1,098,000	1,212,000	+ 104,000
Other Services	5,195,000	5,414,000	+ 159,000
Project contracts	35,907,000	35,308,000	- 599,000
Supplies and materials	394,000	427,000	+ 23,000
Equipment	192,000	231,000	+ 39,000
Grants, subsidies and contributions	1,816,974,101	1,862,184,000	+46,409,899
Total obligations by object	1,902,044,101	1,950,778,000	+48,733,899

*Two year term positions for White House Conference on Families

Significant Items in House and Senate Appropriation Committee Reports

Item	Action taken or to be taken
1977 Senate Report	
Rehabilitation Services and Facilities	
1. The Committee stipulated that $1,800,000 be made available to existing vocationally oriented research and training centers specializing in problems of near-term relevance to the State-Federal program of vocational rehabilitation: specifically to Arkansas Research and Training Center, West Virginia Research and Training Center, and the University of Wisconsin-Stout Center. p. 110	1. The appropriation was $5,000,000 over the 1976 appropriation. Of this amount, approximately $900,000 will go to the vocationally oriented centers. In addition, $900,000 from the base will be used for these activities, for a total of $1,800,000.
Salaries and Expenses	
2. Of the $47,425,000 recommended, the Committee intended $1 000,000 for the Architectural and Transportation Barriers Compliance Board and 20 positions from appropriation and positions already authorized to Human Development. p. 112	2. The Department has submitted a request to reprogram $200,000 to meet this directive. With the base of $600,000 this will provide the program with $800,000 in FY 1977. The FY 1978 Budget includes $1,000,000.
3. The Committee directed the agency to apply the full amount of the reduction ($300,000) against travel costs. p. 112	3. The travel category was reduced as directed.

1977 House Report

Salaries and Expenses

1. The Committee reiterated its position that one million dollars and 20 full-time permanent positions be allotted to the Architectural Barriers Compliance and Review Board. These funds and positions are to be provided out of existing appropriations. p. 82	1. The Department has submitted a request to reprogram $200,000 to meet this directive. With a base amount of $600,000 this will provide $800,000 in FY1977. The FY 1978 Budget includes $1,000,000.

Authorizing Legislation

	Amount Authorized	1978 Budget Request
Human Development:		
1. Child Development		
(a) Head Start (Title V, Part A of the Community Services Act of 1974)	1/	$485,000,000
(b) Research and demonstration (Section 426 of the SSA)	Indefinite	16,700,000
(c) Child abuse (Child Abuse Prevention and Treatment Act)	1/	18,928,000
2. Youth Development		
(a) Runaway Youth Program (Runaway Youth Act)	1/	8,000,000
(b) Research and demonstration (Section 426 of the SSA)	Indefinite	1,000,000
3. Programs for the Aging		
(a) Community services (Title III of the Older Americans Act)	$287,200,000	151,000,000
(b) Nutrition programs (Title VII of the Older Americans Act)	275,000,000	225,000,000
(c) Research, demonstration and manpower (Title IV of the Older Americans Act)	Indefinite	21,200,000
(d) Federal Council on Aging (Title II of the Older Americans Act)	Indefinite	450,000
(e) National Clearing House (Title II, Section 204 of the Older Americans Act)	Indefinite	2,000,000
Older Americans Act -		
(f) Section 308 - Model Projects	Indefinite	12,000,000
(g) Section 421 - Multidisciplinary Centers of Gerontology	Indefinite	3,800,000
(h) Section 505 - Multipurpose Senior Centers	Indefinite	20,000,000
4. Rehabilitation services and facilities		
(a) Basic State grants (Section 110 of the Rehabilitation Act)	760,000,000 3/	760,000,000
(b) Special projects (Titles III and IV of the Rehabilitation Act)	Such Sums As Necessary	42,700,000
(c) Research (Section 201 of the Rehabilitation Act and the International Health Research Act of 1960)	3/	29,000,000
(d) Training (Section 202 of the Rehabilitation Act)	30,000,000 3/	20,000,000

1/ Legislation expires effective September 30, 1977.

	Amount Authorized	1978 Budget Request
5. Grants for the developmentally disabled		
(a) State grants (Section 131 of the Developmental Disabilities Services and Facilities Construction Act).....	60,000,000	41,608,000
(b) Special Projects (Section 145 of the Developmental Disabilities and Facilities Construction Act).	25,000,000	10,517,000
(c) University affiliated facilities (Section 123 of the Developmental Disabilities Services and Facilities Construction Act).....	21,000,000	5,500,000
(d) Special Studies (Sections 110, 204, 301 of the Developmental Disabilities Services and Facilities Construction Act).....	500,000 4/	500,000
6. Special programs for Native Americans (Title VIII, of the Community Services Act of 1974).....	1/	33,000,000
7. White House Conference on Handicapped Individuals (Section 305 and 306 of the White House Conference on Handicapped Individuals Act).....	2/	---
8. Salaries and expenses.....	Indefinite	50,858,000
Other unfunded authorizations:		
Developmental Disabilities Services and Facilities Construction Act -		
Section 127 - Construction of University Affiliated Facilities.....	3,000,000	---

2/ WHCHI expires September 30, 1978. $3,400,000 authorized is total authorization for all years (1976 and 1977).

3/ Legislation expires effective September 30, 1977; however, if Congress fails to extend legislation before April 15, 1977, authorization will continue at the same level as 1977 except: Basic State Grants, Title I, Section 110(a)(1) carries an authorization of $760,000,000 and Training, Title II, Section 203 carried an authorization of $30,000,000

4/ Funds authorized in the first 1976 Supplemental appropriation.

Human Development

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1972	$1,107,895,000	$1,211,567,000	$1,235,459,000	$1,227,732,000
1973	1,402,548,000	1,416,377,000	1,551,852,000	1,494,739,000
1974	1,433,939,000	1,435,366,000	1,525,896,000	1,479,481,000
1975	1,471,768,000	1,503,568,000 1/	1,577,488,000 1/	1,614,327,000
1976	1,543,307,000	1,500,049,000 2/	1,528,358,000 2/	1,702,328,318
1977	1,572,589,000	1,884,114,000	1,907,123,000	1,896,023,000

1/ Grants for the Developmentally Disabled, $41,125,000, not considered by the House or the Senate due to lack of authorizing legislation.

2/ Excludes programs totalling $138,625,000 which were not considered due to lack of authorizing legislation.

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Justification

Human Development

	1977 Estimate	1978 Estimate	Increase or Decrease
1. Child development.....	$ 508,628,000	$ 520,628,000	$+ 12,000,000
2. Youth development.....	9,000,000	9,000,000	---
3. Programs for the aging...	401,600,000	423,450,000	+21,850,000
4. Rehabilitation services and facilities.....	837,409,000	851,700,000	+14,291,000
5. Grants for the developmentally disabled	57,925,000	58,125,000	+ 200,000
6. Special programs for native Americans...	33,000,000	33,000,000	---
7. White House conference on handicapped individuals.	1,436,000	---	- 1,436,000
8. White House conference on families	---	3,000,000	+ 3,000,000
9. Salaries and expenses	49,449,000[a/]	51,875,000	+ 2,426,000
Total	1,898,447,000	1,950,778,000	+52,331,000

a/ Includes FY1977 Proposed pay supplemental.

General Statement

The Office of Human Development (OHD) provides services to special populations including children, youth, older Americans, the physically and mentally handicapped, the developmentally disabled, and native Americans.

The Child Development program provides for activities and services designed to have a major impact on the development of young children. In 1978, the Child Development program will continue to focus attention on improving child care delivery systems and the design and implementation of programs to improve the quality of life for children and their families.

Youth Development provides continued support for projects for runaway youth under the Runaway Youth Act, and research and demonstration which directly support youth development

activities.

Programs for the aging will continue to pursue the national goal of securing and maintaining independence and dignity in a home environment for older persons capable of self-care with appropriate supportive services. The nutrition program will provide about 435,000 meals per day, 5 days per week.

The rehabilitation program provides services to mentally and physically handicapped people to enable them to prepare for and engage in gainful employment. A wide range of services are provided including counseling, vocational evaluation, work adjustment, medical and physical restoration, vocational training, job placement, and post employment services.

Grants for the developmentally disabled are made to States to assist in developing a program of assistance for persons with mental retardation, autism, epilepsy, dyslexia, cerebral palsy, and other neurological conditions. Support will also be provided for special projects and university affiliated facilities.

The Native American program applies innovative approaches to deal with the special needs of native Americans to promote their social and economic development. It provides grants to tribes, tribal groups, Indian communities, Alaskan villages, urban Indian organizations, and native Hawaiians.

The White House Conference on Families planned for the spring of 1979 will address the complex problems facing families, the cornerstone of national well-being.

1. Child Development

	1977 Appropriation	1978 Estimate	Increase or Decrease
Head Start.....	$475,000,000	$485,000,000	+ $10,000,000
Research and Development..	$ 14,700,000	$ 16,700,000	+ $ 2,000,000
Child Abuse and Neglect..	$ 18,928,000	$ 18,928,000	---
Total Obligation	$508,628,000	$520,628,000	+ $12,000,000

General Statement

The activities of child development are directed at the improvement of child care delivery systems and the design and implementation of programs to improve the quality of life for children and their families. Primary emphasis is on meeting the developmental needs of preschool children from low income families and on developing better services for specific groups of vulnerable children particularly children in need of child care, of adoptive homes or foster care, children who are in institutions and those who are abused or neglected. Child Development also funds research and demonstration activities, which are designed to improve the quality of children's programs and to measure the impact of such programs on children and their families. The FY 1978 request will sustain the FY 1977 operating level for these programs, and provide for initiatives in new program approaches to delivery of services to children and their families.

Head Start

	1977 Appropriation	1978 Estimate	Increase or Decrease
Full Year and Summer (Handicapped)	$447,642,000 (23,000,000)	$447,642,000 (23,000,000)	---
Evaluation	$ 3,373,000	$ 3,373,000	---
Research and Development	$ 4,835,000	$ 14,835,000	+ $10,000,000

	1977 Appropriation	1978 Estimate	Increase or Decrease
Career Development and Technical Assistance	$ 19,150,000	$ 19,150,000	---
	$475,000,000	$485,000,000	+ $10,000,000

Head Start provides comprehensive developmental services designed to improve the quality of life for children and their families. Intended primarily for preschoolers from low income families, the program seeks to develop the capacity of children to deal more effectively with both their present environment and later responsibilities in school and community life. Head Start programs emphasize cognitive and intellectual development, physical and mental health, and parent involvement to enable each child to develop and function at his or her highest potential. Ten percent of enrollment opportunities in each State are made available to handicapped children.

Technical assistance and training activities are provided to local program staff to enhance the quality and effectiveness of the services offered. Head Start also conducts research and demonstration programs such as the Child and Family Resource Program which is developing and testing methods for delivery of family oriented child development services using linkages with other community resources. Grants to carry out Head Start full year and summer programs are awarded to public and private nonprofit agencies. Contracts are awarded in the areas of research, demonstration, technical assistance and evaluation.

Accomplishments in FY 1977:

- The program served 349,000 children through 1,233 full year grantees, 161 summer grantees, and 33 parent and child centers.

	FY 1977		FY 1978	
	Children	Avg Cost	Children	Avg Cost
Full Year Head Start	292,000	$1,505	292,000	$1,505
Summer Head Start	46,000	$ 175	46,000	$ 175

Approximately 11,000 children are associated with research and development projects.

- Handicapped children accounted for more than 10 percent of the children enrolled in full year programs. Approximately one of every three handicapped children had multiple handicaps as compared to one of every four the previous year. In 1977, a special effort was made to assure that at least 10 percent of the enrollment in each State were handicapped.

- A network of thirteen Resources Access Projects were initiated to improve services to handicapped children.

- During FY'77 Head Start provided techical assistance to all local grantees for the purpose of improving the program of services offered to all enrolled children and their families. Efforts to strengthen the parent involvement and parent education aspects of the program included the adaptation of a curriculum entitled "Exploring Parenting" for use in Head Start. Through the Child Development Associate program competency-based training an assessment was made available to staff working with young children.

Management accomplishments during FY'77 included continued assistance to grantees in the implementation of the Head Start Program Performance Standards, and the promulgation of regulations dealing with the administrative aspects of program operations.

- Eight research and demonstration projects funded in prior years were supported and implementation of a new demonstration effort to strengthen and improve mental health services was begun.

Activity	Number of Projects	New/ Continuing	Fiscal Year 1977 Estimate
Child and Family Resource Program	11	Continuing	1,530,000
Home Start Training Centers	6	Continuing	200,000
Project Developmental Continuity	13	Continuing	1,600,000

Activity	Number of Projects	New/ Continuing	Fiscal Year 1977 Estimate
Bilingual Curriculum Development	4	Continuing	600,000
Parent Education Project	1	Continuing	300,000
Preventive Mental Health Project	24	New	400,000
Head Start Innovation Planning Project	1	New	85,000
Child Care Personnel Supply and Demand Study	1	New	120,000
		Total	$4,835,000

·Fourteen evaluation projects were supported in conjunction with research and demonstration projects and program component areas.

Activity	Projects			Estimated Cost FY 77
	Total	New	Continuation	
Spanish Adaptation of ETS Circus Preschool Test Battery	1		1	288,000
Evaluation of Mainstreaming of Handicapped Children into Head Start Classrooms	1		1	288,000
Annual Head Start Handicapped Survey	1		1	110,000
Evaluation of Head Start Parent Involvement	1		1	300,000
Follow up Evaluation of Home Start	1		1	200,000

Activity	Projects Total	New	Continuation	Estimated Cost FY 77
Evaluation of Project Development Continuity	1		1	532,000
Evaluation of Child and Family Resources Program	1		1	250,000
Evaluation of Resources Access Project	1		1	150,000
Assessment of NSST/CEA Training Program	1		1	61,000
Development of Comprehensive Child Development Measures	1	1		200,000
Evaluation of Preventative Mental Health Projects	1	1		150,000
Head Start Evaluation Results Utilization Project	1	1		100,000
Evaluation of Head Start Health Services	1	1		372,000
Evaluation of Head Start Education Services	1	1		372,000
TOTAL				$3,373,000

Objectives for FY 1978: The funding level requested for fiscal year 1978 will continue to support programs for 349,000 Head Start children, through 1,233 full year grantees, 161 summer grantees, and 33 parent and child centers. The program will focus on several major initiatives.

- continued emphasis on enrolling handicapped children, including the severely and multiple-handicapped, and on providing individualized services to meet their special needs;
- continued upgrading of basic program services provided to all enrolled children and their families through technical assistance designed to help all local programs meet the Head Start Program Performance Standards;
- an increased emphasis on technical assistance to help all grantees meet program requirements in such areas as administration, financial and property management;

- continued research and demonstration efforts begun in prior years;

- an additional $10 million is requested for launching a multi-year research, demonstration and evaluation initiative for the purpose of comparing the advantages, disadvantages and costs of alternative approaches to the delivery of comprehensive child development services, primarily to low income preschool age children and their families. The goal of this initiative is to identify areas of program improvement and future program models within Head Start, and, more broadly, to provide information useful for policy development on early childhood and family services. While there is ample evidence regarding the benefits of comprehensive developmental preschool programs, this initiative will provide further information regarding how best to organize and deliver comprehensive services to preschool children and their families, as well as the comparative advantages of different program approaches. Specific purposes of this initiative are:

  - to compare benefits produced by alternative program approaches and delivery modes for providing comprehensive services focused on preschool children and their families. The design(s) will include some program models which provide services from the prenatal period through preschool, and from preschool through the first three years of public school. A broad range of child and family outcomes, including the full range of the child's social competence, will be examined;

  - to compare the efficacy of alternative delivery auspices which provide child development programs. Priority focus will be Head Start programs delivered through a wide range of institutional auspices including schools, health agencies, home-based programs, Parent-Child Centers, and other community-based organizations;

  - to determine which combinations of services, and which delivery settings work best for particular groups of children and families. Within the context of the overall initiative, examine the effect of tailoring comprehensive services to meet the unique needs and circumstances of children and families across a spectrum of racial, ethnic, socio-economic groups, and family types; and

  - to compare existing Head Start program models, new experimental models for providing child development and family services to be developed as part of this initiative, and other existing public programs which provide child development and education services to low income children. Appropriate comparison with children and families not enrolled in any child development program will also be undertaken.

The activities to be conducted as part of this initiative are:

- planning and design work, including comprehensive review of the literature; exploration of important policy issues; identification of key design variables; overall design of the initiative; model specification; convening outside experts on child development and the family; and development of draft guidelines for the new program models;
- development and implementation of 3-5 innovative program models which will incorporate design variation in the mode of delivery, program approaches, and service mixes appropriate to the purposes of this initiative as described above; and
- formative and summative evaluations.

Approximately $8 million will be used for the implementation of the 3-5 innovative program models; approximately $2 million will be used for planning and design work and the conduct of evaluation activities. Planning for this initiative will be coordinated with the National Institute of Education, the Office of Education, and other appropriate organizations.

Activity	Number of Projects	New/ Continuing	FY '77 Estimate	FY '78 Estimate
Child and Family Resource Program	11	Continuing	1,530,000	1,530,000
Home Start Training Centers	6	Continuing	200,000	200,000
Project Developmental Continuity	13	Continuing	1,600,000	1,500,000
Bilingual Curriculum Development	4	Continuing	600,000	500,000
Parent Education Project	1	Continuing	300,000	300 000
Preventive Mental Health Project	24	Continuing	400,000	440,000
Head Start Innovation Planning Project	1	Continuing	85,000	150,000
Child Care Supply and Demand	1	Continuing	120,000	215,000
Experimental Initiatives		New	---	10,000,000
		TOTAL	$4,835,000	14,835,000

- Continuation of the evaluations of research and demonstration programs and of the components of Head Start;

Activity	Projects Total	New	Continuation	Estimated Cost FY 78
Annual Head Start Handicapped Survey	1		1	110,000
Follow up of Home Start	1		1	100,000
Evaluation of Project Developmental Continuity	1		1	350,000
Evaluation of Child and Family Resource Program	1		1	250,000
Evaluation of Resource Access Project	1		1	150,000
Development of Comprehensive Child Development Measures	1	1		800,000
Evaluation of Preventive Mental Health Project	1	1		150,000
Head Start Evaluation Results Utilization Project	1	1		200,000
Evaluation of Head Start Health Services	1	1		631,500
Evaluation of Head Start Education Services	1	1		631,500
TOTAL				$3,373,000

- Expand utilization to all Head Start programs of the "Exploring Parenting" curriculum which was adapted for use in Head Start and field-tested during FY'77 through information dissemination, workshops, and technical assistance.

- The staffing pattern associated with the programs is:

	1977	1978
Professional Staff		
Full Year	21,400	21,400
Summer	3,450	3,450
PCC	430	430
Non-Professional Staff		
Full Year	35,600	35,600
Summer	5,765	5,765
PCC	1,000	1,000
Volunteers		
Full Year	85,000	85,000
Summer	9,500	9,500
PCC	960	960

Research and Demonstration

	1977 Appropriation	1978 Estimate	Increase or Decrease
Research and Demonstration	$14,700,000	$16,700,000	+ $2,000,000

The Research and Demonstration program provides financial support to public or other non-profit institutions for special research or demonstration projects in the field of child welfare and child development which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to meeting the needs of children and their families. The FY 1978 request will sustain the Research and Demonstration program at its FY 1977 level, as well as provide funds for new and expanded activities in the areas of foster care and adoption.

The average project has a duration of 2-3 years and an average annual funding of $160,000.

Accomplishments in FY 1977: In fiscal year 1977, an appropriation of $14,700,000 provided support for research and demonstration activities in the areas of day care, child welfare and child and family development.

Activity	Total	Number of Projects Continuation	New	Estimated FY 1977 Costs
Child Welfare	29	17	12	$ 6,614,000
Day Care	14	6	8	2,165,000
Child and Family Development	48	29	19	5,921,000
				$14,700,000

The results of past research and evaluation efforts have been encouraging.

- A successful model involving the provision of comprehensive emergency services to children and families in crisis has been widely disseminated.
- The use of an adoption subsidy has proven effective for placing "hard to adopt" children.
- The model Parent and Child Development Centers have produced encouraging findings related to the developmental progress of children and parents participating in the program.
- Findings have also suggested useful ways to improve services to meet family needs.

Objectives for FY 1978: The focus of research and demonstration activities in fiscal year 1978 will include day care, child and family development, foster care, adoptions, children with special needs, and other activities which will access the child welfare systems as a whole.

Activity	Total	Projects Continuation	New	Estimated FY 1978 Costs
Child Welfare	31	21	10	8,615,000
Day Care	17	9	8	2,165,000
Child and Family Development	39	32	7	5,920,000
				$16,700,000

The program will emphasize the following activities in FY 1978:

- completion of an assessment of the degree of improvement achieved by States in establishing day care licensing codes and procedures;

- completion of a survey and analysis of the day care financing arrangements currently in use in the 50 states;

- completion of two major studies on the relationship between day care cost/quality variables and their impact on children receiving day care services; dissemination and findings;

- development of effective models to improve the family/institution interaction to benefit child and family development;

- the implementation of demonstrations relating to improving the availability and quality of child welfare services to migrant children;

- the demonstration of a diagnostic tool which can be used by child welfare staff in making decisions about placement of children;

- a variety of activities directed toward children in need of adoption will continue to be implemented, including the dissemination of a model State law for freeing children for permanent placement; the dissemination and utilization of successful approaches targeted to difficult to place children; and the dissemination and use of proven decision-making methods on when to make children available for adoption.

- a number of efforts will be continued to improve family and institutional foster care, including demonstrations of the training of foster parents: further development of material for training foster parents with special foster children; and the dissemination and use of a curriculum for child care personnel working in institutions;

- the additional funds requested will provide for the development of new activities in concert with the recent added importance assigned adoption and foster care as positive responses to caring for children whose parents are unable or unwilling to continue nurturing them. These include analyzing and disseminating new successful approaches to increasing the effectiveness of the adoption of children who should be freed for and placed in adoptive homes; developing suggested standards for the improved recruitment of adoptive parents and placement of children with special needs; developing for dissemination

materials for in-service training of staff delivering preventive, foster care, and adoption services; developing materials and designs for delivering improved services enabling children in dysfunctioning families to remain at home with their parents; and analyzing current practices and designing new approaches for improved periodic review of foster care cases.

Child Abuse and Neglect

	1977 Appropriation	1978 Estimate	Increase or Decrease
Child Abuse and Neglect.....	$18,928,000	$18,928,000	---

In order to improve the identification, treatment and prevention of child abuse and neglect, this program provides funds to assist State, local, and voluntary agencies and organizations for the purposes of strengthening their capacities to provide improved services to abused and neglected children and their families, and to stimulate public and professional awareness. The FY 1978 request will sustain the FY 1977 operating level of this program.

Accomplishments in FY 1977:

- In fiscal year 1977 the number of States meeting eligibility requirements for State grants was increased from twenty-five to thirty-seven. Technical assistance was provided to other States to assist them to become eligible.

- Federal standards supporting good practices in child abuse prevention and treatment were developed and technical assistance was given to assist providers in meeting these standards.

- Technical assistance on the Model Child Protective Services Act was provided nationwide.

- Preliminary results from research and evaluation studies indicate a need for a more widespread use of the interdisciplinary team approach to the treatment of abuse and neglect cases. These early results also show the importance of providing more supportive and treatment services to children and their families as a unit.

Objectives for FY 1978

- Research efforts will focus on increasing knowledge as to the nature and extent of child abuse and neglect and about the problems facing operating agencies. Issues to be researched include optimal caseload size, optimal configuration of services, and optimal staffing patterns.

- Demonstrations will continue to be conducted in a variety of areas necessary to achieve the goals of this program. For public and private agencies, activities will include demonstrations of training, including curriculum materials development on the prevention, identification, and treatment of child abuse and neglect; demonstrations of effective implementation and utilization of the Federal Standards on Child Abuse and Neglect and the Model Child Protection Act to improve community and professional capabilities; and demonstrations of improved methods of treating special issues such as sexual abuse, adolescent abuse and neglect, and parental referral.

- Demonstration projects at State and local agencies will include programs to improve identification, investigation, and disposition of cases of institutional child abuse and neglect. Evaluation of these demonstrations will be performed.

- Training programs will focus on training trainees and developing capacities on the part of State and local agencies and professional organizations.

- Technical assistance will be provided to assist States and agencies to better understand and more effectively implement child abuse and neglect technology and to obtain additional resources to support such programs.

- The Clearinghouse will continue to gather, analyze and disseminate information on child abuse and neglect programs, research, and incidence. Publications will be developed and disseminated to a broadened audience.

- Particular emphasis will be given to assisting States in becoming or remaining eligible for grants. It is anticipated that forty-three States will be eligible in FY 1978.

Summary Table

Activity	FY 1977 Number of Projects	FY 1977 Estimated Cost	FY 1978 Number of Projects	FY 1978 Estimated Cost
Research and Demonstration	48	$ 9,425,000	78	$10,194,000
Evaluation	5	926,000	9	1,300,000
Incidence Studies	2	1,198,000	1	350,000
Technical Assistance	43	2,576,000	43	2,500,000
Clearinghouse	2	592,000	2	574,000
Publications	25	426,000	15	225,000
State Grants	37	3,785,000	43	3,785,000
Total		$18,928,000		$18,928,000
New Projects		2,111,000		15,504,000
Continuations		16,817,000		3,424,000
		$18,928,000		$18,928,000

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2. Youth Development

	1977 Appropriation	1978 Request	Increase or Decrease
Youth Development:			
(a) Runaway Youth Program and Youth Activities	$8,000,000	$8,000,000	---
(b) Research and Development	1,000,000	1,000,000	---
Total	$9,000,000	$9,000,000	---

General Statement

The Office of Youth Development administers Title III of the Juvenile Justice and Delinquency Prevention Act of 1974, Public Law 93-415, under which it makes grants and provides technical assistance to localities and nonprofit private agencies for the purpose of developing facilities to deal with the immediate needs of runaway youth. Additionally, the Office is responsible for the development and implementation of tools and techniques to enhance the capacity of States and localities to better plan and program for young people and for the development of strategies to facilitate youth development. Other OYD activities include the development of an organized approach to the collection of data on youth needs and problems. The Office seeks to conduct research on critical youth issues, to evaluate the effectiveness of the OYD grant program, to develop methods to facilitate the implementation of effective youth development programming, and to provide technical assistance to grantees and communities in youth development programming.

In FY 1978 the program will focus its efforts on the development of techniques to meet the critical needs of young people.

	1977 Appropriation	1978 Request	Increase or Decrease
Runaway Youth Program and Youth Activities	$8,000,000	$8,000,000	---

The Office of Youth Development awards grants to localities and private non-profit agencies for the development and/or strengthening of local facilities designed to meet the needs of runaway youth, outside the juvenile justice system, by providing temporary shelter, counseling, aftercare, and other services to runaway youth and their families. The goals of the Act are to alleviate immediate needs, reunite families and resolve intra-family problems, strengthen family relationships and encourage stable living conditions, and assist youth in deciding on a future course of action. In addition, the Act allows for the provision of technical assistance to agencies in the development and implementation of runaway facilities and services.

Accomplishments in FY 1977:

	No. of Projects	Amount
Runaway Youth	131	$7,700,000
Technical Assistance	1	300,000
	132	$8,000,000

The $8 million appropriation in FY 1977 provided continued support for 131 runaway projects previously funded. Of the 131 projects, 66 (including a National Switchboard) were funded in 1975, 46 were funded in 1976 and 19 were funded in the transition quarter. Approximately 57,300 runaway youth and their families were served in FY 1977. Of these, 20,050 were served by temporary shelter facilities and 37,250 were served by the National Switchboard. These projects also served to establish service linkages to provide medical, legal, and other specialized services to runaway youth.

Statistical and evaluation reporting requirements and program performance standards were developed which will enable continuous analysis of the runaway youth problem. Projects received assistance in developing service networks, identifying alternative funding sources, and strengthening the projects' ability to meet the needs of runaway youth and their families.

Objectives in FY 1978:

	No. of Projects	Amount
Runaway Youth	131	$7,700,000
Technical Assistance	1	300,000
	132	$8,000,000

FY 1978 funds will provide for support of approximately 131 runaway projects that provide temporary shelter, preventive and crisis counseling, and aftercare services to potential and actual runaway youth and their families. It will also allow for continued support to the projects through the provision of technical assistance.

In FY 1978 a greater emphasis will be placed on the provision of services to youth and families-in-crisis in an effort to prevent the occurence of runaway behavior, to resolve family problems, and to foster the development of increased family stability.

A focus will also be placed on the implementation of tools and techniques to enhance the capacity of communities to better plan and program for youth to insure the delivery of services responsive to the needs of young people. Additional funds will be used to promote the development of strategies to address critical youth issues. The Office of Youth Development will also seek to facilitate the development of more responsive HEW social services for deinstitutionalized and noninstitutionalized status offenders.

	1977 Appropriation	1978 Request	Increase or Decrease
Research and Demonstration	$1,000,000	$1,000,000	---

These projects are designed to fill priority information needs relative to youth development in general and to runaway youth in particular. The Office of Youth Development serves as a focal point within the Department for the identification and development of strategies for addressing the needs, problems, and issues affecting youth.

Accomplishments in FY 1977:

Activity	Estimated Amount
Development and Utilization of Youth Data Base	$ 100,000
Development of Evaluation Standards	370,000
Impact of Deinstitutionalization of Status Offenders	150,000
Identifying Special Needs of Runaways	125,000
Development of Descriptive Profiles of Runaways	140,000
Prevention Strategy Paper for Youth and Families in Crisis	15,000
Impact Assessment of Youth Community Planning and Feedback Instruments	100,000
	$1,000,000

In FY 1977, the Office of Youth Development:

generated information required for the development of a central data bank and the design of a target group planning system to formulate appropriate Federal strategies to meet youth needs;

developed a self-assessment and monitoring tool for program performance and a national evaluation of projects serving runaway youth;

identified the special needs of runaway youth according to age, sex, and race, and developed profiles of runaways in relation to the types of services utilized and needed;

assessed the impact of the deinstitutionalization of status offenders, the utilization of community/youth planning and feedback instruments, and examined potential strategies for the prevention of problems of youth and families in crises.

Objectives in FY 1978:

	No. of Projects	Amount
Research and Demonstration	9	$1,000,000

The $1,000,000 for R&D in FY 1978 will fund the following projects:

Management Information System on the OYD-funded Projects for Runaway Youth	150,000
Demonstration of Prevention Services Designed to Reduce the Incidence of Runaway Behavior	$200,000
The Purchase and Generation of Data on Youth Needs and Problems for the Conduct of Target Group Planning	$ 50,000
A Strategy Paper for the Identification of an Approach to the Development of Youth Specific Social Indicators	$ 25,000
Evaluation of the Impact of Youth Participation on Youth Development and an Identification of the Characteristics of Effective Youth Participation Models	$150,000

Analysis of the Impact of Laws and Agency Policies and Practices which May Constitute barriers to the Accessibility of Service for Youth in Crisis with Specific Emphasis on Runaway Youth	$ 75,000
The Demonstration of Model Service Components Designed to Meet the Needs of Runaway Youth who do not use the Services of Runaway Projects	$150,000
The Demonstration of Model Service Components Designed to Meet the Special Needs of Runaway Youth Due Primarily to Age, Race, and Ethnicity	
State-of-the-Art on Capacity Building	$ 50,000

Research efforts to be conducted during FY 1978 will build upon the information generated under previous research projects, and will focus on the testing of new service approaches and program components to determine their effectiveness in meeting the needs of youth in crisis and their families. These target groups include youth with special needs owing to their age, sex, race, and ethnicity; youth who are contemplating running away from home and/or who are experiencing other personal and family crises and their families.

Research projects to be conducted during FY 1978 related to broader youth development issues will be concerned with strengthening the target group planning system which is designed to focus on critical youth needs and problems and to identify appropriate strategies for more effectively addressing these needs and problems. Funds in support of this effort will be used to initiate the development of youth-specific social indicators to be employed in the conduct of target group planning; and, the purchasing of data, as required, to analyze critical youth needs and problems. Additional efforts will focus on continuing, and refining, the techniques designed to enhance the capacity of States and communities to more effectively plan and program to meet youth needs, and on the demonstration of model components for the provision of participatory roles for youth within the major institutional settings.

3. Programs for the Aging

	1977 Appropriation	1978 Estimate	Increase or Decrease
Community Services	$151,000,000	$151,000,000	----
Nutrition Program	203,525,000	225,000,000	+$21,475,000
Research, Demonstration and Manpower	26,500,000	25,000,000	- 1,500,000
Multipurpose Senior Centers	20,000,000	20,000,000	----
Federal Council on Aging	575,000	450,000	- 125,000
National Clearinghouse	-------	2,000,000	+ 2,000,000
Total	$401,600,000	$423,450,000	+$21,850,000

General Statement

The FY 1978 Programs for the Aging continue to place emphasis on activities which will lead to the achievement of the ten broad-spectrum objectives identified in Title I of the Older Americans Act; and on building the capacity of State and Area Agencies on Aging to function as focal points on Aging and to foster the development of a comprehensive, coordinated services delivery system in each planning and service area in the nation in order to meet the needs of older persons.

These service systems will aim to secure and maintain independence and dignity in a home envrionment for older persons capable of self-care with appropriate supportive services; and remove individual and social barriers to economic and personal independence for older persons. Particular emphasis will be placed on encouraging the development and provision of services needed by low income older persons and the minority elderly, and the development of services which can prevent or delay institutionalization of the physically and mentally impaired elderly.

Community Services - State Agency Activities

	1977 Appropriation	1978 Estimate	Increase or Decrease
State Agency Activities	$17,000,000	$17,000,000	----

Federal funds are available through a formula grant to each State

with an approved State Plan on Aging under Title III to pay up to 75 percent of the cost of the staffing and operating of its designated State Agency on Aging to develop and implement an annual State plan to:

- Serve as the State focal point and advocate on aging, providing leadership toward identifying the needs and problems of older people in the State, mobilizing resources from other State, local, public and private agencies to resolve them, and negotiating interagency cooperative agreements to expand and coordinate services;

- Fund and provide leadership and technical assistance to Area Agencies on Aging in their fostering the development of a comprehensive and coordinated service system to meet the needs of the elderly within their designated planning and services areas of the State;

- Fund and provide leadership and technical assistance to grantees (Area Agencies or directly funded nutrition projects) in their operation of congregate and home-delivered meals projects for the elderly;

- Engage in a continuing process of reassessment of priorities and approaches in terms of progress toward the development of a comprehensive and coordinated service system in each planning and service area of the State to meet the needs of older persons.

Accomplishments in FY 1977: The Older Americans Act Amendments of 1975 provided an increase in the minimum amount for allotments to States to $200,000 and territories to $62,500. In FY 1976, this increased State Agency staffing to approximately 1,350 persons (an average of 24 per State). This staff level handled an increase in the number of area agencies from 462 in FY 1975 to 532 in FY 1976, and 545 in FY 1977; and an increase in nutrition projects (and sites) from 685 (4,400) in FY 1975 to 1,020 (7,120) in FY 1976, and 1,220 (8,500) in FY 1977. The State Agency staffs also absorbed a review role workload of 3,000 project proposals for the start-up of the Title V Senior Center Program in the Transition Quarter and in FY 1977.

Objectives for FY 1978: In FY 1978, the Administration on Aging will continue support of the 56 State Agency Activities at approxiamtely 1,350 person years of effort in their focal point and advocacy role, and in their service delivery system development role for approximately 545 Area Agencies on Aging, 1,220 Nutrition projects, and the acquisition and/or renovation of multipurpose service center facilities.

Community Services - Area Planning and Social Services

	1977 Appropriation	1978 Estimate	Increase or Decrease
Area Planning and Social Services.....	$122,000,000	$122,000,000	- - - -

Federal funds are available through a formula grant to each State to pay part of the cost of the operations of Area Agencies on Aging, the funding of social services by Area Agencies on Aging, and the funding of social services by the State Agency where there is no Area Agency. Area Agencies on Aging are public or private non-profit agencies, designated by the State Agencies on Aging, which receive Federal support through the State Agencies to develop and implement an annual area plan and budget to:

. Serve as the focal point and advocate on aging for a State-designated planning and service area, identifying the needs and problems of older people in the area, establishing goals and priorities, mobilizing resources from other public and private agencies to meet the needs and problems, and negotiating inter-agency cooperative agreements to expand and coordinate services;

. Provide leadership, technical assistance, and funding to foster the development of a comprehensive and coordinated service system for the area involving all available public and private agencies and funds, to assure that the needs of older persons are met, to assure that resources are used effectively and efficiently, and to invest Area Agency funds strategically to facilitate access to existing services and to fill priority service gaps;

. Engage in a continuing process of reassessment of priorities and approcahes in terms of progress toward the development of a comprehensive and coordinated service system within the area to meet the needs of older persons.

Area Planning and Social Services funds are available at different matching ratios for three types of use:

- Up to 15 percent of the State's allotment is available for the operations of the Area Agencies, at a Federal matching rate of up to 75 percent;

- The remainder is available for the purchase of any services that promote the general welfare of older persons, at a Federal matching rate of up to 90 percent for services that are part of an Area Agency Annual Plan, and up to 75 percent for services in an area where no Area Agency has been established and there is no approved Area Plan (a maximum of 20 percent of the allotment is available for services in areas that are not part of an Area Plan).

Accomplishments in FY 1977: Ninety-one percent of the planning and service areas which cover the nation currently have an Area Agency on Aging. These areas include approximately 90% of the nation's older persons.

Five hundred forty-five Area Agencies on Aging operated on $122,000,000 during FY 1977. These funds covered both the establishment of approximately 13 additional Area Agencies on Aging and the strengthening of the capacity of the 532 Area Agencies on Aging which were already in operation. This level also supported the funding of approximately 120 grants by State Agencies in Areas without an Area Agency.

The average level of funding for Area Agencies was $219,219, an increase over the 1976 average which was $168,877, and awards in non-Area Plan areas continued at the $21,045 average.

The emphasis in the purchase of services is on the priority services (listed below) identified in Title III of the Older Americans Act. The proportion of service funding is as follows:

· Transportation	25%
· In-Home Services	16%
· Information & Referral	16%
· Legal & Other Counseling	13%
· Home Repair	4%
· All Other Services	26%

The total resources, Federal and non-Federal, pooled to help support services for older persons by State and Area Agencies and Nutrition projects for FY 1976 as reported to the Administration on Aging by the States was $265,960,683. This compares with $140,012,480 reported as pooled for all of FY 1975. This upward trend continued in FY 77.

Efforts were focused on concentrating resources on the needs of low income and minority older persons.

Objectives for FY 1978: Area Planning and Social Services will continue to be funded at the FY 1977 level of $122,000,000. This will permit a continuing focus on the following objectives:

- Strengthening the capacity of the 545 Area Agencies on Aging to serve as focal point and advocate on all matters affecting older persons within their respective planning and service areas;

- Improving the performance of the Area Agencies in fostering the development of a comprehensive, coordinated service system, involving all available public and private agencies and funds, in order to meet the needs of older persons who live within their respective areas;

- Increasing the effectiveness of resource development by Area Agencies so that additional funds are drawn in to serve the elderly from public and private sources;

- Increasing the technical skills of the Area Agencies so that they can provide better technical assistance to local service providers on the effective, efficient and coordinated delivery of services to older persons, and the concentrating of resources on meeting the service needs of the low-income and minority elderly.

Approximately 120 service project awards will again be made in planning and service areas which do not have an Area Agency on Aging and an approved Area Plan on Aging.

Community Services - Model Projects

	1977 Appropriation	1978 Estimate	Increase or Decrease
Model Projects	$12,000,000	$12,000,000	----

The Model Projects program provides Federal funds through grants to any public or non-profit private agency or organization or through contracts to any agency or organization for paying part or all of the cost of projects which will improve, expand or increase efficiency and effectiveness of social services, demonstrate better ways for states and communities to deal with problems of their aging citizens, or otherwise promote the well-being of older persons. The focus is on contributing to the development of comprehensive, coordinated service systems.

Accomplishments in FY 1977: During FY 1977 Model Projects were concentrated in the following areas to help increase the effectiveness and efficiency of the National Network on Aging.

Development of Special Programs ($5.2 million)

- Nursing Home Ombudsmen Development ($1.0 million)-- Provided support in each State Agency on Aging to foster the development of a process in each planning and service area of the State to respond to complaints about inappropriate conditions, policies or treatment in nursing homes.

- Legal Services Development ($1.5 million)-- Provided support to each State Agency to develop, test and demonstrate ways to increase Area Agencies' capacity to promote increased legal services for the aging.

- Senior Environmental Employment ($1.2 million)-- In collaboration with the Environmental Protection Agency, supported regional projects testing employment of persons over age 60 in environmental protection program activities.

- Crime and the Elderly ($1.0 million)--In collaboration with other Federal Agencies, helped 5 cities develop and operate more effective programs to reduce crime against the elderly.

- Ambulatory Day Care ($.5 million)--Tested the social (as distinguished from medical) models of day care.

Institutional Development ($1.5 million)

. To help establish or strengthen nationwide organizations which can help the National Network on Aging accomplish its objectives at the State, Area and community levels.

Service Innovations ($5.3 million)

. To develop new or improved ways for States and communities to help themselves and their elderly citizens better cope with the problems of aging, with preference given to projects focused on housing and living arrangements; retirement education and counseling; special needs of the impaired elderly, and special needs of the low-income, minority, Indian, limited English speaking and rural elderly.

Objectives for FY 1978:

The $12,000,000 for FY 1978 will continue the program thrusts already initiated and further stimulate especially the development and testing of viable alternatives to institutionalization, and of better ways to meet the special needs of the minority, limited English speaking, low income and rural elderly. Particular emphasis will be placed on social (as distinguished from medical models) of day care; on arrangements among the elderly themselves to extend their capacity to avoid institutionalization through mutual aid and cooperative living arrangements; and on group counselling and outreach programs, including further refinements in the roles of Senior Centers and educational institutions. Additional support will be provided for efforts to establish and promote the healthy development of organizations of older persons with special needs and those serving them, including those of Spanish heritage, Indians, Blacks, and urban and rural elderly. States and Area Agencies will be given special assistance to further develop their nursing home ombudsman and legal services programs. Cities will be encouraged to deal more effectively with crimes against the elderly; potential contributions and opportunities for employment of older persons in the environmental abatement and protection program will be developed further.

Nutrition Program

	FY 1977 Appropriation	FY 1978 Estimate	Increase or Decrease
Nutrition	$203,525,000	$225,000,000	+$21,475,000
(Program level)	($225,000,000)	($225,000,000)	(- - - -)

The intent of the proposed increase is to maintain the Nutrition Program at the $225,000,000 operating level achieved in FY 1977.

The Nutrition Program is designed to provide older Americans with low cost, nutritious meals, served primarily in congregate settings. Some projects also furnish home-delivered meals to the homebound. Each Title VII project must provide a hot meal at least once per day, five or more days per week. Supportive social services such as outreach, transportation, information and referral services, health and welfare counseling, nutrition education, and recreational activities are provided as part of the project when not otherwise available.

Funds under this program are allocated by formula grants to States to pay up to 90 percent of the cost for the establishment, maintenance, operation, and expansion of low-cost meal projects. Funds allotted to States are to be awarded by grant or contract to area agencies on aging or other public or private nonprofit institutions, organizations, agencies or political subdivisions of the State which meet the conditions of the Act.

The Title VII program operates within the same conceptual framework as Title III - Service Delivery System Development. Meals programs are a significant component in the evolution of comprehensive and coordinated service systems to meet the needs of older persons.

Accomplishments in FY 1977: The appropriation of $203,525,000 together with $21,475,000 available from prior years, allowed the States to meet the FY 1977 Congressional mandate directing an operating level of $225,000,000. The $225,000,000 operating level increased the previous level of 365,000 meals per day served to 435,000.

Under the terms of the 1973 amendments to the Older Americans Act, the U.S. Department of Agriculture provides commodity and product support to the Nutrition Program. In FY 1976 this support was equivalent to 16½ cents per meal in donated food, thereby adding $10.5 million to the nutrition program. On July 1, 1976, the base contribution per meal became 25 cents subject to an annual cost of living adjustment. This annual adjustment in FY 1977 projected a contribution of 27¼ cents per meal which provided $25,500,000 of surplus commodities to the Title VII Nutrition Program.

Objectives for FY 1978: In FY 1978, the budget request will stabilize the program at the $225,000,000 operating level directed by the Congress for FY 1977. This level of funding will continue to provide approximately 435,000 daily meals,

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5 days per week to the elderly. Based on the experience in FY 1976, impact data will be as follows:

	FY 1977	FY 1978
Projects	1,220	1,220
Urban	63%	63%
Rural	37%	37%
Sites	8,500	8,500
Senior Center	24%	25%
Religious Facility	26%	26%
School	6%	6%
Public Housing	15%	15%
Restaurant	3%	3%
Other	26%	26%
Meals Served Daily	435,000	435,000
USDA Support	$25,500,000	$31,500,000

The following program improvement activities are planned for FY 1978:

- Continued effort to concentrate on the needs of low-income and minority older persons.

- Assessment of various meals service methods with respect to effectiveness, cost-effectiveness and end results (acceptability to participants and quantifiable improvement in the particular project or site).

- Assessment of supportive service activities at project sites with a view toward improving their effectiveness and reducing their cost.

- Development in concert with all meal service providers of the means to diminish the lag time between meal preparation and meal consumption to 2 hours.

- Emphasizing of recruitment and training of professionally skilled and non-professional volunteers to hold down project costs and increase community involvement.

Research, Development and Manpower

Training

	1977 Appropriation	1978 Estimate	Increase or Decrease
Training.....	$14,200,000	$14,200,000	---

Funds are available through project grants to support activities to assure an adequate number of trained persons for programs in the field of aging. Career training projects prepare students to serve the elderly in their chosen career or profession, and in-service training and retraining projects are awarded to upgrade the competencies of those already working, or planning to work with the elderly at State and local levels. Funds are also used to fulfill the Administration on Aging's statutory responsibility for periodic appraisal of the nation's personnel needs in the field of aging.

Under Title IV-A project grants are made to any public or nonprofit private agency, organization, or institution, or to State Agencies on Aging, and contracts with any agency, organization or institution to carry out training and manpower development activities.

Accomplishments in FY 1977: In FY 1977, approximately $6,000,000 was used to support approximately 80 career training programs in 75 institutions of higher education, at the undergraduate and graduate levels.

Fifty-six awards to State Agencies on Aging were made to continue the support of in-service training and retraining activities for State and Area Agency, Nutrition Project, and other services provider staffs. ($6,000,000).

An estimated $1.0 million supported 12 projects to test models or develop information to improve the quality of programs preparing people to work in the field of aging.

An estimated $1.2 million supported 10 Conference Grants, 20 Student Dissertation Grants; and other manpower related activities; including joint activities with the Bureau of Labor Statistics to assess the nation's manpower needs in the field of aging.

Objectives for 1978: A FY 1978 Budget request of $14,200,000 will continue the program thrust of FY 1977.

Summary Table

FY 1977

	Projects	Amount	Trainees
Career	80	$ 6.0 Million	750
In-Service	56	$ 6.0 Million	30,000
Quality Improvement	12	$ 1.0 Million	---
Total		$13.0 Million*	

FY 1978

Career	80	$ 6.0 Million	750
In-Service	56	$ 6.0 Million	30,000
Quality Inmprovement	12	$ 1.0 Million	---
Total		$13.0 Million*	

*The remaining $1.2 million supports approximately 10 Conference Grants, 20 Student Dissertation Grants, and directed activities related to the Administration on Aging's statutory responsibility for periodic appraisal of the nation's personnel needs in the field of aging.

Career Training (graduate and undergraduate) - The Administration on Aging will continue to support career training programs at $6,000,000, including some institutions not currently funded. Approximately 80 programs will be funded. It is estimated that this will include about 30 continuation awards.

Specific emphases will continue to be placed on such developmental areas as: (1) introducing aging concepts to new audiences, including faculty and administrative personnel of educational institutions; (2) seeking to impact on professions and disciplines which have significant potential to serve older persons as part of their service to the population at large (lawyers, doctors, nurses, architects, etc.); and (3) promoting joint funding with other Federal Agencies in high priority areas of mutual interest that seek to provide quality training in aging.

In-Service Training - The Administration on Aging will use $6,000,000 to continue the support of in-service training and retraining activities for State and Area Agency, nutrition projects, and other service provider staff.

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The State Agencies on Aging, who are the recipients of these funds, will continue to sponsor training either directly or through arrangements with educational institutions or other training organizations to staff of the 121 newly established Area Agencies on Aging and the approximately 200 new Title VII projects initiated during the period of FY 1976 through FY 1978. In addition new staff employed by States, Area Agencies nutrition projects and other service providers as a result of manpower turnover in these agencies will be trained. The number of persons working in the National Network on Aging will increase to 19,150. Another 16,000 will be serving on advisory committees and 100,000 are volunteers.

Quality Improvement - In FY 1978, the Adminstration on Aging will continue to support projects directed towards improving and developing new techniques and approaches for the provision of career and in-service training in aging. Examples of quality improvement projects supported in the past include the development of videotapes for the aging component of basic human development courses; development of curriculum materials for architecture and law schools; demonstrations of the preparation of older adults for second careers such as paralegals and allied health workers; and model training for Indian paraprofessionals in the problems of the elderly Indian.

Other Activities - In FY 1978, the Administration on Aging will continue to support national conferences to initiate new developments in the field of aging, and to share the knowledge gained from research, demonstrations, and significant training experiences. These conferences may promote information about a special group such as the Native American Elderly or the blind elderly, or they may seek to introduce a specific professional group to the concerns of older persons relating to that profession.

Building on experiences and knowledge gained in FY'76 and FY'77, the Administration on Aging plans in FY 1978 to continue to work with the Bureau of Labor Statistics, Department of Labor to develop information on manpower needs in the field of aging. Specifically, studies will have been accomplished in the following industries: nursing home, homemaker - home health aide, social work, and key occupations in agencies on aging. These will be updated, and others appropriate to the Administration on Aging's role to develop information on training needs in the field will be initiated. Studies to support the development of improved techniques will also be undertaken.

The Administration on Aging will continue to support student dissertation research in a variety of areas relating to social gerontology, such as economics, political science, and sociology.

Research, Development and Manpower
Research and Development

	1977 Appropriation	1978 Estimate	Increase or Decrease
Research and Development	$8,500,000	$7,000,000	-$1,500,000

The research and development program supports projects which expand knowledge in a wide variety of subject areas that are critical to the development and improvement of service delivery systems. Equally important, research program initiatives serve to increase the Federal sector capacity to realize the National Objectives set forth in Title I of the Older Americans Act, as amended.

Under Title IV-B, research and development project grants are made to any public or non-profit agency, organization, or institution and contracts with any agency, organization, or institution or with any individual to carry out research and development efforts.

Accomplishments in FY 1977: In FY 1977, research support for projects related to increasing State and Area Agency capability to foster the development of comprehensive, coordinated service systems for the elderly was $3,200,000. These projects emphasize developing new and improved techniques for application at State and local levels. Such projects, for example, included the production of state-of-the-art handbooks on seven social services as tools for State and Area Agencies on Aging to use in delivery system development.

$500,000 in FY 1977 supported projects designed to increase the capacity of the Federal sector to develop and implement Federal interdepartmental and interagency agreements designed to help State and Area Agencies on Aging develop, at the community level, comprehensive and coordinated service systems for older persons. The projects included; a joint OHD/DOT initiative in transportation; and an evaluation of interagency agreements.

Approximately $4,800,000 supported projects for research into increasing the Federal capacity to contribute to the realization of the national objectives set forth in Title I of the Older Americans Act as amended. Approximately one-half dealt with policy issues identified with the first objectives of Title I: (1) adequate income; (2) physical and mental health; (3) suitable housing; (4) community services for older persons; and (5) employment opportunities. The intent is to equip AoA with material for advocacy in persuading other Departments and agencies to help implement the ten objectives in Title I. These projects were initiated on the basis of five studies, one in each of these five policy areas, which carefully investigated what were the major policy-relevant research questions that needed to be answered in each policy area.

Objectives for FY 1978:

Research and Development

Goal I Research: Projects Related to Service Delivery Systems Development	FY 77	FY 78
a) # New Projects	17	11
b) Expenditures for New Projects	$2,182,093	$1,500,000
c) # Continuation Projects	8	8
d) Expenditures for Continuation Projects	$1,017,907	$1,000,000
3) Total Expenditure for New and Continuation Projects	$3,200,000	$2,500,000

Goal II Research: Projects relating to Inter-agency Agreements:		
a) # New Projects	3	3
b) Expenditures for New Projects	$350,000	$350,000
c) # Continuation Projects	1	1
d) Expenditures for Continuation Projects	$150,000	$150,000
e) Total Expenditure for New and Continuation Projects	$500,000	$500,000

Goal III Research:	FY 77	FY 78
Projects relating to research contributing to the Federal capacity to realize the National objectives of the Older Americans Act:		
a) # New Projects	30	21
b) Expenditures for New Projects	$3,282,747	$2,400,000
c) # Continuation Projects	15	14
d) Expenditures for Continuation Projects	$1,517,253	$1,600,000
3) Total Expenditure for New and Continuation Projects	$4,800,000	$4,000,000
Total Number of all Projects	74	58
Total Expenditure for all Projects	$8,500,000	$7,000,000

In FY 1978 $2,500,000 is planned to continue research aimed at increasing State and Area Agency capacity to foster the development of comprehensive, coordinated service systems for older persons, especially the low income and minority elderly, at the sub-State level. This decrease of $700,000 assumes there will be no significant or dramatic changes in State and Area Agency roles and responsibilities within the National Network on Aging. It will result in the funding of 6 fewer projects.

Approximately $500,000 will fund research efforts to increase the capacity of the Federal sector to develop and implement Federal interdepartmental and interagency agreements designed to help State and Area Agencies on Aging develop, at the community level, comprehensive and coordinated services to older persons.

The National Objectives for the elderly set forth in Title I of the Older Americans Act call for action along a broad array of policy and program areas: income, housing, employment, retirement, and health and mental health services, among others. Research aimed at gaining knowledge in support of these objectives encompasses studies of aging processes and the circumstances of older persons; applied research on program intervention techniques to assist

the elderly; and policy analysis focused on the issues, consequences and courses of action involved in accomplishing the objectives of Title I. Approximately $4,000,000 is planned for this activity in FY 1978. This decrease of $800,000 will result in the funding of ten fewer projects than were funded in FY 1977. The FY 1978 request will continue the program in essentially the same pattern as in FY 1976 and FY 1977. The objectives of this program can be accomplished with reduced funds in light of the FY 1977 activity that allowed AoA to support the development of a comprehensive set of research issues that can be investigated systematically over the next several years.

Research, Development and Manpower
Multidisciplinary Centers of Gerontology

	1977 Appropriation	1978 Estimate	Increase or Decrease
Multidisciplinary Centers of Gerontology	$3,800,000	$3,800,000	-------

Funds are made available through project grants to public and private non-profit agencies, organizations and institutions for the purpose of establishing or supporting multidisciplinary centers of gerontology.

Centers are established to:

- recruit and train personnel at the professional and sub-professional levels;
- conduct basic and applied research on work, leisure, and education of older people, living arrangements of older people, social services for older people, the economics of aging, and other related areas;
- provide consultation to public and voluntary organizations with respect to the needs of older people and in planning and developing services for them;
- serve as a repository of information and knowledge with respect to the areas for which is conducts basic and applied research;

- stimulate the incorporation of information on aging into the teaching of biological, behavioral, and social sciences in colleges or universities;

- help to develop training programs on aging in schools of social work, public health, health care administration, education, and in other such schools at colleges and universities; and

- create opportunities for innovative, multidisciplinary efforts in training, research and demonstration projects.

Accomplishments in FY 1977: During FY 1976, and the transition quarter, multidisciplinary centers on gerontology were supported for the first time with an appropriation of $1,000,000 for each budget period. This $2 million supported operational grants to 7 ongoing centers and 13 developmental grants designed to help institutions establish multidisciplinary centers. All of the operational grants were awarded to universities with existing gerontology centers. All but one of the developmental (planning) grants were awarded to universities or colleges. One was awarded to a free standing geriatric institute.

For FY 1977, $3,800,000 appropriated for these centers will enable the Administration on Aging to fund center projects initiated in FY '76 and the transition quarter and to make approximately 15 new grants: 10 for the establishment of new center programs and 5 to support improvement and expansion of on-going centers. The new grants will be limited to center projects of up to two years in duration.

Objectives for FY 1978

A level $3,800,000 budget request for FY 1978 will support further growth of multidisciplinary training, research, and related activities in the field of aging. As in the first two years of the program, multidisciplinary centers of gerontology grantees will be responsible for bringing their research, training, educational, and technical assistance resources to bear directly on the problems facing older persons. These centers will become increasingly effective in working with community care and service agencies, and with the National Network on Aging, to better the lives of older people.

Of the $3,800,000 requested for FY 1978, approximately $2 million will be available for approximately 20 new grant awards: 12 to develop new centers and 8 to strengthen and broaden the aging programs at already well established centers. The remaining $1.8 million will be used for second year costs of center projects begun in FY 1977.

Multipurpose Senior Centers

	1977 Appropriation	1978 Estimated	Increase or Decrease
Multipurpose Senior Centers	$20,000,000	$20,000,000	- - - -

The Title V program provides several ways to help finance the acquisition, renovation or alteration of multipurpose senior center facilities, which can serve as a focal point in communities for the efficient and economical delivery of social services and nutritional services designed primarily for older persons.

Grants for Acquisition, Alternation, or Renovation

Federal funds under Title V, section 501-505, are available to make grants to or contracts with units of general purpose local government or other public or nonprofit private agencies or organizations for paying not to exceed 75% of the costs of acquiring, altering, or renovating existing facilities designed to serve as multipurpose senior centers (including the initial equipment of such facilities).

Mortgage Insurance for Multipurpose Senior Centers

Title V authorizes under section 506 a mortgage insurance program for multipurpose senior centers.

Annual Interest Grants

Section 507 provides for the establishment of an annual interest grant program to assist nonprofit private agencies to reduce the cost of borrowing from other sources for the acquisition, alteration, or renovation of facilities to be used as multipurpose senior centers. The borrower would receive an interest subsidy whereby the Federal government would pay the annual debt service charges in excess of the 3% level. The borrower would pay only 3% interest on its approved loan.

The Title V program fits within the Title III context of development of comprehensive, coordinated service systems. Multipurpose senior centers can be one-stop providers of many of the services needed by older persons, and provide a location for other service providers. Therefore, the need for close coordination between Area Agencies, senior centers, and other service providers is apparent in order to avoid fragmentation.

A secondary benefit of this title is that since most of the funds are spent for building supplies and the salaries of workmen, it generates increased economic activity in addition to providing needed service facilities.

Accomplishments in FY 77: The first commitment of funds under this title took place in the Transition Quarter. $5,000,000 was awarded through 549 grants for senior center facilities.

SUMMARY TABLE

Urban Centers	171
Rural Centers	378
Newly Established	210
Previously Existing	339
Acquisition	23
Alterations & Renovation	457
Equip and Furnish	69

Awards from the FY 77 appropriation of $20,000,000 were expected to be larger since many of the larger projects were not fully developed during the Transition Quarter. Approximately 1,000 awards were expected. In addition, the mortgage insurance and interest grant programs were expected to begin during FY 77.

Objectives for FY 1978: The FY 1978 appropriation is the same $20,000,000 level as FY 1977. This will permit approximately 1,000 grants to be awarded. These grants will support either new centers or the expansion and improvement of existing centers. The mortgage insurance and interest grants will continue.

Particular attention will be placed on multipurpose senior centers becoming part of the Area Plan on Aging in each area, and on the development of services for meeting the needs of the low-income and minority elderly, particularly in rural areas.

Federal Council on Aging

	1977 Appropriation	1978 Estimate	Increase or Decrease
Federal Council on Aging	$575,000	$450,000	-$125,000

The Federal Council on Aging was established by Congress in 1973 to advise the President, the Secretary of DHEW, the Commissioner on Aging and the Congress on matters related to the special needs of older Americans. The Act requires the Federal Council on Aging to:

- Review and evaluate on a continuing basis, Federal policies regarding the aging programs and other activities affecting the lives of older Americans.
- Serve as a spokesman on behalf of older Americans by making recommendations to the President, the Secretary, the Commissioner and to Congress.
- Inform the public about the problems of the elderly, in consultation with the National Clearinghouse on Aging.
- Provide public forums, hearings, conferences, and workshops to discuss and publicize the problems and needs of older Americans.
- Assist the Commissioner on Aging in appraising personnel needs in the field of aging.

Accomplishments in FY 1977: In FY 1976, the Council submitted three major reports to the White House and Congress:

The Impact of the Tax Structure on the Elderly,
The Interrelationships of Benefit Programs for the Elderly, and
A Bicentennial Charter for Older Americans

There were 14 meetings, including one open hearing and one seminar on matters relating to the special needs of older Americans. The three standing Council sub-units are Committees on Senior Services, Economics of Aging and Research and Manpower Needs in the Field of Aging. Major studies continued as a result of the Congressionally mandated studies on the interrelationship of benefit programs and the impact of the tax structure on the elderly.

At any one time, two or more studies were in progress using combined efforts of Council members, staff and additional assistance of consultants through grants or contract process. The studies have generated requests for publications and information which will continue to be served by staff action.

Objectives for FY 1978: By FY 1978 the Federal Council will have completed the major congressionally mandated studies. However, there will be follow up studies which will be smaller in scope, such as the development of options for a more rational set of income-conditioned benefits and services for the elderly.

The Council has continuing responsibilities for assisting the Commissioner in the evaluation of present and future personnel needs for the field of aging. In FY 1977 and 1978 the Council will be giving their attention to health and other manpower needs to serve the elderly.

Funds authorized for the FCA include $320,000 to cover all personnel compensations, benefits and related services for staff of 6 permanent full-time employees, approximately 5 person years for temporary staff and 18 experts and council members. $130,000 will be used for contract efforts for the Council.

National Information and Resource Clearing House for the Aging (SCAN)

	1977 Appropriation	1978 Estimate	Increase or Decrease
National Information and Resources Clearing House	---	$2,000,000	+$2,000,000

The Older Americans Act directs the establishment of a National Information and Resource Clearing House for the Aging which shall:

- collect, analyze, prepare, and disseminate information related to the needs and interest of older persons;

- encourage the establishment of State and local information centers and provide technical assistance to such centers, to assist older persons to have a ready access to information;

- obtain information concerning older persons from public and private agencies and other organizations serving the needs and interest of older persons and furnish, upon request, information to such agencies and organizations including information developed by Federal, State, and local public agencies with respect to programs of such agencies designed to serve the needs and interests of older persons;

- carry out a special program for the collection and dissemination of information relevant to customer interests of older persons in order that such older persons may more readily obtain information concerning goods and services needed by them;

- achieve coordination of activities carried out or assisted by all departments, agencies, and instrumentalities of the Federal Government with respect to the collection, preparation, and dissemination of information relevant to older persons.

Accomplishments in FY 1977: The Administration on Aging has taken a systematic approach to the development of the National Information and Resource Clearinghouse. The initial step was the funding of a survey of potential users and an evaluation of possible models for system development. This study, which included over 300 interviews with potential users, identified a current need for information and potential user volume that justified the need for a system. The study recommended the Educational Resources Information Center (ERIC) of the National Institute on Education as the model best suited for adaptation. A subsequent study identified adaptations of the ERIC model which should be made to fit the volume and cross-disciplinary nature of the field of aging.

Objectives for FY 1978: Three decentralized centers will be established which will, under contract, acquire, index, and abstract new research reports, evaluations, program models, experience exhange materials and other literature in the field of aging. A central processing unit will be established which will, under contract, convert the abstracts to microfiche for

storage and distribution to major users and libraries, issue an Index Journal to identify what is available, and maintain a computerized system for inventory search. This arrangement will allow specialization in the review and abstracting of the rapidly expanding literature on aging (over 4,000 items per year), and a single point of access to promptly and efficiently locate material needed by State and Area Agencies on Aging, other agencies with programs that affect older people, researchers, and the general public.

4. Rehabilitation Services and Facilities

	1977 Estimate	1978 Estimate	Increase or Decrease
A. Basic State Grants	$740,309,000	$760,472,050	$+20,163,050
B. Innovation and Expansion Grants	18,000,000	18,000,000	---
C. Service Projects:			
Section 301 - Construction..	3,600,000	---	-3,600,000
Section 302 - Training Services and Facility Improvement...	7,400,000	7,400,000	---
Section 304 - Special Projects.....	9,500,000	10,527,950	+1,027,950
Section 305 - Helen Keller Deaf/Blind Center.....	2,100,000	2,500,000	+ 400,000
Section 305 - Evaluation....	2,500,000	3,800,000	+1,300,000
Subtotal.....	25,100,000	24,227,950	-872,050
D. Research.....	29,000,000	29,000,000	---
E. Training.....	25,000,000	20,000,000	-5,000,000
Total.....	837,409,000	851,700,000	+14,291,000

General Statement

An amount of $851,700,000 is requested for 1978 to provide services authorized under the Rehabilitation Act of 1973, as amended, to prepare physically and mentally handicapped persons for gainful employment. This amount represents an increase of $14,291,000 above the 1977 appropriation. The increase provides for the full authorized amount for Basic

State grants of $760,000,000, and the continuation of Innovation and Expansion grants and Research at the 1977 Appropriation level. The $20,000,000 increase in the formula grants program is partly offset by a $5,000,000 decrease in training.

The major goal for 1978 is to provide quality vocational rehabilitation services to eligible handicapped individuals which will lead to their maximum participation in gainful employment. In this effort priority will be given to the severely handicapped. This goal will be achieved by:

-- improving the process of outreach, referral, eligibility determination and individualized client planning so that handicapped individuals receive appropriate services;
-- improving the program content and use of physical and mental restoration, vocational training, and other supportive rehabilitation services;
-- increasing the capacity of the State/Federal rehabilitation program to meet the needs of handicapped individuals through national leadership, and the development and utilization of resources and new knowledge.

Basic State Grants

	1977 Estimate	1978 Estimate	Increase or Decrease
Basic State Grants...	$740,309,000	$760,472,050	$+20,163,050

The Basic State Grants program provides 80% Federal matching to State Vocational Rehabilitation agencies for expenditures made by those agencies under approved annual State plans for the provision and administration of vocational rehabilitation services to assist physically and mentally handicapped individuals to become gainfully employed.

Priority goals of the basic Federal-State program, which constitutes the major portion of the rehabilitation program, include the rehabilitation of severely handicapped persons, as well as the substantial upgrading of the level of employment into which handicapped persons are placed.

In addition to the funds requested by the basic support program, funds are available under the Social Security Act to rehabilitate beneficiaries of Social Security Disability Insurance and the Supplemental Security Income Programs. A summation of the Basic State Grants and those Social Security Act funds is as follows:

Budget Data	1977 Estimate	1978 Estimate
Basic State Grants	$740,309,000	$760,472,050
SSDI Program (Trust Funds)	92,332,000	83,099,000
SSI Program	48,933,000	44,040,000
Total	$881,574,000	$877,611,050

Workload Data

Estimated Number of Individuals Served and Rehabilitated

Individuals Served:	1977	1978
Severely Disabled:		
Basic State Grants	782,660	854,246
SSDI (Trust Funds)	70,000	58,900
SSI (Title XVI)	36,100	30,400
Total	888,760 (48%)	943,546 (52%)
Non-Severely Disabled:		
Basic State Grants	955,140 (52%)	864,014 (48%)
GRAND TOTAL	1,843,900 (100%)	1,807,560 (100%)
Individuals Rehabilitated:		
Severely Disabled:		
Basic State Grants	107,245	116,600
SSDI (Trust Funds)	14,483	13,500
SSI (Title XVI)	8,572	8,000
Total	130,300 (44%)	138,100 (48%)
Non-Severely Disabled:		
Basic State Grants	164,700 (56%)	147,900 (52%)
GRAND TOTAL	295,000 (100%)	286,000 (100%)

Accomplishments in 1977

Program activity in 1977 is directed toward overall improvement in management of the State/Federal vocational rehabilitation program, with heavy emphasis placed on rehabilitation of the severely handicapped. It is estimated that the $740,309,000 for the Basic State Grants program plus the $141,265,000 provided from Social Security Trust Funds and the Supplemental Security Income program will enable States to serve approximately 1,843,900 handicapped individuals, of which 48 percent will be severely disabled. This is an increase of 5 percent over the number of severely disabled served in 1976. An estimated 295,000 individuals will be rehabilitated, including 130,300 or 44 percent who are severely disabled. The percent of severely disabled rehabilitations in 1977 represents a growth of 6 percent over the 1976 level.

1978 Objectives

The $760,472,050 requested is $20,163,050 over the amount appropriated in 1977. The additional funds requested will be used to cover increased costs for State operations and health services, and development of capability to serve greater numbers of severely disabled.

In 1978, the $760,472,050 for the Basic State Grants program plus $127,139,000 available under the Social Security Act will enable the States to serve approximately 1,807,560 and rehabilitate 286,000 handicapped persons. The 286,000 rehabilitated will include 138,100 severely handicapped individuals, or 48 percent of the total. The program will continue to place priority on the rehabilitation of severely handicapped persons and on upgrading the level of employment into which handicapped persons are placed.

As reflected in the following table, in fiscal year 1978 placements in industrial occupations will continue to be the most common types of placements, although a 1.9 percent decrease is projected. Roughly 20 percent of all rehabilitated clients will be engaged in service occupations, which comprises the second largest occupational grouping. The increase in placement in homemaking is partly the results of the emphasis placed on rehabilitating the severely disabled, who are harder to place in competitive employment.

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ESTIMATED PERCENTAGE DISTRIBUTION OF REHABILITATIONS BY OCCUPATION

OCCUPATION AT CLOSURE	FY 1977 Estimate	FY 1978 Estimate
Professional, technical, managerial	12.7%	13.3%
Clerical	10.4	10.2
Sales	3.9	3.8
Service	20.3	20.3
Agriculture	3.1	3.1
Industrial	27.5	25.6
Skilled	(9.0)	(8.9)
Semi-skilled	(2.9)	(2.7)
Unskilled	(15.5)	(13.9)
Homemakers	17.8	19.1
Unpaid family workers	1.3	1.3
Others	3.0	3.3
Total	100.0%	100.0%

At the time of closure the estimated mean earnings of all clients will be more than four times greater than their income at time of referral. The mean earnings of clients with earning at referral is estimated to increase by 22% at closure.

MEAN WEEKLY EARNINGS OF REHABILITANTS	1977 AT REFERRAL	1977 AT CLOSURE	1978 AT REFERRAL	1978 AT CLOSURE
All clients reporting	$17.72	$ 94.68	$ 18.80	$ 98.95
Clients with earnings only	$94.84	$116.60	$101.36	$123.40

Program activity during FY 1978 will continue to focus on improving the management of the State/Federal vocational rehabilitation program. Studies have revealed that services have been provided to ineligible persons. In many instances, services were not provided in a timely manner resulting in cases being closed not-rehabilitated; or in placement in positions lower than the true potential of clients. In some cases the efforts of the program were limited and not long-lasting. The quality and extent of post-employment services varied widely among State agencies, from effective to almost non-existent. During 1977 and continuing in 1978, intensive efforts will be made to correct these deficiencies. A major step toward this

end will be the establishment of performance standards for use by the States in evaluating and measuring State agency performance against national norms. These performance standards are essential for a State's use in measuring progress, identifying problems, and taking appropriate action to refine its system or other action that will result in substantial programmatic improvements. The Rehabilitation Services Administration will work closely with the States in this effort.

Innovation and Expansion Grants

	1977 Estimate	1978 Estimate	Increase or Decrease
Innovation and Expansion...	$17,000,000	$17,000,000	---
Comprehensive Service Needs Study.....	1,000,000	1,000,000	---
Total.....	$18,000,000	$18,000,000	---

Innovation and Expansion Grants are authorized under Section 120 of the Rehabilitation Act for the purpose of planning, preparing for, and initiating special programs under the State Plan for expansion or vocational rehabilitation services. Included are programs to initiate or expand such services to classes of individuals who have unusual or difficult problems in connection with their rehabilitation into employment. This grant mechanism also affords the State rehabilitation agencies, with cooperating non-profit agencies and organizations, a unique opportunity to develop projects for serving those handicapped persons who are underserved, or unserved by the State rehabilitation agencies.

Accomplishments in 1977

In 1977 the Innovation and Expansion Program is making significant progress in decreasing State rehabilitation agency delays in serving specific groups of severely disabled individuals through new and innovative programs and projects that can be readily utilized by the agencies. The program also is furnishing a viable base for testing creative or expansive approaches for rehabilitation of the severely disabled, without disrupting the basic support program under Section 110 of the Act.

1978 Objectives

New projects will broaden the scope of services to the more severely disabled by introducing new methods and techniques in service delivery and by expanding services to reach additional severely disabled individuals. The Secretary, through the Commissioner of Rehabilitation Services Administration, will require up to 50% of each State's allotment to be expended in connection with only such projects which have first been approved by him.

Workload Data for Fiscal Years 1977 and 1978 is shown below:

	1977 Estimate	1978 Estimate
Number Continuation Projects.....	300	200
Number New Starts.....	---	100
Total.....	300	300

Comprehensive Service Needs - Research and Demonstration: As a vital link to the evaluation aspect of the Innovation and Expansion Program, the Comprehensive Service Needs Study authorized by Section 130 of the Rehabilitation Act of 1973 mandates that the Secretary conduct a comprehensive study including research and demonstration projects for the feasibility of methods designed (1) to prepare individuals with the most severe handicaps for entry into programs under the Act who would not otherwise be eligible to enter such programs due to the severity of their handicap, and (2) to assist individuals with the most severe handicaps who, due to the severity of their handicaps or other factors such as their age, cannot reasonably be expected to be rehabilitated for employment, but for whom a program of rehabilitation could improve their ability to live independently or function normally within their family and community.

Seven initial grants were awarded in 1974 for demonstration and evaluation of innovative services to persons with most severe handicaps for whom a vocational objective may not be reasible, or attainable. These grants have project periods of five years. It is expected that when these grants are completed in 1978 they will provide the rehabilitation field with significant new knowledge on service delivery, rehabilitation techniques, and individualized client needs, among a wide range of problem areas not previously investigated.

Service Projects

	1977 Estimate	1978 Estimate	Increase or Decrease
Client Assistance.....	$ 1,000,000	$ 1,000,000	---
Training Services and Facility Improvement...	7,400,000	7,400,000	---
Migratory Workers.....	530,000	1,530,000	+1,000,000
Projects with Industry...	3,619,000	3,000,000	-619,000
Technical Assistance.....	252,000	250,000	-2,000
National Center for Deaf/ Blind Youths and Adults	2,100,000	2,500,000	+400,000
Special Projects for Severely Disabled.....	4,099,000	4,747,950	+648,950
Construction of Facilities.....	3,600,000	---	-3,600,000
Evaluation.....	2,500,000	3,800,000	+1,300,000
Total.....	25,100,000	24,227,950	-872,050

Service projects are intended to provide the resources for specialized programs, services, studies and activities which are not fulfilled through the basic State/Federal program. The purpose of these projects is to:

-- initiate services to groups of severely disabled who have been underserved in the past;
-- develop methods of applying advanced technology to solve rehabilitation problems;
-- promote and expand employment opportunities for handicapped persons;
-- provide assistance in the construction and improvement of rehabilitation facilities;
-- initiate services for the most severely disabled who have not yet been accepted into the system of vocational rehabilitation;
-- to develop and cultivate the private non-profit facilities which, by and large, provide the setting for the rehabilitation process; and
-- create the job market that will ultimately enhance the employment potential of handicapped clients.

The 1978 request of $24,227,950 for service projects is a $872,050 decrease from the 1977 level. A decrease due to non-recurring construction of facilities is partially offset by increases in other program areas.

Client Assistance Projects

Client assistance projects provide ombudsmen to work directly with handicapped clients or applicants of State agencies on their need for services or their problems with the service system in defined areas. No less than seven nor more than twenty geographically disbursed projects are authorized.

An annual progress report by each project will be summarized for Congress. These are expected to point up needed changes in the service delivery system in the project areas and assist certain clients to return to the program in order to achieve better outcomes if possible.

Workload data for fiscal years 1977 and 1978 is shown below:

	1977 Estimate	1978 Estimate
Client Assistance Projects.....	$1,000,000	$1,000,000
Number Continuation Projects.....	19	8
Number New Starts.....	0	11
Total.....	19	19
Number of People Served.....	3,800	3,800

Preliminary impact studies indicate that both clients and agency administrators are appreciative of this ombudsman approach to service delivery problems. Impact is measured by a variety of outcomes such as changes or adjustments in the service delivery system; changes in attitudes about services which will be provided to individuals; resolutions of complaints; and better interagency understanding of available services.

Training Services and Facility Improvement

Vocational Training Services Grants (Section 302(b)) are designed to train handicapped individuals, especially those severely disabled, in occupational skills within a rehabilitation facility. Among the services provided are: work evaluation, work testing and specific job training. Vocational Training Services include provision of occupational tools and equipment, weekly training allowances and other support which will permit individuals to engage in suitable employment. Facility Improvement Grants - Section 302(c) awards are made to rehabilitation facilities

to enable them to improve their management effectiveness and services. Facilities are expected to increase their support each year and sustain the full cost of the improvement at the end of the Federal support period. Facility Improvement grant funds are used primarily for the employment of additional professional and technical personnel and for the purchase of specialized equipment. Approximately 65% of funds are for personnel and 25% for equipment, with the balance for miscellaneous improvements.

Regulations limit Training Services and Facility Improvement grants to a three-year period, however, about one-third of Facility Improvement grants are for equipment and thus for a one-year period. It is estimated that the average duration of these grants is about 2 1/2 years.

Workload data for 1977 and 1978 is as follows:

	1977 Estimate	1978 Estimate
Vocational Training Services		
Projects	$5,000,000	$5,000,000
Number Continuation Projects	30	35
Number New Starts	10	5
Total	40	40
Number of People Trained	4,000	4,000
Facility Improvement Projects	$2,400,000	$2,400,000
Number of Grants	55	55

During 1978, Vocational Training Service projects will serve severely handicapped individuals in a number of different occupational areas. Included are automobile mechanics, data processing, building maintenance, and nurses aides.

In addition, Facility Improvement grants will continue to enable facilities to increase their capability of providing service to State agency clients.

Projects for Handicapped Migratory and Seasonal Farm Workers

Section 304(c) of the Rehabilitation Act authorizes projects to expand and improve vocational rehabilitation services for handicapped migratory agricultural workers and seasonal farm workers. These groups, consisting primarily of Blacks, Chicanos,

Puerto Ricans and Native Americans, have an incidence of physical and mental impairments estimated at three times that of the general population in the Unites States. State rehabilitation agencies must contend with multiple problems, including the high mobility of migrant workers, in serving these disabled and disadvantaged individuals.

The average duration of these grants is three years. The entire range of rehabilitation serivces is provided for handicapped migratory agricultural workers and seasonal farm workers. These services include counseling, evaluation, work adjustment, medical and related services, as well as prosthetic appliances. The increase in funding reflects a shift in resources to this priority effort. Program data for fiscal years 1977 and 1978 is as follows:

	1977 Estimate	1978 Estimate
Migrant Workers	$530,000	$1,530,000
Number Continuation Projects	0	8
Number New Starts	8	4
Total	8	12
Number Served	650	1,100
Number Rehabilitated	100	300

The FY 1978 increase of $1,000,000 will allow for the continuation of eight projects and the funding of four new projects in regions not presently served.

Projects With Industry

The Projects with Industry program is an employment-rehabilitation model that demonstrates how private industry can contribute significantly to the rehabilitation and employment of severely disabled individuals. Private industry is a new significant dimension to the rehabilitation process in that it has become actively involved in training and employment. More than 500 private industries, including such corporate giants as IBM, Sears and Roebuck, General Electric, and others are associated with the projects funded under this program. The funding for these projects is 90% Federal and 10% other resources. The average duration of a grant is three years. Information regarding the number of projects and people served in both fiscal years 1977 and 1978 is as follows:

	1977 Estimate	1978 Estimate
Projects With Industry	$3,619,000	$3,000,000
Number Continuation Projects	6	21
Number New Starts	21	0
Total	27	21
Number of People Served	5,000	4,500
Number of People Placed in Employment	3,300	3,000

In 1977 this program will be expanded by establishing projects in the western half of the nation and to fund projects of national significance, incorporating new methods and approaches designed to increase participation and involvement of private industry.

In 1978 the new initiatives begun in FY 1977 will be continued. Projects will be in operation serving a total of 4,500 clients of which 3,000 will be placed into competitive industry. The decrease results from decisions to fund higher priorities in 1978.

Technical Assistance

Technical Assistance has provided skilled professional consultant services on a short-term basis to rehabilitation facilities for the past several years. Any part of the operation of a rehabilitation facility is eligible for consultation from administration through program and production. More than 300 experts are available on personal service contracts to provide consultative services either as an individual or as part of a team when requested by a rehabilitation facility. The average consultation is of 13 days duration.

Consultations are being provided in a variety of areas including program, general services, safety, accounting, and on the removal of architectural barriers. Federal funds pay the entire cost of such consultations. The average cost per consultation is $500. It is estimated that the $252,000 in 1977 and $250,000 in 1978 will provide 500 consultations in each year.

National Center for Deaf/Blind Youths and Adults

In the Helen Keller National Center for Deaf/Blind Youths and Adults there are three major responsibilities: (1) to provide a full range of training services for the most severely

disabled and disadvantaged deaf/blind persons in the Nation; (2) to train workers employed by State agencies and local facilities to communicate with deaf/blind persons and their families and thus provide counseling services to these persons as required; and (3) to conduct extensive research to develop training techniques, innovative social services, and special communicative devices to be used by deaf/blind persons as aids to employment.

In 1977 the Center, located on Long Island, New York, is fully operational. Extensive efforts are currently underway to develop an accurate register of deaf/blind individuals in the country. Preliminary estimates indicate that there are approximately 15,000 deaf/blind children, youths and adults. Of the 10,000 who are of an age which would make them eligible for vocational rehabilitation services, many have additional severe disabilities which would make training for employment or for independent living difficult, if not impossible. A more accurate projection of those who can profit from the services either at the National Center or local rehablitation facilities is 5,000 to 7,000.

The 1978 request of $2,500,000 will provide services to 650 deaf-blind individuals. One hundred fifty will receive intensive services in the Center which will include full diagnosis of adjustment needs for each individual, training in communication skills, training in the management of daily living demands for individuals without sight or hearing, training in orientation and mobility, vocational evaluation, pre-vocational preparation when indicated, and assistance in the planning and conduct of individualized selective placement efforts.

Special Projects for the Severely Handicapped

Section 304(b)(1) of the Rehabilitation Act authorizes grants to expand or improve rehabilitation services for severely handicapped groups. The older blind, the spinal-cord injured, and the deaf who have been unable to achieve their maximum vocational potential are examples of target populations under this authority. Program data for Fiscal Years 1977 and 1978 is as follows:

	1977 Estimate			1978 Estimate		
	Projects Cont.	New	Number Rehabs.	Projects Cont.	New	Number Rehabs.
Older Blind.....	4	2	350	4	2	350
Underachieving Deaf.	4	2	125	6	2	200
Regional Spinal Cord Systems.....	10	-	400	10	-	400
Mentally Ill.....	-	2	70	2	3	140
Homebound.....	-	1	25	1	1	30
Multiple Sclerosis..	-	-	-	-	1	25
Total.....	18	7	970	23	9	1,145

The 1978 request of $5,000,000 is an increase of $901,000 over 1977. During 1977 and 1978, the program will be expanded to include projects for the severely handicapped mentally ill, homebound, and those with multiple sclerosis.

During 1978 the program will support:

-- 10 regional spinal cord injury systems ($2,500,000)
-- 6 projects for the Older Blind ($604,000)
-- 8 projects for Underachieving Deaf ($804,000)
-- 5 projects for the mentally ill ($618,000)
-- 2 project for the homebound ($134,950)
-- 1 project for multiple sclerosis ($87,000).

Construction of Facilities

Section 301(b) of the Rehabilitation Act provides for grants to assist in meeting the cost of construction of public or non-profit rehabilitation facilities. Under Section 301(d), grants may be made to assist in meeting the costs of planning the construction and development of these facilities.

In fiscal year 1977, $3,600,000 was appropriated for construction of comprehensive rehabilitation facilities in Georgia and Pennsylvania. These funds together with local support will initiate the development of a coordinated system of medical, psychological and vocational services to disabled individuals. No funds have been requested in 1978 in order to provide for funding in other priority areas of the rehabilitation program.

Evaluation

The Rehabilitation Act of 1973, as amended, includes the requirement to "measure and evaluate the impact of all programs authorized by the Act, in order to determine their effectiveness in achieving stated goals in general, and in relation to their cost, their impact on related programs, and their structure and mechanisms for delivery of services..."

The basic purpose of program evaluation in RSA is to: (a) provide a systematic approach for studying the impact, effectiveness, and efficiency of State agency operations; (b) use information gained from evaluations for the purpose of policy planning and program management; (c) develop a process of technical assistance to State agencies found to be deficient in service delivery operations; and (d) provide an opportunity for increasing the capacity of States to conduct evaluations of their own operations. Program data for fiscal years 1977 and 1978 is shown below:

	1977 Estimate	1978 Estimate
Evaluation	$2,500,000	$3,800,000
Number Continuation Awards	5	7
Number New Starts	15	23
Total	20	30

During 1978, the program will:

-- support efforts to improve the vocational rehabilitation evaluation standards by relating them to State and Federal program objectives and essential areas not covered by the present standards. ($600,000)
-- Develop mechanisms for abstracting evaluation information from the Rehabilitation Services Administration data sources. ($200,000)
-- Develop means for evaluating program operations of vocational rehabilitation facilities and their impact upon the severely disabled through data annually reported to the Rehabilitation Services Administration. ($450,000)
-- Develop evaluative measures which will permit analysis of rehabilitation program benefits and their utility other than employment. ($200,000)

-- Build increased capacity on the part of States and related private agencies for adequate evaluation capacity. ($500,000)
-- Evaluate the contributions of the various support services in the vocational rehabilitation program such as Training, Special Projects, Research, and services to Special Groups. (500,000)
-- Evaluate formula grant program activities. ($400,000)
-- Other priority projects. ($ 950,000)

The increase in funding from 1977 to 1978 reflects the rehabilitation services priorities for improving program content, eligibility determination, client planning, and other areas.

Research

	1977 Estimate	1978 Estimate	Increase or Decrease
Research and Training Centers	$12,700,000	$12,700,000	---
Rehabilitation Engineering	7,250,000	7,250,000	---
Other Research	8,950,000	8,950,000	---
International Research	100,000	100,000	---
Total	$29,000,000	$29,000,000	---

Rehabilitation research is working to improve linkages between the service provider, the professional workers, and the researcher so that improvements may be incorporated into the service delivery system as quickly as possible.

A wide range of activities are provided for--investigations into the nature of disability and restorative techniques, studies and analyses of various factors affecting rehabilitation, homebound and institutionalized, and architectural and engineering design adapted to special needs of the disabled--to increase knowledge and improve methods in rehabilitation. In addition, certain "institutional" programs are provided: research and training centers, rehabilitation engineering centers, spinal cord injury research, end-stage renal disease research, and international research. One-quarter of appropriated funds are devoted to the rehabilitation engineering program in keeping with the provisions of Section 201(a)(1) of the Rehabilitation Act.

The Research and Demonstrations Program in RSA has influenced the legal base of the Vocational Rehabilitation Program. Examples of this may be seen in the expansion of services to the disabled to include follow-up and follow-along services to family members, the creation of the Helen Keller Center for Deaf-Blind Youths and Adults, and special projects' provisions for the spinal cord injured and the underachieving deaf. Practice in the vocational rehabilitation program has also seen the impact of the research program in such areas as: closer working relationships between special education and vocational rehabilitation in the rehabilitation of disabled youth, increased emphasis on services to the mentally retarded and the mentally ill, the development of programs for overcoming architectural barriers, broader utilization of the team approach in rehabilitation, the introduction of in-depth counseling to the disabled, and the analysis of cost and benefits in the program. In the more recent past, there has been the development of methods and techniques to enhance the employability and continuing vocational adjustment of the severely disabled, which facilitates the new program priority to the severely disabled.

Accomplishments in 1977

In 1977 an increased funding level allowed RSA to provide additional funding to Research and Training Centers. Vocationally oriented centers will be able to expand their research activities as well as increase technical assistance and training activities in support of the State-Federal Program. Increases for other centers will offset the cost of inflation and rising overhead costs. Spinal cord injury research started in 1976 will be continued and new projects will be initiated to study medical complications and the psycho-social and vocational potential of individuals. Additional funds provided for Rehabilitation Engineering will provide for growth in existing centers. Other priority research includes studies in end-stage renal disease, and vocational rehabilitation-special education interface.

1978 Objectives

In 1978 research will work to increase the number and kinds of jobs available to the severely disabled; develop methods to improve the management of the VR System; develop methods to increase consumer involvement; maximize social, vocational and economic independence of severely handicapped persons; utilize technology to maximize functional capabilities of the severely disabled; develop new and improved methods of getting results of research into practice; and increase the capacity of the State-Federal voluntary system to meet the rehabilitation needs of the severely disabled.

The $29,000,000 requested in FY 1978 will continue the rehabilitation research program at the FY 1977 level. Efforts will continue to be directed toward funding projects relative to: (1) end-stage renal disease, including both medical and psycho-social aspects of successful rehabilitation; (2) spinal cord injury, especially in the prevention and treatment of costly and debilitating complications, new methods of self-care, and alternative living arrangements; (3) rehabilitation engineering (25%), with some emphasis on the man-machine interface and on marketing/production of devices; and (4) international aspects of research, including a domestic center to assist in coordinating information.

Seen below are estimates by areas of "other research" ($8,950,000) FY 1977 and FY 1978:

	In Thousands	
	FY 1977	FY 1978
Universe of Needs	$ 100	---
Selection and Rehabilitation Planning	200	$ 200
Rehabilitation General	805	750
Spinal Cord Injury	1,600	1,600
Cardiovascular Disease	1,010	960
Pulmonary Disease	475	475
Sensory Disabilities	665	580
End Stage Renal	315	420
Mental Illness	300	---
Vocational Training	180	555
Employment	500	610
Capacity Building	2,800	2,800
Total	$8,950	$8,950

Training

	1977 Estimate	1978 Estimate	Increase or Decrease
Long-Term Training...	$22,600,000	$18,750,000	$-3,850,000
Short-Term Training..	2,250,000	1,150,000	-1,100,000
Research Fellowships.	150,000	100,000	-50,000
Total.....	$25,000,000	$20,000,000	$-5,000,000
(Total Program Level).....	(25,000,000)	(25,000,000)	(---)

Rehabilitation training grants are made to increase the number of rehabilitation personnel qualified to provide vocational rehabilitation services to handicapped individuals, especially those with the most severe handicaps and to improve and maintain the skills of employed rehabilitation personnel. Included are: (1) long-term training grants which provide institutional and traineeship support in a broad range of rehabilitation disciplines and areas of professional practice; (2) experimental or innovative training projects designed to train new types of rehabilitation manpower or develop innovative training methodologies; (3) short-term training courses related to technical aspects of vocational rehabilitation service delivery; (4) in-service training grants for the staff development of State vocational rehabilitation agency employees; and (5) continuing education programs to upgrade the skills of new and experienced rehabilitation workers in both the public and private rehabilitation sectors. Approximately 9,000 persons were assisted under the program during the 1975-1976 academic year.

1977 Accomplishments

In 1977, $25 million was appropriated for training activities. Of the $25 million, $14,500,000 will be used along with $11,050,000 appropriated during the transition quarter to support a $25 million program level in 1977.

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Academic Year	Transition Quarter	FY 1977	Total Program Level
1976-1977	$11,050,000 1/	$14,500,000	$25,550,000
1977-1978	---	10,500,000	2/
Total appropriated	11,050,000 1/	25,000,000	

1/ Includes $5,550,000 appropriated for training and $5,500,000 reprogramming.
2/ Total program level in 1978 will be $25 million.

Priority attention was directed to training activities directly supporting the service objectives of the State vocational rehabilitation agencies and covered such areas as program evaluation and planning, program and financial management, job placement, and client advocacy and self-help. In-service and continuing education programs focused on improved outreach, referral, eligibility determination, individualized client planning, and improving physical and mental restoration and vocational training services.

1978 Objectives

The $20,000,000 requested in FY 1978 will maintain the 1977 program level of $25,000,000. It will also provide $5,500,000 to partially fund continuation projects for academic year 1978-1979 which need to be refunded during July, August and September of 1978.

Academic Year	Transition Quarter	FY 1977	FY 1978	Total Program Level
1976-1977	$11,050,000 1/	$14,500,000	---	$25,550,000
1977-1978	---	10,500,000	$14,500,000	25,000,000
1978-1979	---	---	5,500,000	2/
Total appropriated	-1,050,000	25,000,000	20,000,000	

In 1978 priority emphasis in long-term training will be directed toward the training of rehablitation counselors, physicians, facility personnel and other professional workers in skills with working with groups of severely disabled persons with special rehabilitation problems such as the blind and the deaf. It is estimated that 430 long-term training projects will be supported.

Support for students enrolled in programs at the undergraduate level will be phased out as general student aid in the Office of Education continues to provide undergraduate support.

5. Developmental Disabilities

	1977 Appropriation	1978 Estimate	Increase or Decrease
State grants.....	$33,058,000	$33,058,000	---
Special projects.....	19,617,000	19,567,000	-$ 50,000
University affiliated facilities.....	5,250,000	5,500,000	+$250,000
Total.....	$57,925,000	58,125,000	+$200,000

General Statement

The 1978 request will provide an increase of $250,000 for the university affiliated facilities activity. Of this amount, $50,000 is a shift from the special projects activity, and $200,000 is requested to restore the program to the 1977 appropriation level prior to reprogramming.

The Developmentally Disabled Assistance and Bill of Rights Act (P.L. 94-103), which became law in October 1975, broadens the definition of developmental disabilities and the strategies for strengthening services and safeguarding individual rights.

The Act authorizes grants for the purposes of: developing and implementing comprehensive and continuing plans for a system of services; providing services to developmentally disabled persons; construction to house services; training specialized personnel to provide services and conduct research; developing or demonstrating new or improved techniques for service delivery; demonstration and training grants; and assisting university affiliated facilities with the costs of their demonstration facilities and interdisciplinary training programs.

In addition, the Act provides for a mechanism to establish and protect the rights of persons with developmental disabilities and to assure that they obtain quality services needed for maximum development - physically, psychologically, and socially.

State Grants

	1977 Appropriation	1978 Estimate	Increase or Decrease
State grants:			
Basic State grants	$30,058,000	$30,058,000	---
Advocacy grants...	3,000,000	3,000,000	---
Total.....	33,058,000	33,058,000	---

Basic State grants are awarded to strengthen existing services to persons with developmental disabilities by providing financial assistance to designated State agencies through State planning councils. In order to receive Federal assistance under the Act, States are required to submit a plan that sets forth priorities, policies, and procedures for the expenditure of grant funds. On the basis of the plan, funds are allocated to support planning, administrative costs, construction of facilities, and delivery of services through both nonprofit private and public agencies serving the developmentally disabled.

One of the major thrusts of the formula grant program is the development of comprehensive plans for delivery of services. The plan must include all the developmental disabilities to be served and must provide for technical assistance to poverty areas. This planning is a continuing process reaching all levels for adequate administration of the program as well as service delivery. Services are those specialized services or special adaptation of basic services directed toward the alleviation of a developmental disability or toward the social, personal, physical, or economic habilitation of an individual affected by such a disability.

State grants are also awarded for establishing a protection and advocacy system. This system must be instituted by October 1, 1977, in order for the States to continue to receive their allotments under the basic formula grant program.

Accomplishments in FY 1977: The law states that in FY 1977, at least 30 percent of the total allotment to a State must be utilized for developing and implementing plans designed to eliminate institutionalization. With this mandate, the States planned for the development and implementation of methods to eliminate inappropriate institutionalization of persons with developmental disabilities.

Funds provided to the States in FY 1976 made possible the determination of the most advantageous location and structure of the protection and advocacy system. In FY 1977, criteria, procedures, and schedules for monitoring State protection and advocacy agencies were developed. Standards of performance were developed that meet the requirements for independence and freedom from conflict of interest with developmental disabilities service providers.

Objectives for FY 1978: In accordance with the 1975 amendments to the law, the State plan must specify how the State will direct resources for implementation of alternatives to institutionalization, the inclusion of services for autism, and the installation of both an evaluation system and a system for the protection

and advocacy of individual rights. These mandates will incorporate major changes in the previous utilization of formula grant funds as the State Councils, in the past, had directed a major share of their allotments to the support of small diverse service delivery programs.

The primary objective in FY 1978 is to help the States carry out their new responsibilities under the 1975 amendments, and to increase the provision of quality services to persons with developmental disabilities. The States will also provide services to autistic persons as developmentally disabled and increase emphasis on deinstitutionalization by community alternative placement or other feasible living arrangements. The program will carry out other new legislative requirements such as planning for implementing the mandated evaluation system to be in place by FY 1979; designing individualized habilitation plans; and increasing the focus on urban and rural poverty areas.

Distribution of Funds

	Estimate 1977	Estimate 1978
Planning	$ 9,330,000	$ 8,830,000
Administration	2,640,000	3,140,000
Services	17,718,000	17,718,000
Construction	370,000	370,000
Total	30,058,000	30,058,000

The requirement of allocating 30 percent of the State allotment to deinstitutionalization is not reflected separately in the above table as all categories are affected in varying amounts.

The initial problems of a more systematic planning process would be reduced in FY 1978, whereas the increased emphasis on monitoring and evaluation responsibilities would cause an increase in administration. The requirement for monitoring the implementation of habilitation plan requirements would further add to the costs for administration.

Special Projects

	1977 Appropriation	1978 Estimate	Increase or Decrease
Special projects:			
Project grants....	13,851,000	$13,801,000	-$ 50,000
Projects of national significance.....	4,695,000	4,695,000	---
Program evaluation and special studies.....	1,071,000	1,071,000	---
Total.....	19,617,000	19,567,000	-$ 50,000

The Special Projects Activity is being decreased by $50,000 in order to provide more adequate funding for the university affiliated facilities program. The decrease in special projects will eliminate only those service delivery oriented projects which reach an extremely small segment of the developmentally disabled population.

Special project grants are made to public and nonprofit organizations for the purposes of: providing technical assistance; training of specialized personnel; demonstrating established programs which hold promise of improving services; eliminating attitudinal and environmental barriers through public awareness and public education; coordinating available community resources; demonstrating services to persons with developmental disabilities who are economically disadvantaged; improving techniques in the development of services; improving the quality of such services; and gathering and disseminating information.

Of the amount available for special projects, not less than 25 percent must be used for projects of national significance, including projects to assist States in developing and implementing a comprehensive effort to extend and improve programs serving developmentally disabled persons. They are directed toward the national goals of assisting State Councils to plan more effectively; of providing access to an information base with a system to continually update this information; and of providing methods to fill gaps in improved quality of service delivery and the services themselves.

Included in this activity is the support for program evaluation. This evaluation is essential to maintaining the level of effectiveness of the administration of the programs for the developmentally disabled by the Developmental Disabilities Office. Also included are funds to complete three legislatively mandated studies.

Accomplishments in FY 1977: In 1977, $200,000 of the $19,817,000 appropriated for this activity was reprogrammed to support the Architectural and Transportation Barriers Compliance Board. This $200,000 has been restored in the 1978 budget request to provide additional support for the university affiliated facilities activity. As a result of this reprogramming action, $19,617,000 was available for special projects in 1977. Of this amount, $9,016,343 supported the continuation of approximately 159 special project grants. The balance of $4,834,657 supported 48 new special project grants at an average cost of about $100,000. These grants were primarily for technical assistance and training as well as deinstitutionalization techniques for developmentally disabled clients and the improvement of management and planning capabilities of State Advisory Councils.

In FY 1977, 25 grants for projects of national significance awarded in FY 1976 were continued. These include grants for providing technical assistance, advocacy projects, assisting the aged developmentally disabled, deinstitutionalization projects, service delivery improvement, and training. Six new grants were awarded.

Of the three mandated studies, the report on the conditions of persons to be included as developmentally disabled eligible to receive assistance under the Act will be completed by the end of FY 1977. The other two special studies, the comprehensive system for the evaluation of services and the development of standards and quality assurance mechanisms will be finalized in FY 1978.

Objectives for FY 1978:

	1977		1978	
	No. of Grants	Amount	No. of Grants	Amount
Project grants	207	$13,851,000	152	$13,801,000
Projects of national significance	31	4,695,000	31	4,695,000
Special studies	3	500,000	2	500,000
Evaluation	3	571,000	3	571,000
Total	244	$19,617,000	188	19,567,000

The $19,567,000 requested for the Special Projects Activity reflects a decrease of $50,000 from the FY 1977 level. The reduction for these project grants reflects the basic policy change for providing more assistance to the university affiliated facilities.

In FY 1978, grants will emphasize the provision of technical assistance and training. Other areas of support will include project grants for developing methods directed toward deinstitutionalization and improving local capabilities for providing services. Continuations will include demonstrations of improved service delivery, special living arrangements, sheltered workshops, and habilitation projects. There will be approximately 102 continuations and about 50 new projects.

In FY 1978, the $4,695,000 will provide increased support for the continuation of the major projects of national significance awarded in FY 1976 and FY 1977.

During FY 1978, the remaining two mandated special studies will be completed. These studies are concerned with the development of a comprehensive system for the evaluation of services provided to developmentally disabled persons, and the review and evaluation of the standards and quality assurance mechanisms applicable to residential facilities and community agencies.

Program evaluation activities (an amount not to exceed one percent of the funds appropriated) will continue efforts toward evaluating the effectiveness of all developmental disability activities administered by the Developmental Disabilities Office.

University Affiliated Facilities

	1977 Appropriation	1978 Estimate	Increase or Decrease
University affiliated facilities:			
Project grants...	$5,000,000	$5,500,000	+$500,000
Feasibility studies.....	250,000	---	-250,000
Total.....	5,250,000	5,500,000	+250,000

The University Affiliated Facilities Activity will be increased by $250,000 in order to fund the existing facilities at an adequate level of support.

Grants are made to university affiliated facilities to assist them in meeting the cost of operating demonstration facilities for the provision of services for persons with developmental disabilities and for interdisciplinary training of specialized personnel.

Currently there are 37 university affiliated facilities located in 29 States and the District of Columbia. Most of these are oriented toward training and services concerned with maternal/child health, since those Federal and State programs are the chief continuing sponsors. The disciplines attracted to these facilities are therefore primarily child health oriented, and the end product is toward producing trained manpower and services for those disciplines. The current goal seeks to broaden the scope and mission to ensure that the facilities become more supportive of and responsive to State Councils and agencies concerned with those who are developmentally disabled, regardless of age groups.

Accomplishments in FY 1977: In FY 1977, most of the existing 37 university affiliated facilities received increased funding. This allowed for approximately 69,500 post graduate and graduate students to receive short-term, non-degree oriented training. This training will be directed toward demonstrations of individual and group services, new techniques and concepts in service delivery and research related to services provided.

In addition, ten feasibility studies were conducted to determine the need for and location of satellite centers to provide services to the developmentally disabled. The law stipulates that a feasibility study must be conducted prior to the establishment of any satellite center. These studies are estimated to cost $25,000 each.

In FY 1977, a data base information system was established which includes data on services, training, research, technical assistance, and community outreach. A training capacity in these university affiliated facilities was initiated which used the university structures to assist State Councils and administering agencies in planning information and data systems to better serve their target populations.

Objectives for FY 1978: An increase of $500,000 is requested for increased financial support to the existing university affiliated facilities and start-up costs for two to three new facilities. These facilities will be located in areas of greatest demonstrated need as indicated in studies to determine this need.

With facilities located in only 29 States and the District of Columbia, it is difficult for some of the developmentally disabled population to receive services. By expanding the existing capacity of current facilities and locating new ones in areas easier to reach by the developmentally disabled, not only will more persons be served by the training capability and demonstration techniques will be broadened and extended to more student/trainees.

The ten feasibility studies for the satellite center program started in FY 1977 will be completed in FY 1978. No new studies are contemplated for FY 1978. The Developmental Disabilities Office intends to analyze the results of these one-time studies and this analysis will assist in making decisions about the future direction of the satellite program.

6. Special Programs for Native Americans

	1977 Appropriation	1978 Estimate	Increase or Decrease
Special Programs for Native Americans....	$33,000,000	$33,000,000	-0-

General Statement

The purpose of the Native American Programs Act of 1974 is to promote the goal of economic and social self-sufficiency for Native Americans while recognizing the special and complex relationship existing between the Federal government and Indian people and the issues and conditions unique to this vulnerable target group. The Act authorizes direct project grant funding of Native American tribes, Alaskan regional corporations and villages, organizations serving Native Hawaiians, urban Indian organizations and historical Indian communities.

The Office of Native American Programs will continue to fund the tribal and Indian organizations, including Urban Indian groups, Alaskan Natives and Native Hawaiians with emphasis on the research and evaluation initiatives to provide for the improvement of planning and management capabilities of the grantees, for the identification and elimination of gaps in services and for development of methods to avoid duplication of services, government-wide, to the Native American population.

In its dual role of managing the Office of Native American Programs and serving as a focal point in the Department for Native Americans, ONAP has developed two strategic approaches designed to fulfill the mission mandated by legislation: to promote economic and social self-sufficiency for all Native Americans.

(1) To enable Native American governing entities to provide effective and efficient services and programs which are consistent with their individual needs and priorities.

(2) To eliminate program duplication and increase resource utilization by the governing bodies for more efficient resource distribution and improved services to the local community.

Accomplishments in FY 1977: In fiscal year 1977 ONAP provided financial support to 100 tribal organizations and 65 urban Indian groups, included in which were 4 urban centers providing services to approximately 10,000 Alaskan Natives and 1 Alaskan tribe with over 1,000 members. An increase of $400,000 to the previous year's planning grant of $200,000 was used to continue the research in defining Native Hawaiians and their needs. In addition to the 65 centers serving off-reservation groups the grantees funded through ONAP represented 275 tribal groups and together these reflected a service coverage of approximately 700,000 Native Americans.

Contracts were awarded to five sectional U.S. contractors for the provision of training and technical assistance to all tribal and urban Indian groups funded through the ONAP programs.

Research studies were initiated (1) to assess both target population and training and technical assistance needs of Native American communities, and (2) to determine improved methods for improving communications among the Native American communities, the Office of Native American Programs and the Department. On-site evaluations were completed for all grantees and training and technical service providers funded by ONAP. In addition, the Native American governing bodies were provided a self-evaluation tool with which to assess progress, independent of other evaluations. The results of the first evaluations indicated that the evaluation tool did not give the information anticipated and redesign of the evaluation instrument was a major objective in FY 1977.

Distribution of Funds in FY 1977

GENERAL COMMUNITY PROGRAMMING:	
Indian organizations	$22,126,500
Urban Indian centers	4,859,000
Alaskan communities	614,500
Native Hawaiians	600,000
TOTALS, GEN. COMM. PROGRAMMING	28,200,000
TRAINING AND TECHNICAL ASSISTANCE	3,800,000
RESEARCH AND EVALUATION	1,000,000
TOTALS ONAP FUNDING FY 1977	$33,000,000

Objectives for FY 1978: The following table reflects continuation projects into FY 1978:

	1977		1978		1977-1978 Persons Served
	Projects	Amount	Projects	Amount	
Tribes	100	$22,126	100	$22,100	540,000
Urban	60	4,859	60	4,900	145,000
Alaskan Natives	5	614	5	600	10,000
Native Hawaiians	1	600	1	600	70,000 1/
Training and Technical Assistance	10	3,800	10	3,500	all of above
Research and Evaluation	4	1,000	5	1,000	

1/ Estimated service population until eligibility is established.

In fiscal year 1978 a substantial portion of ONAP's budget will continue to provide financial support for 100 tribal governing entities to plan and administer programs for direct service delivery to their community residents and to attract additional resources. Funds will also be used to fill funding gaps in economic and human development initiatives at the local level.

In addition, funds will continue the support of 65 urban Indian centers providing services to off-reservation Native Americans residing in the large metropolitan areas of the U.S. (with in-city populations of 1,000 or more Native Americans). The focus of this type of assistance is for development, in large cities, systems of outreach and linkage with local, State and Federal resources and service providers. Included are 4 urban Indian centers in Alaska and one major organization for the Hawaiian Natives which is developing such services on five of the islands and the mainland.

Training and technical assistance, through use of contractors and ONAP staff, will put emphasis on assisting grantees in conforming to the grant administration requirements and processes, to instruct grantees in the use of Title VIII rules, regulations and evaluation standards,

and to reinforce a positive direction toward increased ability in the local communities to improve the effectiveness of services provided with ONAP funds and to increase efforts to enlarge resources from other sources.

Funds in the amount of $1,000,000 will support the continuation of research and evaluation activities initiated in prior fiscal years. These activities include the improvement of planning and management capabilities; the identification and elimination of gaps in services; and the continuation of the development of methods to avoid duplication of services, government-wide, to the Native American population. The last activity will be supported by a data bank providing information which will facilitate target group planning.

7. White House Conference on Handicapped Individuals

	1977 Appropriation	1978 Estimate	Increase or Decrease
White House Conference	$1,436,000	---	$-1,436,000

Public Law 93-516, signed by the President on December 7, 1974 authorized the President to call, within two years of the date of enactment, a White House Conference on Handicapped Individuals in order to develop recommendations and stimulate a national assessment of problems, and solutions of such problems, facing individuals with handicaps. In accordance with law, the conference is to be planned and conducted under the direction of the National Planning and Advisory Council, to be appointed by the Secretary of HEW, and each Federal Department and agency is mandated to provide such cooperation and assistance to the Council, including the assignment of personnel, as may reasonably be required by the Secretary. The sum of $2,000,000 is authorized to be appropriated to finance the conference plus not to exceed $25,000 may be appropriated for the individual States to enable them to organize and conduct State conferences prior to the White House Conference on Handicapped Individuals.

1977 Accomplishments

The 1977 appropriation for the White House Conference on Handicapped Individuals will support the following activities:

- The collection and compilation of materials from State conference reports to be used at the National Conference
- The National Conference of elected delegates from all of the States and territories (May, 1977)
- Development and publication of a final report on the National Conference
- Development of an implementation plan from recommendations of the conference.

1978 Objectives

No funds are requested in the FY 1978 budget for the White House Conference on Handicapped Individuals. Authority for the Conference expires in FY 1977.

8. White House Conference on Families

	1977 Appropriation	1978 Request	Increase or Decrease
White House Conference on the Family.....	---	$3,000,000	$+3,000,000

General Statement

The White House Conference on Families will explore the problems of the American family and will examine the impact of our institutions, public policies and laws, employment, media, and voluntary organizations on the capability of families to meet basic needs and respond to changes and increased pressures produced by our society. The problems confronting the American family are of major concern to parents, community leaders, families, youth, and organizations throughout the country. Addressing these problems is a complex but urgent and necessary undertaking. While many American families are strong, healthy and viable, others are being adversely influenced by circumstances beyond their control. Therefore, it is mandatory that we move to explore ways to increase the resources and opportunities available to a significant number of American families. It has become increasingly clear that many families require assistance in preserving the family unit if the family structure is to be preserved as the foundation and back bone of our society.

Objectives for FY 1978:

In FY 1978 extensive plans will be made for a White House Conference which will take place in the spring of FY 1979. This Conference will attempt to identify problems and pressures created by our existing institutions and to develop the best methods and approaches for correcting and preventing those problems that tend to threaten the healthy development and maintenance of family life. The Conference will be designed to solicit input from representatives from the fields of government, education, social welfare, religion, labor and business, families, and special interest groups across the nation.

Staff will be composed of 15 permanent and 15 other than permanent two-year term positions at an estimated cost of $1.06 million for the two-year period.

Every effort will be made to tap resources from the private sector to provide additional support for the Conference.

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9. Salaries and Expenses

	1977 Estimate	1978 Estimate	Increase or Decrease
Personnel compensation and benefits.....	$36,450,000	$37,220,000	+ 770,000
Other services.....	12,999,000	14,655,000	+ 1,656,000
Total obligations.....	49,449,000	51,875,000 1/	+ 2,426,000
(Positions).....	(1,523)	(1,538)	(+15)

1/ Includes $1,823,892 for pay raise supplemental.

General Statement

The Office of Human Development is responsible for the Federal administration of programs for children, youth, the aged, the handicapped, and native Americans through the Office of Child Development, Office of Youth Development, Administration on Aging, Rehabilitation Services Administration, the Developmental Disabilities Office and the Office of Native Americans Programs. In addition, the Office of Human Development contains a number of smaller, special-purpose offices with a variety of objectives aimed at a better quality of life for the vulnerable segments of the nation's population. These are the Office of Rural Development, the President's Committee on Mental Retardation, the Office for Handicapped Individuals, the Architectural and Transporation Barriers Compliance Board, the Offices of Manpower, Veterans and Volunteer programs.

The Office of Human Development also provides executive direction and policy guidance; develops programs stardards, guidelines and regulations, interprets regulations, procedures and policies; and provides technical assistance to grantees--local, State and non-profit organizations--who are involved in the planning and delivery of human development programs and services. Funds within this account support special project contracts for carrying out Congressional mandates for the Office for Handicapped Individuals (Sec. 405 of the Rehabilitation Act); the Architectural and Transportation Barriers Compliance Board (Sec. 502 of the Rehabilitation Act); and the Office of Manpower projects with prime sponsors (Sec. 106, 107, and 306 of the Comprehensive Employment and Training Act). In addition, funds support other special efforts such as the National Clearinghouse

on Aging, the National Center for Child Abuse Prevention, Treatment and Neglect, the Children's Bureau, etc. The Office of Administration and Management, within the Office of Human Development, administers the salaries and expenses account and provides the administrative services necessary to sustain the major programs and offices above, including provision of sound budget and fiscal management practices to insure that Federal funds are spent in an expedient and prudent manner.

FY 1977 Accomplishments:

In 1977 the Office of Human Development was engaged in several activities that were designed to improve the management and operation of programs for children, youth, aged, handicapped and Native Americans. They include:

Development of performance standards for headquarters offices were completed and implementation was begun.

Regional office performance standards that will help evaluate regional operations developed in 1976 continued to be implemented with all of the regional offices being evaluated by June of 1977.

Grants management office completed development and implementation of a grants information system.

Grants management office published a grants administration manual.

Personnel functions were expanded to include personnel classification and equal employment opportunities activities.

The continued development and implementation of a manpower utilization system that provides management with position and workload data needed for decision making.

FY 1978 Objectives:

In 1978 $51,875,000 is requested for the salaries and expenses account. The request includes 1,538 full-time permanent positions and 164 other than permanent positions. This is an increase of 15 full-time permanent two-year term positions from the 1977 base of 1,523 and an increase of 15 other than permanent positions. The increase is associated with the proposed White House Conference on Families.

In 1978, the Office of Human Development plans to undertake or continue the following activities:

Continued refinement of and implementation of the manpower utilization system.

Continued implementation of the performance standard reviews in headquarters offices.

Continued development and implementation of management information systems.

In 1978, $1,000,000 and 20 positions will be available for activities of the Architectural and Transportation Barriers Compliance Board.

OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purposes and Accomplishments

Activity: Child Development (Head Start--Follow Through Act, Title V of the Community Services Act; Section 426 of the Social Security Act; and the Child Abuse Prevention and Treatment Act)

1977 Estimate		1978		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$508,628,000	1/	---	$520,628,000

Purpose: Major activities are focused on meeting the developmental needs of preshcool-age children from low income families and on improving services to particular populations of vulnerable children, such as the abused and neglected, children in foster care and children in need of adoptive homes. Research and Demonstration activities are also conducted which are designed to improve the quality of children's programs, and to measure their impact on the children and families served. The three major child development programs are Head Start, Child Welfare Research and Demonstration, and the Child Abuse Prevention and Treatment.

Explanation: Head Start grants are made to public and private non-profit agencies based on an 80% federal share and a 20% non-federal share. Research and development grants are made to public and private non-profit agencies engaged in research or child welfare activities. The grantee is required to provide at least 5% of the direct cost of each grant. The Child Abuse Program provides financial support for research into causes of child abuse and methods to prevent or treat it. Other activities include training and technical assistance and grants to States to develop and implement prevention and treatment programs at the State level.

Accomplishments in FY 1977: During FY 1977 emphasis continued to be focused on improvement and innovation efforts to maintain Head Start as a community based program for delivering services responsive to the developmental needs of children and their families. Approximately 349,000 children, including 35,000 handicapped children were served in 1,200 communities across the Nation.

1/ Head Start and Research and Demonstration amount indefinite; Child Abuse and Neglect, $25,000,000.

Research and demonstration efforts focused on questions concerning the most effective ways of delivering child development, child welfare, and family oriented services. The Child Abuse Prevention and Treatment program continued to support demonstration centers whcih provide comprehensive services to abused children and their families, resource projects providing technical assistance to professionals and agencies involved in combatting child abuse and neglect. Grants were made to the 30 eligible states for developing, improving and strengthening child abuse and prevention programs and technical assistance was provided to other States to assist them in becoming eligible for such grants.

Objectives for FY 1978: The requested budget of $485,000,000 for Head Start will continue to provide services to about 349,000 children and allow expanded exploration and analysis of alternative delivery systems. The $16,700,000 requested for research and demonstrations will permit continued and expanded emphasis on priority areas of special concern including child welfare, particularly adoption and foster care, day care, and child and family development. The $18,928,000 requested for Child Abuse Prevention and Treatment program will be used to continue activities initiated in fiscal years 1976 and 1977.

OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purpose and Accomplishments

Activity: Youth Development (The Runaway Youth Act and Section 426 of the Social Security Act)

1977 Estimate		1978		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$9,000,000	1/	---	9,000,000

Purpose: Programs administered by the Office of Youth Development are designed to meet the immediate needs of runaway youth. Research and demonstration programs are designed to meet priority information needs relative to runaway youth in particular and youth development in general.

Explanation: Grants are awarded for a period not to exceed three years to localities or private non-profit agencies to provide temporary shelter care and specialized services essential to meeting the immediate emotional, psychological, physical and social needs of runaway youth. Research and demonstration contracts are awarded to support activities relating to identification of youth needs. There is a 10% matching requirement for local funding.

Accomplishments in FY 1977: In fiscal year 1977 131 projects served approximately 57,300 runaway youth and their families. Evaluation reporting requirements and program performance standards were developed. Technical assistance was provided to enable projects to develop the capacity to function independent of Federal funds. Research and demonstration activities focused: (1) on the generation of information required to develop a target group planning system for meeting youth needs; (2) on the impact of deinstitutionalization of status offenders; (3) on the evaluation of the effectiveness of runaway youth projects; and (4) on the identification of effective youth participation models.

Objectives for FY 1978: In FY 1978, greater emphasis will be placed on the improvement of general services to youth and families in crisis and on the development of tools and techniques to enable communities to more effectively respond to the needs of young people.

1/ Authorizing legislation for Runaway Youth expires in FY 1977 Authorization for research and demonstration is indefinite.

OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purpose and Accomplishments

Activity: Special Programs for the Aging (the Older Americans Act of 1965)

1977 Appropriation			1978 Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$401,600,000	$562,200,000 1/	---	$423,450,000

Purpose: The purpose of Special Programs for the Aging is to develop and support Federal, State and Area focal points on aging to promote activities which will lead to the achievement of the ten broad-spectrum objectives set forth in Title I of the Older Americans Act, and to foster the development of a comprehensive, coordinated, delivery system of services for older persons in each planning and service area in the nation.

The purpose of these service delivery systems is to secure and maintain maximum independence and dignity in a home environment for older persons capable of self care with appropriate supportive services, and to remove individual and social barriers to economic and personal independence.

Explanation: Federal resources are available through three formula grants to support: (1) the preparation and carrying out of an annual State plan by each State Agency on Aging in developing it's role as the State focal point on aging and leader of Area Agencies; (2) the preparation and carrying out of an annual area plan by each State designated Area Agency on Aging in developing (a) it's role as area focal point on aging, and (b) it's role in fostering the development of a comprehensive and coordinated services delivery system in its's planning and service area, involving all available public and private agencies and funds, and directly funding priority social services which are not provided by other agencies; and (3) the funding of nutrition projects.

Discretionary funds are available for developing, and operating research, training and model projects, the funding of multidisciplinary centers of gerontology, and the funding of the acquisition, alteration, or renovation of facilities for multipurpose senior centers.

Direct funding is also provided for the National Information and Resource Clearinghouse on Aging, and the Federal Council on Aging.

Accomplishments in FY 1977: Substantial progress in development of the State and sub-State national network on aging and aging programs was made in FY 1977. Thirteen Area Agencies were established, bringing the national total fo 545 Area Agencies. 1,220 Nutrition projects with over 8,500 congregate serving sites provided approximately 435,000 meals per day five days per week (an increase of 70,000 meals per day from FY 1976), with 14% being delivered to homebound older persons. Model projects were developed to test out new approaches to service delivery. Research and Development projects continue to develop a reliable knowledge base for Older Americans Programs. Training programs supported career and State in-service training and manpower development projects. Funds were awarded for the establishment, development and operation of 10 new and 5 ongoing multidisciplinary centers of gerontology. 1,000 awards were made for multipurpose senior center facilities. Direct support was provided for the Federal Council on Aging activities.

Objectives for FY 1978: In FY 1978 the major objective is to continue to develop the State and sub-State Aging network and service delivery system development so as to provide more, better, and more coordinated services for older persons. This includes improving the capabilities and effectiveness of the State Agencies; improving the capabilities and capacity of 545 Area Agencies on Aging and 1,220 Nutrition projects serving approximately 435,000 meals per day 5 days per week; funding the acquisition or renovation of additional multipurpose senior center facilities; developing additional multidisciplinary centers of gerontology; and developing a reliable knowledge base for Older Americans Programs through research and model projects; improving the quality and quantity of manpower in the field through training and manpower development projects; establishing the National Information and Resource Clearing House, and providing support for the Federal Council on Aging activities.

1/ The authorization for the Title III State Agency Activities and Area Planning and Social Services program is $287,200,000 and for the Title VII Nutrition program is $275,000,000. For Research, Demonstration and Manpower, the Federal Council on Aging, and the National Clearinghouse on Aging, the authorization is "such sums as may be necessary."

OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purpose and Accomplishments

Activity: Rehabilitation Services and Facilities (Rehabilitation Act of 1973 and the International Health Research Act of 1960)

1977 Estimate		1978		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
--	$837,409,000	$847,100,000 and other such sums	--	$851,700,000

Purpose: The Basic State Grants program provides Federal financial participation to State vocational rehabilitation agencies for the provision of such services as are necessary to restore physically and mentally handicapped persons to employable status and to place them into gainful employment. The innovation and expansion grants program provides incentives to State VR agencies to explore innovative service approaches in the rehabilitation of severely handicapped persons. Service projects are intended to provide the resources for specialized programs, services, and studies which are not fulfilled through the basic Federal-State program. Grants and contracts with States and public or non-profit agencies and organizations, including institutions of higher learning, are authorized to pay part of the costs of: (1) research and demonstration projects and other activities relative to the development of methods, procedures and devices to assist in providing vocational rehabilitation services to handicapped individuals; and (2) training, traineeships, and related activities designed to increase the number of personnel trained in providing vocational rehabilitation services to handicapped individuals.

Explanation: Federal allotments for the Basic State Grants programs, Section 100, are allocated among the States by a formula based on population and per capita income with a minimum of $2,000,000 per State. Grants are made on a Federal-State matching rate of 80%-20% up to State allotment. The Federal share for Innovation and Expansion Grants may not exceed 90%. Rehabilitation service project grants Federal matching rates are determined by the type of project funded. These rates vary from a minimum of 30% to a maximum of 90%. The average research project grant is funded at 90% Federal financial participation. Grantees are expected to share in the cost of training project grants with the proportion subject to individual negotiation.

Accomplishments in FY 1977: During 1977, an estimated 1,843,900 persons are being served and 295,000 rehabilitated. Of those, rehabilitated, approximately 44% will be severely disabled.

Objectives for FY 1978: Program activities in 1978 will continue to be directed toward rehabilitating severely handicapped persons. It is estimated that approximately 1,807,560 individuals will be served and 286,000 rehabilitated, including 138,100 severely handicapped persons.

OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purpose and Accomplishments

Activity: Developmental Disabilities (Developmental Disabilities Services and Facilities Construction Act, as amended)

1977 Estimate		1978		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$57,925,000	$112,000,000	---	$58,125,000

Purpose: The purpose of this activity is to support programs designed to assist in providing services needed in the care and treatment of the developmentally disabled. Developmental disabilities are disabilities such as mental retardation, cerebral palsy, epilepsy, autism, and other neurological conditions. The disability must originate before age 18, can be expected to continue indefinitely, and constitutes a substantial handicap to the affected individual.

Explanation: Federal resources are available through formula grants to States and territories to support: the annual State plan which includes administration, planning, service delivery, and construction of facilities for the developmentally disabled; and the development and implementation of a system for the protection and advocacy of individual rights of persons with developmental disabilities. Discretionary funds are available for special project grants, projects of national significance, and assistance in the cost of administering and operating university affiliated facilities.

Accomplishments in FY 1977: In 1977, at least 30 percent of the formula grant funds were used for deinstitutionalization activities. These activities cross over all of the elements of the State Plan. It is anticipated that all of the 56 States and territories will have protection and advocacy systems in place by October 1, 1977. The 37 university affiliated facilities continued to receive support and ten satellite feasibility studies were begun. Special project grants awarded included 159 continuations and about 48 new projects. Projects of national significance included 25 continuations and six new grants.

Objectives for FY 1978: The estimate for 1978 will provide for expanded efforts through the Basic State Grant program. These include the implementation of the protection and advocacy system, the system for evaluation, and the development of alternatives to institutionalization. University affiliated facility activities will receive increased support for existing facilities. The special projects activity will support continuations of 1977 grants and new grants with emphasis on training and technical assistance.

OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purpose and Accomplishments

Activity: Special Programs for Native Americans (Title VIII Community Services Act of 1974)

1977 Estimate			1978 Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
--	$33,000,000	Indefinite	--	$33,000,000

Purpose: The Office of Native American Programs (ONAP) provides financial assistance to governing bodies and public and private agencies serving Native Americans. This program promotes the goal of economic and social self-sufficiency for Native Americans, while recognizing the special and complex relationship existing between the Federal government and the issues and conditions unique to these vulnerable target populations. Projects are designed to enable Native Americans, by their own dicisions and actions, to work toward improving the conditions of their communities and the conditions of the individuals within those communities.

Explanation: Finacial assistance is provided by direct grants to tribal and other Indian organizations with basic grants to reservations based on the number of residents and those grants to urban Indian centers based on service population of 1,000 or more Native Americans residing in the large metropolitan areas of the U.S. (in-city poplation only). Technical assistance is provided through contracts to tribal organizations or other public and private non-profit agencies.

Accomplishments in 1977: Direct grants were awarded to 100 tribal reservation grantees and to 65 urban Indian orgnaizations, including 1 planning grant for Native Hawiaians. Research studies were initiated to assess both target population needs and training and technical assistance needs of Native American governing bodies, and to determine improved methods for improving communications among the Office of Native American Programs, the Department and Native American communities. On-site evaluations were made of all grantees and evaluations of all training and technical assistance contract providers. Native American governing bodies were provided a self-evalustion tool with which to assiss progress, independently of other evaluations.

Objectives for 1978: Emphasis will be given in training and technical assistance to assist grantees in conforming to grant administration requirements and processes, to instruct grantees in the use of Title VIII rules, regulations and evaluation standards, and to reinforce a positive direction toward increased ability in the local communities to improve the effectiveness of services porvided with ONAP funds and to increase efforts to enlarge resources from other sources, both public and private. Continuation of research and evaluation initiatives will provide for the improvement of planning and management capabilities, the identification and elimination of gaps in services, and the continuation of the development of methods to avoid duplication of services, government-wide, to the Native American population.

OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purposes and Accomplishments

Activity: White House Conference on Handicapped Individuals (White House Conference on Handicapped Individuals Act, P.L. 93-516)

1977 Estimate		1978		
			Budget Estimate	
Pos.	Amount	Authorization	Pos.	Amount
---	$1,436,000	---	---	---

Purpose: The purpose of the White House Conference on Handicapped Individuals is to develop recommendations and stimulate a national assessment of problems-and solutions of such problems-facing individuals with handicaps.

Explanation: The conference is to be planned and conducted under the direction of the National Planning and Advisory Council, appointed by the Secretary of HEW. Each Federal Department and agancy is mandated to provide such cooperation and assistance to the Council, including the assignment of personnel, as may reasonably be required by the Secretary. A sum of $2,000,000 is authorized for the National conference plus an additional amount not to exceed $25,000 per State to allow them to prepare for the national conference.

Accomplishments in FY 1977: The 1977 appropriation will support the collection and compilation of materials from State conferences, the development and publication of a final report on the national conference to be held in May of 1977, and the development of an implementation plan based on recommendations of the national conference.

Objectives for FY 1978: No funds are requested in FY 1978. Authority for the conference expires in FY 1977.

OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purpose and Accomplishments

Activity: White House Conference on Families

1977 Estimate		1978 Budget Estimate	
Pos.	Amount	Pos.	Amount
---	---	15	$3,000,000

Purpose: The purpose of the White House Conference on Families is to explore the problems faced by American families, examine the impact our institutions have upon them, and to make recommendations with regard to the solutions of these problems.

Explanation : The Conference will address the problems and pressures of American families and develop methods and approaches for correcting and preventing such problems which are adversely affecting the strength of the family unit.

Objectives for FY 1978: In FY 1978 planning initiatives will be undertaken in preparation for a White House Conference on Families to be held in the spring of 1979.

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OFFICE OF HUMAN DEVELOPMENT

Human Development

Program Purpose and Accomplishments

Activity: Salaries and Expenses

1977 Estimate		1978	
			Budget Estimate
Pos.	Amount	Authorization	Pos. Amount
1,514	$49,449,000	Indefinite	1,529 $51,875,000

Purpose: To provide funds and staff for the administration of the Office of Human Development programs. These programs through grant and contract activities provide basic support to special population groups.

Explanation: Funds included in this activity provide for the salaries of Federal employees and related costs for travel, rent, communications, services, supplies, printing, and equipment. Funds also support contracts for the Office of Handicapped Individuals, the Architectural and Transportation Barriers Compliance Board, the Office of Manpower (CETA) as well as administrative services.

Accomplishments in FY 1977: In 1977 the Office of Human evelopment was engaged in the development of performance standards for headquarters, evaluation of regional offices, the development and implementation of grants management systems, the publication of a grants management manual, the expansion of personnel functions, and the continued development and implementation of a manpower utilization system.

Objectives for FY 1978: The 1978 request will enable the Office of Human Development to continue refinement and implementation of the manpower utilization system, to review the implementation of headquarters performance standards, and to further develop and implement the management information systems.

Allocation to the State
Programs for the Aging
Title III State Agency Activity by State
FY 1976-1978

	1976 Actual	1977 Estimate	1978 Estimate
Total 56 "States".....	$17,035,000	$17,000,000	$17,000,000
Alabama.....	228,534	228,521	228,521
Alaska.....	200,000	200,000	200,000
Arizona.....	200,000	200,000	200,000
Arkansas.....	200,000	200,000	200,000
California.....	1,242,999	1,252,183	1,252,183
Colorado.....	200,000	200,000	200,000
Connecticut.....	200,000	200,000	200,000
Delaware.....	200,000	200,000	200,000
District of Columbia.....	200,000	200,000	200,000
Florida.....	740,325	761,299	761,299
Georgia.....	263,347	264,161	264,161
Hawaii.....	200,000	200,000	200,000
Idaho.....	200,000	200,000	200,000
Illinois.....	710,090	702,026	702,026
Indiana.....	323,244	319,083	319,083
Iowa.....	214,248	210,923	210,923
Kansas.....	200,000	200,000	200,000
Kentucky.....	223,329	220,196	220,196
Louisiana.....	211,956	210,240	210,240
Maine.....	200,000	200,000	200,000
Maryland.....	214,593	213,778	213,778
Massachusetts.....	404,450	400,415	400,415
Michigan.....	503,092	500,878	500,878
Minnesota.....	258,744	256,250	256,250
Mississippi.....	200,000	200,000	200,000
Missouri.....	355,561	349,170	349,170
Montana.....	200,000	200,000	200,000
Nebraska.....	200,000	200,000	200,000
Nevada.....	200,000	200,000	200,000
New Hampshire.....	200,000	200,000	200,000
New Jersey.....	476,813	474,657	474,657
New Mexico.....	200,000	200,000	200,000
New York.....	1,253,053	1,236,511	1,236,511
North Carolina.....	303,527	305,989	305,989
North Dakota.....	200,000	200,000	200,000

Allocation to the State
Programs for the Aging
Title III State Agency Activity by State
FY 1976-1978

	1976 Actual	1977 Estimate	1978 Estimate
Ohio	$653,258	$646,382	$646,382
Oklahoma	200,000	200,000	200,000
Oregon	200,000	200,000	200,000
Pennsylvania	847,072	842,074	842,074
Rhode Island	200,000	200,000	200,000
South Carolina	200,000	200,000	200,000
South Dakota	200,000	200,000	200,000
Tennessee	267,481	266,412	266,412
Texas	699,955	700,551	700,551
Utah	200,000	200,000	200,000
Vermont	200,000	200,000	200,000
Virginia	263,742	264,946	264,946
Washington	217,961	218,629	218,629
West Virginia	200,000	200,000	200,000
Wisconsin	307,626	304,726	304,726
Wyoming	200,000	200,000	200,000
American Samoa	62,500	62,500	62,500
Guam	62,500	62,500	62,500
Puerto Rico	200,000	200,000	200,000
Trust Territory	62,500	62,500	62,500
Virgin Islands	62,500	62,500	62,500

Allocation to the States
Programs for the Aging
Title III Area Planning and Social Services by State

	1976 Actual	1977 Estimate	1978 Estimate
Total 56 "States"	$93,000,000	$120,780,000	$120,780,000
Alabama	1,476,043	1,939,191	1,939,191
Alaska	465,000	603,900	603,900
Arizona	854,553	1,152,746	1,152,746
Arkansas	1,032,935	1,355,763	1,355,763
California	8,028,222	10,625,833	10,625,833
Colorado	833,888	1,095,136	1,095,136
Connecticut	1,278,234	1,676,166	1,676,166
Delaware	465,000	603,900	603,900
District of Columbia	509,272	603,900	603,900
Florida	4,781,577	6,460,267	6,460,267
Georgia	1,700,891	2,241,626	2,241,626
Hawaii	465,093	603,900	603,900
Idaho	512,747	603,900	603,900
Illinois	4,586,298	5,957,282	5,957,282
Indiana	2,087,754	2,707,692	2,707,692
Iowa	1,383,775	1,789,856	1,789,856
Kansas	1,083,362	1,398,498	1,398,498
Kentucky	1,442,425	1,868,549	1,868,549
Louisiana	1,368,973	1,784,064	1,784,064
Maine	611,531	626,893	626,893
Maryland	1,386,003	1,814,091	1,814,091
Massachusetts	2,612,245	3,397,859	3,397,859
Michigan	3,249,351	4,250,370	4,250,370
Minnesota	1,671,163	2,174,494	2,174,494
Mississippi	972,631	1,268,845	1,268,845
Missouri	2,296,482	2,963,002	2,963,002
Montana	507,783	603,900	603,900
Nebraska	759,458	948,674	948,674
Nevada	465,000	603,900	603,900
New Hampshire	529,128	603,900	603,900
New Jersey	3,079,617	4,027,868	4,027,868
New Mexico	530,618	603,900	603,900
New York	8,093,970	10,492,838	10,492,838
North Carolina	1,960,409	2,596,574	2,596,574
North Dakota	501,330	603,900	603,900
Ohio	4,219,232	5,485,099	5,485,099
Oklahoma	1,286,378	1,663,608	1,663,608

Allocation to the States
Programs for the Aging
Title III Area Planning and Social Services by State
FY 1976-1978

	1976 Actual	1977 Estimate	1978 Estimate
Oregon	$1,011,298	1,328,702	1,328,702
Pennsylvania	5,471,028	7,145,707	7,145,707
Rhode Island	589,689	603,900	603,900
South Carolina	920,391	1,221,106	1,221,106
South Dakota	527,639	603,900	603,900
Tennessee	1,727,594	2,260,729	2,260,729
Texas	4,520,839	5,944,770	5,944,770
Utah	537,071	603,900	603,900
Vermont	465,000	603,900	603,900
Virginia	1,703,446	2,248,287	2,248,287
Washington	1,407,755	1,855,250	1,855,250
West Virginia	837,505	1,093,097	1,093,097
Wisconsin	1,986,882	2,585,858	2,585,858
Wyoming	465,000	603,900	603,900
American Samoa	232,500	301,950	301,950
Guam	232,500	301,950	301,950
Puerto Rico	810,492	1,067,310	1,067,310
Trust Territory	232,500	301,950	301,950
Virgin Islands	232,500	301,950	301,950

Allocation to the States
Programs for the Aging
Title VII Nutrition Program for the Elderly by State
FY 1976-1978

	1976 Actual	1977 Estimate	1978 Estimate
Total 56 "States"	$123,750,000	$201,489,750	$222,750,000
Alabama	1,980,864	3,234,752	3,576,379
Alaska	618,750	1,007,448	1,113,750
Arizona	1,146,818	1,922,888	2,125,966
Arkansas	1,386,209	2,261,540	2,500,384
California	10,773,954	17,724,803	19,596,737
Colorado	1,119,086	1,826,790	2,019,719
Connecticut	1,715,403	2,796,002	3,091,291
Delaware	618,750	1,007,448	1,113,750
District of Columbia	618,750	1,007,448	1,113,750
Florida	6,416,924	10,776,331	11,914,432
Georgia	2,282,612	3,739,243	4,134,149
Hawaii	618,750	1,007,448	1,113,750
Idaho	618,750	1,007,448	1,113,750
Illinois	6,154,857	9,937,304	10,986,795
Indiana	2,801,786	4,516,684	4,993,697
Iowa	1,857,039	2,985,647	3,300,965
Kansas	1,453,882	2,332,826	2,579,199
Kentucky	1,935,749	3,116,915	3,446,096
Louisiana	1,837,175	2,975,985	3,290,283
Maine	643,426	1,045,716	1,156,155
Maryland	1,860,030	3,026,073	3,345,660
Massachusetts	3,505,659	5,667,947	6,266,546
Michigan	4,360,661	7,090,016	7,838,801
Minnesota	2,242,718	3,627,261	4,010,340
Mississippi	1,305,260	2,116,553	2,340,084
Missouri	3,081,902	4,942,565	5,464,555
Montana	618,750	[illegible]	[illegible]
Nebraska	982,482	1,582,477	1,749,604
Nevada	618,750	1,007,448	1,113,750
New Hampshire	618,750	1,007,448	1,113,750
New Jersey	4,132,876	6,718,861	7,428,448
New Mexico	618,750	1,007,448	1,113,750
New York	10,861,101	17,503,038	19,351,554
North Carolina	2,630,888	4,331,329	4,788,766
North Dakota	618,750	1,007,448	1,113,750
Ohio	5,662,251	9,149,660	10,115,966
Oklahoma	1,726,332	2,775,055	3,068,132

Allocation to the States
Programs for the Aging
Title VII Nutrition Program for the Elderly by State
FY 1976-1978

	1976 Actual	1977 Estimate	1978 Estimate
Oregon	$1,357,172	$ 2,216,399	$ 2,450,476
Pennsylvania	7,342,174	11,919,710	13,178,565
Rhode Island	618,750	1,007,448	1,113,750
South Carolina	1,235,174	2,036,919	2,252,040
South Dakota	618,750	1,007,448	1,113,750
Tennessee	2,318,448	3,771,108	4,169,379
Texas	6,067,011	9,916,435	10,963,721
Utah	618,750	1,007,448	1,113,750
Vermont	618,750	1,007,448	1,113,750
Virginia	2,286,042	3,750,354	4,146,434
Washington	1,889,221	3,094,731	3,421,569
West Virginia	1,123,940	1,823,389	2,015,959
Wisconsin	2,666,416	4,313,454	4,769,003
Wyoming	618,750	1,007,448	1,113,750
American Samoa	309,375	507,724	556,875
Guam	309,375	507,724	556,875
Puerto Rico	1,087,688	1,780,374	1,968,401
Trust Territory	309,375	507,724	556,875
Virgin Islands	309,375	507,724	556,875

Federal Grants and State Funds Available for Basic Support Program
under Section 110 of the Rehabilitation Act of 1973 as Amended

State or Territory	FY 1976 Actual 2/ Federal Grants 1/	FY 1976 Actual 2/ State Funds Required	FY 1977 Estimate 2/ Allotment	FY 1977 Estimate 2/ State Funds Required	FY 1978 Estimate 3/ Allotment	FY 1978 Estimate 3/ State Funds Required
TOTAL	$720,305,318	$150,024,294	$740,248,967 4/	$159,098,012	$760,300,000	$162,893,977
ALAB	18,[illegible],814	5,571,000	18,031,409	5,571,000	18,103,094	5,571,000
ALAS	2,012,527	616,963	2,000,000	616,963	2,000,000	616,963
ARIZ	6,334,434	1,600,887	6,015,671	1,603,174	8,526,789	1,705,358
ARK	10,[illegible],448	3,110,396	10,596,967	3,110,398	10,472,837	3,110,398
CAL	54,491,294	10,890,259	54,528,978	10,905,796	57,035,827	11,407,165
COLO	8,[illegible],820	1,[illegible],850	8,108,481	1,738,850	8,295,388	1,738,850
CONN	5,386,490	1,277,299	6,059,135	1,331,827	7,017,413	1,403,483
DELA	2,032,196	407,038	2,000,000	400,000	2,000,000	400,000
DC	5,123,470	2,003,007	5,361,018	2,003,007	5,427,750	2,003,007
FLA*	26,373,102	5,275,020	28,063,519	5,616,704	29,138,423	5,827,685
GA	20,999,028	4,689,698	20,620,248	4,889,698	21,133,655	4,889,698
HAW	2,129,470	546,497	2,129,008	546,497	2,310,785	546,497
IDA*	3,532,218	703,504	3,537,566	707,513	3,344,923	668,985
ILL	25,243,264	5,257,332	27,011,154	5,402,231	27,499,339	5,499,868
IND	13,[illegible],224	2,766,845	18,557,459	3,711,492	19,066,756	3,813,351
IOWA*	9,790,418	2,038,122	9,804,029	2,038,122	9,038,900	2,038,122
KANS*	7,120,697	1,424,131	7,318,954	1,463,791	7,200,397	1,440,079
KY	15,318,203	3,163,657	15,994,524	3,198,905	15,919,071	3,183,814
LA*	18,345,060	3,669,013	18,371,277	3,674,255	18,074,413	3,657,371
ME	4,945,269	909,058	4,900,371	980,074	4,967,235	993,447
MD	10,725,194	2,603,801	11,026,463	2,603,801	11,455,890	2,603,801
MASS*	16,137,389	3,307,877	16,863,444	3,372,689	18,212,747	3,642,549
MICH*	24,370,000	5,483,317	24,870,943	5,483,317	26,888,001	5,483,317
MINN*	13,428,720	3,300,996	13,447,907	3,300,996	13,003,946	3,300,996
MISS*	13,031,200	2,880,050	13,049,819	2,880,050	13,402,867	2,880,050
MO*	17,147,844	3,429,569	17,200,292	3,440,058	18,198,853	3,639,771
MONT*	2,927,404	610,062	2,908,317	610,062	2,886,498	610,062
NEB*	4,932,985	1,034,381	5,151,031	1,034,381	5,032,964	1,034,381
NEV	2,039,444	573,133	2,000,000	573,133	2,000,000	573,133
NH	2,990,470	598,094	2,994,743	598,949	3,282,747	656,549
NJ*	16,110,062	3,276,260	16,416,493	3,283,291	18,376,436	3,675,287
NM	5,500,000	1,100,000	5,590,430	1,118,086	6,647,884	1,329,577
NY*	42,407,758	8,481,552	42,468,348	8,493,670	47,714,258	9,542,852
NC*	23,030,694	4,873,012	23,004,456	4,873,012	24,464,797	4,892,959
ND	2,472,049	750,318	2,472,049 4/	750,318	2,000,000	750,318

State or Territory	FY 1976 Actual[2] Federal Grants[1]	FY 1976 Actual[2] State Funds Required	FY 1977 Estimate[2] Allotment	FY 1977 Estimate[2] State Funds Required	FY 1978 Estimate[2] Allotment	FY 1978 Estimate[2] State Funds Required
[illegible]	[illegible]	[illegible]	34,908,370	8,951,075	36,817,310	7,423,417
[illegible]LA	11,770,987	2,384,194	11,767,787	2,387,597	11,929,992	2,334,469
[illegible]OM	8,137,881	1,631,822	8,109,283	1,633,853	8,109,404	1,621,901
[illegible]AM	38,535,177	8,200,243	39,342,905	8,200,243	39,949,300	8,200,243
[illegible]IE	3,401,807	592,301	3,190,379	639,276	3,284,733	692,947
[illegible]CK	13,994,961	3,770,131	13,904,891	3,770,131	13,905,312	3,770,131
[illegible]SO	2,991,893	603,980	2,955,283	603,980	2,799,957	603,980
[illegible]EW	10,300,224	3,214,049	19,247,780	3,849,556	19,262,113	3,852,563
[illegible]EX*	46,124,527	9,713,427	48,098,149	9,715,427	46,756,113	9,715,427
[illegible]rmal	5,424,940	1,099,515	5,420,145	1,099,515	5,559,185	1,111,833
[illegible]T	2,157,509	431,502	2,100,592	432,119	2,123,949	424,790
[illegible]AR	17,397,861	4,134,205	17,422,005	4,134,205	17,499,157	4,134,205
[illegible]AGO	11,111,014	2,223,523	11,133,497	2,226,699	11,079,348	2,215,870
[illegible]VA	8,020,293	3,080,843	8,038,020	3,080,843	8,038,202	3,080,843
[illegible]ISC	16,500,000	3,300,000	16,784,034	3,360,927	16,785,908	3,357,182
[illegible]YO	2,000,000	400,000	2,000,000	400,000	2,000,000	400,000
[illegible]ERI	0	0	222,449	44,490	212,239	42,448
[illegible]OMA	989,008	133,402	689,592	137,918	757,990	151,599
[illegible]NI	20,445,206	4,249,804	20,970,929	4,745,864	22,368,458	4,473,692
[illegible]TER	480,000	96,000	711,836	142,367	818,636	163,727
[illegible]V.IS	402,200	93,040	541,292	108,258	629,137	125,827

* STATES THAT HAVE TWO AGENCIES, GENERAL AND BLIND

1/ Federal grant and reallotment based on the formula prescribed in the VR Act and the latest State Funds available for matching as certified by the State agencies.

2/SOURCE DATA BASED ON PCI FOR CALENDAR YEARS 1971-72-73
AS PUBLISHED BY BUREAU OF ECONOMIC ANALYSIS
DEPT. OF COMMERCE, SURVEY OF CURRENT BUSINESS
DATED AUGUST 1973, VOL.53, NO 8
POPULATIONS AS OF JULY 1, 1974 PUBLISHED BY
BUREAU OF CENSUS SERIES P-25-533 DATED OCT. 1974

3/SOURCE DATA BASED ON PCI FOR CALENDAR YEARS 1973-74-75
AS PUBLISHED BY BUREAU OF ECONOMIC ANALYSIS
DEPT. OF COMMERCE, SURVEY OF CURRENT BUSINESS
DATED AUGUST 1976, VOL. 56 NO 8
POPULATIONS AS OF JULY 1, 1975 PUBLISHED BY
BUREAU OF [illegible] SERIES P-25-613 DATED NOV. 1975

4/ It is estimated that approximately $60,000 of the $309,000 appropriated under Section 110(b) to maintain the North Dakota allotment at the 1973 level will not be required. These funds are not available for reallotment and will revert to the Treasury if not used for the intended purpose.

DEVELOPMENTAL DISABILITIES

Basic State Grants

	1976 Actual	1977 Enacted	1978 Request
Total 56 "States"	$30,057,953	$30,057,953	$30,058,000
Alabama	641,472	641,472	641,472
Alaska	150,425	150,000	150,000
Arizona	281,259	280,465	277,015
Arkansas	359,942	358,926	358,926
California	2,312,028	2,312,028	2,296,380
Colorado	304,396	303,537	282,035
Connecticut	346,884	345,905	345,905
Delaware	150,425	150,000	150,000
District of Columbia	150,000	150,000	150,000
Florida	1,038,072	1,035,141	1,019,032
Georgia	713,464	713,464	713,464
Hawaii	150,425	150,000	150,000
Idaho	150,425	150,000	150,000
Illinois	1,296,855	1,296,855	1,296,855
Indiana	736,324	736,324	736,324
Iowa	424,866	424,866	424,866
Kansas	299,210	299,210	299,210
Kentucky	604,659	602,952	613,919
Louisiana	607,543	605,828	605,562
Maine	178,230	178,230	178,230
Maryland	471,262	470,757	470,757
Massachusetts	719,194	717,164	717,164
Michigan	1,176,528	1,173,207	1,173,207
Minnesota	543,825	542,290	542,290
Mississippi	441,573	440,326	440,326
Missouri	676,952	676,952	676,952
Montana	150,000	150,000	150,000
Nebraska	223,404	223,404	223,404
Nevada	150,425	150,000	150,000
New Hampshire	150,000	150,000	150,000
New Jersey	826,567	824,234	824,234
New Mexico	178,329	178,329	172,169
New York	2,119,770	2,119,770	2,125,417
North Carolina	877,939	875,460	875,460
North Dakota	150,425	150,000	150,000

Ohio	1,413,134	1,409,145	1,409,145
Oklahoma	410,037	410,037	410,037
Oregon	298,858	298,014	290,893
Pennsylvania	1,681,264	1,676,518	1,676,518
Rhode Island	150,425	150,000	150,000
South Carolina	464,008	462,698	462,382
South Dakota	150,000	150,000	150,000
Tennessee	680,767	678,845	678,845
Texas	1,674,228	1,669,504	1,609,747
Utah	176,142	176,142	173,142
Vermont	150,000	150,000	150,000
Virginia	686,318	684,380	684,380
Washington	425,248	424,047	416,036
West Virginia	361,899	360,877	387,474
Wisconsin	667,286	667,286	667,286
Wyoming	150,000	150,000	150,000
American Samoa	---	50,000	50,000
Guam	50,142	50,000	50,000
Puerto Rico	615,100	613,364	711,540
Trust Territory	50,000	50,000	50,000
Virgin Islands	50,000	50,000	50,000

DEVELOPMENTAL DISABILITIES

Protection and Advocacy Grants

	1976 Actual	1977 Enacted	1978 Request
Total 56 "States"	$1,480,000	$3,000,000	$3,000,000
Alabama	29,857	59,714	60,233
Alaska	10,114	20,000	20,000
Arizona	14,025	27,735	26,535
Arkansas	17,573	34,749	34,176
California	114,317	228,635	215,472
Colorado	15,179	30,017	27,494
Connecticut	16,631	32,887	33,507
Delaware	10,114	20,000	20,000
District of Columbia	10,000	20,000	20,000
Florida	51,765	102,365	97,193
Georgia	35,197	70,394	69,338
Hawaii	10,114	20,000	20,000
Idaho	10,114	20,000	20,000
Illinois	61,189	122,378	121,966
Indiana	34,618	69,236	69,456
Iowa	18,738	37,476	37,308
Kansas	14,157	28,314	27,869
Kentucky	27,663	54,704	56,837
Louisiana	30,296	59,911	57,817
Maine	10,000	20,000	20,000
Maryland	23,313	46,102	44,085
Massachusetts	34,762	68,742	69,729
Michigan	53,964	106,714	110,877
Minnesota	25,549	50,524	49,540
Mississippi	21,401	42,320	42,660
Missouri	31,635	63,270	64,436
Montana	10,000	20,000	20,000
Nebraska	10,119	20,237	20,442
Nevada	10,114	20,000	20,000
New Hampshire	10,000	20,000	20,000
New Jersey	39,491	78,094	79,067
New Mexico	10,000	20,000	20,000
New York	99,782	199,563	210,446
North Carolina	41,208	81,490	83,677
North Dakota	10,114	20,000	20,000

Ohio	67,982	134,436	136,743
Oklahoma	19,989	39,977	38,502
Oregon	14,903	29,471	27,962
Pennsylvania	77,033	152,333	157,311
Rhode Island	10,114	20,000	20,000
South Carolina	23,138	45,757	44,739
South Dakota	10,000	20,000	20,000
Tennessee	32,600	64,468	64,583
Texas	83,483	165,098	153,634
Utah	---	20,000	20,000
Vermont	10,000	20,000	20,000
Virginia	32,635	64,535	63,928
Washington	21,205	41,934	39,936
West Virginia	15,492	30,637	33,929
Wisconsin	30,773	61,547	61,435
Wyoming	10,000	20,000	20,000
American Samoa	---	20,000	20,000
Guam	10,114	20,000	20,000
Puerto Rico	27,426	54,236	67,138
Trust Territory	---	20,000	20,000
Virgin Islands	10,000	20,000	20,000

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF HUMAN DEVELOPMENT

Research and Training Activities Overseas
(Special Foreign Currency Program)

Amounts Available for Obligation

	1977	1978
Appropriation	$ ---	$ ---
Recovery of prior year obligations	200,000	---
Unobligated balance, start of year	4,849,000	---
Unobligated balance, end of year	---	---
Total, obligations	5,049,000	---

Summary of Changes

1977 Budget Authority	$ ---
1978 Budget Authority	---
Net Change	---

Summary of Changes

1977 Estimated Obligations	$ 5,049,000
1978 Estimated Obligations	---
Net Change	-5,049,000

	1977 Base Pos.	1977 Base Amt.	Change from Base Pos.	Change from Base Amt.
Decreases:				
A. Program:				
1. A decrease of $5,049,000 in estimated obligations is planned for FY 1978. FY 1977 is the final year the program can operate on unobligated balances from prior year appropriations and no new budget authority is requested for FY 1978.	---	$5,049,000	---	$-5,049,000

Obligations by Activity

	1977 Estimate	1978 Estimate	Increase or Decrease
Research and demonstrations	$5,049,000	---	$-5,049,000
Total Obligations	5,049,000	---	-5,049,000

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Travel and transportation of persons	$ 245,000	---	$- 245,000
Other services	15,000	---	- 15,000
Grants, subsidies, and contributions	4,789,000	---	-4,789,000
Total obligations by object	5,049,000	---	-5,049,000

Authorizing Legislation

	Amount Authorized	1978 Budget Request
Research and Training Activities Overseas:		
1. Research and demonstrations Agricultural Trade Development and Assistance Act (Section 104) and the International Health Research Act	Indefinite	$ ---

Research and Training Activities Overseas
(Special Foreign Currency Program)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1969	7,500,000	5,000,000	5,000,000	5,000,000
1970	2,000,000	2,000,000	2,000,000	2,000,000
1971	7,000,000	4,000,000	4,000,000	4,000,000
1972	10,000,000	8,000,000	8,000,000	8,000,000
1973	10,000,000	8,000,000	8,000,000	8,000,000
1974	4,000,000	2,000,000	---	---
1975	---	---	---	---
1976	---	---	---	---
1977	---	---	---	---
1978	---			

Note: This appropriation prior to Fiscal Year 1969 was carried under "Research and Training (Special Foreign Currency Program)," Vocational Rehabilitation Administration and "Research and Training (Special Foreign Currency Program)," Welfare Administration

Research and Training Activities Overseas

(Special Foreign Currency Program)

	1977 Estimate	1978 Estimate	Increase or Decrease
New Budget Authority	---	---	---
Estimated Obligations	$5,049,000	---	$-5,049,000

The Research and Training Activities Overseas program is designed to supplement the domestic research and demonstration program by developing new knowledge and methods for improving services to the disabled. It is considered to be an integral part of the domestic research program since projects are designed to support and strengthen research activities within the United States.

Grants are restricted to those countries in which the United States holds excess currencies, and expenditures do not result in dollar payments by the United States.

All research must be mutually beneficial to the United States and to the country in which research is performed. Clearance on grants is required from the Department of State, American embassies and foreign affairs office of each country as well as the national ministries and departments within each country.

Accomplishments in 1977:

During 1977 projects will be directed at the same objectives and priorities as the domestic program with emphasis on the severely disabled. The interchange of experts activity within the research program provides direct technical assistance and information as scientists from the United States and other countries collaborate on international research. In 1977, 35 consultants from the United States and 35 foreign scientists or fellows will be participating in the program.

Below is a summary of the countries in which grants are anticipated in 1977 and the estimated dollar equivalents of the foreign currencies to be obligated:

Country	Number of Projects	Dollar Equivalent
Egypt	6	$1,708,000
India	4	1,076,000
Pakistan	3	658,000
Poland	2	659,000
Tunisia	1	521,000
Subtotal	16	4,622,000
Interchange of Experts and Undistributed		427,000
Total		5,049,000

1978 Objectives:

No new funds are requested for the program in 1978, since it is felt that the level of activity from grants awarded in previous years will provide adequate program support.

The Office of Human Development Research and Training Activities Overseas program obligates all funds for the project period of the grant at once. This has led to a situation in which many more grants are active in a given year than there are awards. During 1978 it is estimated that there will be approximately 90 research projects that will continue to be active. No funds will be available for the interchange of experts program in 1978.

OFFICE OF HUMAN DEVELOPMENT

Research and Training Activities Overseas
(Special Foreign Currency Program)

Program Purpose and Accomplishments

Activity: Research and demonstration (Agricultural Trade Development and Assistance Act of 1954, P.L. 83-840, as amended, Section 104(b)(3))

1977 Estimate	1978 Authorization	1978 Budget Request
---	Indefinite	---

Purpose: The international Special Foreign Currency Program supports research activities which complement and strengthen the domestic programs of the Rehabilitation Services Administration of the Office of Human Development. This program is also designed to improve international cooperation and carry out U.S. research objectives in areas of mutual interest to the U.S. and host countries.

Explanation: The U. S. Department of Treasury designates as "excess currency" those countries in which U.S. -owned foreign currencies accumulated from the sale of agricultural products are in excess of Embassy and other primary U.S. requirements. Grantee institutions contribute to project costs to the greatest extent possible.

Accomplishments in 1977: Research projects are planned, with emphasis on the severely disabled. Approximately 70 U.S. consultants and foreign scientists or fellows will participate in the program during FY 1977. The goals for the program include: (a) finding ways to develop and expand job opportunities for the handicapped; (b) better utilization of rehabilitation manpower resources, (c) improving services to those with spinal cord injury, chronic obstructive pulmonary disease, and cardiovascular and neuromuscular diseases.

1978 Objectives: No new budget authority is requested in 1978. The program level will be maintained at 90 projects due to the extended project periods of awards made in prior years.

FRIDAY APRIL 1, 1977.

OFFICE OF INSPECTOR GENERAL

WITNESSES

THOMAS D. MORRIS, INSPECTOR GENERAL
JOHN D. YOUNG, ASSISTANT SECRETARY, MANAGEMENT AND BUDGET
EDWARD STEPNICK, DIRECTOR, AUDIT AGENCY
BRYAN MITCHELL, ACTING DIRECTOR, OFFICE OF INVESTIGATIONS
NATHAN D. DICK, DEPUTY DIRECTOR, OFFICE OF INVESTIGATIONS
CHARLES F. KEARNEY, DIRECTOR, DIVISION OF OS BUDGET SERVICES

Mr. FLOOD. Good morning, Mr. Morris. This is your first appearance before the subcommittee. We want you to know we are very interested in your office. You are representing the Office of the Inspector General. We have your biographical sketch, Mr. Morris, as well as your statement which will be inserted in the record at this point.

[The biographical sketch and statement follow:]

BIOGRAPHY OF THOMAS D. MORRIS

WORK EXPERIENCE

March 1976–January 1977: Brookings Institution, senior staff, Advanced Study Program. Conducted educational programs for senior Federal and business executives on public policy issues.

Nov. 1975–Feb. 1976: Assistant Secretary for Administrative Services, Department of Health and Rehabilitative Services, Florida. Assisted in reorganization of 30,000 employee department.

1970–75: Assistant Comptroller General of the United States. Served in two different capacities: (1) oversight of internal management programs for the 5,000 member staff of the General Accounting Office; (2) oversight of Government-wide audits concerned with financial management, personnel practices, contracting and property management.

1969: Vice president, Litton Industries, Los Angeles. Coordinated merger of four newly acquired machine tool companies, with $200 million in sales, into the corporate structure.

1970: Vice president, Dart Industries, Los Angeles. Ran production facility which was in trouble.

1961—68: Assistant Secretary of Defense. Served in two different capacities: (1) oversight of all manpower programs, (both for military and civilian personnel—4 million in total); and (2) oversight of purchasing, warehousing, transportation, communications, construction, overhaul and repair activities, and operation of bases and installations worldwide.

1960: Assistant Director for Management and Organization, U.S. Bureau of Budget. Coordinated Government-wide programs to improve organization and management, and to reduce costs.

EMPLOYMENT PRIOR TO 1960

Assistant to the president, Champion Paper and Fiber Co., Hamilton, Ohio, 1958–59.

Deputy Assistant Secretary of Defense, Supply and Logistics, 1956–57.

Partner in the management consulting firm of Cresap, McCormick and Paget, 1946–56. Served as senior staff member on both first and second Hoover Commissions.

Navy Department, Office of Secretary, Management Staff. Attained rank of lieutenant commander, 1942–45.

Carnegie–Illinois Steel Corp. (United States Steel) methods and Procedures specialist, 1940–42.

OTHER

BA, University of Tennessee, 1934.

Born April 19, 1913, Knoxville, Tenn.

Mr. Chairman and members of the committee, I am pleased to be here today to present the appropriations of the Office of Inspector General for fiscal year 1978. It is my purpose in this statement to outline for you our plans for the utilization of this request. We are asking $29,633,000 to support 1,054 positions, the same as the fiscal year 1977 staffing level. The dollar request is an increase of $2,180,000 above fiscal year 1977, of which $1,930,000 is to provide full-year funding for the 110 new positions expected to be authorized in the fiscal year 1977 supplemental and $250,000 to enable us to develop audit guides for greater utilization of non-Federal auditors.

As I will indicate at the conclusion of this statement, we are still studying our organization and workloads, and will advise the committee further of any reprograming action that appears prudent for the most effective performance.

I should stress that the current budget provides for no increase in positions beyond those requested in fiscal year 1977, including the supplemental.

THE OFFICE OF INSPECTOR GENERAL

The Office of the Inspector General was created by Public Law 94–505 to provide leadership and coordination of the Department's activities designed to promote efficiency and economy and to prevent fraud and abuse in its programs.

As set out in the statute, the major functions of the Office of the Inspector General are to:

Conduct the audit and investigation functions which have been transferred to the new Office of the Inspector General from General Department Management;

Coordinate activities of the Department's principal operating components designed to eliminate fraud and abuse and to promote economy and efficiency in the Department's programs; and

Coordinate the relationships between the Office of the Inspector General and other governmental and nongovernmental entities.

AUDIT AGENCY

The Audit Agency's mission is to perform comprehensive audits of all Department programs, functions, and activities carried out internally and through grantees and contractors. It is responsible for seeing that some 50,000 entities participating in the administration and execution of the Department's programs receive audit attention. Also, the Office of Management and Budget (OMB) has assigned the Audit Agency responsibility for auditing all Federal funds at approximately 95 percent of the Nation's 2,400 institutions of higher education and the indirect cost allocation plans prepared by some 950 units of State and local government.

An additional $250,000 in contract funds is requested to provide for greater utilization of non-Federal auditors. These funds would support contracts with State auditors and public accounting firms to test the use of audit guides for the medicare program now being audited by in-house audit staff. Development of these guides will be the responsibility of 14 new audit staff members requested in the fiscal year 1977 supplemental. A successful effort would lead to future requests for additional funds to contract for program audits rather than request major new increases in permanent Federal employment.

OFFICE OF INVESTIGATIONS

The Office of Investigations has departmentwide responsibility for directing the investigation of all criminal fraud in HEW programs and for liaison with related outside agencies. The establishment of this office in fiscal year 1976 was the beginning of a comprehensive HEW effort to conduct investigations of alleged cases of malfeasance; fraud; misuse of funds, equipment, or facilities; violations of terms or conditions of funding; and conflicts of interest by employees, grantees, contractors, and other personnel working on behalf of the Department.

FISCAL YEAR 1978 PLANS

Secretary Califano's recently announced reorganization of HEW has, as a major objective, increasing the efficiency of program operations and increasing the Department's attack on fraud and program abuse. The Office of Inspector General will play a key role in achieving this objective.

It is too early in my stewardship to spell out precisely how the Office of Inspector General will conduct its business in fiscal year 1978, but we presently plan to move in the following directions:

Continue to improve our performance in the audit and investigative areas. Particularly we will seek to target on higher payoff areas, working closely with other agencies and jurisdictions.

Continue to improve our working relationships with the Department of Justice, the U.S. attorneys, and with the responsible officials at State and local levels.

Establish procedures within HEW to measure the resources applied to the fraud and abuse area and to insure that they are deployed effectively in a coordinated attack on these problems.

Improve on our procedures established in fiscal year 1977 to undertake quick task force reviews of fraud or abuse targets of opportunity.

Continue to improve staff expertise in performing audits, investigations, and reviews to expose fraud and abuse and to foster efficiency and economy. For example, we will begin crosstraining between auditors and investigators so that these professional disciplines will be more effective in assisting each other.

As one step in carrying out this enlarged responsibility, the law specifies that the Inspector General shall establish, within his office, an appropriate and adequate staff with specific responsibility for devoting their full time and attention to antifraud and antiabuse activities relating to the medicaid/medicare, renal disease, and maternal and child health programs."

We think this new staff, manned by a small number of program management specialists, will be an effective addition. However, we believe it would be prudent to broaden the composition of this staff to cover other major program areas, and give it the mission of leading reviews, covering the design of quality control, compliance, and program integrity systems utilized by each of these programs. Our regular audit and investigative staffs will participate in these areas. We are planning to establish the post of "Assistant Inspector General for Systems Review" to build and manage this new staff.

SUMMARY

Because of the short time period I have had to review the budget request for fiscal year 1978, and to assess our workload and organizational needs, we are unable to say with certainty that the resources requested in this budget will permit the office to perform in the manner described by the Congress and the Secretary. We have found that our workloads and our backlogs are growing. This may necessitate our requesting additional resources in a supplemental budget next fall. In the meantime, it is our desire to make the most effective use of resources requested. To that end, we will shortly ask this committee's approval to reprogram the allocation of the 110 positions contained in the fiscal year 1977 supplemental on which you have just acted.

We will now be pleased to answer your questions.

TOTAL ABUSE EFFORT

Mr. FLOOD. According to your statement this $29 million request will support 1,054 positions directly under your supervision. Tell us the total number of positions throughout HEW who are working on fraud or abuse activities.

Mr. MORRIS. There is not a reliable figure yet. This is one of the first things I intend to do. I am sure there are another 1,000 or so positions involved in fraud and abuse compliance work which we shall oversee.

Mr. FLOOD. For the record, we would like to have a breakdown of the estimated number of positions and the estimated amount of money in—each agency which has a significant fraud program.

NUMBER OF POSITIONS IN FRAUD AND ABUSE

As indicated in my testimony, I have not found a reliable figure as yet, and feel that we should take the time to make an adequate survey before providing detailed data which we can consider fully valid.

The best estimate I have seen is that there are on the order of 2,200 positions assigned to fraud and abuse work including the 1,054 directly under my supervision. We will definitely plan to obtain firm data which can be furnished to the committee in the future.

Do you feel, as you get settled into your Inspector General role, that additional staff currently out in the agencies would eventually be moving under your jurisdiction?

Mr. MORRIS. Again, sir, we want to take a careful look at that. We have already moved a number of positions from Social Security into investigations. Whether we should actually take over or coordinate is a question I would like to keep before me.

Mr. FLOOD. How many positions are directly involved in investigative work as opposed to policy or systems development?

Mr. MORRIS. I believe it is correct to say we now have centralized in my office all of the true criminal investigative type effort. That has been the intent in the past year.

Mr. FLOOD. How long have you been aboard?

Mr. MORRIS. Since the first of February starting as a consultant, learning this area. The office was formed March 29, 1977.

NUMBER OF VACANCIES

Mr. FLOOD. How many positions assigned to the Office of the Inspector General—this doesn't include the 110 in the supplemental—are not filled at this time?

Mr. MORRIS. The last check I made was about a week ago—about 26 vacancies in audit and around 17 in investigation which are all under active recruitment.

Mr. FLOOD. Do you anticipate any difficulty in filling current positions as a result of the current personnel policies such as the freeze which we have been hearing about all week?

Mr. MORRIS. My understanding is we are allowed to fill 75 percent of the vacancies which existed in February. We are asking for an exception in my case because we need every space we can get to go into business.

CASES REFERRED FOR ACTION

Mr. FLOOD. Tell me the number of cases which were formally referred for further action.

Mr. MORRIS. I have a record before me based on last calendar year, if I may use that timeframe.

Last year we closed 65 cases, presented 57 to the U.S. attorneys, they declined prosecution of 32 cases, 33 were presented to grand juries, there were 27 indictments and 40 convictions.

Mr. FLOOD. This may be difficult for you. What is the total amount of money recovered by HEW as a result of its investigative work in 1976, both audit exceptions and the other recoveries?

Mr. MORRIS. I can call on my associates who run those areas.

Mr. FLOOD. By the way, you have the varsity here. I think you should present them to us now.

Mr. MORRIS. On my far right is Mr. Don Dick, the Acting Assistant Inspector General for Investigations. He has been the Deputy Director in that Office and doing a fine job.

Mr. Edward Stepnick, Assistant Inspector General for Auditing.

On my left is Mr. Bryan Mitchell, the new Assistant Inspector General for Systems Review.

CASELOAD

Mr. FLOOD. How many cases are currently under investigation by your office and how many new cases are started each month?

Mr. MORRIS. We have 270 pending active cases. They have all been opened, ready for work. We have not been able to assign all of them as yet. We have been opening cases at the rate of 1 a day for the past 2 months.

Mr. FLOOD. How much money is potentially involved in all the current cases?

That is a difficult question.

Mr. MORRIS. Let me ask Mr. Stepnick to comment on that.

Mr. STEPNICK. At any particular point in time, we have some 500 to 600 audit assignments in process. During the last fiscal year, including the transitional quarter, we issued 7,000 reports on HEW activities which covered—I don't have an exact figure, but I can give you a range. I would say those covered from $15 to $20 billion of Department expenditures.

Mr. FLOOD. What portion of your cases are associated with medicare, medicaid, or student loans?

Mr. MORRIS. Again we have to answer this separately for investigations and criminal cases versus our auditing process. Mr. Stepnick.

Mr. FLOOD. That's a good way to do it. That's what I meant.

Mr. MORRIS. We may want to give you the precise data for the record.

Mr. STEPNICK. I think perhaps that would be best. We do have some figures which would indicate the amount of effort which is allocated to each program for each of the past years, but I don't have all those figures with me.

Mr. FLOOD. You can supply it for the record, of course.

[The information follows:]

MAN-YEARS ALLOCATED TO PROGRAM AUDITS

	Fiscal year	
	1975	1976
Public assistance	55	122
Medicaid	64	102
Medicare	84	85
Student financial aid	20	70

[1] Based on 15-mo period July 1, 1975, to September 30, 1976, which includes transitional quarter.

Mr. MORRIS. I might say in the case of our investigative work as we previously reported to you, a very high percentage has been in the medicaid area. The student financial area has become very important recently.

Mr. DICK. The medicaid-medicare cases account for one-third, student financial assistance, one-third, and the balance of our cases the other third.

We are talking case numbers, not necessarily workload.

ORIGINATION OF CASES

Mr. FLOOD. Are all the cases developed by your office the result of referrals, or do you go out and try independently to develop leads?

Mr. MORRIS. The Office of Investigations acts upon referrals, which result from our audit agency effort in many cases. We expect in our future work to do more comprehensive planning of our investigative effort and take initiatives ourselves which may reveal cases needing attention.

RELATIONSHIP WITH JUSTICE

Mr. FLOOD. Do you currently have arrangements with the Department of Justice for taking over the cases you refer for prosecution? Are these arrangements, as far as you are concerned, satisfactory?

Mr. MORRIS. The relationship is excellent and I have been delighted with our ability to work on a daily basis with the key people there.

As soon as we have what we feel is an authentic fraud case we go to the U.S. attorney and we become an investigative arm for him—frequently with the FBI and frequently with some of our audit staff.

Mr. FLOOD. A couple of years ago we were told in some of the hearings that in some cities the U.S. attorneys don't proceed with these kind of cases because of their complexity and the low level of public support. Is that still a problem?

Mr. MORRIS. Sir, I want Mr. Dick to amplify this but just last December 23, for example, the Assistant Attorney General for Criminal Investigation, sent a memorandum to the U.S. attorney urging their cooperation. There are some 94 of these U.S. attorneys' offices. I understand that the range of interest, as you would expect, differs widely among them.

Mr. DICK. Mr. Chairman, I do want to amplify on that. There has been a significant change in attitude since our previous testimony several years ago, primarily due to the attitude of the Department of Justice as to white-collar crime. They have set up a separate unit dealing with white-collar crimes. Their experience has improved as our experience has improved.

INDEPENDENCE OF OFFICE

Mr. FLOOD. One of the most serious concerns expressed since you took over the responsibility is the independence of your office to pursue investigations. Clearly one of the purposes of the legislation creating your office was to guarantee you would have this independence. Can you assure us that you and your staff will be completely free to pursue any cases you believe merit investigation.

Mr. MORRIS. I can give you that assurance, Mr. Chairman. This was carefully worked out and thought out with Secretary Califano before I accepted the position.

AUDIT PLANS

Mr. FLOOD. Is there a departmental plan specifying what type of HEW funds are to be audited and how regularly certain HEW clients are to be reviewed?

Mr. MORRIS. Mr. Stepnick will respond.

Mr. STEPNICK. We have both short- and long-range plans, Mr. Chairman. I alluded to our long-range plan when I testified in connection with the 1977 supplemental.

Mr. FLOOD. That's right.

Mr. STEPNICK. And this plan develops our total audit workload, but it is a significant improvement over earlier plans in that it stratifies this workload in terms of relative risk so we can identify those particular elements within each program and make a judgment as to how frequently they should be audited. The areas of highest risk we would identify for audit annually. This may not consist of all the entities participating in a program but only those entities spending a large sum of dollars or our experience would show they have poor management systems.

TRUST FUND DOLLARS

Mr. FLOOD. That is pretty much what you have presented on the supplemental. On this $4,290,000 to be transferred from Social Security trust funds, can you tell us how you determined that figure?

Mr. YOUNG. Some 3 years ago when we looked at the charges which were being made against the trust funds for audit and other overhead activities in the Office of Secretary, we found that distribution to be inadequate. We asked our indirect cost people to work up a plan for the fair distribution of costs against the trust fund. I think it is almost completely installed and I think it would stand audit.

To the best of my knowledge, we have not completed that in terms of assigning the cost of investigation, costs of audit are assigned to the trust fund but not the costs of the investigative staff to the trust fund. We are looking into that.

Mr. FLOOD. Mr. Natcher.

Mr. NATCHER. Under your request now pending before the committee, you are requesting 1,054 positions. Is that correct?

Mr. MORRIS. That is correct, sir.

Mr. NATCHER. Now, in your general statement to the committee, you point out as far as the audit agency is concerned, your responsibility is to see that some 50,000 entities participating in the administration and execution of the Department's programs receive audit attention.

How can you do it? How are you going to do it?

Now, when you talk about 1,054 positions, as far as auditing is concerned, is this the only auditing setup we will have in HEW now, as far as fraud and the other matters which you speak of in your statement?

Mr. MORRIS. Let me summarize and again ask my associates to amplify.

INVESTIGATIVE FUNCTION

We have two functions. One, a criminal investigation function that will be done through Mr. Dick's staff.

Mr. NATCHER. Excuse me for interrupting you.

Give me some idea as to how many of your people would be assigned in the category?

Mr. MORRIS. The budget provides for 94 positions assignable to the Office of Investigations. The remainder, aside from my immediate office, are now and will continue to be in the audit agencies under Mr. Stepnick which will have about 944 positions in this budget.

AUDIT CONTRACT SERVICES

In addition to those positions, under contract we acquire the services of about 2,200 years of audit effort, as I recall. Mr. Stepnick's studies which he has submitted to the committee show that to do an optimum job we would need about another 1,400 or a total of 4,400 devoted to audit effort alone.

Mr. NATCHER. Judging from the amounts we have before our committee for the Department of Health, Education, and Welfare, it would seem to me, even though we are not trying to add positions to your office, I don't see how you are going to get it done.

Mr. MORRIS. Sir, as I have said in my prepared statement, I have just had a short period of time to study our needs. I would like to examine our resources to find out whether there are other sources on which we can call and to the extent they can help do this job, we will harness those resources.

Mr. NATCHER. Off the record.

[Discussion off the record.]

Mr. FLOOD. Back on the record.

Mr. STEPNICK. The cognizance audit concept has been established by the OMB. The concept is simply this, where funds from a number of different Federal agencies go to one organization, outside organization, a university, rather than have an audit staff from each of the Federal agencies there should be one institutional-type audit to serve all the Government's needs. Under this arrangement some 2,000 colleges and universities receiving funds from different agencies are under HEW audit. Similarly, the Defense Contract Audit Agency audits for HEW where Defense Contract Audit Agency is cognizant, and their audits would include the other agencies' funds as well. The financing is handled on a reimbursable basis.

Mr. NATCHER. I voted for Public Law 94–505. I think it is good. The intent and purpose of this law, I think, is excellent, but I don't see how you are going to do it. I know what you have in mind but I just don't see how you are going to do it.

Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Roybal.

Mr. ROYBAL. Thank you, Mr. Chairman.

Mr. Morris, I see from your statement that you have 1,054 positions.

Mr. MORRIS. Yes, sir.

Mr. ROYBAL. You have to have the necessary funding to take care of these.

Mr. MORRIS. Yes, sir.

SPANISH-SURNAMED EMPLOYMENT

Mr. ROYBAL. I ask this question of almost every witness, particularly when they come before us the first time, and very frankly, I am sounding like a wornout record. But I do th is because I am very much concerned about the fact that the Spanish-speaking community of the United States is being ignored and all available statistics clearly indicate that no one can dispute it.

So I am asking you this question: Of the 1,054 jobs, how many are going to be filled by persons with Spanish surnames?

Mr. MORRIS. I will have to furnish that for the record.

Mr. ROYBAL. Also furnish for the record the number you intend to hire from the 110?

Mr. MORRIS. As you know, we are under civil service and have to use their registers.

[The information requested follows:]

SPANISH SURNAME EMPLOYMENT INFORMATION

As of April 4, 1977, the onboard strength of the Office of Inspector General was 1,105; of that number, 25 are employees with Spanish surnames.

As we move to fill the balance of our positions we will, of course, follow the established laws, rules, and regulations governing the employment of individuals under affirmative action principles.

Mr. ROYBAL. An affirmative action program is an affirmative action program whether directed by civil service or me or anybody else. It is either applied or it is not. My contention is that it has not been applied. As I say, statistics prove that to be a fact.

I have had a similar talk with civil service in another committee on which I serve and I have been bringing that to their attention and asking them if they were not tired of me asking the same question every year. Apparently not, because they haven't done anything. I was assured, however, that with the new administration an effort would be made. Well, I hope to see soon the result of that effort, and hope that it will not be necessary for years from now for me to ask the same question.

Another thing which bothers me about your operation is what I believe to be inadequate staff in the office of investigation. I think you should have more of a staff than I have been told you have. Maybe my figures are wrong.

INVESTIGATIONS

The Office of Investigation has Department-wide responsibility of directing investigations as to criminal fraud in all HEW programs.

Mr. MORRIS. Yes.

Mr. ROYBAL. How many of the 1,054 persons do you have in investigation.

Mr. MORRIS. We are asking for 94 in the budget before you, I have separately asked for permission to reprogram some of the spaces in the supplemental in order to allot more to investigations. We expect we will have to come back in future budgets for substantial augmentation of that work force if the workload continues to increase.

Mr. ROYBAL. It is my opinion that a hundred people is not enough. If that is a fact I hope you do get additional personnel because I see many problems in HEW programs throughout the country, CEDA is the biggest example of all. You don't have to be too much of an investigator to conclude that CETA funds are not being used according to guidelines.

Now, I am not saying that you come to this committee for more money, but many dollars can be saved if you actually insist that HEW programs comply with existing regulations, look at them and bring them down to earth. The savings along would be worth your effort. If after that more funds are needed, I will defend that request, but not until I see that these programs are made to comply in every respect.

Mr. YOUNG. Much of the abuse of these programs will never be nor should it be caught up by auditors or criminal investigators. For example, we have 600 man-years of effort on supplemental security income program, working on quality assurance.

Similarly, aid to dependent children. The Congress has helped us in those programs, but you have to look across the board to these other things as well as what these gentlemen are trying to do.

Mr. ROYBAL. Are you telling me there are more than 100 investigators and people doing the work and not just the 100 we are talking about?

Mr. YOUNG. What Mr. Morris is saying, he has roughly 100 people trained as criminal investigators, that is where you are working allegations of fraud, but much of the money which may be lost is due to the fact that the programs are poorly managed in many cases. There are ineligible recipients, et cetera, and there are literally hundreds, and I give you one example: In the SSI program, there are over 600 people working on quality assurance.

Mr. ROYBAL. But you still agree 100 is not enough?

Mr. YOUNG. You need approximately 142 to do an adequate job.

Mr. MORRIS. It is not enough to do an adequate job. We are getting a lot of help from the FBI.

Mr. ROYBAL. Would you say my assessment was an accurate one?

Mr. MORRIS. Yes, sir.

TRAVEL FUNDS

Mr. FLOOD. Now $2,346,000 is requested for travel. We are concerned about the funds being carefully managed. Can you describe to us how these travel funds are allocated?

Mr. MORRIS. I would have to call on my associates who do this, but travel is our lifeblood, 90 percent of our staff is outside of Washington, headquartered in 10 regional cities and working out of those cities. We just analyzed our investigative effort and found we were working in 140 different locations. So without the ability to be mobile we would be a very ineffective organization. The request is based on the payroll, plus housekeeping space, et cetera.

SPECIAL TASK FORCE EFFORTS

Mr. FLOOD. Your statement talks about the possibility of special task force efforts. Are you planning such efforts currently for problems such as loan defaults, medicaid fraud, and so on?

Mr. MORRIS. Yes, sir. Recently, the U.S. attorney in New Jersey pulled together a task force of about 34 people, including ourselves, to work on medicaid-type problems. We think this is a very good way in which to combine the limited resources. We all have to attack these very big problems. So we will encourage this whenever we can at Federal, State, and local levels.

INDIRECT COSTS

Mr. FLOOD. Let me bring up for a minute the subject of indirect costs. As you know, this committee, as well as the Department, has been concerned as to whether the Government is paying more than its

share of these costs. Can you tell us what you are doing about that issue?

Mr. MORRIS. Mr. Young.

Mr. YOUNG. As I indicated before, there is a great misunderstanding as to indirect costs. Many people think they are not real costs and are not necessary. The problem generally arises in the case of universities. Indirect costs of the past few years have risen. Particularly, they have risen because of the cost of fuel, salaries, and so forth.

These indirect costs are based upon indirect cost rates negotiated by Federal civil servants. We have just completed a review of the ground rules of how indirect costs are arrived at in terms of contract grants with colleges and universities. These are about to be approved and sent on to the OMB.

I think these new principles will clarify what are indirect costs and what are not.

Mr. FLOOD. Well, if anybody knows the problem you certainly should.

AUDIT CONTRACTS

Your budget also includes an increase of $250,000 for outside audit contracts. Apparently almost half of your audit work is done by these outside contracts. Are you completely satisfied with that arrangement?

Mr. MORRIS. I have had only limited personal opportunity to study this. I believe it is a very sound arrangement. $250,000 would allow us to develop further audit guides for use by outside CPA's and contractors who would do the audit effort in lieu of doing this in-house. We think it is a wise investment for future assistance.

RESOURCE REQUIREMENTS

Mr. FLOOD. In your justifications, you indicate as far as the Office of Investigation is concerned, your needs for 1978 are pretty soft. When do you expect to have a better idea of the actual needs? We understand the circumstances, of course.

Mr. MORRIS. Mr. Califano wrote you recently regarding our need to reprogram the 110 supplemental budget spaces. We would like to follow through on that within the next few days. That is important to get the best balance of resources.

I think we should have several months to thoroughly inventory the resources available to us, in the Government and in the public sector, before we come to final grips as to how many people we should seek to do an adequate job. Hence, it may be next fall before we can come back to you with that type of report.

Mr. FLOOD. You have 16 positions assigned to your own shop, your own office. Is that sufficient?

Mr. MORRIS. We would like to cut that number back to about 10 and to reprogram them, along with spaces we had requested for audit, in order to build a new staff under Mr. Mitchell containing a number of knowledgeable people—people who have grown up with and understand the rules and regulations of these complex programs—in the order to root out fraud and abuse. We need that capability. I would rather cut back on my immediate office and reprogram to form this new force called program systems review.

Mr. FLOOD. Have you selected your deputy yet?
Mr. MORRIS. No, sir. We are recruiting, however.
Mr. FLOOD. Thank you very much; good show.
Mr. MORRIS. Thank you.
[The following questions were submitted by members of the subcommittee with the request that answers be provided for the record:]

BACKGROUND EXPERIENCE

Mr. MICHEL. Mr. Morris, in looking over your background, there appears to be very little in the way of experience in the investigative or fraud and abuse field. What assurances can you give us that you have the expertise necessary to effectively carry out the investigative aspect of your job?

ANSWER. I agree that the range of qualifications required for the Inspector General position is very great. At one end of the spectrum is criminal fraud and abuse expertise. In the center is the huge audit function requiring knowledge of how professional auditors review the records and activities of complex organizations, both Federal and non-Federal. At the other end of the spectrum is the requirement of Public Law 94-505 to foster economy and efficiency throughout the Department. Thus three rather different skills are required to cover this whole spectrum.

My primary experience for 35 years was in management and industrial engineering (that is, economy and efficiency)—and during the past 5 years—while serving as Assistant Comptroller General—in auditing functions.

In the fraud and abuse area, I have had more limited but yet valuable experience. In 1965-67, as Assistant Secretary of Defense for Manpower, I oversaw personnel programs worldwide for both military and civilian employees—including the field of military justice. I was responsible for investigations in Vietnam of black marketing of currency and Post Exchange merchandise. In this role I worked with the special investigators and the Inspectors General of the Armed Services. I was also responsible for all military medical services, and the policies governing the Surgeons General of the Army, Navy, and Air Force.

RECRUITMENT

Mr. MICHEL. Will you be selecting subordinates who are proven investigators?

ANSWER. Yes; we will staff our Assistant Inspector General for Investigations with experienced professional investigators. Also, we are giving first priority in our search for the Deputy Inspector General to a person with distinguished experience in criminal investigation and in the prosecution of such cases.

Mr. MICHEL. It was, of course, regrettable that Mr. Walsh left his position as head of the Office of Investigations. Have you selected anyone to replace him as yet?

ANSWER. We have appointed Mr. Nathan D. Dick, who has been Deputy Director of the Office of Investigations, as Acting Assistant Inspector General for Investigations. We are considering a number of candidates for this post, including Mr. Dick.

Mr. MICHEL. What about the Deputy Inspector General. Has anyone been selected for that position as yet?

ANSWER. No; but we are recruiting actively.

INDEPENDENCE OF OFFICE

Mr. MICHEL. Mr. Walsh left because he felt the Secretary was interfering with his independence. Aren't you likely to run into the same problem?

ANSWER. I believe Mr. Walsh testified that he later recognized that his concerns were due to a misunderstanding and that no interference was intended. There is no likelihood of any such problem occurring, in my opinion. The General Counsel and I have developed a memorandum of understanding which fully recognizes the independence of the Inspector General, and both the Secretary and Under Secretary have made it clear to me that there will be no interference from them.

Mr. MICHEL. The Secretary is a strong-minded man and you're an old friend of his. Aren't these factors likely to result in informal suggestions and collaboration even if outwardly you retain your independence?

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ANSWER. As I responded to a similar question during my confirmation hearing, I am determined to honor the mandate given to the Office of the Inspector General by law. I intend to "be my own man," to demonstrate absolute integrity, and to insist on high performance.

Mr. MICHEL. What kind of assurances have you received from the Secretary that he won't interfere with your activities?

ANSWER. The organization order signed by the Secretary and published in the Federal Register (dated March 29, 1977) states the cardinal principles of the act which establishes my Office. The Secretatry personally approved this, and he has personally approved the memorandum of understanding I have established with the General Counsel. This asserts the independence of the Inspector General.

Mr. MICHEL. Will you be required to clear your cases through HEW's General Counsel, as Mr. Walsh apparently was asked to do?

ANSWER. I will not be required to clear cases through HEW's General Counsel. As Mr. Walsh testified, this was a misunderstanding.

CALIFORNIA HOME HEALTH CASE

Mr. MICHEL. What is the current situation regarding the California home health case, which started the Walsh controversy? Has it been suppressed, or are you moving ahead with it?

ANSWER. This case has not been suppressed. The records involved were subponaed by the congressional committees looking into the case. The records have now been referred to the Attorney General and a classified copy of the transcript has been furnished to my office as a basis for workinig with the Attorney General in the continuation of this investigation.

UNFAMILIARITY WITH HEW PROGRAMS

Mr. MICHEL. Another of the elements apparently missing from your background is direct familiarity with HEW programs. Isn't this likely to delay the time until you really effectively take control of your job?

ANSWER. For 2 months before assuming office, I was privileged to have the freedom to talk with key program officials in Washington and in 4 out of 10 HEW regions. By the end of April, I will complete visits to all regions, as well as with selected State officials and U.S. attorneys.

I have selected as my key subordinates individuals with a long history in, and deep knowledge of, HEW programs.

I believe we are off to a good start in what is obviously a complex assignment.

Mr. MICHEL. Will you be appointing top subordinates that have that familiarity with HEW?

ANSWER. Yes, as I have indicated in response to the foregoing question.

AREAS FOR EVALUATION

Mr. MICHEL. One of your responsibilities is to conduct an evaluation of HEW's programs from an economy and efficiency standpoint and submit reports to both Congress and the Secretary. What areas will you be looking into first?

ANSWER. Our first major assignment from the Secretary is a rview of the 10 regional offices. I am doing this personally with Mr. Bryan Mitchell, Assistant Inspector General for Systems Review. We are asking the Appropriations Committees for authority to reprogram 40 positions contained in the fiscal year 1977 supplemental so that we can proceed to assemble a staff qualified to conduct reviews of the major quality control and management systems of each of the principal operating components.

Mr. MICHEL. Can we be certain you will be sending reports to Congress at the same time and in the same form as they go to the Secretary?

ANSWER. We will abide strictly by the requirements of Public Law 94-505.

Mr. MICHEL. When do you expect the first report to be submitted?

ANSWER. We submitted on April 4, 1977, a letter report announcing the initiation of the Office of Inspector General. This report was addressed to the Congress.

Our first quarterly report will cover the period April 1 through June 30. I would hope to have this ready during the month of July.

Mr. MICHEL. It seems to me one of the areas that ought to be looked into from an efficiency and economy standpoint is the question of the Secretary's cook and

bodyguard. Will you be doing this, or will your friendship with him stand in the way?

ANSWER. We are not planning to conduct any further investigation since it is our belief that the matter has been thoroughly aired.

Mr. MICHEL. Will you be checking into the operation of the HEW regional offices? There have been some complaints from States and localities that these offices have not been overly cooperative and helpful in assisting them to deal with HEW programs.

ANSWER. Yes, we are now studying the organization and operation of the regional offices.

RELATIONSHIP WITH STATES

Mr. MICHEL. What kind of a relationship do you intend to establish with the States regarding their own investigative and quality control efforts?

ANSWER. Relationships with States is one of the important responsibilities of our office. We need to obtain much greater familiarity with State organizations concerned with HEW programs, including investigative and quality control activities. I will personally visit such organizations during coming months, working with our program officials both in Washington and in the regions.

RELATIONSHIP WITH OI

Mr. MICHEL. What kind of a relationship will you have with the Office of Investigations and its Head?

ANSWER. I expect to have a continuing intimate relationship with the three Assistant Inspectors General, including the Assistant Inspector General for Investigations. When we select our Deputy he will probably spend more of his time with the Office of Investigations in accordance with present plans to choose someone with prosecutorial experience.

MEDICAID-MEDICARE FRAUD AND ABUSE ACTIVITY

Mr. MICHEL. Will the Medicaid-Medicare fraud and abuse effort be under your authority, or will it be under the Head of the new Health Care Services Administration?

ANSWER. We are now actively planning jointly with the leaders of the new Health Care Financing Administration on a range of joint and individual efforts. It is important that we utilize our total resources and avoid either competition or duplication. It is our current feeling that day-to-day operational, quality control, and program integrity activities are most effectively located in the operating components. But as required by Public Law 94–505, we shall exercise our authority to recommend policies for, and to coordinate all such activities which do not fall under our immediate supervision.

Mr. MICHEL. How specifically is the Medicaid-Medicare fraud and abuse effort proceeding? What specifically is it zeroing in on and how will it go about accomplishing its objective?

ANSWER. As you know, the Bureau of Health Insurance and the Medical Services Administration each have substantial staffs devoted to program integrity efforts including the identification of cases, using a variety of sampling and interview techniques. These efforts are continuing and we are observing their operations. In addition, the Acting Head of HCFA has assigned one of his key officials to work with us in the development of a near-term program which will contain several new initiatives.

USE OF NON-FEDERAL AUDITORS

Mr. MICHEL. According to your statement, you are hoping to make greater use of non-Federal auditors through contracts. There has been some opposition to this approach in this subcommittee, but I tend to believe that we may get a more unbiased effort in many respects if we do things through outside sources rather than in-house. Can you give us some good arguments on behalf of your position?

ANSWER. I frankly do not think that objectivity is the key reason why we should use outside auditors. We have an excellent career staff which is widely respected both in this Department and in professional audit circles for its objectivity and effectiveness.

Our real problem is that we cannot staff up to the level required to do all of the necessary auditing with in-house staff. We believe that by developing guides

that can be used by outside audit groups, under contract, we can supplement our own efforts and obtain a highly professional product.

Mr. MICHEL. What about in terms of costs? It is less costly to contract out than to do it in-house, or is there any difference?

ANSWER. There are no definitive studies of this matter, but I feel the use of outside auditors can be cost effective when we develop guides to assure proper coverage. It permits us to supplement our staff on "as needed-when needed" basis.

AUDITING INDIRECT COST ALLOCATION PLANS

Mr. MICHEL. I note you are planning to audit the indirect cost allocation plans prepared by various units of State and local governments. What is involved here, and what standards or criteria will you be using in these audits?

ANSWER. Yes, that is correct. We have been making such audits since 1969. OMB Budget Circular A-87, which became effective July 1, 1969, sets forth the criteria and establishes the standards under which State and local governments can obtain reimbursement for indirect costs associated with administering Federal programs. Using these criteria, they prepare cost allocation plans and indirect cost proposals which are subject to Federal negotiation and audit. Our Department, having the preponderance of Federal funds in most States, has been assigned this responsibility for virtually all States and most local units of government.

FUNCTIONS OF OFFICE

Mr. CONTE. How do you regard the relationship within the Office of the Inspector General between the functions of promoting efficiency and economy and preventing fraud and abuse? To what extent are they separate or coordinate functions?

ANSWER. We consider them to be very much related. Fraud, of course, is a special activity which could exist in a very efficient program—it generally is related to intentional acts by an individual or groups. Nevertheless, we believe that we can best attack the overall problem by considering fraud, abuse, efficiency and economy as a continum and working against the whole problem.

COORDINATION ACTIVITIES

Mr. CONTE. With what other governmental and nongovernmental entities do you coordinate your work?

ANSWER. We coordinate our activities with all of the agencies within the Department of Health, Education, and Welfare (HEW), with the Department of Justice including the Federal Bureau of Investigation (FBI), with U.S. Attorneys, with State program agencies and State law enforcement agencies.

MEDICARE AUDIT GUIDES

Mr. CONTE. What is the purpose of the development of your medicare audit guides? Do you propose to make medicare auditing an exclusive contractual activity? Could this be done for other programs as well?

ANSWER. The development and refinement of these guides is in line with our efforts to provide for greater utilization of non-Federal audit staff. As I see it, the non-Federal auditors will look at those aspects of the program that are recurring and fairly routine. The Office of Inspector General will be monitoring the adequacy of these audits as well as taking an independent look at the economy and efficiency of program operations. If this approach proves successful, we plan to expand it to other programs that are susceptible to audits by non-Federal staff.

HIGHEST PAYOFFS FOR ACTIVITIES

Mr. CONTE. What would you consider the highest payoffs for your audit and investigative activities? What sorts of pay-offs are you talking about?

ANSWER. As for audit, I would say that the highest payoffs are in those programs where prior audit experience indicates critical funds control and program abuse problems. This would include such programs as public assistance, medicaid, and student financial aid. A good example of the payoffs involved would be public assistance. Our audits of State agency administrative costs have disclosed a continuing pattern of claiming Federal reimbursement for ineligible costs or costs at higher than authorized rates. Audit recommended financial adjustments in this area presently run at about $70 million a year.

The dollar payoffs for investigative efforts will come from fines and recoveries resulting from well-documented investigative reports, subsequent prosecution and civil fraud recoveries by the Department of Justice. Once it has become firmly established that an effective, well-staffed enforcement unit is protecting the Federal interest, measured by successful prosecution and convictions, a deterrent effect should become self-evident.

JURISDICTIONAL BOUNDARIES OF OFFICE

Mr. CONTE. What are the jurisdictional boundaries between your office and the Department of Justice or U.S. Attorneys' office with regard to things like medicare fraud? Is your role primarily investigative, with the prosecution effort turned over to Justice? How do you coordinate your activities in this area with law enforcement agenices and personnel?

ANSWER. The Department of Justice is charged with prosecuting violators of Federal statutes for both medicare and medicaid. The primary role of the Office of Investigations, Office of the Inspector General is investigative. We coordinate our activities with law enforcement agencies and personnel at all levels. We assist other Federal investigative agencies when requested to do so, assign the Office of Inspector General (OIG) investigators to teams which include Federal and State personnel, and provide assistance to State investigative agencies when resources permit.

BENEFITS DERIVED FROM IG OFFICE

Mr. CONTE. Do you have any estimates of the benefits being derived from the program of the Inspector General's office? Any way to measure whether or not we are getting our enforcement money's worth? Is there a way to determine how much we save or get back for every dollar invested in this office?

ANSWER. The Inspector General's office, as such, was not established until March 29, 1977. Hence it is too early to speculate on the costs and savings.

However, for the 15-month period ending September 30, 1976, the Audit Agency recommended financial adjustments of $107.1 million which were accepted, and identified situations which led to cost avoidance savings of $40 million. We would hope to obtain significant savings from the activities of the office as a whole, but we need at least one year in which to organize our new initiatives before assessing their potential in dollar terms.

LEADS FOR INVESTIGATIONS

Mr. CONTE. Where do you get the leads for your investigative work? Are most of your investigations routine, or do you get "tips" about fraud or abuses of HEW programs? Are you doing anything to encourage squealing?

ANSWER. Leads and requests for investigation come from the audit agency, Members of Congress, private citizens, and HEW employees. We receive "tips" about fraud and abuse involving HEW programs from anonymous sources, conscientious employees of grantees and contractors who made formal referrals, other Federal investigative agencies, U.S. Attorneys who request investigative assistance, and State officials. Employees have been instructed that it is their duty to report suspect cases of fraud to the Office of Inspector General. It should be noted, however, that the Office of Investigations does not conduct employee-suitability inquiries or those involving moral or personal conduct.

REORGANIZATION

Mr. CONTE. Were any of the Inspector General's activities or duties affected by the recent reorganization of health care financing and other functions within HEW?

ANSWER. No, sir. It will, however, provide easier coordination with the health care financing programs since these programs are now under unified management.

AUDITS FOR OTHER AGENCIES

Mr. CONTE. How much work is done by HEW's Audit Agency for other agencies, and why?

ANSWER. We presently devote about 94 positions to audit work for Federal agencies. This is in accord with an Office of Management and Budget directive which assigned cognizance for audit of all Federal funds at almost all institutions of higher education to this Department.

GUARANTEED LOAN

Mr. CONTE. What are you proposing to do to eliminate fraud in the guaranteed student loan program? Why does this program lend itself to fraudulent activity?

ANSWER. We plan to work closely with management of the new Bureau of Student Financial Assistance to detect and prosecute fraud and where necessary, to redesign, and tighten up program procedures. The program has made available large sums of money in an area that previously had little funds and thus did not have in place management systems. And, of course, there is greed ready to exploit needy individuals.

ORGANIZED CRIME AND HOME HEALTH CARE ORGANIZATIONS

Mr. CONTE. What allegations have been made concerning organized crime associations with home health care organizations?

ANSWER. Allegations have been made that persons with reported ties to organized crime are involved with home health care organizations. These allegations have neither been proved nor disapproved.

JUSTIFICATION OF THE BUDGET ESTIMATES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
Departmental Management
Office of the Inspector General
Amounts Available for Obligation

	1977	1978
Appropriation	---	$25,343,000
Comparative transfers from:		
Departmental Management, General Departmental Management	$23,548,000	---
Social Security Administration	476,000	---
Subtotal	$24,024,000	---
Receipts and reimbursements from:		
Trust funds	3,429,000	4,290,000
Total Obligations	$27,453,000	$29,633,000

Summary and Explanation of Changes

1977 Estimated Obligations	$27,453,000
1978 Estimated Obligations	29,633,000
Net Change	+2,180,000

	1977 Base		Changes from Base	
	Pos.	Amount	Pos.	Amount
Increases:				
A. Built-in:				
1. Annualization of 1977 supplemental	--	$ 965,000	--	+$1,569,000
2. Reimbursement to the Working Capital Fund and other increased administrative costs	--	3,189,000	--	+336,000
3. Annualization of October, 1976 pay raise	--	1,284,000	--	+25,000
Subtotal	--	---	--	+$1,930,000
B. Program:				
1. New special funds - to develop a program for greater utilization of non-Federal auditors.	--	---	--	+$250,000
Subtotal	--	---	--	+$250,000
Total, increases	--	---	--	+$2,180,000

Obligations by Activity

Activities	1977 Estimate Pos.	1977 Estimate Amount	1978 Estimate Pos.	1978 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
Immediate Office.....	16	$118,000	16	$454,000	---	+$336,000
Audit Agency.....	944	25,101,000	944	26,534,000	---	+1,433,000
Office of Investigations.	94	2,234,000	94	2,645,000	---	+411,000
Total.....	1,054	$27,453,000	1,054	$29,633,000	---	+$2,180,000

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Total number of permanent positions	1,054	1,054	---
Full-time equivalent of all other positions	32	32	---
Average number of all employees	975	1,054	+79
Personnel compensation:			
Permanent positions	18,773,000	19,997,000	+1,224,000
Positions other than permanent	487,000	487,000	---
Total, personnel compensation	19,260,000	20,484,000	+1,224,000
Personnel benefits:			
Civilian personnel	1,887,000	2,007,000	+120,000
Travel and transportation	2,191,000	2,346,000	+155,000
Transportation of things	45,000	45,000	---
Other rents, communications, and utilities	869,000	976,000	+107,000
Printing and reproduction	100,000	102,000	+2,000
Other services	2,956,000	3,474,000	+518,000
Supplies and materials	109,000	111,000	+2,000
Equipment	36,000	88,000	+52,000
Total, Obligations by object	27,453,000	29,633,000	+2,180,000

Office of the Inspector General

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
FY 1974:				
Appropriation	$20,903,000	$20,903,000	$20,798,000	$20,798,000
SSA transfer	2,934,000	2,934,000	2,934,000	2,934,000
FY 1975:				
Appropriation	$22,394,000	$22,394,000	$21,113,000	$21,113,000
SSA transfer	3,089,000	3,089,000	3,089,000	3,089,000
FY 1976:				
Appropriation	$22,893,000	$22,893,000	$22,893,000	$22,893,000
SSA transfer	3,252,000	3,252,000	3,252,000	3,252,000
FY 1977:				
Appropriation	$22,274,000	$22,274,000	$21,775,000	$21,775,000
SSA transfer	3,429,000	3,429,000	3,429,000	3,429,000
Supplementals	(2,249,000)1/	---	---	---
FY 1978:				
Appropriation	$25,343,000			
SSA transfer	4,290,000			

1/ Requested in FY 1977 General Departmental Management appropriation.

NARRATIVE JUSTIFICATION

Activities	1977 Estimate Pos.	1977 Estimate Amount	1978 Estimate Pos.	1978 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
Immediate Office	16	$118,000	16	$454,000	--	+$336,000
Audit Agency ..	944	25,101,000	944	26,534,000	--	+1,433,000
Office of Investigations	94	2,234,000	94	2,645,000	--	+ 411,000
Total.....	1,054	27,453,000	1,054	29,633,000	--	+2,180,000

General Statement

The Office of the Inspector General was created by Public Law 94-505 to provide leadership and coordination of the Department's activities designed to promote efficiency and economy and to prevent fraud and abuse in its programs. The Office will include a Health Financing staff which is responsible for overseeing the anti-fraud and abuse activities related to Medicare, Medicaid, renal disease, and Maternal and Child Health program. The major functions of the Office of the Inspector General are to:

--Conduct the Audit and Investigation functions which have been transferred to the new Office of the Inspector General from General Departmental Management;

--Coordinate activities of the Department's Principal Operating Components designed to eliminate fraud and abuse and to promote efficiency in the Department's programs; and

--Coordinate the relationships between the Office of the Inspector General and other governmental and non-governmental entities.

The FY 1978 budget is 1,054 positions and $29,633,000, an increase of $2,180,000 over FY 1977. No new positions are requested for FY 1978; however, 110 new positions are requested in a FY 1977 supplmental. These include 16 positions to establish the Immediate Office of the Inspector General, 74 to strengthen audits of major programs facing a high risk of fraud and abuse, and 20 positions to investigate current allegations of fraud and abuse in departmental programs.

Audit Agency - The HEW Audit Agency assures that the Department's programs are conducted with maximum efficiency and integrity by its own employees and the 50,000 entities which execute 374 departmental programs. The FY 1978 request is 944 positions and $26,534,000, an increase of $1,433,000 over FY 1977. No new positions are requested; however, $250,000 in contract funds is requested to provide for greater utilization of non-Federal auditors.

Office of Investigations - The Office of Investigations has Department-wide responsibility for directing the investigation of all criminal fraud in HEW programs. The FY 1978 request is 94 positions and $2,645,000, an increase of no positions and $411,000 over FY 1977.

Audit Agency

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Audit Agency.....	944	$25,101,000	944	$26,534,000	---	+$1,433,000

1/ Includes 74 positions requested in pending FY 1977 supplemental.

General Statement

The HEW Audit Agency's mission is to perform comprehensive audits of all Department programs, functions and activities carried out internally and through grantees and contractors. It is responsible for seeing that some 50,000 entities participating in administration and execution of the Department's 374 programs receive audit attention. Also, OMB has assigned the Audit Agency responsibility for auditing all Federal funds at approximately 95 percent of the Nation's 2,400 institutions of higher education and the indirect cost allocation plans prepared by some 950 units of State and local governments. Prior to being transferred to the new Office of the Inspector General, the Audit Agency was administered by the Assistant Secretary, Comptroller.

Although no additional positions are requested for FY 1977, an additional $250,000 in contract funds is requested to provide for greater utilization of non-Federal auditors.

Accomplishments - FY 1977

The Audit Agency issued 8,793 reports during the 15 month period ending 9/30/76 -- 7,030 of which covered HEW activities. The remainder were audits performed for other Federal agencies under the OMB system of audit cognizance. During this same period, Audit recommended financial adjustments of $107.1 million were accepted, as follows:

Agency	Accepted Audit-Recommended Financial Adjustments
Office of Education	$ 7.9
Social and Rehabilitation Service	87.6
Health Agencies	5.7
Social Security Administration	2.2
Office of Human Development	3.7
	$107.1

In addition to improper expenditures, audit reports identified situations which led to cost avoidance of $40 million and included many recommendations for more efficient and effective program management.

During FY 1977, the Audit Agency is continuing to focus its resources on areas most in need of audit. Particular attention is being devoted to those programs/activities with known critical funds control and abuse problems such as the Medicaid and Public Assistance Programs and selected schools participating in the Department's Student Financial Assistance Programs.

Program Plans - FY 1978

The Audit Agency's most recent analysis of workload indicates the need for 4,676 man-years of audit effort annually (4,554 HEW and 122 for other Federal agencies). Currently, almost one-half -- 2,272 man-years -- of the workload is being met by utilization of non-Federal auditors.

During FY 1978, continuing efforts will be made to enhance the Audit Agency's effectiveness in meeting Department audit needs. Specifically, we are requesting $250,000 to develop a program for greater utilization of non-Federal auditors. These funds would support contracts with State auditors and public accounting firms to test the use of audit guides for the Medicare program now being audited by in-house audit staff. Development of these guides will be the responsibility of 14 new audit staff members requested in the FY 1977 fraud and abuse supplemental. A successful effort would lead to future requests for additional funds to contract for program audits rather than request major new increases in permanent Federal employment.

In addition, measures will be taken to further refine the Audit Agency's manpower planning and utilization process. A continuing analysis is being made of all Department programs and fund recipients for the purpose of identifying relative risk and orders of priority so that audit resources are zeroed in on areas most in need of audit attention.

Office of Investigations

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Office of Investigations.....	94	$2,234,000	94	$2,645,000	---	+$411,000

1/ Includes 20 positions requested in pending FY 1977 supplemental.

General Statement

The Office of Investigations has Department-wide responsibility for directing the investigation of all criminal fraud in HEW programs and for the liaison with all outside agencies. The establishment of this office in FY 1976 was the beginning of an intensive HEW effort to ensure that every dollar appropriated for expenditure through the Department is expended for the purposes which Congress intended. The Office of Investigations is authorized to conduct investigations of alleged cases of malfeasance; fraud; misuse of funds, equipment, or facilities; violations of terms or conditions of funding; and conflicts of interest by employees, grantees, contractors, and other personnel working on behalf of the Department.

Prior to establishment of the new Office of Inspector General by P.L. 94-505, the Office of Investigations was under the administration of the Office of the Under Secretary.

Accomplishments - FY 1977

In its first full year of operation in detecting and investigating fraud and abuse, the Office of Investigations:

-- Staffed each of its ten field offices
-- Established liaison with U.S. Attorneys, the FBI, IRS, and State law enforcement agencies
-- Identified relationships with the Department's program agencies and Audit Agency
-- Obtained, out of nearly 300 suspected fraud cases under investigation, 21 indictments and convictions. Among those cases brought to prosecution are:

a 48-count indictment of six persons in Charleston, South Carolina, on charges that include conspiracy to defraud and embezzlement in connection with educational grant funds of more than one-half million dollars;

Indictment and conviction of eight persons in a student loan case in Dallas, Texas, including six former employees of HEW;

A 22-count indictment of two top Community Action officials in Columbia, South Carolina, on charges of embezzlement, misapplication of funds, and fraud;

Indictment of a Columbia, South Carolina, dentist on 75 counts of false statements, conspiracy, and embezzlement in the Medicaid program.

In addition to investigations underway in numerous states, major Medicaid investigations are underway in Indiana, Ohio, Michigan, Illinois, and Georgia, and an investigation of home health service providers in the state of Florida has just begun.

In cooperation with the Justice Department, and other Federal investigative offices, Office of Investigations is participating in an Interagency White Collar Crime Committee to establish Federal investigative priorities and to determine the most effective use of Federal investigative manpower resources. The Committee will concentrate on program fraud involving HEW programs in selected geographical areas.

The Department has requested Congress to provide an additional 20 investigative positions in a FY 1977 supplemental appropriation. These would enable the Office to meet its current caseload of 202 cases.

Program Plans - FY 1978

No new positions are requested. In FY 1978, the Office of Investigations will continue to focus its resources on those areas most in need of investigative attention. Of special significance is the effort to investigate and eliminate the massive fraud exposed in the Guaranteed Student Loan Program and the Medicaid and Medicare Programs. Special attention will also be given to Part A Medicare ($10 billion program) benefits to nursing homes. The major focus of these investigations will be to check carefully into the alleged organized crime association with home health care organizations.

In addition to the investigative function, OI will set up a small staff for law enforcement coordination and data collection. There is no one entity aware of total Federal, State, and local investigative and prosecutive efforts. The total impact of anti-fraud efforts, particularly in Medicaid, Medicare, and Student Loans, can be more extensive through the coordination of the total efforts and could result in saving millions of dollars.

At this time, the Office is unable to predict the size of its FY 1978 workloads or how best to meet them. Having been fully staffed in all 10 Regional Offices for less than 6 months, it is too early to know fully what the potential caseload is. We have been working closely with the Justice Department and U.S. Attorneys to identify major areas of potential fraud. While these efforts have just begun, there appear to be approximately 60 new cases in Illinois, Wisconsin, Ohio, Florida, and California alone. In recent weeks, we have received special requests from U.S. Attorneys in Florida, Texas, and New Jersey to head-up task force investigations of what appears to be fraud of major proportions. We have also received indications that there may be as many as 200 cases requiring

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investigation involving Medicare benefits to nursing homes. We believe the surface has only been scratched in the Guaranteed Student Loan and Medicaid Programs. As we get a firmer indication of the potential caseload, consideration will be given to requesting more resources. We are also exploring the possibility of using limited appointment term and temporary positions should additional resources be required.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Program Purpose and Accomplishments

Activity: Office of the Inspector General

Sub-Activity	1977 Estimate Pos.	1977 Estimate Amount	1978 Pos.	1978 Amount
1. Immediate Office	16	$118,000	16	$454,000
2. Audit Agency	944	25,101,000	944	26,534,000
3. Office of Investigations	94	2,234,000	94	2,645,000
Total, Office of the Inspector General	1,054	$27,453,000	1,054	$29,633,000

Purpose: To provide leadership and coordination of the Department's activities designed to promote efficiency and economy and to prevent fraud and abuse in its programs.

Explanation: To provide the salaries and expenses of (1) the Immediate Office of the Inspector General; (2) the HEW Audit Agency; (3) the Office of Investigations.

Accomplishments in FY 1977:

Immediate Office: The new Office of the Inspector General in HEW will be established and organized and will begin development and coordination of a systematic approach to fraud and abuse activities in the Department's Principal Operating Components.

Audit Agency: 8,793 reports were issued, of which 7,030 were HEW - related; identified situations which led to cost avoidance of $40 million; concentrated on areas of known critical funds control and abuse problems.

Office of Investigations: In its first full year of operation OI staffed up its 10 field offices; established liaison with U.S. Attorneys, the FBI, IRS, and State law enforcement agencies; clearly identified relationships with the Department's program agencies and Audit Agency; obtained 21 indictments and convictions; opened major Medicaid investigations in several states and an investigation of home health service providers in Florida.

A FY 1977 supplemental for 110 positions has been requested for this office. This includes 16 positions to establish the new Immediate Office; 74 positions to increase Audits in programs facing a high risk of fraud and abuse; and 20 positions for the Office of Investigations to handle current allegations of fraud and abuse.

Objectives for FY 1978:

Immediate Office: The Inspector General will continue to establish intra- and non-governmental relationships; to promote the efficiency of departmental fraud and abuse activities; place the Health Financing Staff into full operation.

Audit Agency: An increase of $250,000 is requested to develop a program for greater utilization of non-Federal auditors; measures will be taken to further refine the Agency's manpower planning and utilization process.

Office of Investigations: OI will concentrate its efforts on the Guaranteed Student Loan Program and the Medicaid and Medicare programs; establish a law enforcement coordination and data collection staff; will head task force investigations at the request of U.S. Attorneys to investigate major fraud in several states.

FRIDAY, APRIL 1, 1977.

GENERAL DEPARTMENTAL MANAGEMENT

WITNESSES

HALE CHAMPION, UNDER SECRETARY
JOHN D. YOUNG, ASSISTANT SECRETARY, MANAGEMENT AND BUDGET
CHARLES MILLER, DEPUTY ASSISTANT SECRETARY, FINANCIAL MANAGEMENT
CHARLES F. KEARNEY, DIRECTOR, DIVISION OF OS BUDGET SERVICES

Mr. FLOOD. Now we have General Departmental Management. That presentation will be made by Mr. Hale Champion, the Under Secretary.

We have your biographical sketch, Mr. Champion, which will be placed in the record at this point as will your statement.

[The biographical sketch and statement follow:]

HALE CHAMPION

Born: August 27, 1922, Coldwater, Mich. Graduated from Ann Arbor High School, 1939.

Education: University of Michigan, 1939–42. B.A., Stanford University, 1952.

Military: U.S. Army, 1942–45, discharged as sergeant.

EMPLOYMENT

Financial vice president, Harvard University, July 1971–January 1977. One of four vice presidents in the administration of President Derek C. Bok, Champion oversaw budgets totaling $280 million. He directed financial and physical planning, assisted in financial matters of the 43 major budgetary units of the university helped assess future needs and resources, and advised the president and fellows on financial policy.

Vice president of finance, planning and operations at the University of Minnesota, September 1969–June 1971. He was in charge of a budget of $250 million covering five campuses with 51,000 students.

Director, Boston Redevelopment Authority, January 1968 to September 1969. He directed a $1 billion renewal program.

Director of finance, State of California. 1961–67. He was responsible for a budget of $5 billion. As director, he also served as chairman of the State Public Works Board and the lands commission.

Fellow of the Kennedy Institute, Harvard University, 1966–67.

Press, executive secretary to Governor Edmund G. Brown, California, 1958–60.

Reporter, San Francisco Chronicle, 1952–58.

Nieman Fellowship in Journalism, Harvard University, 1956–57.

Legislative assistant, Rep. Andrew J. Siemiller (Dem.-Milwaukee), 1949–50.

Reporter on various other journals.

OTHER PROFESSIONAL

Participant on Presidential task forces on the reorganization of the Federal Government and the role of the university in urban society.

In 1975, chairman of Massachusetts State Commission on Federal Base Conversion.

Lecturer at the Kennedy School of Government and chairman of a faculty seminar on campaign finance reform.

Past director, Harvard Community Health Plan, the Harvard Management Co., and the Economic Development and Industrial Corp. of the city of Boston.

Married: Marie Tifft; 2 children, Thomas and Katherine.

Mr. Chairman and members of the committee, this is my first appearance before this committee. I appreciate the opportunity to discuss the fiscal year 1978 appropriations request for general departmental management.

Since the general departmental management budget was presented last year, there have been significant changes in the organization of the Department which relate to this appropriation:

The Office of the Inspector General was created by act of Congress (Public Law 94–505). As a result, the HEW Audit Agency and the Office of Investigations have been removed from the general departmental management budget and are in a separate appropriation. This action removes $27,453,000 and 1,054 positions from the general departmental management budget.

An Assistant Secretary for Management and Budget has been established and includes all the previous responsibilities and functions of the Assistant Secretary for Administration and Management and the Assistant Secretary, Comptroller, with the exception of overall HEW personnel policy and management.

An Assistant Secretary for Personnel Administration has been established.

With the exception of the transfer of the Audit Agency, these changes do not affect the content of the two major activities under the general departmental management appropriation. These two major activities are departmental operations and departmental direction:

Departmental operations supports three major services which meet work requirements directly resulting from Agency program operations. These include: (1) Legal services provided to the Social Security and Food and Drug Administrations; (2) enforcement of long-term nursing home care standards; and (3) the facilities engineering and surplus property functions. This portion of the budget represents 40 percent of total positions and 50 percent of the new positions requested for fiscal year 1978.

The departmental direction activity supports those activities related to the Secretary's overall responsibilities for the management of the Department such as budget formulation, personnel management, grants and contracts management, policy analysis, and selected legal activities including drafting and reviewing regulations.

SUMMARY OF THE REQUEST

We are requesting, under the general departmental management appropriation, $94,456,000 and 2,565 positions. This is an increase of $9.8 million and 81 positions. These increases are broken down between departmental operations and departmental direction, as follows:

	1977 appropriation[1]		Increase	
	Positions	Amount	Positions	Amount
Departmental direction	1,510	$45,926,000	+41	+$5,803,000
Departmental operations	974	38,703,000	+40	+4,024,000
Total request	2,484	84,629,000	+81	+9,827,000

[1] Exclusive of transferred inspector general positions.

The increases of $9.8 million and 81 positions reflect three major areas of cost increases:

The welfare reform, health cost containment and national health insurance initiatives—$4.1 million and six positions.

Increased workloads in current activities—$1.7 million and 75 positions.

Increased costs of current programs—$4 million.

I will now cover briefly each of these.

1. WELFARE REFORM AND HEALTH INITIATIVES

This budget requests an increase of $4.1 million and 6 new positions above the $2.9 million and 68 positions requested in a fiscal year 1977 supplemental for these welfare, health cost containment, and national health insurance initiatives. This request would provide a total level of $7 million and 74 positions in fiscal year 1978 to carry out our efforts to .

Reform the current inequitable and patchwork welfare system;
Develop a sound and economical health insurance system for the country; and
Control the rapidly escalating cost of health care.

In order to carry out these initiatives, additional contracts, computer support, and personnel are necessary to design and plan for the implementation of these new programs. The additional contract services and personnel costs would permit the Department to obtain, on a temporary basis, the skills and experience—which are not available within the Department—needed to project the costs and effects of alternative approaches to these reforms. The computer funds would support the large-scale data processing activities necessary to develop cost and caseload estimates for a number of alternative legislative proposals and their variations. The request includes an additional $2,660,000 for contract and computer costs and $1,459,000 for personnel.

Before discussing other Office of the Secretary workloads, I want to explain why we are requesting new funds for these high-priority initiatives rather than using resources currently available in the Department. We considered this alternative and concluded that this would require a major redistribution of staff and funds currently allocated to related program areas which would disrupt many invaluable long-term efforts such as the income maintenance experiment. We are using—and will use—existing resources from within the Department, but these resources are not sufficient or flexible enough to provide us with the temporary expertise needed to meet the administration timetable in these areas. We must have the specialized skills and analytical capability to develop sound proposals and to respond to numerous requests for cost and beneficiary estimates of the alternatives which are being studied in each of these three areas by both the administration and the Congress.

This request is tailored to the one-time nature of these efforts, and we believe, Mr. Chairman, that the request is a minimal one.

2. INCREASED FISCAL YEAR 1978 WORKLOADS

We are also requesting 75 new positions for our regular workloads. Before discussing these increases in detail, I want to add that the Secretary and I have been onboard for only 60 days and have not had time to examine closely the workloads performed by general departmental management activities. I do have the impression that our workload analysis has not gone beyond simple historical records to examine the causes and productivity assumptions behind these workloads. I intend to closely review the development of the fiscal year 1979 budget for general departmental management, and our conclusions will be clearly reflected in our fiscal year 1979 budget submission to you.

Eight of these new 75 positions are requested for increased employee grievance workloads. The division of employee appeals handles those departmental employee appeals which cannot be resolved at the agency level. An estimated 500 new cases will occur in fiscal year 1978, an increase of 60 percent over the 300 new cases filed in fiscal year 1976.

Sixty-seven new positions are requested for the Office of the General Counsel to represent the Department in an increasing number of new court cases; 40 of the 67 positions would assist in handling large numbers of new court cases being generated by social security programs, and the remaining 27 would be assigned to litigation in other departmental program areas. Between fiscal years 1977 and 1978 estimated new court case filings have increased by 2,400 from 10,000 to over 12,000. This 24-percent increase is consistent with similar increases in the past several years. Social security programs account for 1,700 of this increase in new court cases, but the largest percentage increase will be in other program areas. Estimated new court cases in other health, education, and welfare program areas will increase by over 50 percent from 800 in fiscal year 1977 to over 1,200 in fiscal year 1978.

There is no single cause for these increases. They occur in a wide variety of program areas including disability insurance, the supplemental security income program, the Privacy Act, guaranteed student loan enforcement, the Occupational Safety and Health Act, human research, and many others.

These additional legal personnel are required to provide prompt service to litigants. In our fiscal year 1977 budget we requested approval from the Congress to reallocate 50 positions from overhead activities to the Office of the General Counsel to meet rising social security litigation workloads. This reallocation

was not sufficient to cover new growth in these workloads, nor can we further reallocate existing resources without impairing the Secretary's ability to manage the Department.

3. BUILT-IN COST INCREASES

The amount of $4 million of the $9.8 million increase we are requesting comes about because of increased costs. A little more than half of these increased costs are due to an increase of $2.1 million in General Services Administration rental charges for office space. Approximately $800,000 of the $4 million increase is for full-year costs of the new legal and accounting positions authorized in fiscal year 1977 and the 1976 pay raise. The remainder of approximately $750,000 comes about from increases in administrative costs, postage, Federal Telephone Service, and copying.

SUMMARY

In conclusion, Mr. Chairman, the general departmental management appropriation request is for $94,456,000 and 2,565 positions. This is a requested increase of $9.8 million and 81 positions including:

The welfare reform and health initiatives;
Increased workloads in current activities; and
Increased costs of current programs.

Mr. FLOOD. Do you have anybody that we don't know that you want to present to us?

Mr. CHAMPION. I think you know Mr. Young and Mr. Miller.

Mr. MILLER. And this is Mr. Kearney, the budget officer for this appropriation.

Mr. FLOOD. We want to welcome you, Mr. Secretary, in your first appearance before the subcommittee.

As you know by this time, HEW is what you might call tough duty. You can be sure we want to help you in any way we can. Mr. Miller can tell you, I am sure, about that.

REORGANIZATION

In your statement you mentioned organizational changes affecting this appropriation. How many assistant secretary positions will you need as a result of the changes?

Mr. CHAMPION. Mr. Chairman, there really is no change in the number of assistant secretaries. What happens is the position formerly in charge of the social rehabilitation service is available for the health care financing agency. So, we get no new assistant secretary positions, except the Inspector General which was created before our reorganization.

Mr. FLOOD. The word "reorganization" has been quite a word around here for the past few weeks. Will this reorganization have any budgetary impact? Are there increases or decreases?

Mr. CHAMPION. There will be changes, as the statement points out, in terms of which activities go where. We are, for instance, moving most of the functions out of what was the Assistant Secretary for Administration Management into the Assistant Secretary Controller.

Mr. FLOOD. Off the record.

[Discussion off the record.]

Mr. FLOOD. On the record.

Mr. CHAMPION. There, the original changes are transfers among units, without budgetary consequences.

I might add, Mr. Chairman, as a preliminary to all of this, that our manpower analysis is not complete. We are basing most of what we

ask for in this budget on the Ford budget. The only new element in the budget which has been done since we came has been this request for additional positions to help with the new health and welfare initiatives.

Mr. FLOOD. Are you going to reduce your staff or add to it?

Mr. CHAMPION. We have not changed it in any way in terms of numbers at this point. We are analyzing the manpower. In the interval, in the immediate Office of the Secretary, we intend to reduce the number of positions.

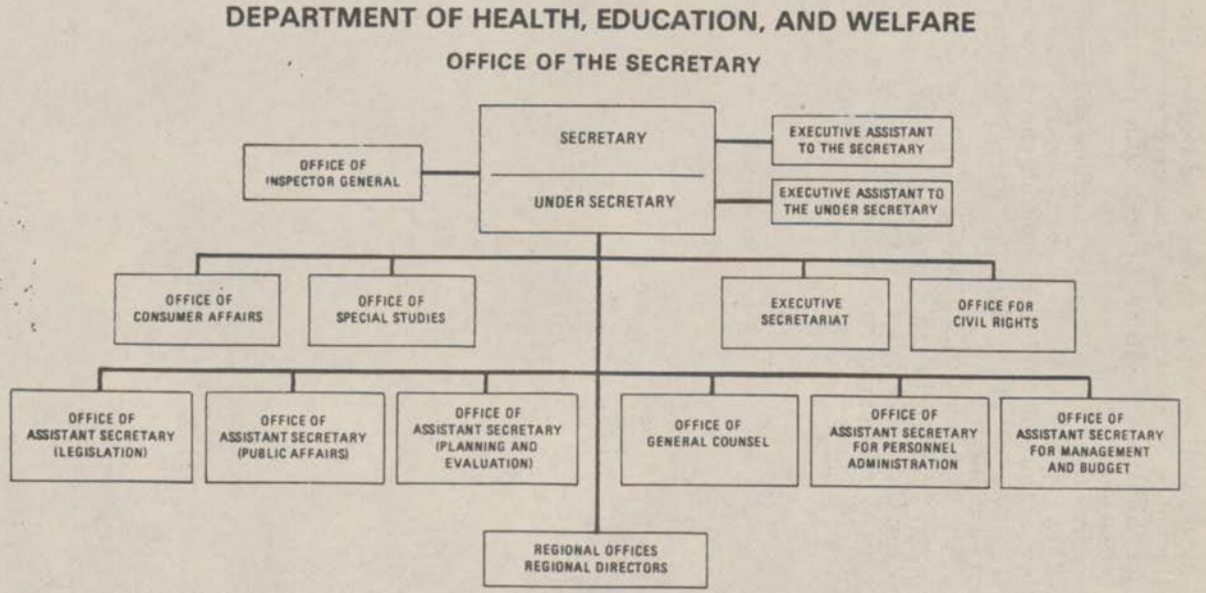
Mr. FLOOD. For the record, we would like to have a new organizational chart for the Office of the Secretary.

Mr. CHAMPION. We will provide that.

[The information requested follows:]

ORGANIZATION CHART

Below is an organization chart for the Office of the Secretary.



HIRING LIMITATIONS

Mr. FLOOD. We understand that a temporary Government-wide freeze is currently in effect, and that throughout HEW you are currently filling only three out of four positions which became vacant after February 28. Is that correct?

Mr. CHAMPION. Yes.

Mr. FLOOD. We also understand you expect to receive new employment ceilings from the OMB for fiscal years 1977 and 1978 in the very near future. When will those ceilings be forthcoming?

Mr. YOUNG. Those were supposed to have been issued this week and we expect them within the next 3 or 4 days.

Mr. FLOOD. All right. If you don't fill these positions which have been approved and funded by the Congress, doesn't that constitute an impoundment which would be subject to the provisions of the Impoundment Control Act?

Mr. CHAMPION. Mr. Chairman, I am not, as you know, a long-time expert, but I would like to point out we are at a level of about 95 percent of positions authorized and a normal level would be 97. So, we are very close to the margin there. But as far as the technical question, I can't answer.

Mr. MILLER. The OMB is looking into that question.

Mr. FLOOD. What do they tell you?

Mr. MILLER. And I think their present opinion is that probably the money which is appropriated for those positions can be put to use either in grants or contracts in those programs or in other activities in salaries and expense accounts. If so, then it wouldn't be an impoundment.

Mr. FLOOD. What do you think?

Mr. YOUNG. That is their interpretation, as I understand it. Whether that settles the question or not, I have some doubt.

I think, though, there is another way to do it. That is to go for a rescission.

Mr. FLOOD. All right.

This we want for the record: Will you supply for the record a table showing for each agency, and each appropriation within HEW, the number of positions authorized by Congress for fiscal year 1977, the number of positions filled on February 28, 1977, the employment ceilings for September 30, 1977, the number of positions requested in the budget for 1978, and the employment ceiling for 1978.

That is quite a package but you can see why.

[The information requested follows:]

Department of Health, Education, and Welfare

Position Levels, FYs 1977 and 1978

AGENCY/APPROPRIATION	Positions Authorized by Congress, FY 1977	Full-Time Permanent Employment, Feb. 28, 1977	Positions Requested in the Budget, FY 1978
Public Health Service:			
FDA	7,695	7,012	7,837
HSA-Health Services	8,472	8,224	8,802
-Indian Health Service	8,906	8,644	8,876
CDC	3,904	3,698	3,912
NIH-NCI	2,031	1,921	2,022
-NHLI	747	710	744
-NIDR	282	278	281
-NIAMDD	588	579	586
-NINDS	543	531	541
-NIAID	621	598	618
-NIGMS	164	155	163
-NICHHD	377	363	375
-NIA	200	180	200
-NEI	152	132	151
-NIEHS	331	268	331
-Research Resources	77	77	76
-J.E. Fogarty Int. Ctr.	51	46	51
-NLM	472	465	470
-Office of the Director	547	544	545
-Revolving Funds	4,143	4,033	4,098
Sub-Total, NIH	11,326	10,880	11,252
ADAMHA - ADAMHA	1,859	1,792	1,855
- St. Elizabeths	4,307	4,115	4,297
HRA	2,259	2,060	2,201
OASH	898	928	906
Sub-Total, PHS	49,576	47,353	49,938
Education Div.:			
OE	3,527	3,042	3,555
NIE	340	308	340
ASE	254	216	266
Sub-Total, Educ. Div.	4,121	3,566	4,161
Social and Rehabilitation Service	2,334	2,000	2,193
Office for Human Development	1,514	1,374	1,529
Social Security Administration	81,243	79,949	81,214
Departmental Management:			
Office of Consumer Affairs	55	48	53
Office for Civil Rights	1,054	808	1,202
Office of Inspector General	1,252	1,095	1,147
General Departmental Management	4,171	3,857	4,367 2/
Sub-Total, D. M.	6,472	5,808	6,769
Total, HEW Positions	145,230	140,050	145,804
Total, HEW Full-Time Permanent Employment at End-of-Year 1/	142,400		143,125

1/ Employment is shown as projected in the revised budget request for FY 1978. New end-of-year employment estimates will be provided to the Committee as they become available.

2/ Includes Working Capital Fund

Mr. FLOOD. Do you plan to submit to the committee reprograming requests, rescissions, or budget amendments reflecting the new ceilings after you receive them?

Mr. CHAMPION. Yes; we would certainly submit that information to the committee. What the forthcoming ceilings would be, I don't know.

Mr. FLOOD. I just want to know whether you plan to tell Congress about these changes.

Mr. CHAMPION. Absolutely.

REDUCTION IN PAPERWORK

Mr. FLOOD. We have heard a lot of talk about reducing paperwork, simplifying regulations, cutting down on bureaucracy, et cetera.

Can you give us a couple of specific examples of your plan in these areas?

Mr. CHAMPION. Yes, sir, and again this will be illustrative rather than comprehensive, but in one of the areas we have consolidated, the health care agency, the questionnaires for providers of medical care will now be simplified into one group of simplified questions.

In the area of school questionnaires for civil rights purposes, we have undertaken a study with the big school superintendents and with others across the country to try to find a way to get only that data which is essential and not impose an onerous burden on school officials for information which sometimes doesn't get used.

We have a number of those kinds of examinations going on within the Department. We have pledged a 5-percent reduction in paperwork, and we hope to do better than that.

Mr. FLOOD. You can be sure the committee will be behind this effort all the way. Can we help you in any way, offhand?

Mr. CHAMPION. I think, once again, we will want to ask the committee's help in a good many areas after we better understand our situation.

We have been there about 60 days and haven't been through our manpower requirements. In some cases where new strategies and organizations have been developed we need to go deeply into those questions and we will certainly want to discuss with the committee what we find. At the moment we don't know that much.

Mr. FLOOD. Last December, what is known as the "Interagency Task Force on Higher Education Burden Reduction" issued its final report.

It contains 19 recommendations to reduce all this paperwork and recordkeeping.

What are your plans for carrying out those recommendations?

Mr. CHAMPION. We have that report and we have been reviewing it. Once again we have to make our own response. As soon as we can complete that, we will do so. The question of, for instance, the consolidation of statistics in the higher education area is a difficult one. What is easier on the institutions, which are very different in character as you know, is an open question.

Mr. FLOOD. Have you had time to consider the recommendations?

Mr. CHAMPION. We are making a review of that, Mr. Chairman. We are not ready to state our views on those 19 recommendations.

Mr. FLOOD. But you will.

Mr. CHAMPION. Yes.

INDIRECT COSTS

Mr. FLOOD. We are concerned about this matter of indirect costs and we understand that you have been designated as the main contact at HEW on this subject. All right, good luck, you are going to need it.

What plans do you have to resolve this can of worms?

Mr. CHAMPION. I have met both with our auditiors and with the university representatives involved. I have some familiarity, from my background, with the principle involved in this. It seems to me there are areas which deserve special attention—only I think this is primarily not a question of principles but whether the principles are faithfully adhered to.

For example, one of the agreements I worked out with one of the representatives of higher education insured that administrative effort by faculty members would be listed as something which could be audited. There is this kind of tightening down so the auditors can see who is faithfully adhering to the principles and who is not. There is more financial result for the Government in that than a large changing of principles.

Mr. FLOOD. As the main contract in HEW, you are on top of this.

Mr. CHAMPION. Yes, sir.

Mr. FLOOD. How much is HEW paying in these indirect costs?

Mr. CHAMPION. They are different by institution in terms of percentage.

Mr. FLOOD. I would like to know how much HEW is paying in indirect costs.

Mr. YOUNG. At the urging of the chairman of this committee 2 years ago, we have installed a system so we can now account for indirect costs.

On the first set of reports ending December of last year, for the previous 6 months, indirect costs on grants and contracts amounted to $174,354,000.

Mr. FLOOD. You can expand that for the record.

[The information requested follows:]

GRANTS AND CONTRACTS AWARDED DURING THE 6 MONTHS ENDED DEC. 31, 1976

	Direct costs (DC)	Indirect costs (IC)	Total costs	Percent IC to DC
Entire department:				
Grants only	$987, 807, 000	$138, 223, 000	$1, 126, 030, 000	14. 0
Contracts only	187, 270, 000	36, 131, 000	223, 401, 000	19. 3
Total	1, 175, 077, 000	174, 354, 000	1, 349, 431, 000	14. 8

GRANTS AND CONTRACTS AWARDED DURING THE 6 MONTHS ENDING DEC. 31, 1976

ENTIRE DEPARTMENT—BY PRINCIPAL OPERATING COMPONENTS

[Dollar amounts in thousands]

	Grants only				Contracts only				Grants and contracts combined			
	Direct costs (DC)	Indirect costs (IC)	Total costs	Percent of IC to DC	Direct costs (DC)	Indirect costs (IC)	Total costs	Percent of IC to DC	Direct costs (DC)	Indirect costs (IC)	Total costs	Percent of IC to DC
NIH	$406,043	$127,796	$533,839	31.5	$59,678	$14,747	$74,425	24.7	$465,721	$142,543	$608,264	30.6
PHS (less NIH)	159,313	1,633	160,946	1.0	65,995	10,987	76,982	16.6	225,308	12,620	237,928	5.6
Total PHS	565,356	129,429	694,785	22.9	125,673	25,734	151,407	20.5	691,029	155,163	846,192	22.5
OE	107,212	5,116	112,328	4.8	40,953	4,869	45,822	11.9	148,165	9,985	158,150	6.7
NIE	5,302	1,061	6,363	20.0	16,620	4,187	20,807	25.2	21,922	5,248	27,170	23.9
SRS	1,016	305	1,321	30.0	220	149	369	67.7	1,236	454	1,690	36.7
OHD	308,921	2,312	311,233	1.0	2,047	781	2,828	38.2	310,968	3,093	314,061	1.0
SSA					1,757	411	2,168	23.4	1,757	411	2,168	23.4
Total	987,807	138,223	1,126,030	14.0	187,270	36,131	223,401	19.3	1,175,077	174,354	1,349,431	14.8

Mr. FLOOD. How much of that is paid to the institutions of higher education?

Mr. YOUNG. Colleges and universities for the same time period, $115,878,000. That is the indirect cost figure only.

Mr. FLOOD. I understand.

CENTRAL PAYROLL

Now, as you indicated, GAO has been reviewing the HEW central payroll system.

Apparently you are still having a lot of problems with that system down there. Most recently GAO reported salary overpayments are not reported promptly. Do you agree with GAO and, if so, what are you doing to correct this?

Mr. YOUNG. That was a report made by GAO and I have responded to the Congress and OMB and I concur in the findings of the GAO and we have a plan to correct those deficiencies with dates and I would be glad to submit that to the Congress.

Mr. FLOOD. In other words, you will put it in the record.

[The information requested follows:]

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RECOMMENDATION	ACTION	TARGET DATE	REMARKS - CURRENT STATUS
A. Initiate payroll deductions to recover overpayments from employees who have not responded to overpayment notices within 30 days.	Institute and use procedures for recovering overpayments	Accomplished	1. Collection procedures have been started against all individuals identified as overpayments up to January 1977. 2. Letters of intent to collect have been sent to all individuals identified as overpayments during the months of February and March 1977. Collection procedures are usually initiated against these individuals 30 days after the date of the letter of intent. In some cases, the employee did not receive the letter promptly and we have extended the collection until 45 days after the notice.
B. Request the Civil Service Commission to offset overpayments of former employees against retirement refunds and annuities and refer these cases to HEW's Collection Officer when Central Payroll cannot recover the money.	1. Establish a Collection Unit in DCPRP to effect the recommendation.	Accomplished January 1977	Whenever an employee, identified as having received an overpayment, against whom we have not initiated or completed collection procedures (i.e., offsetting lump sum payments), retires, we forward a 2805 to the Civil Service Commission, either with that employee's 2806 or shortly after providing the CSC with the 2806. If CSC is unable to collect and returns the case to HEW, DCPRP will refer the case to the Claims Collection Officer.

RECOMMENDATION	ACTION	TARGET DATE	REMARKS - CURRENT STATUS
C. Transfer records of overpayment for active employees from the inactive file to the open file and send overpayment notices to the employees.	1. Examine all inactive records to determine whether employees have returned to duty. For those employees who had not returned to duty, send offsets to the CSC, or send their names to the Collection Officer.	Accomplished January 1977	
	2. Develop procedures to have the Collection Unit check on all re-accessions against their active file.	April 15, 1977	
	3. Automate the above procedure, i.e., keep all separated employees who owe HEW on the file for a period of three years and if this person re-assesses initiate appropriate action.	December 31, 1977	Work will begin on this around July 1977.
D. Determine for each of the 50 overpayment cases for which collection action was discontinued whether or not the employee is on HEW's payroll and follow appropriate collection procedures.	DCPRP will contact GAO to get a list of the 50 cases and begin appropriate action.	April 15, 1977	
E. Keep overpayment records in locked cabinets.	1. Store all overpayment records in a restricted area in locked cabinets.	Accomplished February 1977	

RECOMMENDATION	ACTION	TARGET DATE	REMARKS - CURRENT STATUS
F. Incorporate payroll accounts receivable (payroll overpayments) into HEW's accounting system and develop a system of internal accounting controls. The accounting records and controls should provide detailed reports on new overpayments, collections made, and balances due and an aging schedule of overpayments.	1. Develop and implement a manual control for accounts receivable.	Accomplished	
	2. Division of Accounting Systems and Procedures, in conjunction with DCPRP will develop a functional system design to accomplish the recommendation.	June 30, 1977	Currently in the final stages of design.
	3. Develop the computer programs based on the above design	December 31, 1977	Projection based on finalizing (2) above.
G. Monitor payroll overpayment operations to make certain that collections are made promptly and according to written procedures .	1. Develop and implement "working" procedures to accomplish the recommendation.	Accomplished November 1976	Currently being done by the Collection Unit of DCPRP.
	2. Develop and implement finalized written procedures.	August 1977	
H. Have all pay adjustment entries reviewed for correctness by a pay unit supervisor before they enter the pay adjustment process.	1. Implement a procedure to have all pay adjustments reviewed by either the unit supervisor, or the senior technician. When the volume of work precludes the review from being done by either the supervisor or the senior technician, a fellow employee will be enlisted to review the pay adjustment.	Accomplished January 1977	
I. Develop edit routines for the automated pay adjustment process to reject duplicate adjustments. Corrective action should be taken on all rejected pay adjustments.	1. Develop edit routines specifications.	May 15, 1977	Most of this work has been accomplished
	2. Implement edits in computer programs.	July 30, 1977	

RECOMMENDATION	ACTION	TARGET DATE	REMARKS - CURRENT STATUS
J. HEW needs to provide more supervision and training of employees to improve the collection of overpayments. We recommend, therefore, that you instruct the Acting Director, Division of Central Payroll, to provide formal training and closer supervision of employees assigned to overpayment activities.	1. Issue memo to supervisors from Director DCPRP instructing them to more closely supervise employees assigned to overpayments activities.	April 15, 1977	
	2. Develop specifications for a course for pay clerks on overpayment collection activities.	April 30, 1977	
	3. Begin training.	July 30, 1977	
	4. Training given to all employees.	October 30, 1977	
K. The Assistant Secretary for Administration and Management take steps to make certain that DCPRP acts on the HEW Audit Agency recommendations on overpayment actions and establishes accounting controls for overpayments.	1. Begin implementing the recommendations and begin issuing quarterly status reports of progress from the Director, DCPRP to the Assistant Secretary for Personnel Administration (new title).	June 30, 1977 and quarterly thereafter	

Mr. FLOOD. Mr. Natcher.

NUMBER OF ATTORNEYS

Mr. NATCHER. You are requesting 81 new positions. If this is approved, the general counsel would have a total of 601 positions. How many of them would be attorney positions? Do you have that figure?

Mr. CHAMPION. I don't have that figure.

Mr. MILLER. Somewhere between 70 and 80 percent, would be my guess.

Mr. NATCHER. Provide the exact number for the record.

[The information requested follows:]

ATTORNEY POSITIONS—OGC

The Office of the General Counsel is requesting 67 new positions. If these are approved, the General Counsel would have a total of 601 positions. 317 of these would be attorney positions.

Mr. NATCHER. Why can't the Justice Department handle some of your legal work?

Mr. CHAMPION. There are several problems and, again, I have never discussed this matter with the Justice Department, but we have a good deal of legal work which is semi-administrative in character. The social security area accounts for a large part of that increase. That is not the kind of thing the Justice Department would generally perform. But we also have a similar workload in civil rights work litigation. Once again, that is not what the Justice Department would ordinarily handle.

DISABILITY CASES

Mr. NATCHER. In the justifications, you show quite an increase in disability cases under the SSI program, from 499 in 1976 to 3,182 in 1978.

What is the basis for this large increase?

Mr. CHAMPION. I would like to have Mr. Young speak more specifically, but the caseload in disability insurance is growing very rapidly.

Mr. NATCHER. Go ahead, Mr. Young.

Mr. YOUNG. The individuals under the disability insurance program get turned down, go through the appeals process, get turned down and then take the cases to court. That caseload is growing and I am not sure anyone truly understands what caused that to rise; whether the society is more litigious; whether the original cases are improperly turned down; or what happens.

Mr. NATCHER. The figures are accurate?

Mr. MILLER. We used to be able to make informal denials. We used to look at a claim and determine on the face of it, it didn't meet the requirements. The court has said we can't do that any more.

Mr. CHAMPION. The disability question is not a growing problem for us, exclusively. It applies to insurance companies, also.

Mr. YOUNG. We have been keeping these numbers since 1976 and I have to assume these are accurate numbers.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. FLOOD. Mr. Roybal.

Mr. ROYBAL. I see from your biographical sketch that you were in California for a good many years. I remember your work with Gov-

ernor Brown and I am sure you are familiar with the problems of the Spanish speaking in California and, no doubt, throughout the country.

Mr. CHAMPION. Yes, sir.

NUMBER OF SPANISH SURNAMED

Mr. ROYBAL. Again, coming back to the broken record, you have within your Department 2,565 positions. Will you let this committee know how many of those positions are held by persons with Spanish surnames?

Mr. CHAMPION. Yes, sir.

NEW POSITIONS REQUESTED

Mr. ROYBAL. Also, I would like to ask whether or not a study of some kind was conducted before you decided you were going to add additional positions. You are coming into a brand new job and all of a sudden you are saying that you need more positions. What is that based on?

Mr. CHAMPION. Mr. Roybal, as I said at the outset, we asked for six more positions in addition to those already recommended in the Ford budget. The workload figures on which those requests were made were done prior to this administration. We have not been through the full budget process. We would hope to review all those figures, but, as you know, this budget is in large part a product of the past administration.

[The information requested follows:]

SPANISH-SURNAMED EMPLOYEES

The most current data, as of December 31, 1976, indicate that 25 Spanish-surnamed employees are employed within the Office of the Secretary.

Mr. ROYBAL. I realize that, but it seems you would have examined this thing to see if 81 positions are needed.

Mr. CHAMPION. We think they are. The 6 positions which are beyond the previous administration's budget are those for the new initiatives in health insurance and so on; the 75 include 67 for the Office of the General Counsel which we just discussed, plus 8 other positions for a rising workload in grievances within the Department. We did verify the workload figures on that as best we could.

Mr. ROYBAL. Then you are satisfied that the request is justified?

Mr. CHAMPION. Yes. Those 81 are justified by the workload figures we have.

Mr. ROYBAL. Thank you, Mr. Chairman.

CONSULTANTS

Mr. FLOOD. On February 24, HEW sent a report on the 1978 budget for consultants. This shows $9,833,000 of the general departmental budget for 1978 will be used for consultants. That is a lot of money even here. Why do you need all these consultants?

Mr. CHAMPION. Mr. Young has had more experience in that, but I would like to say as to the new consultant money for devising the wel-

fare reform program, the choice between greatly adding to staff and doing some consulting on a one-time basis means that money is being spent on a one-time basis rather than on a long-term basis. Longer term, where you don't have that one-time kind of effort, we would like to cut back on consulting.

Mr. FLOOD. Now you said so, OK?

Mr. CHAMPION. I understand.

ZERO-BASE REVIEW

Mr. FLOOD. Recently, there was an expression of concern about the number and usefulness of Federal advisory committees. The administration indicated there was to be a zero-base review of all agencies to be completed by the 15th of April. Have you finished your review?

Mr. CHAMPION. No; we have established the numbers but we have not finished the review.

Mr. FLOOD. If this review results in the abolishment of all the agencies, how will that be shown in the 1978 budget; if and when?

ADVISORY COMMITTEES

Mr. YOUNG. Generally when you have an advisory committee, unless it's a statutory advisory committee, you don't accumulate cost, you are really out-of-pocket cost, if there are any costs associated with these, such as salaries and so forth.

My recommendation to the Secretary and Under Secretary was that those go into savings and return the miscellaneous receipts to the Treasury.

Mr. FLOOD. For the record, supply a list now of all of the advisory committees in HEW and show the amount budgeted for each one of them in 1978.

[The above-referred-to information follows:]

HEW Advisory Committees

The following is a list of all the advisory committees existing as of this date in HEW.

As required by the Federal Advisory Committee Act and OMB regulations, committees are reviewed annually to find and terminate, even before their charters expire, those which are no longer essential; or to merge any which have become duplicative.

All of these advisory groups are chartered for periods of not over two years. Charters are renewed only if it is clearly and convincingly shown prior to renewal that continuation of the committee is essential to the mission of the component of the Department needing the advice of the committee.

The advisory committee costs are regularly compiled and reported each year, as mandated by the Federal Advisory Committee Act. The computations of costs are by calendar year as required by the Act. These amounts are similar to what they would be if compiled by fiscal year; however, an amendment to the Act changing these computations and their annual reporting to a fiscal year basis would simplify the process and aid in planning, budgeting, and comparative analyses. The figures shown are the estimated annual costs for calendar year 1977, and would be expected to be approximately the same for fiscal year 1978 if the particular committees still exist at that time.

NAME OF COMMITTEE (and HEW component in which it is located)	1977-1978 Estimated Annual Cost
Accreditation and Institutional Eligibility Advisory Committee (OE)	$ 217,220
Ad Hoc Committee on Reserpine and Breast Cancer (FDA)	0
Ad Hoc Committee for the Selection of Director, National Cancer Program and National Cancer Institute (NIH)	15,000
Advisory Committee to the Director, NIH (NIH)	30,000
Advisory Council on Developing Institutions (OE)	75,000
Advisory Council on Education Statistics (OASE)	102,000
Advisory Council on Environmental Education (OE)	48,050
Advisory Council on Financial Aid to Students (OE)	65,000
Aging Review Committee (NIH)	53,500
Alcohol Research Review Committee (ADAMHA)	85,000
Alcohol Training Review Committee (ADAMHA)	119,815
Allergy and Immunology Research Committee (NIH)	72,000
Allergy and Immunology Study Section (NIH)	107,900
Anesthesiology Advisory Committee (FDA)	31,100
Anesthesiology Device Classification Panel (FDA)	99,000
Animal Resources Advisory Committee (NIH)	36,000
Anti-Infective Agents Advisory Committee (FDA)	31,800
Applied Physiology and Orthopedics Study Section (NIH)	101,300
Arteriosclerosis and Hypertension Advisory Committee (NIH)	41,000
Arthritis Advisory Committee (FDA)	31,400
Artificial Kidney-Chronic Uremia Advisory Committee (NIH)	36,720
Bacteriology and Mycology Study Section (NIH)	112,800
Behavioral Sciences Research Contract Review Committee (NIH)	10,000
Biochemistry Study Section (NIH)	133,300
Biological Science Training Review Committee (ADAMHA)	50,000
Biomedical Library Review Committee (NIH).	68,600

Biometric and Epidemiological Methodology Advisory Committee (FDA)	$ 29,900
Biometry and Epidemiology Contract Review Committee (NIH)	25,000
Biophysics and Biophysical Chemistry A Study Section (NIH)	96,700
Biophysics and Biophysical Chemistry B Study Section (NIH)	96,200
Blood Diseases and Resources Advisory Committee (NIH)	109,000
Board of Advisors to the Fund for the Improvement of Postsecondary Education (OASE)	23,000
Board of Regents of the National Library of Medicine (NIH)	20,100
Board of Scientific Counselors, Division of Cancer Biology and Diagnosis (NIH)	16,000
Board of Scientific Counselors, Division of Cancer Treatment (NIH)	43,000
Board of Scientific Counselors, NEI (NIH)	3,500
Board of Scientific Counselors, NHLBI (NIH)	7,500
Board of Scientific Counselors, NIA (NIH)	5,000
Board of Scientific Counselors, NIAID (NIH)	1,800
Board of Scientific Counselors, NIAMDD (NIH)	6,048
Board of Scientific Counselors, NICHD (NIH)	10,000
Board of Scientific Counselors, NIDR (NIH)	14,000
Board of Scientific Counselors, NIEHS (NIH)	16,500
Board of Scientific Counselors, NIMH (ADAMHA)	18,031
Board of Scientific Counselors, NINCDS (NIH)	30,000
Board of Tea Experts (FDA)	1,500
Breast Cancer Diagnosis Committee (NIH)	50,000
Breast Cancer Epidemiology Committee (NIH)	43,000
Breast Cancer Experimental Biology Committee (NIH)	55,000
Breast Cancer Treatment Committee (NIH)	53,000
Cancer Center Support Grant Review Committee (NIH)	50,000

Cancer Clinical Investigation Review Committee (NIH)	$ 89,000
Cancer Control Community Activities Review Committee (NIH)	72,214
Cancer Control Grant Review Committee (NIH)	80,238
Cancer Control Intervention Programs A Review Committee (NIH)	131,619
Cancer Control Intervention Programs B Review Committee (NIH)	35,333
Cancer Control and Rehabilitation Advisory Committee (NIH)	35,333
Cancer and Nutrition Scientific Review Committee (NIH)	35,000
Cancer Research Manpower Review Committee (NIH)	75,677
Cancer Special Program Advisory Committee (NIH)	51,000
Carcinogenesis Program Scientific Review Committee A (NIH)	23,900
Carcinogenesis Program Scientific Review Committee B (NIH)	23,900
Carcinogenesis Scientific Advisory Committee (NIH)	14,300
Cardiology Advisory Committee (NIH)	30,000
Cardiovascular Device Classification Panel (FDA)	87,900
Cardiovascular and Pulmonary Study Section (NIH)	115,300
Cardiovascular and Renal Advisory Committee (FDA)	44,300
Cardiovascular and Renal Study Section (NIH)	115,300
Cell Biology Study Section (NIH)	101,000
Cellular and Molecular Basis of Disease Review Committee (NIH)	35,000
Chemical/Biological Information-Handling Review Committee (NIH)	11,500
Child and Family Development Research Review Committee (OHD)	41,000
Clearinghouse on Environmental Carcinogens (NIH)	150,000
Clinical Applications and Prevention Advisory Committee (NIH)	50,000
Clinical Cancer Education Committee (NIH)	65,000
Clinical Cancer Program Project Review Committee (NIH)	50,000

Clinical Chemistry Device Classification Panel (FDA)	$ 107,800
Clinical Program-Projects Research Review Committee (ADAMHA)	65,000
Clinical Projects Research Review Committee (ADAMHA)	74,000
Clinical Psychopharmacology Research Review Committee (ADAMHA)	75,000
Clinical Toxicology Device Classification Panel (FDA)	107,800
Clinical Trials Committee (NIH)	40,000
Clinical Trials Review Committee (NIH)	40,000
Coal Mine Health Research Advisory Committee (CDC)	40,000
Combined Modality Committee (NIH)	39,000
Commission for the Control of Epilepsy and Its Consequences (NIH)	150,000
Commission for the Control of Huntington's Disease and Its Consequences (NIH)	150,000
Committee on Cancer Immunobiology (NIH)	40,000
Committee on Cancer Immunodiagnosis (NIH)	45,000
Committee on Cancer Immunotherapy (NIH)	50,000
Committee on Cytology Automation (NIH)	50,000
Committee on Mental Health and Illness of the Elderly (ADAMHA)	125,000
Communicative Disorders Review Committee (NIH)	110,000
Communicative Sciences Study Section (NIH)	86,800
Community Alcoholism Services Review Committee (ADAMHA)	73,500
Community Education Advisory Council (OE)	273,000
Comprehensive Sickle Cell Centers (CSCC) ad hoc Review Committee (NIH)	115,000
Computer and Biomathematical Sciences Study Section (NIH)	102,300
Consulting Group on Welfare Reform (OASAM)	50,000
Consumer Advisory Council (OASAM)	20,000
Continuing Education Training Review Committee (ADAMHA)	45,000
Contraceptive Development Contract Review Committee (NIH)	10,000

Contraceptive Evaluation Research Contract Review Committee (NIH)	$ 10,000
Controlled Substances Advisory Committee (FDA)	30,000
Cooperative Health Statistics Advisory Council (HRA)	81,834
Crime and Delinquency Review Committee (ADAMHA)	35,000
Dental Caries Program Advisory Committee (NIH)	18,000
Dental Device Classification Panel (FDA)	92,300
Dental Drug Products Advisory Committee (FDA)	39,200
Dental Research Institutes and Special Programs Advisory Committee (NIH)	30,000
Dermatology Advisory Committee (FDA)	34,900
Developmental Behavioral Sciences Study Section (NIH)	116,000
Developmental Therapeutics Committee (NIH)	38,000
Device Good Manufacturing Practices Advisory Committee (FDA)	58,700
Diagnostic Products Advisory Committee (FDA)	3,300
Diagnostic Radiology Committee (NIH)	45,000
Diagnostic Research Advisory Group (NIH)	75,000
Diet and Cancer Scientific Review Committee (NIH)	35,000
Diet, Nutrition and Cancer Program Advisory Committee (NIH)	50,000
~~Drinking Water Disinfection ad hoc Advisory Committee (CDC)~~	~~1,000~~ (Terminated 3/1/77)
Drug Abuse Demonstration Review Committee (ADAMHA)	42,000
Drug Abuse Prevention Review Committee (ADAMHA)	49,500
Drug Abuse Research Review Committee (ADAMHA)	180,000
Drug Abuse Traning Review Committee (ADAMHA)	91,276
Drug Development Committee (NIH)	45,000
Ear, Nose, and Throat Device Classification Panel (FDA)	98,300
Endocrinology and Metabolism Advisory Committee (FDA)	48,200

Endocrinology Study Section (NIH)	$ 147,400
Epidemiologic Studies Review Committee (ADAMHA)	74,842
Epidemiology and Disease Control Study Section (NIH)	134,200
Epilepsy Advisory Committee (NIH)	19,200
Ethical Advisory Board (NIH)	90,000
Experimental Psychology Research Review Committee (ADAMHA)	74,000
Experimental Psychology Study Section (NIH)	103,700
Experimental and Special Training Review Committee (ADAMHA)	40,000
Experimental Therapeutics Study Section (NIH)	113,600
Experimental Virology Study Section (NIH)	107,000
FDA/NIDA Drug Abuse Research Advisory Committee (FDA)	33,600
Federal Council on the Aging (OHD)	585,000
Federal Hospital Council (HRA)	6,200
Gastrointerological Urological Device Classification Panel (FDA)	113,400
Gastrointestinal Drugs Advisory Committee (FDA)	53,300
General Clinical Research Centers Committee (NIH)	55,000
General Hospital And Personal Use Device Classification Panel (FDA)	89,900
General Medicine A Study Section (NIH)	113,100
General Medicine B Study Section (NIH)	103,900
General and Plastic Surgery Device Classification Panel (FDA)	97,000
General Research Support Program Advisory Committee (NIH)	55,350
Genetics Study Section (NIH)	132,600
Graduate Medical Education National Advisory Committee (HRA)	162,400
Health Care Technology Study Section (HRA)	153,500
Health Insurance Benefits Advisory Council (OASH)	209,000

Health Services Developmental Grants Study Section (HRA)	$ 223,300
Health Services Research Study Section (HRA)	164,800
Heart, Lung, and Blood Research Review Committee A (NIH)	325,000
Heart, Lung, and Blood Research Review Committee B (NIH)	289,000
Hematology Device Classification Panel (FDA)	107,800
Hematology Study Section (NIH)	107,700
Human Embryology and Development Study Section (NIH)	106,000
Immunization Practices Advisory Committee (CDC)	33,000
Immunobiology Study Section (NIH)	132,300
Immunological Sciences Study Section (NIH)	74,900
Immunology Device Classification Panel (FDA)	107,800
Indian Health Advisory Committee (HSA)	15,900
Infectious Diseases Committee (NIH)	28,950
Interagency Committee on Emergency Medical Services (HSA)	23,900
Interagency Committee on Federal Activities for Alcohol Abuse and Alcoholism (ADAMHA)	21,700
Juvenile Problems Research Review Committee (ADAMHA)	66,000
Lipid Metabolism Advisory Committee (NIH)	9,500
Long-Term Care Advisory Committee (HRA)	50,000
Mammalian Cell Lines Committee (NIH)	68,094
Maternal and Child Health Research Committee (NIH)	70,000
Maternal and Child Health Grants Review Committee (HSA)	28,200
Medical Laboratory Sciences Review Committee (NIH)	55,258
Medical Laboratory Services Advisory Committee (CDC)	22,000
Medical Radiation Advisory Committee (FDA)	62,000
Medicinal Chemistry A Study Section (NIH)	123,800

Medicinal Chemistry B Study Section (NIH)	$ 134,700
Mental Health Services Research Review Committee (ADAMHA)	40,000
Mental Health Small Grant Committee (ADAMHA)	144,000
Mental Retardation Research Committee (NIH)	135,000
Metabolism Study Section (NIH)	94,900
Metropolitan Mental Health Problems Review Committee (ADAMHA)	38,000
Microbial Chemistry Study Section (NIH)	87,400
Microbiology Device Classification Panel (FDA)	107,800
Minority Access to Research Careers (MARC) Review Committee (NIH)	54,055
Minority Advisory Committee (ADAMHA)	96,147
Minority Group Mental Health Programs Review Committee (ADAMHA)	79,000
Molecular Biology Study Section (NIH)	140,300
Molecular Cytology Study Section (NIH)	103,700
National Advisory Allergy and Infectious Diseases Council (NIH)	73,000
National Advisory Child Health and Human Development Council (NIH)	38,000
National Advisory Committee on the Handicapped (OE)	133,069
National Advisory Council on Adult Education (OE)	291,359
National Advisory Council on the Aging (NIH)	41,542
National Advisory Council on Alcohol Abuse and Alcoholism (ADAMHA)	20,000
National Advisory Council on Bilingual Education (OE)	136,000
National Advisory Council for Career Education (OE)	260,861
National Advisory Council on Drug Abuse (ADAMHA)	22,000
National Advisory Council on Education of Disadvantaged Children (OE)	281,505
National Advisory Council on Equality of Educational Opportunity (OE)	185,000

National Advisory Council on Ethnic Heritage Studies (OE)	$ 40,000
National Advisory Council on Extention and Continuing Education (OE)	263,368
National Advisory Council on Health Manpower Shortage Areas (HSA)	16,200
National Advisory Council on Health Professions Education (HRA)	182,000
National Advisory Council on Indian Education (OE)	246,652
National Advisory Council on Migrant Health (HSA)	54,500
National Advisory Council on Nurse Training (HRA)	100,000
National Advisory Counicl on Services and Facilities for the Developmentally Disabled (OHD)	145,000
National Advisory Council on Vocational Education (OE)	437,410
National Advisory Council on Women's Educational Programs (OE)	316,588
National Advisory Dental Research Council (NIH)	25,000
National Advisory Environmental Health Sciences Council (NIH)	22,000
National Advisory Eye Council (NIH)	50,000
National Advisory Food and Drug Committee (FDA)	46,600
National Advisory General Medical Sciences Council (NIH)	38,306
National Advisory Health Council (OASH)	0
National Advisory Mental Health Council (ADAMHA)	66,000
National Advisory Neurological and Communicative Disorders and Stroke Council (NIH)	60,000
National Advisory Public Health Traning Council (HRA)	8,700
National Advisory Research Resources Council (NIH)	31,500
National Arthritis Advisory Board (NIH)	300,000
National Arthritis, Metabolism, and Digestive Diseases Advisory Council (NIH)	152,280
National Bladder Cancer Project Working Cadre (NIH)	43,416
National Cancer Advisory Board (NIH)	63,630
National Commission on Digestive Diseases (NIH)	1,500,000

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National Commission for the Protection of Human Subjects in Biomedical and Behavioral Research (OASH)	$1,900,000
National Council on Health Planning and Development (HRA)	70,000
National Diabetes Advisory Board (NIH)	300,000
National Heart, Lung and Blood Advisory Council (NIH)	100,000
National Large Bowel Cancer Project Working Cadre (NIH)	43,416
National Pancreatic Cancer Project Working Cadre (NIH)	43,416
National Panel on Alcohol, Drug Abuse, and Mental Health (ADAMHA)	4,500
National Professional Standards Review Council (OASH)	101,200
National Prostatic Cancer Project Working Cadre (NIH)	43,416
Neurological Drugs Advisory Committee (FDA)	48,400
Neurological and Communicative Disorders and Stroke Science Information Program Advisory Committee (NIH)	35,000
Neurological Device Classification Panel (FDA)	99,100
Neurological Disorders Program-Project Review A Committee (NIH)	160,000
Neurological Disorders Program-Project Review B Committee (NIH)	165,000
Neurological Sciences Study Section (NIH)	103,000
Neurology A Study Section (NIH)	122,700
Neurology B Study Section (NIH)	130,000
Neuropsychology Research Review Committee (ADAMHA)	91,000
Nursing Research and Education Advisory Committee (HRA)	89,200
Nutrition Study Section (NIH)	93,800
Obstetrical and Gynecological Device Classification Panel (FDA)	126,300
Obstetrics and Gynecology Advisory Committee (FDA)	76,800
Oncologic Drugs Advisory Committee (FDA)	30,700
Ophthalmic Device Classification Panel (FDA)	107,300
Opthalmic Drugs Advisory Committee (FDA)	38,500

Oral Biology and Medicine Study Section (NIH)	$ 146,600
Orthopedic Device Classification Panel (FDA)	82,800
Panel on Basic Skills (NIE)	98,500
Panel on Education and Work (NIE)	32,000
Panel on Review of Allergenic Extracts (FDA)	129,000
Panel on Review of Antimicrobial Agents (FDA)	111,500
Panel on Review of Antiperspirant Drug Products (FDA)	52,900
Panel on Review of Bacterial Vaccines and Bacterial Antigens (FDA)	41,100
Panel on Review of Bacterial Vaccines and Toxoids (FDA)	65,900
Panel on Review of Blood and Blood Derivatives (FDA)	104,400
Panel on Review of Cold, Cough, Allergy, Bronchodilator, and Antiasthmatic Drugs (FDA)	48,300
Panel on Review of Contraceptives and other Vaginal Drug Products (FDA)	84,200
Panel on Review of Dentifrices and Dental Care Agents (FDA)	90,900
Panel on Review of Hemorroidal Drugs (FDA)	47,500
Panel on Review of Internal Analgesic Including Antirheumatic Drugs (FDA)	48,300
Panel on Review of Laxative, Antidiarrheal, Antiemetic, and Emetic Drugs (FDA)	0
Panel on Review of Miscellaneous External Drug Products (FDA)	121,400
Panel on Review of Miscellaneous Internal Drug Products (FDA)	158,200
Panel on Review of Opthalmic Drugs (FDA)	75,400
Panel on Review of Oral Cavity Drug Products (FDA)	96,600
Panel on Review of Sedative, Tranquilizer, and Sleep Aid Drugs (FDA)	N/A
Panel on Review of Skin Test Antigens (FDA)	12,000
Panel on Review of Topical Analgesics Including Antirheumatic, Otic, Burn, Sunburn Treatment and Prevention Drugs (FDA)	93,700
Panel on Review of Viral Vaccines and Rickettsial Vaccines (FDA)	52,600
Panel on Review of Vitamin, Mineral, and Hematinic Drug Products (FDA)	62,300

Panel on School Capacity for Problems Solving (NIE)	$ 16,000
Paraprofessional Manpower Development Review Committee (ADAMHA)	86,000
Pathobiological Chemistry Study Section (NIH)	94,000
Pathology A Study Section (NIH)	109,500
Pathology B Study Section (NIH)	145,800
Pathology Device Classification Panel (FDA)	107,800
Periodontal Diseases Advisory Committee (NIH)	20,000
Personality and Cognition Research Review Committee (ADAMHA)	92,000
Pharmaceutical Reimbursement Advisory Committee (OASH)	60,000
Pharmacology Study Section (NIH)	102,300
Pharmacology-Toxicology Research Program Committee (NIH)	86,549
Physical Medicine Device Classification Panel (FDA)	97,400
Physiological Chemistry Study Section (NIH)	120,400
Physiology Study Section (NIH)	95,800
Population Research Committee (NIH)	131,000
Population Research Study Section (NIH)	90,700
Preclinical Psychopharmacology Research Review Committee (ADAMHA)	86,000
President's Cancer Panel (NIH)	32,434
~~President's Commission on Olympic Sports (OASH)~~	Terminated 1/16/77
President's Committee on Mental Retardation (OHD)	720,000
President's Council on Physical Fitness and Sports (OASH)	25,500
Primate Research Centers Advisory Committee (NIH)	22,900
Program Review Team for the State of Arkansas (SSA)	2,650
Program Review Team for the State of California (SSA)	2,650
Program Review Team for the State of Florida (SSA)	2,650

Program Review Team for the State of Kansas (SSA)	$ 2,650
Program Review Team for the State of Massachusetts (SSA)	2,650
Program Review Team for the State of Michigan (SSA)	2,650
Program Review Team for the State of New York (SSA)	2,650
Program Review Team for the State of Pennsylvania (SSA)	2,650
Program Review Team for the State of Utah (SSA)	2,650
Program Review Team for the State of Washington (SSA)	2,650
Psychiatric Nursing Education Review Committee (ADAMHA)	55,500
Psychiatry Education Review Committee (ADAMHA)	82,085
Psychological Sciences Fellowship Review Committee (ADAMHA)	30,000
Psychology Education Review Committee (ADAMHA)	68,000
Psychopharmacological Agents Advisory Committee (FDA)	87,800
Pulmonary-Allergy and Clinical Immunology Advisory Committee (FDA)	29,800
Pulmonary Diseases Advisory Committee (NIH)	50,000
Radiation Study Section (NIH)	120,500
Radiological Device Classification Panel (FDA)	107,000
Radiopharmaceutical Advisory Committee (FDA)	30,100
Rape Prevention and Control Advisory Committee (ADAMHA)	25,500
Recombinant DNA Molecule Program Advisory Committee (NIH)	73,000
Rehabilitation Services National Advisory Committee (OHD)	26,000
Reproductive Biology Study Section (NIH)	129,600
Research Manpower Review Committee (NIH)	8,500
Research Scientist Development Review Committee (NIH)	70,000
Review Panel on New Drug Regulation (OASH)	158,000
Safety and Occupational Health Study Section (CDC)	85,000

Science Advisory Board to the National Center for Toxicological Research (FDA)	$ 88,200
Secretary's Advisory Committee on Population Affairs (OASH)	38,000
Secretary's Advisory Committee on the Rights and Responsibilities of Women (OASAM)	300,000
Sickle Cell Disease Advisory Committee (NIH)	25,000
Social Problems Research Review Committee (ADAMHA)	65,000
Social Sciences Research Review Committee (ADAMHA)	73,000
Social Sciences Training Review Committee (ADAMHA)	50,000
Social Work Education Review Committee (ADAMHA)	16,794
Student Financial Assistance Study Group (OASAM)	155,000
Surgery A Study Section (NIH)	79,000
Surgery B Study Section (NIH)	89,400
Surgical Drugs Advisory Committee (FDA)	18,700
Technical Electronic Product Radiation Safety Standards Committee (FDA)	35,700
Temporary Cancer Institutional Fellowship Review Committee (NIH)	35,000
Temporary Review Committee for Frederick Cancer Research Center (NIH)	5,289
Tobacco Working Group (NIH)	35,000
Toxicology Advisory Committee (FDA)	56,100
Toxicology Study Section (NIH)	113,900
Transplantation Immunology Committee (NIH)	32,500
Tropical Medicine and Parasitology Study Section (NIH)	99,600
~~Tuberculosis Control Advisory Committee (CDC)~~	Terminated 1/12/77
United States National Committee on Vital and Health Statistics (HRA)	44,500
Virology Study Section (NIH)	127,800
Virus Cancer Program Advisory Committee (NIH)	20,000
Virus Cancer Program Scientific Review Committee A (NIH)	34,600

Virus Cancer Program Scientific Review Committee B (NIH)	$ 34,600
Vision Research Program Committee (NIH)	40,000
Visual Sciences A Study Section (NIH)	108,000
Visual Sciences B Study Section (NIH)	96,600

ZERO-BASED BUDGETING

Mr. FLOOD. We understand that the 1979 budget request will be developed on a zero-based budgeting system. Will your office set up the system for HEW?

Mr. CHAMPION. Mr. Young will actually do that. I will be working with him on that.

WELFARE REFORM/NATIONAL HEALTH INSURANCE

Mr. FLOOD. All right. You are requesting $4.1 million and six positions for welfare reform and health insurance activity.

In the 1977 supplemental bill, this committee was very much concerned that you weren't using all of the existing resources. By the way, your opening statement discusses this point, and you are very obviously aware of the committee's concern.

During the recent hearings we just had on the health and welfare budgets we asked some of these HEW witnesses about their involvement with these initiatives.

It appears they are working on welfare reform and the health insurance. But their efforts don't seem to be tied into this new initiative.

So what kind of coordination are you planning with these operating agencies?

Mr. CHAMPION. We have, in terms of the welfare reform which the Secretary himself is personally conducting and coordinating with those agencies and with their involvement, a very tight controlled time schedule which involves generation, at this point, of the overall plan.

Agencies are now in the position of beginning to be asked how they can respond and implement various alternatives, so I think that is being done, Mr. Chairman.

With respect to the health insurance effort, that is just getting underway. That has not begun.

Mr. FLOOD. Do you have something in the welfare budget?

Mr. CHAMPION. No; in the welfare reform effort.

Mr. FLOOD. We are talking about health and welfare budgets.

Mr. CHAMPION. I am sorry, sir.

Mr. FLOOD. With reference to the welfare and health insurance, these agency people knew about this and talked about the new initiatives but they didn't seem to be tied into it.

Mr. CHAMPION. You mean in terms of their budgets reflecting what the new initiatives would be.

Mr. FLOOD. Yes.

Mr. CHAMPION. Yes; that is correct. The new initiatives are not yet shaped to the point where the agencies can respond.

Mr. MILLER. But I do want to make clear that the staff in the agencies is being used to help out in the efforts. In other words, we are trying to use existing staff to the maximum extent.

Mr. FLOOD. There is some coordination?

Mr. MILLER. Yes; there is.

RESOURCES FOR WELFARE REFORM/NATIONAL HEALTH INSURANCE

Mr. FLOOD. In last year's hearings on the subject of policy research, we asked how much HEW was spending on policy oriented research. The record shows an estimate of $280 million for 1977.

What we can't fully understand is why you don't draw from these resources to do what you want in welfare reform and health insurance. Why not?

Mr. CHAMPION. Mr. Young, I think, can deal with the detail. A large part of the money that is requested is to run out the costing of a variety of plans for everyone who is interested. That cost is a one-time cost, and can best be done by people with skills outside of the agency, without adding to our staff unnecessarily.

So that is where we have gone, as I mentioned earlier. We have gone heavily to consulting.

Mr. FLOOD. In policy research?

Mr. CHAMPION. That is correct, to price them out.

Mr. FLOOD. There are those resources, why can't you draw on those?

Mr. YOUNG. Half of this money we are asking for these initiatives is going to go for outside computer costs, because we have promised the Congress, we have promised the various public interest groups, that if they had ideas, we are going to give them an opportunity to have their ideas costed out. One of the principal things the public and the Congress are going to be interested in is the costs of these various programs.

That has never been done before. We have always done it for ourselves, but we haven't done it for other groups.

The other costs, the other half of the cost, is for 74 temporary people. I mean for only 2 years, temporary people, and for instance, in this area, there are relatively few health economists in the country. We do not have those particular skills in HEW. It is almost impossible to imagine out of 140,000 that you wouldn't have enough, but that happens to be the case. Those are specialists we want to bring in just for these projects and then they will go off the rolls.

COMPUTER COST

Mr. FLOOD. You mention computers.

Mr. YOUNG. Yes, sir.

Mr. FLOOD. How much of that $4.1 million request is for computers?

Mr. YOUNG. I think about a half, about one-half.

Mr. FLOOD. If anybody has computers, HEW certainly has computers. We understand that computer over at Social Security is the biggest in the world. Why don't you use what you already have all over the place?

Mr. YOUNG. Mr. Chairman, it is not the problem of the hardware, not the problem of the big main frames, it's the problem of having people who program, who design those models. In the trade I guess it's called the software part of the business.

That is what we need, not to buy new computers. In some cases we may want to rent some time, but we ought to reimburse—well, it's not a machine problem.

COST OF CONTRACTING OUT

Mr. FLOOD. These new initiatives also involve consultants and contract services. How much is that going to cost? On this kind of thing, why do you have to use outside resources?

Mr. CHAMPION. Mr. Chairman, in terms of carrying on new initiatives and also carrying on long term——

Mr. FLOOD. How much will that cost?

Mr. CHAMPION. In terms of going into what is now being done and extracting from resources in the agencies, the problem is creating discontinuities in current research, evaluations, demonstrations, that need to have continuity if they are going to be meaningful. We are using lots of current resources, and these requests are for those resources on top of the current ones we could free.

Mr. FLOOD. Why do you have to use outside resources on this?

Mr. YOUNG. Because the in-house resources do not have the skills that we need. We are actually at the present time using about 125 person-years of effort from these various parts of HEW, from SSA, Social Security Administration, and so forth with a value of about $28 million. So there is $28 million being spent on these initiatives from the resources that HEW has.

Mr. FLOOD. You are pretty well set up now from the way you are talking.

For the record, do this: Insert a chart showing how much has been spent over the last 5 years for research on health insurance and the welfare reform, and in that show the amounts for each agency—I mean at HEW—and show the number of HEW employees that are also involved. You can do that for the record.

[The above-referred-to information follows:]

WELFARE REFORM
$ (000)

Agency	1973 Pos.	1973 $	1974 Pos.	1974 $	1975 Pos.	1975 $	1976 Pos.	1976 $	1977 Pos.	1977 $
OS/Planning and Evaluation	7.0	11,250	16.5	12,043	9.5	12,500	5.5	13,650	31.5	10,100
Policy Planning & Analysis	(5.0)	(250)	(15.0)	(800)	(8.0)	(800)	(4.0)	(350)	(30.0)	(300)
Long Range Research	(2.0)		(1.5)	(11,243)	(1.5)	(11,700)	(1.5)	(13,300)	(1.5)	(9,800)
Social Rehabilitation Service							3.0	468	5.0	850
Policy Planning & Analysis	-	-	-	-	-	-	(2.0)	(-)	(4.0)	(-)
Long Range Research	-	-	-	-	-	-	(1.0)	(468)	(1.0)	(850)
Social Security Admin. (ORS)	130.0 1/	-	-	-	-	-	-	-	-	-
Policy Planning & Analysis	130.0 1/	-	-	-	-	-	-	-	-	-
Long Range Research	-	-	-	-	-	-	-	-	-	-
Public Health Service	-	-	-	-	-	-	-	-	-	-
Policy Planning & Analysis	-	-	-	-	-	-	-	-	-	-
Long Range Research	-	-	-	-	-	-	-	-	-	-
Total	137.0	11,250	16.5	12,043	8.5	12,500	8.5	14,118	36.5	10,950

1/ Staff for FAP planning

NATIONAL HEALTH INSURANCE
$ (000)

Agency	1973		1974		1975		1976		1977	
	Pos.	$	Pos.	$	Pos.	$	Pos.	$	Pos.	$
OS/Planning and Evaluation	5.0	9,100	2.5	6,624	1.0	4,875	1.2	6,000	6.0	3,050
Policy Planning & Analysis	(-)	(-)	(.5)	48	(.5)	(140)	(.5)	(100)	(5.5)	
Long Range Research	(5.0)	(9,100)		(6,576)	(.5)	(4,735)	(.7)	(5,900)	(.5)	(3,050)
Social Rehabilitation Service	-	-	-	-	-	-	-	-	-	-
Policy Planning & Analysis	-	-	-	-	-	-	-	-	-	-
Long Range Research	-	-	-	-	-	-	-	-	-	-
Social Security Admin. (ORS)	12.0	54	16.0	94	11.0	111	15.0	129	18.0	100
Policy Planning & Analysis	(6.0)	(-)	(6.0)	(-)	(2.0)	(-)	(7.0)	(-)	(9.0)	(-)
Long Range Research	(6.0)	(54)	(10.0)	(94)	(9.0)	(111)	(8.0)	(129)	(9.0)	(100)
Public Health Service	0	1,967	0	776	0	2.136	0	1,097	0	0
Policy Planning & Analysis	(-)	(-)	-	(-)	-		-		-	-
Long Range Research	(-)	(1,967)	-	(776)	-	(2,136)	-	(1,097)	-	1/
	17.0	11,121		7,494	12.0	7,122	16.2	7,226	24.0	3,150

EMPLOYEE GRIEVANCES

Mr. FLOOD. You are requesting 8 new positions for the Division of Employee Appeals.

How many people are assigned to that Division?

Mr. YOUNG. I don't have the base number now, Mr. Chairman.

Mr. Kearney?

Mr. KEARNEY. Yes; approximately 20.

Mr. FLOOD. About 20, is that right?

Mr. YOUNG. That is right, 8 positions for a total of 28, and there is a base of 20.

Mr. FLOOD. You also want three positions for the General Counsel because of an increase in personnel grievances. That sounds as though you have a lot of unhappy employees down there.

What accounts for this increase in employee grievances?

Mr. YOUNG. There are a great many discrimination cases. The number of discrimination cases is increasing.

Mr. FLOOD. Discrimination based on what?

Mr. YOUNG. Race, religion, sex, and so forth.

Mr. FLOOD. Not just a matter of race though?

Mr. YOUNG. No, sir, sex——

Mr. FLOOD. Religion?

Mr. YOUNG. Religion also.

This is hard for me to believe, and that is they tell me a great many of these grievances come because employees are not satisfied with the evaluations that their supervisors give them.

Mr. FLOOD. What is new about that?

Mr. YOUNG. In the old days one did not take that as a grievance.

Mr. FLOOD. You mean they didn't do anything about it.

Mr. YOUNG. When Charlie would give me a bad rating, I would just accept it. Now we argue.

Mr. CHAMPION. That requires a formal process.

Mr. YOUNG. And that takes people to do that under civil service rules and regulations. It's the law, you have to have a formal process, and it takes people to do that.

Mr. FLOOD. Litigation.

Mr. YOUNG. Sometimes, if you don't handle it well.

Mr. FLOOD. All right.

COMMISSIONS, COUNCILS, COMMITTEES

You can do this for the record: Supply for the record a list of studies, commissions, advisory councils, and committees supported in whole or in part by the HEW budget which are established or mandated by statute.

Can you do that, together with the amount budgeted for fiscal years 1977 and 1978?

Mr. YOUNG. Yes, sir, we shall supply that.

[The above-referred-to information follows:]

LISTING OF ADVISORY COUNCILS AND COMMISSIONS MANDATED BY LAW, WITH ESTIMATED ANNUAL COSTS FOR FISCAL YEARS 1977 AND 1978

Attached is the requested report on legislatively mandated council, commissions and studies in DHEW. The Education Division was not able to compile its list of mandated studies in time to meet the deadline; this section of the report will be forwarded to the committee as soon as it becomes available.

Listing of Advisory Councils and Commissions
Mandated by Law, with Estimated Annual Costs for FY 1977 and 1978

	Estimated Annual Cost
Advisory Council on Developing Institutions (OE)	$ 75,000
Advisory Council on Education Statistics (OASE)	102,000
Advisory Council on Environmental Education (OE)	48,050
Advisory Council on Financial Aid to Students (OE)	65,000
Board of Regents of the National Library of Medicine (NIH)	20,100
Board of Tea Experts (FDA)	1,500
Coal Mine Health Research Advisory Committee (CDC)	40,000
Commission for the Control of Epilepsy and Its Consequences (NIH)	150,000
Commission for the Control of Huntington's Diseases and Its Consequences (NIH)	150,000
Committee on Mental Health and Illness of the Elderly (ADAMHA)	125,000
Community Education Advisory Council (OE)	273,000
Device Good Manufacturing Practices Advisory Committee (FDA)	58,700
Federal Council on the Aging (OHD)	585,000
Federal Hospital Council (HRA)	6,200
Health Insurance Benefits Advisory Council (OASH)	209,000
Interagency Committee on Emergency Medical Services (HSA)	23,900
Interagency Committee on Federal Activities and Alcohol Abuse and Alcoholism (ADAMHA)	21,700
National Advisory Child Health and Human Development Council (NIH)	38,000
National Advisory Committee on the Handicapped (OE)	133,069
National Advisory Council on Adult Education (OE)	291,359
National Advisory Council on the Aging (NIH)	41,542
National Advisory Council on Alcohol Abuse and Alcoholism (ADAMHA)	20,000
National Advisory Council on Bilingual Education (OE)	136,000
National Advisory Council for Career Education (OE)	260,861
National Advisory Council on Drug Abuse (ADAMHA)	22,000
National Advisory Council on Education of Disadvantaged Children (OE)	281,505
National Advisory Council on Equality of Educational Opportunity (OE)	185,000
National Advisory Council on Ethnic Heritage Studies (OE)	40,000
National Advisory Council on Extension and Continuing Education (OE)	263,368
National Advisory Council on Health Manpower Shortage Areas (HSA)	16,200
National Advisory Council on Health Professions Education (HRA)	182,000
National Advisory Council on Indian Education (OE)	246,652
National Advisory Council on Migrant Health (HSA)	54,500
National Advisory Council on Nurse Training (HRA)	100,000
National Advisory Council on Services and Facilities for the Developmentally Disabled (OHD)	145,000

National Advisory Council on Vocational Education (OE)	437,410
National Advisory Council on Women's Educational Programs (OE)	316,588
National Advisory Dental Research Council (NIH)	25,000
National Advisory Eye Council (NIH)	50,000
National Advisory General Medical Sciences Council (NIH)	38,306
National Advisory Health Council (OASH)	0
National Advisory Mental Health Council (ADAMHA)	66,000
National Advisory Neurological and Communicative Disorders and Stroke Council (NIH)	60,000
National Advisory Public Health Training Council (HRA)	8,700
National Arthritis Advisory Board (NIH)	300,000
National Arthritis, Metabolism, and Digestive Diseases Advisory Council (NIH	152,280
National Cancer Advisory Board (NIH)	63,630
National Commission on Digestive Diseases (NIH)	1,500,000
National Commission for the Protection of Human Subjects in Biomedical and Behavioral Research (OASH)	1,900,000
National Council on Health Planning and Development (HRA)	70,000
National Diabetes Advisory Board (NIH)	300,000
National Heart, Lung and Blood Advisory Council (NIH)	100,000
National Panel on Alcohol, Drug Abuse, and Mental Health (ADAMHA)	4,500
National Professional Standards Review Council (OASH)	101,200
President's Cancer Panel (NIH)	32,434
Program Review Team for the State of Arkansas (SSA)	2,650
Program Review Team for the State of California (SSA)	2,650
Program Review Team for the State of Florida (SSA)	2,650
Program Review Team for the State of Kansas (SSA)	2,650
Program Review Team for the State of Massachusetts (SSA)	2,650
Program Review Team for the State of Michigan (SSA)	2,650
Program Review Team for the State of New York (SSA)	2,650
Program Review Team for the State of Pennsylvania (SSA)	2,650
Program Review Team for the State of Utah (SSA)	2,650
Program Review Team for the State of Washington (SSA)	2,650
Rape Prevention and Control Advisory Committee (ADAMHA)	25,500
Technical Electronic Product Radiation Safety Standards Committee (FDA)	35,700
United States National Committee on Vital and Health Statistics (HRA)	44,500
Total Estimated Annual Costs	10,072,104

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Report on Legislatively Mandated Studies

Agency: Public Health Service

Name of Study	Legislative Citation	Estimated Cost FY 1977	Estimated Cost FY 1978
Alcohol and Health	P.L. 93-282, Sec. 203(b)(I) which amended P.L. 91-616, Sec. 102(2)	222,000	222,000
Report on National Standards for Community Mental Health Centers and Criteria for Evaluation of Community Mental Health Centers and the Quality of the Services Provided by the Centers	P.L. 94-63, Sec. 304(b)	89,000	Not required beyond FY77
Report on Studies by the Secretary	PHSA, Sec. 357(a)	*	
Report of the Committee on Mental Health and Illness of the Elderly	P.L. 94-63, Sec. 603(b)	*	
Study of Liability for Personal Injuries or Death Arising Out of Immunization Programs and Alternative Approaches for Protection Against Liability	P.L. 94-380, Sec. 3	*	

*Studies designated with an asterisk are those in which experience is insufficient for the formulation of cost estimates.

Feasibility Study of Establishing a School of Medicine for Indians	P.L. 94-437, Sec. 601	*
Report on Shared Schedule Residency Training Positions	PHSA, Sec. 709(b)	*
Determination of the Percentage of Filled First-Year Residency Positions that are in Primary Care	PHSA, Sec. 771(b)(2)	*
Analysis and Evaluation of Reports from Medical Schools on Deficiencies in Foreign Medical Education of Students	PHSA, Sec. 782(c)	*
Reports on Allied Health Personnel Studies	P.L. 94-484, Sec. 702(d)	*
Report on the Ability of Schools of Medicine Receiving Initial Development Grants to Improve Access to Health Care for Residents of the Geographical Regions in Which Clinical Programs of the Schools are Located	PHSA, Sec. 788(g)(4)	*
Report on Assessment of Program of Contracts for Area Health Education Center Projects	P.L. 94-484, Sec. 802(b)	*
Study Relating to Chiropractic Health Professions	P.L. 94-484, Sec. 903	*

Plan for Implementation of the Indian Health Care Improvement Act	P.L. 94-437, Sec. 703		*
Recommendations for FY 1981-84 Authorizations under Indian Health Care Improvement Act	P.L. 94-437, Sec. 701		*
Assessment and Recommendations for Additional Programs or Assistance for Health Services for Indians	P.L. 94-437, Sec. 701		*
Studies of Uniform EMS Reporting System	P.L. 94-573, Sec. 16		*
Study of Housing Conditions for Agricultural Migratory Workers	P.L. 94-63, Sec. 401(c)		*
Report on Health Services for Urban Indians	P.L. 94-437, Sec. 507		*
Report of Continuing Study of Biomedical and Behavioral Research Personnel	PHSA, Sec. 473	987,900	1,000,000
Report on Findings Made in Studies of Training in Bilingual and Bicultural Awareness and of Admissions Examinations of Persons from Population Groups of Limited English-Speaking Ability	P.L. 94-484, Sec. 904(c)		*
Report on Applications Approved for Grants and Contracts Related Specifically and Generally to Sudden Infant Death Syndrome	P.L. 93-270, Sec. 2(c)(1)	892	Not required beyond FY77

Report on Administration of SIDS Counseling, Information, Educational, and Statistical Programs	PHSA, Sec. 1121(c)	*
Report of the National Commission on Digestive Diseases	P.L. 94-562, Sec. 301(j)	*
Report of the Commission for the Control of Epilepsy and Its Consequences	P.L. 94-63, Sec. 604	*
Report of the Commission for the Control of Huntington's Disease and Its Consequences	P.L. 94-63, Sec. 605(b)(4)	*

Study of Disclosure of Research Information	P.L. 94-278, Sec. 301	*
Functions and Authority of the National Advisory Council for the Protection of Subjects of Biomedical and Behavioral Research	P.L. 93-348, Sec. 202(d)	*
Reports Respecting Activities Under Secs. 202 and 203 of the National Research Act	P.L. 93-348, Sec. 204(d)	*
Independent Health Care Quality Assurance Programs Study	P.L. 93-222, Sec. 4(c)	*

Study of Disclosure of Research Information	P.L. 94-278, Sec. 301	*
Functions and Authority of the National Advisory Council for the Protection of Subjects of Biomedical and Behavioral Research	P.L. 93-348, Sec. 202(d)	*
Reports Respecting Activities Under Secs. 202 and 203 of the National Research Act	P.L. 93-348, Sec. 204(d)	*
Independent Health Care Quality Assurance Programs Study	P.L. 93-222, Sec. 4(c)	*

Report on Legislatively Mandated Studies

Agency: Social Security Administration

Name of Study	Legislative Citation	Estimated Cost FY 1977	FY 1978
Advisory Council Recommendations	42 U.S.C. 907	$80,000	200,000

Report on Legislatively Mandated Studies

Agency: Office of Human Development

Name of Study	Legislative Citation	Estimated Cost FY 1977	Estimated Cost FY 1978
Special Report on Effectiveness of Title XX	PL 93-647, Sec. 4	$500,000	0
Evaluation of Federal Interagency Day Care Requirements	Sec. 2002(9)(b), Social Security Act	200,000	0
Developmental Disability Office - Definition of Developmental Disability	P.L. 94-103, Sec. 103	170,700	0
Developmental Disability Office - Review and Evaluation of Standards and Quality Assurance Mechanisms	P.L. 94-103, Sec. 204	250,400	0
Developmental Disability - Comprehensive Evaluation System Development	P.L. 94-103, Sec. 128	127,800	400,000

Report on Legislatively Mandated Studies

Agency: Office of the Secretary

Name of Study	Legislative Citation	Estimated Cost FY 1977	Estimated Cost FY 1978
Sec. 822(a) Survey of Income and Education (SIE)	Education Amendments of 1974 (Public Law 93-380), Sec. 822(a)	$150,000	$50,000
Sec. 822(b) ESEA Mandated Poverty Studies	Education Amendment of 1974 (Public Law 93-380), Sec. 822(b)	$60,000	None
Federal Interagency Day Care Requirements Appropriateness Study (FIDCR)	Title XX of the Social Security Act, Sec. 2002(a)	$362,000	None
Fiscal audit of 10 State vocational educational programs annually	Public Law 98-482 Sec. 112(a)(2)	$150,000	$150,000

Mr. FLOOD. Thank you very much.
Mr. CHAMPION. Thank you.
Mr. FLOOD. Any questions?
Mr. ROYBAL. No questions, thank you.
Mr. FLOOD. Thank you, gentlemen.
[The following questions were submitted by members of the subcommittee with the request they be answered for the record:]

REORGANIZATION OF HEW

Mr. MICHEL. Mr. Champion, were you involved in the development of the reorganization plan?
ANSWER. Yes, I was.
Mr. MICHEL. According to the Washington Post the other day, the plan was developed in almost complete secrecy, with only six people in HEW knowing what was being contemplated. How does this square with President Carter's pledge of openness in Government?
ANSWER. Much of what was implemented was based upon internal studies which have been available to many officials for some time. Other of the ideas come from the work of congressional committees for example combining medicaid and medicare under a single management.
Mr. MICHEL. It would seem to me that when you undertake a reorganization of the magnitude you have, that you would try to obtain as many opinions as possible, particularly when the reorganization is developed as an accomplished fact and is not sent to Congress for its approval or disapproval. Is that too much to ask?
ANSWER. The Department's reorganization was based on a number of organizational alternatives which have been studied and considered long before we took office. Some of them were reviewed by the Congress last year when they considered S. 3205, the so-called Talmadge bill. We really felt the time had come for decisionmaking; not further study.
Mr. MICHEL. The Director of the Social Security Administration told us the other day that he wasn't made aware of the reorganization until it was almost an accomplished fact. Yet his agency is greatly affected by it. Why wasn't he brought in on the reorganization from the very beginning?
ANSWER. Much of the staff work on which the reorganization was based had been available for some time to the Commissioner of Social Security and other HEW officials. He had full opportunity to comment and he agreed with the concepts.

BURDENS OF GOVERNMENT

Mr. MICHEL. The writer of the series of articles in the Post concluded with the following statement, which I think is very much to the point: "What doesn't receive as much attention is perhaps the greater corruption—the attempt to do more than is prudent or possible and the failure to account for the real costs of placing greater burdens on government." Will you be considering this reality at all when you consider proposing massive new welfare or health care proposals, or other expanded Federal efforts in other fields?
ANSWER. We certainly will. We do not believe that government should do more than is essential in providing services to and protection for the public, and we shall make every attempt to develop a proposal which is prudent as well as compassionate.
Mr. MICHEL. You were head of finance for Harvard. Did you ever calculate what compliance with all Federal regulations and paperwork is costing the university?
ANSWER. While I was at Harvard we did some rough estimates of the costs of compliance with some of the Federal regulations, and the figures were significant. I do not recall them in detail, but my recollection is that, for the Occupational Safety and Health Act, the Employee Retirement Income Security Act, and various civil rights requirements, the uncompensated costs of administration, including allocated time of administrators and faculty and outside legal fees, were something like $2 million to $4 million in the time period studied. The figures were estimates, however, not based on any close accounting.
Mr. MICHEL. Do you intend to undertake any steps to reduce this administrative burden on the universities and other institutions? I ask this with a degree of

skepticism as to your answer, because the administration thus far has refused to reduce the burden the massive civil rights survey has placed on our local school systems. There is a willingness to talk in generalities about doing something, but when you get right down to it, there is an instinct in government and the bureaucracy that drives it to control things and to resist any efforts that might counteract that drive.

ANSWER. We intend to reduce the administrative burden to the maximum, but I don't want to underestimate the difficulty. We have some difficult tasks to perform. We must enforce the civil rights laws; we need to assure accountability for Federal funds; and in a number of instances, we have to require fairly extensive information in the administration of some very complex legislation.

We are fully aware of the administrative burden caused by our regulations and our forms, and the President personally has directed us to take every step feasible to reduce paperwork. We shall do so, and we shall resist every effort to exercise bureaucratic control for the sake of control. But, we also seek the Congress' understanding of how difficult it is to draw the line between obtaining too little and too much information from the recipients of Federal funds.

INSPECTOR GENERAL

Mr. MICHEL. Now, regarding the position of Inspector General, will he be answering to the Secretary?

ANSWER. The Inspector General, in accordance with the organization order which has been published in the Federal Register, will report to the Secretary or the Under Secretary. This is in accordance with Public Law 94–505 which states that the Inspector General may report to either of these two top officials, but may not be under the supervision of any other official in the Department.

Mr. MICHEL. Will you or the Secretary seek to influence the direction his investigative activity takes?

ANSWER. It is our practice to meet weekly with the Inspector General and to discuss with him any matters which he wishes to raise regarding his work.

We expect him to develop his own work program for the audit and investigation functions, as well as for economy and efficiency reviews. We will certainly provide guidance to the Inspector General in regard to his work, upon his request, and we may, in areas of particular interest to us as the top managers of the Department, request that he undertake specific work. We will in no event interfere with the conduct of any investigation of fraud and abuse. That is solely the responsibility of the Inspector General and his staff.

Mr. MICHEL. Will you or the Secretary be calling him into your offices to explain what he has been doing as was done with John Walsh?

ANSWER. My answer is indicated in response to the previous question. We plan to meet each week with the Inspector General, just as we do with each of the assistant secretaries and key administrators of the Department. This is not a matter of calling anyone in to explain what he is doing, but rather to provide for an orderly and systematic way of discussing the ongoing management of the Department and the policy issues for which the Secretary and the Under Secretary must be finally responsible.

I believe your question implies a misunderstanding of what happened in the case of Mr. Walsh. We did ask him to join us on February 4, 1977, to describe his modus operandi. We used one ongoing case as the basis for that discussion. This was our first meeting with Mr. Walsh and it was necesary that we understand the organization and operation of his staff. This was about 7 weeks before the appointment of the Inspector General, and the Office of Investigations then reported directly to me.

Mr. MICHEL. Will you or the Secretary require the Inspector General to clear his investigations with the General Counsel's Office?

ANSWER. No.

Mr. MICHEL. Will the Inspector General be required to keep the General Counsel's Office informed of his activities and investigations?

ANSWER. The General Counsel and the Inspector General have agreed to keep each other mutually informed. However, as indicated in the statement of principles governing their relationships, the Inspector General is independent of the General Counsel and is not bound by any advice he may receive from the General Counsel.

[Information follows:]

STATEMENT OF DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, MARCH 8, 1977

Subject: Statement of principles governing relationships between Inspector General and General Counsel.

Pursuant to the provisions of Public Law 94–505, the Office of Inspector General is an "independent and objective unit" within the Department of Health, Education, and Welfare. At the same time, in performing its responsibilities, the Office must investigate and measure the conduct of departmental program officials, recipients of departmental funds, and others against a myriad of authorizing statutes that are properly the subject of legal advice by the General Counsel of the Department. For both of these reasons it is necessary to have a clear understanding how these two offices will relate, one to the other.

I. THE INDEPENDENT ROLE OF THE INSPECTOR GENERAL

As a part of its freedom from the direction or control of any departmental officials in performing its investigative role, the Office of Inspector General will not be subject to the clearance or approval by the General Counsel with respect to any of its activities, including:

1. Initiating any inquiry or investigation;
2. Transmitting to the Department of Justice or to any other enforcement or investigating agency any complaints, information, or investigative reports in its possession;
3. Conducting investigations and determining the scope, direction, and character of those investigations; and
4. Preparing reports and submitting such reports to the Secretary and the Congress.

II. AVAILABILITY OF LEGAL SERVICES TO THE INSPECTOR GENERAL

The Inspector General will be entitled to receive from the General Counsel, in accordance with such procedures as the Secretary may prescribe, legal advice and services with respect to:

1. The proper interpretation of the statutes, regulations, and policy directives governing the administration of departmental programs;
2. Investigative procedures and techniques, such as subpenaing documents, admonishing witnesses, procuring search warrants, surveillance, and the like;
3. The interpretation of general statutes applicable to the Inspector General as well as to other officials of the Department, such as the Freedom of Information Act and the Privacy Act; and
4. The legal implications and conclusions to be drawn from the audits and investigative reports of the Inspector General.

Although the Secretary may require the Inspector General to seek and obtain the advice of the General Counsel with respect to any of the matters just noted, the Inspector General will not be bound by such advice.

III. EXCHANGE OF INFORMATION

The General Counsel will keep the Inspector General informed of any communications from the Office of General Counsel to the Department of Justice, or to any other enforcement or investigative agency, concerning any matter that has been or might be the subject of investigation or inquiry by the Office of Inspector General. Similarly, the Inspector General will keep the General Counsel informed of investigations and inquiries initiated or completed and any transmittal outside the Department by the Office of Inspector General of the results of such investigations or inquiries.

Mr. MICHEL. According to the Washington Post account of the Secretary's testimony before the Senate Finance Committee last week, "he said as a general policy he believes the General Counsel should be involved in all such investigations to protect subjects' civil rights and to see that the inquiries have a sound factual basis for prosecution." That sounds to me that the General Counsel will have a significant role that could very well end up compromising the independence of the Inspector General, does it not?

ANSWER. Mr. Califano and I expect the General Counsel to furnish competent legal advice to the Inspector General in respect to his investigative work. Qualified senior legal personnel will be selected to do this. Such personnel will be mutually acceptable to the Inspector General and the General Counsel. However, as the

statement of principles which I have submitted indicates, the Inspector General is independent of the General Counsel and is not subject to his authority with respect to his activities. Furthermore, while the General Counsel will furnish advice to the Inspector General, the statement of principles makes it clear that the Inspector General is independent and is not bound by such advice.

SECRETARY'S STEWARD

Mr. MICHEL. Regarding the Secretary's cook, is he still on board?

ANSWER. The steward is still on board.

Mr. MICHEL. Does the Secretary intend to retain him despite all the criticism?

ANSWER. The needs that caused the Secretary to hire him are still present and the Secretary intends to retain him.

Mr. MICHEL. Who's idea was it to write the phony 402 word job sheet?

ANSWER. The job sheet was written in the general language most schedule C job sheets are written. Of course, the employee has been and is more than a cook. Steward is a better description than Personal Assistant for Special Activities and the position has been clarified and the description retitled.

Mr. MICHEL. Under what category in your departmental management justification does this job fall?

ANSWER. This job falls under the departmental direction portion of the budget, and within this, in that portion described as the Secretary and the Under Secretary activity.

Mr. MICHEL. Has another job been eliminated in order that a cook could be added, and if so, which one?

ANSWER. No specific position was eliminated in order that a steward could be added. The Secretary, of course, is in the process of reducing the size of his overall immediate staff.

Mr. MICHEL. Did Secretary Mathews have a personal cook?

ANSWER. Secretary Mathews did not have a personal cook.

Mr. MICHEL. If Secretary Mathews could get by without one, why not Secretary Califano?

ANSWER. Secretary Califano determined that his requirements warranted the position. Secretary Califano's work schedules and meeting schedules require the services of a steward. The steward provides a means of handling the many official meetings with visitors, outside public advisers, and foreign visitors interested or involved in HEW programs.

SECRETARY'S ASSISTANT

Mr. MICHEL. What about this $44,000 a year bodyguard? What's the justification for this position at that kind of a rate?

ANSWER. The Secretary does not have a $44,000 a year bodyguard. This position has been assigned several responsibilities, which are classifiable at the GS–15 level. Based upon Federal personnel procedures, the person selected is being paid at the rate authorized for the GS–15 level based upon his experience and previous salary rate. The Secretary expects this person to manage a $3 million budget and the administrative staff in his immediate office. He also oversees the personal security of the Secretary.

Mr. MICHEL. Here is another instance where a job description seems to camouflage what the person will really be doing. How can we be certain here in Congress that he will really be doing everything the Secretary says, and not in actuality simply be serving as a security aide?

ANSWER. The present job sheet, titled "Assistant to the Secretary for Special Programs," is a position description previously established in the Ford administration. It is general in nature and was used in order to get the appointee on board as quickly as possible during the transition period, as provided by Civil Service Commission regulations. The Secretary will determine the specific responsibilities to be assigned. We are presently processing a description which clarifies the duties. The Secretary will certify the duties and will see that they are performed as described.

SECRETARY'S TRANSPORTATION

Mr. MICHEL. How many limousines or other cars do you have at HEW for the transportation of your personnel, and what is the total cost in this regard?

ANSWER. HEW has no cars classified by GSA as limousines. We have two type III standard sedans for the official use of the Secretary and Under Secretary

and five type II intermediate sedans for official use of the Assistant Secretaries. The fiscal year 1976 costs were $156,423 which includes $145,511 in personnel costs for drivers. These personnel costs cover total costs of the drivers who perform other functions such as messenger service while not driving.

Mr. MICHEL. Will you or the Secretary be using a chauffeur-driven car or limousine?

ANSWER. The Secretary is authorized to be driven from home to work. The Under Secretary drives his own car to and from home and only uses a chauffeur-driven car for official duties.

ADDITIONAL STAFF FOR WELFARE REFORM

Mr. MICHEL. President Carter made a big deal during the campaign about cutting down the size of the bureaucracy, but your departmental management budget is 7.1 million above the Ford budget, and the total number of permanent positions is 74 above the Ford recommendation. Is this being consistent with the President's campaign rhetoric?

ANSWER. We think that this request is perfectly consistent with pledges made by the President during the campaign to hold down the size of the bureaucracy and to make Government programs more effective. The difference you refer to between the Ford and the Carter budget is the request for temporary not permanent resources to accomplish the administration's objectives in the areas of welfare reform, national health insurance and the inflation caused by rapidly rising medical costs. The 74 positions are explicitly requested under a 2-year term authority so as to avoid permanent additions to the Federal work force beyond the research-planning phase of these initiatives.

Mr. MICHEL. You are asking for six new positions to in part develop the welfare reform effort. This welfare proposal, as I understand it, is to be ready in about 1 month. Why do you need these additional positions for fiscal 1978?

ANSWER. On May 1, we will present alternatives to the President for welfare reform. Beyond that date however, we will be translating Presidential decisions into legislation to be introduced to Congress, analyzing any competing legislative proposals, addressing inquiries and proposals from the public and further planning for implementation of legislation. The six new positions in question will be split between the welfare reform and health insurance planning activities to provide this type of analytic information for both initiatives.

Mr. MICHEL. Will these and the additional positions you have requested as part of the supplemental be temporary in nature, or will the slots end up being permanent?

ANSWER. All of these positions will be authorized by the Civil Service Commission on a term basis through September 30, 1979. We intend to phase out most of these employees by September 30, 1978, 1 year before the authority expires. In any event none of these positions will exist after September 30, 1979.

INCREASED GRIEVANCES AND LEGAL WORKLOADS

Mr. MICHEL. You are asking for eight new positions to handle increased employee grievance workloads, which you indicate will be increasing by 60 percent. What accounts for this substantial increase in employee grievances?

ANSWER. The reasons for the increase appear to be related to economy measures and a general development in our society for individuals to pursue rights.

As economic measures result in less plentiful vacancy and promotion opportunities, there is a tendency for employees to try to improve their competitive standing by challenging their performance appraisals and their nonselection for certain vacancies, promotional opportunities, training assignments, and the like. In addition, employees, like other citizens of our society, have become more educated in complaint procedures and are otherwise more inclined to pursue what they believe to be their rights.

The 60-percent increase represents the increase for fiscal year 1978 over the original fiscal year 1976 estimate. In calendar years 1974, 1975, and 1976, the number of cases received respectively were 293, 449, and 503; 198 cases have already been received in the first quarter of calendar year 1977.

Mr. MICHEL. You are also requesting 67 new positions to handle an increasing number of new court cases. Why the big increase in new court cases?

ANSWER. The jump in new case filings is caused primarily by the increasing resort to the courts by aggrieved persons and establishment of additional and extremely complex new programs.

Mr. MICHEL. What is the total amount HEW is spending to handle grievances, court cases, and related conflicts and disputes?

ANSWER. The compensation and benefits for the staff of the Employee Appeals Division which processes grievance cases is currently $464,032 per year. This does not include the time spent by the complainants and by supervisory and managerial officials who make decisions on the complaints, nor the travel and related costs of proceedings.

FLEXITIME

Mr MICHEL. Do you have any plans to try and experiment with such things as staggered work hours, flexitime, part-time work, et cetera, in an effort to both deal with traffic problems and changing employment situations?

ANSWER. We support the use of flexible work hours within the Department where managers and employees find such work hours to be mutually beneficial. We have flexitime provisions in effect in several locations in both headquarters and the field covering approximately 15,000 employees. We also support the use of part-time employment to the extent feasible. The use of part-time employees is governed by nature of the positions, functional and workload demands, costs of part-time employment and adequacy of the labor market to provide needed skills.

EMPLOYEE MOTIVATION

Mr. MICHEL. What about some of the concerns Secretary Califano expressed regarding employee motivation, the ability of employees to switch to new areas within the Department, et cetera? Do you have any plans for action in this area?

ANSWER. The Secretary is very much concerned with employee motivation and the ability of employees to switch to new areas within the Department. The first action he has taken is to establish the Office of the Assistant Secretary for Personnel Administration. When the position is filled, one of the early actions will be the development of objectives to deal with these and other aspects of personnel management.

ASSISTANT SECRETARY FOR PERSONNEL ADMINISTRATION

Mr. CONTE. Why was it considered necessary to establish a separate office of the Assistant Secretary for Personnel Administration? Why wasn't that function under the Assistant Secretary for Management and Budget?

ANSWER. The Office of the Assistant Secretary for Personnel Administration has been established to give fresh emphasis and vigorous leadership to the recruitment, development, motivation, and utilization of HEW's 145,000 employees. Placing the personnel function in a separate office allows full concentration on the management and administration of this most important resource of the Department.

TRANSFER OF THE AUDIT AGENCY

Mr. CONTE. How does the transfer of the Audit Agency affect the content of the activities under departmental management?

ANSWER. The transfer of the Audit Agency removed $25,101,000 and 944 positions from the general departmental management budget, and specifically, from the departmental operations portion of that budget. These funds and positions have been transferred to the Office of the Inspector General.

LEGAL SERVICES

Mr. CONTE. I believe your departmental operations account supported legal services for the Social Security and Food and Drug Administrations. Don't these Administrations have legal departments of their own?

ANSWER. The legal departments for the Social Security and Food and Drug Administrations are under the supervision and administrative direction of the General Counsel. The General Counsel attorneys assigned to provide legal services to these agencies are located in the same buildings as their respective client agencies.

Mr. CONTE. How much of your resources are devoted to these legal services for other administrations?

ANSWER. Including regional attorney's offices, there are approximately 38 positions for the Health area; 46 for Education; and 53 for Welfare. Fifty-eight positions are set aside for legal services which are used by all areas of the Department, such as legislation, and the subjects covered by the Business and

Administrative Law Division and similar regional components. Twenty positions are assigned to the immediate Office of the General Counsel.

Mr. CONTE. What are the benefits of centralizing such services?

ANSWER. There are several advantages to consolidating the Department's legal services: (1) the Department's lawyers are given the benefit of leadership and guidance by an official of the rank and caliber of an Assistant Secretary: (2) legal advice given to the various offices of the Department is more likely to be consistent if the lawyers are under a single administration; and (3) the objectivity necessary for legal judgment can more readily be achieved where the lawyers do not look to the various components of the Department for their career progression.

LONG TERM CARE STANDARDS

Mr. CONTE. What is your office doing to increase the enforcement effort of long term nursing home care standards?

ANSWER. In 1974, the Department established in each region an office of "Long Term Care Standards" enforcement whose primary responsibility is to ensure compliance with Federal standards and to monitor State survey agency certifications of long term care facilities participating in the titles XVIII and XIX programs as skilled nursing and/or intermediate care facilities. These standard enforcement and monitoring responsibilities are accomplished by conducting the following types of reviews: (1) on-site validation surveys of facilities; (2) comprehensive program reviews of State agency operations; (3) in-house review of survey documents; (4) unannounced provider surveys; and (5) independent professional and periodic medical reviews of skilled nursing and intermediate care facilities to ensure that patients are receiving proper care. The purpose of these reviews is to ensure that facilities are properly complying with Federal health and safety standards.

Mr. CONTE. What is being done to increase compliance with such standards?

ANSWER. In addition to Federal monitoring activities, the regional offices of "Long Term Care Standards" enforcement have a training and consultative responsibility to both the States and to the providers. They accomplish this responsibility by conducting on-site visits to facilities with State agency personnel to provide consultation and assistance to facilities in order to enable them to more effectively comply with Federal standards. The regional offices of "Long Term Care Standards" enforcement also provide policy guidance via telephone and written communication to the States.

The Department also conducts surveyor training programs to train surveyors on how to properly survey for compliance with Federal regulations.

Mr. CONTE. Are there sources of Federal assistance available to help nursing home operators come into compliance?

ANSWER. There are a number of Federal assistance programs available to assist facilities to comply with Federal standards. Some of these are Hill Burton, HUD loans, and Small Business Administration loans. It is also our understanding that a bill has been proposed (January 4 of this year) by Congressman Floyd which would authorize interest subsidy payments to assist nursing homes in repairing and renovating facilities in order to comply with Federal standards. The bill is identified as H.R. 507.

OFFICE ROLE ON WELFARE REFORM, HOSPITAL COST CONTAINMENT AND NATIONAL HEALTH INSURANCE

Mr. CONTE. You are increasing an additional $4.1 million for your welfare reform, health cost containment, and national health insurance initiatives. What is the role of your office in these initiatives?

ANSWER. The Office of the Assistant Secretary for Planning and Evaluation is the lead office on the welfare reform, health cost containment, and national health insurance initiatives. We are serving, at the request of the Secretary, as the focal point for agency-wide coordination as well as the sponsor of the various advisory committees on these three initiatives.

TENURE OF INCOME MAINTENANCE EXPERIMENTS AND THE HEALTH INSURANCE STUDY

Mr. CONTE. You currently have a number of experiments underway concerning various approaches to income maintenance and to national health insurance. Presumably the information gained from these experiments should be used in

the production of the administration's plans for health insurance and welfare reform. What will happen to these experiments once the administration's policies are announced? Will they be scrapped, or will policy research continue in these areas?

ANSWER. The experiments will continue after the administration's policies are announced. There are several reasons for this. First of all, there undoubtedly will be a long period stretching out over several years between the initial announcement of a proposed new welfare or health insurance program and the complete implementation of such a program on a national basis. During that time, the various experiments will be able to provide important information first to the Congress during its legislative consideration of the proposed programs, and then to the administrative planners who would be responsible for implementing the new program.

Second, reform and improvement of governmental programs is a continuing process. For example, it is inevitable that as time goes on, changes to the basic welfare legislation will be proposed by this or subsequent administrations or by the Congress. The income maintenance experiments are gathering information that will be useful to the future policymakers who will be concerned with such questions as the impact of raising the basic benefit level, changing benefit reduction rates, or expanding program coverage.

In the case of National Health Insurance the question of appropriate cost-sharing arrangements, which the Health Insurance Study is uniquely suited to answer, will undoubtedly be a live issue long after the "Health Insurance Study" is completed. In addition the study will provide an ideal framework in which to evaluate the effects of National Health Insurance, both on the demand for medical care and on the delivery system.

FUNDING OF COMPUTER AND CONTRACTING ACTIVITIES ON WELFARE REFORM

Mr. CONTE. Why are you proposing to fund the computer and contract costs for your welfare reform and health initiatives through departmental management rather than through the Office of Policy Research, where the data is presumably being generated?

ANSWER. The welfare reform and health initiatives are being performed substantially within the Office of the Assistant Secretary for Planning and Evaluation which also has responsibility for administering the policy research program. The salaries and expenses for that Office as well as program funding are requested through departmental management so it is logical that the computer and contract costs be budgeted in that activity as well.

POLICY RESEARCH AND DEPARTMENTAL MANAGEMENT

Mr. CONTE. Exactly what is the relationship between the work in this area being financed through departmental management and that done through policy research?

ANSWER. As indicated previously, the Office has the lead role in this area. We are making extensive use of the permanent staff in the organization to perform work associated with those initiatives and to manage the temporary staff we are bringing on board. This Office is also responsible for administering the policy research projects which are substantially contract and grant activities. We will therefore have the best opportunity to put to use the results of policy research activities in the welfare reform and health initiatives. Policy research supporting the income maintenance and health insurance experiments and a number of smaller nonexperimental studies, which are very important to the process for developing the welfare reform and health insurance initiatives. Departmental management is supporting the permanent staff that administers these policy research projects and the staff, contracts, and computer support for the new initiatives. Essentially then, the policy research support for these activities is in the results being obtained from long-term research efforts. The departmental management resources are needed to analyze the various alternatives, put together options for decisions, formulate legislation as well as initial plans for implementing programs once legislation is passed.

PERSONNEL FOR THE INITIATIVES

Mr. CONTE. You are proposing fairly major increases, not only in funds but in personnel, for these policy initiatives. What are you going to do with the personnel once the policies have been developed and implemented?

ANSWER. This Office has requested major increases in personnel for these three policy initiatives. However, we have requested, and been granted from the Civil Service Commission, permission to utilize an appointment known as "term authority." This type of personnel appointment enables the Department to hire personnel for periods that will not go beyond September 30, 1979. We are making initial appointments, however, only through September 30 ,1978, while considering the next year as an "option year" which will be used if needed. By utilizing this term authority, we will be able to complete these complex tasks without adding permanently to our ceiling. At the completion of the tasks, these people will be terminated. We seek no increase in permanent employees for these tasks.

EMPLOYEE GRIEVANCE

Mr. CONTE. Why do you expect to have a 60-percent increase in new employee grievance cases next year? Are you implementing some particularly unpopular personnel policy?

ANSWER. The 60-percent increase represents the increase for the fiscal year 1978 estimate over the original fiscal year 1976 estimate. However, the number of cases received has been increasing by about 41 percent each year since calendar year 1974. Thus, in calendar years 1974, 1975, and 1976, the number of cases received respectively were 293, 449, and 503. About 729 cases are expected for calendar year 1977, inasmuch as 198 cases already been received in the first quarter of calendar year 1977.

We are not implementing some particularly unpopular personnel policy. Rather, the reasons for the increase appear to be related to a general development in our society for individuals to pursue rights and also to personnel cutbacks taken as economy measures in the Federal Establishment. As vacancy and promotion opportunities become less plentiful, there is a tendency for employees to try to improve their performance appraisals and to appeal their nonselection for certain vacancies, promotional opportunities, and the like.

NEW COURT CASES

Mr. CONTE. Why are new court cases continuing to be generated by social security programs?

ANSWER. Well over 90 percent of the court cases are appeals by individuals of a determination by an administrative law judge (or the Appeals Council) that the individual was not disabled under the disability insurance, SSI, or black lung program. In each instance, the statute provides for a complex test of disability which must be applied on a case-by-case basis. Individuals who, typically, are not employed and have some impairments, but have been determined not to meet the statutory test of disability, disagree with this result and pursue their statutory right of appeal to the courts. Much is at stake, since the programs provide for "all-or-nothing" entitlement; a finding of disability means full benefits for the worker and his family; a finding of no disability means a total denial of benefits; there is no provision for a finding of partial or percentage disability, for a lump-sum payment, or benefits for a limited period, as in some other disability compensation or benefit programs. While less than 1 percent of the disability applications result in court actions, the number of court cases is quite large and continues to increase.

Mr. CONTE. Are there any particular programs which generate the greatest caseload?

ANSWER. Among the disability programs, the black lung program administered by the Social Security Administration has a peak effect on litigation in fiscal year 1976, fiscal year 1977, and fiscal year 1978. The disability insurance cases are a continuing workload, which has historically increased at a rate of 20 to 25 percent per year. The disability cases under the SSI program, which went into effect in 1974, are now reaching the courts in rapidly increasing volume.

The net effect of these developments has been a fourfold increase in the number of cases since 1973. In fiscal year 1978, the increase in new disability insurance and SSI disability cases will be balanced by a decrease in new black lung cases. The total number of new disability cases will continue at very high levels (estimated at 9,000 to 10,000 new cases in fiscal year 1978) but the overall rate of increase will be smaller than in the past few years. However, the cumulative effect of the new case filings over several years is a high volume of pending disability cases in the court, currently over 16,000 and expected to rise further by fiscal year 1978.

Nondisability cases are much fewer in number, but they generally require considerably more legal work per case. In particular, appeals by medicare providers from decisions of the Provided Reimbursement Review Board, and cases brought by the Government to recover medicare overpayments to providers and practitioners, can be expected to increase.

Mr. CONTE. Are the resources you are requesting adequate to make a significant reduction in the backlog of such cases?

ANSWER. In litigation, court deadlines must be met, and in that sense there cannot be a backlog. Nevertheless, the high volume of pending cases means that the requested resources will be under heavy strain to provide adequate presentation of the Government's position in all these cases, within the available time frames. It will still be necessary to seek extensions of time to the limits of the patience of the Federal judges. Thus, the Government's essential interests will be protected, but not with the degree of timeliness that would best contribute to speedy resolution of the litigation. In other respects the resources, of course, will have little effect on the number of cases pending, since that is a product of the new cases filed and the cumulative filings from the previous years.

Mr. CONTE. Are there any administrative changes which could be made in the social security system to reduce the need for this litigation activity?

ANSWER. Administrative changes would not likely have a significant effect on the volume of litigation. As previously indicated, the statutes prescribe the governing test of disability which gives rise to most of the litigation. The statutes also provide specifically for the administrative hearings and for court review.

Mr. CONTE. What about legislative changes?

ANSWER. Legislative changes could have the effect of reducing the number of court cases. For example, a simpler test of disability that could be more objectively applied, or some alternative to "all-or-nothing" entitlement, might generate less litigation. However, any legislative alternative raises very difficult conceptual and fiscal issues. These matters will be addressed in the consideration of welfare reform and other legislative initiatives.

REDUCTION IN GENERAL DEPARTMENTAL MANAGEMENT

Mr. CONTE. Last year you received about $3 million less than you requested for departmental management. What effect did that have on your ability to manage the programs under your office and reduce case backlogs?

ANSWER. This reduction required us to reduce employment costs by holding permanent position vacancies open longer than expected and by significantly decreasing temporary and overtime employment. These reductions have affected the Secretary's ability to manage departmental programs and meet several workload requirements which result directly from agency operations. These workloads include such areas as nursing home standards enforcement and General Counsel litigation, especially social security cases. This latter area was particularly affected since we were forced to hold the 50 new fiscal year 1977 General Counsel social security litigation positions vacant for 6 months longer than budgeted.

Mr. CONTE. How did you find room to squeeze $3 million out of your budget?

ANSWER. We were able to absorb these reductions by significantly reducing our employment costs by increasing vacancy rates on base permanent positions; by funding newly allocated positions for only 50 percent of the time budgeted, and by cutting heavily into temporary and part-time employment.

PUBLIC INFORMATION HANDBOOK

Mr. CONTE. I see that your office of public information is preparing a handbook to teach the public how to influence HEW policy. How will that handbook be distributed? How many do you propose to put out?

ANSWER. This activity was listed under program plans for fiscal year 1978 which were developed by the previous administration. The Carter administration, as you know, is profoundly committed to the idea of listening to the American people on public policy issues. At HEW, we have already undertaken such efforts as public hearings in 32 different cities to give citizens an input into our welfare reform proposal. Other means of soliciting citizen views will also be employed, but we have not yet developed a full-scale plan. If we do decide to proceed with the preparation of a handbook, we will certainly let you know and provide all the details you wish.

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HEW SAFETY AND OCCUPATIONAL HEALTH PROGRAM

Mr. CONTE. What will you be doing to improve the effectiveness of the HEW safety and occupational health program?

ANSWER. A continuing effort will be maintained to improve the program within the resources available. Specifically, emphasis will be placed in the following areas:

Evaluation of program implementation throughout the Department to determine program effectiveness, problem areas, and to identify program priorities and needs.

Improvement in the effectiveness of the safety management information system (accident, injury, and illness reporting) to provide more factual and realistic data.

Further development and/or adoption of standards and procedures necessary to meet the operational and program needs of the Department.

Establishing as a goal the continued reduction of accidents, injuries and illnesses in the Department. The present goal for calendar year 1977 is a 5-percent reduction over calendar year 1976.

JUSTIFICATION OF THE BUDGET ESTIMATES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
DEPARTMENTAL MANAGEMENT
GENERAL DEPARTMENTAL MANAGEMENT

Amounts Available for Obligation[1/]

	1977	1978
Appropriation	$89,781,000	$84,877,000
Proposed supplemental for Welfare Reform and National Health Insurance Planning	2,900,000	
Proposed supplemental for fraud and abuse	1,040,000	---
Proposed supplemental for pay raise	4,736,000	---
Subtotal, appropriation	$98,457,000	$84,877,000
Comparative transfers to:		
"Office of the Inspector General", to establish this office within Departmental Management	-23,548,000	
"Office of Consumer Affairs", for standard level user charges	-149,000	
"Public Health Service", for Long-Term Care	-31,000	
Subtotal, transfers to	-23,728,000	
Comparative transfers from:		
"Assistant Secretary for Human Development", for the Grants Appeals Board	+29,000	
Health Services Administration, "Health Services", for Grants Appeals Board	+25,000	
National Institutes of Health, "National Cancer Institute", for the Grants Appeals Board	+26,000	
Social and Rehabilitation Service, "Program Administration, for Title IV-D (child support) legal services and for the Grants Appeals Board	+333,000	
Office of Education, "Salaries and Expenses", for the Grants Appeals Board	+44,000	
Subtotal, transfers from	+457,000	
Receipts and reimbursements from:		
Trust funds	9,443,000	9,579,000
Total Obligations	$84,629,000	$94,456,000

1/ Excludes the following amounts for reimbursable activities carried out by this account: 1977 - $8,035,000; 1978 - $4,264,000.

Summary and Explanation of Changes

1977 Estimated Obligations	$84,629,000
1978 Estimated Obligations	94,456,000
Net Change	+$9,827,000

	1977 Base Pos.	1977 Base Amount	Changes from Base Pos.	Changes from Base Amount
Increases:				
A. Built-in:				
1. Annualization of 1977 Fraud and Abuse supplemental	---	$ 75,000	---	+$ 211,000
2. Annualize FY 1977 Welfare Reform/Health Insurance Supplemental	---	690,000		+ 1,319,000
3. Anticipated increases in charges for space and building management	---	11,431,000	---	+ 2,137,000
4. Reimbursement to the Working Capital Fund and other increased administrative costs	---	7,580,000	---	+752,000
5. Annualization of 50 new FY 1977 legal services positions	---	675,000	---	+500,000
6. Annualization of October, 1976 pay raise	---	4,736,000	---	+68,000
7. Reduction of FY 1977 vacancy rate	---	53,938,000	---	+300,000
Subtotal	---	---	---	+5,287,000
B. Program:				
1. New FY 1978 Positions:				
A. Departmental Direction - 8 positions for employee grievance appeals; 27 positions for the General Counsel's office to handle litigation; 6 positions for Welfare Reform and Health Insurance implementation	1,510	45,926,000	+41	+931,000
B. Departmental Operations - 40 positions for increased social security litigation	974	38,703,000	+40	+904,000
Subtotal, new positions	---	---	+81	+1,835,000
2. Other than permanent employment and overtime expenses	---	---	---	+200,000
3. Annualize contract services and computer support necessary to conduct the Depart-				

	1977 Base		Changes from Base	
	Pos.	Amount	Pos.	Amount
ment's Welfare Reform and Health Insurance planning and implementation efforts	---	$2,210,000	---	+$2,660,000
4. New special funds - $85,000 for accounting computer services to improve fiscal controls and timeliness of services; $30,000 to procure computer time to allow for analysis and forecasting of outlays....	---	---	---	+115,000
Subtotal.....	---	---	---	
Total, increases.....	---	---	+81	+$10,097,000
Decreases:				
A. Built-in:				
1. President's Commission on Olympic Sports.....	---	270,000	---	-270,000
Total, decreases.....	---	---	---	-270,000
Total, net change.....	---	---	+81	+$9,827,000

Obligations by Activity

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
1. Departmental Direction:						
Executive Direction:						
Secretary and Under Secretary	95	3,473,000	95	$3,507,000	---	+$34,000
Assistant Secretary for Legislation	40	1,113,000	40	1,134,000	---	+21,000
Assistant Secretary for Planning and Evaluation	229	7,882,000	235	12,089,000	+6	+4,207,000 1/
Subtotal	364	12,468,000	370	16,730,000	+6	+4,262,000
Public Information	29	1,201,000	29	1,228,000	---	+27,000
Financial Management	181	5,086,000	181	5,453,000	---	+367,000
Administrative Management	431	12,208,000	439	12,664,000	+8	+456,000
Field Management	290	9,485,000	290	9,709,000	---	+224,000
General Counsel	215	5,208,000	242	5,945,000	+27	+737,000
President's Commission on Olympic Sports	---	270,000	---	---	---	-270,000
Subtotal, Departmental Direction	1,510	45,926,000	1,551	51,729,000	+41	+5,803,000
2. Departmental Operations:						
Facilities Engineering:						
Facilities Engineering	403	11,815,000	403	12,028,000	---	+213,000
SLUC (GSA Space Rent)	---	11,431,000	---	13,568,000	---	+2,137,000
Long-Term Care	252	6,938,000	252	7,051,000	---	+113,000
Legal Services	319	8,519,000	359	10,080,000	+40	+1,561,000
Subtotal, Departmental Operations	974	38,703,000	1,014	42,727,000	+40	+4,024,000
Total Obligations	2,484	84,629,000	2,565	94,456,000	+81	+9,827,000 1/

1/ Includes 68 positions and $2.9 million in FY 1977 and 74 positions and $7.1 million in FY 1978 for Welfare Reform, National Health Insurance and Hospital Cost Containment program planning and implementation. The positions are requested for term appointments of limited duration.

Obligations by Object

	1977 Estimate	1978 Estimate	Increase or Decrease
Total number of permanent positions	2,484	2,565	+81
Full-time equivalent of all other positions	98	98	---
Average number of all employees	2,458	2,574	+116
Personnel compensation:			
Permanent positions	53,938,000	57,002,000	+3,064,000
Positions other than permanent	1,955,000	2,260,000	+305,000
Other personnel compensation	214,000	214,000	---
Special personnel services payments	25,000	25,000	---
Total, personnel compensation	56,132,000	59,501,000	+3,369,000
Personnel benefits:			
Civilian personnel	5,051,000	5,334,000	+283,000
Military personnel	78,000	78,000	---
Travel and transportation of persons	1,972,000	2,080,000	+108,000
Transportation of things	106,000	106,000	---
Standard Level User Charges	11,431,000	13,268,000	+1,837,000
Other rents, communications, and utilities	1,909,000	2,187,000	+278,000
Printing and reproduction	658,000	648,000	-10,000
Other services	6,541,000	10,381,000	+3,840,000
Supplies and materials	403,000	426,000	+23,000
Equipment	348,000	447,000	+99,000
Total, Obligations by object	84,629,000	94,456,000	+9,827,000

General Departmental Management

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1968:				
Appropriation	$22,988,000	$20,988,000	$21,597,000	$21,597,000
SSA transfer	5,877,000	5,597,000	5,597,000	5,597,000
BHCU transfer	35,000	35,000	35,000	35,000
FDA transfer	29,000	29,000	29,000	29,000
1969:				
Appropriation	$29,380,000	$25,380,000	$25,380,000	$25,380,000
SSA transfer	6,855,000	6,228,000	6,228,000	6,228,000
BHCU transfer	36,000	36,000	36,000	36,000
FDA transfer	29,000	29,000	29,000	29,000
1970:				
Appropriation	$29,901,000	$29,475,000	$29,475,000	$30,583,000
SSA transfer	6,400,000	6,210,000	6,462,000	6,462,000
BHCU transfer	38,000	38,000	38,000	38,000
FDA transfer	29,000	29,000	29,000	29,000
1971:				
Appropriation	$49,084,000	$47,114,000	$47,114,000	$47,114,000
SSA transfer	5,788,000	5,696,000	5,696,000	5,696,000
BHCU transfer	38,000	---	---	---
FDA transfer	29,000	29,000	29,000	29,000
1972:				
Appropriation	$49,086,000	$49,086,000	$49,086,000	$49,086,000
SSA transfer	5,926,000	5,926,000	5,926,000	5,926,000
FDA transfer	29,000	29,000	29,000	29,000
1973:				
Appropriation	$60,925,000	$61,617,000	$61,617,000	$61,617,000
SSA transfer	9,324,000	9,546,000	9,546,000	9,546,000
FDA transfer	29,000	29,000	29,000	29,000
1974:				
Appropriation	$53,066,000	$51,066,000	$46,871,000	$46,871,000
SSA transfer	8,277,000	8,277,000	8,277,000	8,277,000
FDA transfer	29,000	29,000	29,000	29,000
1975:				
Appropriation	$74,180,000	$69,920,000	$55,563,000	$59,176,000
SSA transfer	10,828,000	10,828,000	10,828,000	10,828,000
FDA transfer	29,000	29,000	29,000	29,000
1976:				
Appropriation	$74,474,000	$69,141,000	$67,371,000	$67,371,000
SSA transfer	9,499,000	9,499,000	9,499,000	9,499,000
1977:				
Appropriation	$69,891,000	$68,891,000	$66,240,000	$66,510,000
SSA transfer	9,443,000	9,443,000	9,443,000	9,443,000
Proposed Supplementals	8,676,000	---	---	---
1978:				
Appropriation	$84,877,000			
SSA transfer	9,579,000			

NARRATIVE JUSTIFICATION

Activities	1977 Estimate Pos.	1977 Estimate Amount	1978 Estimate Pos.	1978 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
Departmental Direction.....	1,510	$45,926,000	1,551	$51,729,000	+41	+$5,803,000
Departmental Operations....	974	38,703,000	1,014	42,727,000	+40	+ 4,024,000
Total.....	2,484	84,629,000	2,565	94,456,000	+81	+ 9,827,000

General Statement

The General Departmental Management appropriation supports two basic categories of activities: 1) those closely associated with the Secretary's roles as policy officer and general departmental manager, and 2) specialized staff services which are performed for the operating Agencies on a central basis to achieve economy of scale and eliminate duplication of effort.

The FY 1978 budget request is $94,456,000 and 2,565 positions, an increase of $9,827,000 and 81 positions over the FY 1977 level. Of the requested 81 new positions, 67 would provide the Office of the General Counsel with additional resources to handle major increases in litigation which are occurring in all departmental program areas including Social Security programs.

Of the increase, $4.2 million and 6 new positions would continue at a full year level the Department's initiatives in planning and implementing Welfare Reform, a National Health Insurance program, and a Hospital Cost Containment program.

The FY 1978 General Departmental Management appropriation request no longer contains the Audit and Investigations activities. These functions have been transferred to the new Office of the Inspector General, created by Public Law 94-505. This new Office will be supported by a separate appropriation of the same title in FY 1978.

Departmental Direction - The policy and general management role of the Secretary is reflected in the "Departmental Direction" portion of the budget which includes $51,729,000 and 1,551 positions in FY 1978, an increase of 41 positions and $5,803,000 over FY 1977. Of the 41 positions, 27 would handle increased litigation in health, education, and welfare program areas, 8 would be assigned to increased employee grievance workloads and 6 and $4.2 million would support the Health Insurance and Welfare Reform efforts.

-- Executive Direction encompasses the Immediate Office of the Secretary and Under Secretary; staff to develop the Department's legislative program; and staff to coordinate program planning and evaluation. Prior to FY 1978 it included the Office of Investigations, which has been transferred to the new Office of the Inspector General. Six new positions and $4.2 million are requested over FY 1977 to continue at a full year level the Department's initiatives in planning and implementing Welfare Reform, a National Health Insurance program, and a Hospital Cost Containment program.

--The Public Information activity provides the public with information concerning the Department's programs and policies. No new positions are requested.

--Financial Management includes oversight of the Department's budget and financial operations. No new positions are requested in FY 1978 although 13 new positions are requested in a FY 1977 supplemental to strengthen the Division of Accounting Operations which provides financial services for Office of the Secretary and Human Development appropriations.

--The Administrative Management activity provides direction to all non-financial, administrative operations of the Department. These operations include personnel, training and career development; grants and procurement; equal employment opportunity; environmental policy; safety and printing management; and Agency data systems management. An increase of eight new positions is requested to handle an increasing number of grievances which have been filed by departmental employees and which had not reached satisfactory resolution at the Agency level.

--Field Management includes the staff of the 10 Regional Directors who provide general management of the Department's regional programs. No new positions are requested.

--The General Counsel provides legal services related to the Department's programs with the exception of the Food and Drug and Social Security Administrations. Services related to general management problems and to development of legislative proposals are also provided. An increase of 27 positions is requested for increasing litigation workloads in all departmental program areas. Total new court cases anticipated in FY 1978 are 1,267, an increase of 452 over FY 1977 and 665 over FY 1976.

Departmental Operations - The service role of the Secretary is reflected in the "Departmental Operations" portion of the budget request which includes $42,727,000 and 1,014 positions in FY 1978. This is an increase of 40 positions which would meet increased Social Security litigation workloads. This portion includes the three Secretarial activities which perform service workloads generated by Agency program operations. These activities are listed below:

-- Facilities Engineering and Property Management directs all facilities operations within the Department; guides construction by organizations receiving Federal funds; and conducts a program to channel U.S. Government surplus property into health, education, and welfare related purposes. No new positions are requested.

-- Long-Term Care activity directly benefits the public through enforcement of Federal regulations governing standards of care in the nation's nursing homes. No new positions are requested.

-- The Legal Servi es activity, conducted by the Department's General Counsel, performs the legal workloads, primarily litigation, of the Social Security Administration and the Food and Drug Administration. Forty new positions are requested to meet increased Social Security litigation workloads. Total new court cases anticipated in FY 1978 are 11,258, an increase of 1,948 over FY 1977 and 5,174 over FY 1976. The 40 new FY 1978 positions would be in addition to the 50 jobs reallocated in FY 1977 from Departmental Direction activities for Social Security litigation workloads.

Executive Direction

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Subactivities:						
Secretary and Under Secretary.....	95	$ 3,473,000	95	$ 3,507,000	--	+ 34,000
Assistant Secretary for Legislation...	40	1,113,000	40	1,134,000	--	+ 21,000
Assistant Secretary for Planning and Evaluation.....	229*	7,882,000	235*	12,089,000	--	+4,207,000
Total	364	$12,468,000	370	$16,730,000	--	+4,262,000

General Statement

The staff offices supported by this activity assist the Secretary in policy formulation and direction for the operating programs of the Department. In addition to direct staff support for the Secretary and the Under Secretary, the activity supports development of the Department's legislative program, liaison with Congress and program planning and evaluation. The Assistant Secretary for Planning and Evaluation also manages the Policy Research appropriation. In FY 1977 the Department commenced the planning efforts for the new Administration's three major initiatives in welfare reform, national health insurance and the hospital cost containment program. A FY 1977 supplemental request for $2.9 million and 68 temporary 2 year term positions will provide the initial support for these planning efforts. An increase of $4.2 million requested for these activities in FY 1978 to carry through with design and implementation planning for these programs.

The Office of Investigations, previously administered by the Office of the Under Secretary, has been incorporated into the new Office of the Inspector General as required by P.L. 94-505.

Office of the Assistant Secretary for Legislation

The Assistant Secretary for Legislation, with a FY 1978 staff of 40 positions, assists in the development of the Department's legislative program and provides guidance to the Secretary on all issues of legislative policy. This includes formal and informal communications with the Congress, development of testimony for Departmental witnesses and responsibility for enactment of the Administration's legislative proposals. The Assistant Secretary for Legislation maintains liaison

* Includes 68 and 74 temporary term authority positions in FY 1977 and FY 1978 respectively.

on legislative matters with the White House, Office of Management and Budget, the Congress, other Federal and State agencies, interested groups and associations and HEW agencies.

This Office, which includes the Office of Congressional Liaison, handles approximately three hundred to four hundred Congressional telephone calls a day, and approximately 1500 pieces of Congressional correspondence a month which deal with constituent problems and which require considerable staff effort to ensure appropriate and effective responsiveness. Four hundred and forty hours of legislative and oversight testimony were prepared and coordinated by this Office for presentation to Congressional Committees during the Second Session of the 94th Congress.

Office of the Assistant Secretary for Planning and Evaluation

The Assistant Secretary for Planning and Evaluation is the principal advisor to the Secretary on health, education, and welfare policy planning and program evaluation. His staff also reflects women and minority group interests in the performance of these functions. The FY 1977 staff level is 229 positions. Six new positions and $4.2 million are requested for FY 1978 to carry through with design and implementation of the new Administrations initiatives in Welfare Reform, National Health Insurance, and Health Cost Containment.

Accomplishments - FY 1977

The major accomplishments for this office in FY 1977 were the establishment of staff and advisory working groups for planning efforts required for three major initiatives of the Administration: Welfare Reform, National Health Insurance (NHI) and Hospital Cost Containment.

The Welfare Reform Study group conducted an open process involving the public and other groups outside the Department to develop a set of welfare reform options which are expected to be presented to the President on May 1, 1977. Throughout the remainder of FY 1977, planning activities included analyses of outside concerns and alternative proposals for welfare reform, award of contracts to improve our capabilities for simulating reform options, and extensive development of new and improved computer capabilities needed for reform planning.

The NHI activities were aimed at producing options for the President by late 1977. Key issues in designing a national health insurance system were explored and several basic alternative insurance schemes were recommended to the NHI advisory group. Planning necessary to propose and implement legislation began in FY 1977. The focus of these activities include analysis of existing data, development of new data as required, review of earlier proposals and analytical reactions to them, forecasting of resources required, utilization anticipated, estimation of costs and assessment of different administrative systems.

Also in FY 1977, the Cost Containment Task Force will have been created to begin the research and design work needed to establish a program for slowing down the dramatic rate of increases in the cost of hospital care. Numerous meetings of the Cost Containment Advisory Committee and two related working groups will be held in FY 1977. The focus of staff and working group meetings will be the conduct of policy development and systems design analysis steps leading to a workable cost containment program.

Other accomplishments in FY 1977 included:

-- The evaluation documentation center was established to catalogue and disseminate evaluations, including a significant number of Audit Agency reports. A Department-wide evaluation planning process was fully applied.

-- A study of alternative goals for a comprehensive national income maintenance strategy and alternative programs designed to achieve those goals was completed. A number of analytical papers relating to restructuring Social Security benefits were also completed. This work led in part to the introduction of major legislation to "de-couple" Social Security benefits.

-- The Office of Special Concerns participated in the Office for Civil Rights planning and policy development processes within the Office of the Secretary. The office participated in the development of regulations for Section 504 of the Rehabilitation Act of 1973 and the Consolidated Procedural Regulation. The office has also performed staff work and represented the Secretary and Assistant Secretary on a Domestic Council Committee and a State Department Committee on the illegal aliens problem.

-- The capacity-building clearinghouse (PROJECT SHARE) reached full operations. Its function is to disseminate to State and local governments relevant information on the management and delivery of human services.

-- Policy coordination and support were provided to the Department's Indochinese Refugee Program by the Office of Asian American Affairs, Office of Special Concerns.

-- Planning and initial development were continued for a major new income survey to provide better data on program target groups and the poverty population.

-- As a requirement of Title XX of the Social Security Act, a study was completed on the Federal Interagency Day Care Requirements (FIDCR) and a report submitted to Congress. In addition, a series of legislative amendments concerning social services were submitted to the Congress in order to strengthen and clarify the intent of the Act.

-- In the areas of Disability and Long Term Care (LTC) a number of disability policy overview papers were completed as well as a compendium of Departmental LTC research and demonstration projects that highlights information gaps and how they might be closed.

-- The Education Planning staff completed a number of analyses of the Federal role in financing elementary, secondary, postsecondary and compensatory education. Major studies focused on characteristics of the poverty population, nature of early childhood education, effects of desegregation, and the impact on students of proposed reforms in the Guaranteed Student Loan Program.

-- The Office of Health Planning continued to assess the implications of the national debate on health insurance plans and to analyze the factors required to carry forward the implementation of a plan on which agreement might be reached.

Program Plans - FY 1978

The major continuing activity for this office in FY 1978, relates to the initiatives in Welfare Reform, NHI and the design of the Hospital Cost Containment program. An increase of $4.2 million and 6 positions is requested for a FY 1978 total of 74 positions and $7.1 million allocated to these efforts. Of the increase, $1,540,000 would annualize 68 new FY 1977 positions and provide for 6 new FY 1978 positions, and $2,660,000 would provide the additional contractual services and computer production time necessary to complete these initiatives. It is expected that most of the FY 1977 planning and implementation activities in these three areas will continue to completion by the end of this budget year. In Welfare Reform, we will continue to require additional personnel to provide analytic information, particularly in response to questions on specific proposals for reform. Plans for late 1978 will likely require a decreasing effort from this office and a vastly increased effort in the agency which takes over operational responsibility for the new program.

NHI planning and design efforts will continue. An additional six positions will be required to handle the increased workload in responding to the Congress, the public and other agencies regarding systems for administering alternative health insurance schemes.

Initial implementation of a hospital cost containment program is expected to take place early in FY 1978. The remainder of the Hospital Cost Containment Task Force planning activities in FY 1978 will consist of the development and implementation planning for any necessary short term refinement of the program pending implementation of National Health Insurance.

Other planned activities for FY 1978 include:

-- Analysis will continue on the long term relationship of Social Security to private pensions, the size of government, and alternative social insurance.

-- Efforts will be renewed to integrate the analysis of rehabilitative programs and income maintenance programs for the disabled.

-- Designs for a National Income Maintenance Strategy will be developed through analysis of existing programs and alternative proposals and with participation by representatives of State and local governments, and welfare, academic and other institutions.

-- The effects of Title XX of the Social Security Act and subsequent amendments will be evaluated, and recommendations stemming from the study of the Federal Interagency Day Care Requirements (FIDCR) will be implemented.

-- Emphasis will be placed on collaboration with the HEW audit agency to increase the number and quality of program effectiveness audits performed by the Department.

-- Analysis will continue on the costs of effectively serving the educationally and/or economically disadvantaged.

-- The Office will initiate a major analysis of alternative forms of education revenue sharing.

-- Findings in the study of family planning for teenagers will be implemented; analysis will continue of issues in reimbursement of health care providers, individual practitioners, and institutions for inpatient ambulatory and long term care.

Public Information

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Public Information....	29	$1,201,000	29	$1,228,000	---	+$27,000

General Statement

The Office of the Assistant Secretary for Public Affairs assists the Secretary in developing public affairs policy, coordinates all public affairs activities for the Department, and administers the Freedom of Information Act, which ensures the public's right to know about government activities and programs. No new positions are requested for FY 1978.

Accomplishments - FY 1977

-- Arranged press conferences and interviews; wrote, edited, and cleared Agency press releases and coordinated the issuance of various releases in the regions; responded to inquiries from news media; reviewed Agency publications and audiovisual products; wrote Secretarial speeches and editorial statements; prepared briefing materials on Departmental activities and policies.

-- Surveyed network and local radio and T.V. stations to determine their needs in an effort to increase HEW's output of hard news and features.

-- Examined selected departmental regulations for readability and public impact and analyzed citizen participation in HEW rule-making processes.

-- Initiated cooperative planning procedures with the Department's Agencies to assure that public affairs activities met agency objectives and reflected Departmental initiatives.

-- Expanded and improved the Department's newsletter and daily in-house compendium of media coverage of HEW programs.

-- Developed briefing materials in four major departmental initiatives including, combatting Medicaid fraud and abuse, citizen participation, 504 regulations (Handicapped discrimination), and home health care.

-- Conducted College Media Seminars in Washington, D.C. aimed at improving the ways HEW communicates with college students.

-- Conducted surveys of all HEW exhibits and health education products developed by the Department.

-- Solicited public comments through publication in the Federal Register of a Notice of Intent to change the Department's Freedom of Information regulations.

- Developed computer-based media analysis capability which summarizes and analyzes news stories about HEW programs.

Program Plans - FY 1978

-- The Office will assist in the development or revision of the implementing regulations for the Freedom of Information Act, the Federal Advisory Committee Act, the Privacy Act, and the Sunshine Act, which deal with personal privacy and public access to records and meetings. This will further open the Department to public scrutiny in accordance with Administration and Secretarial policy.

-- A citizen participation handbook that will educate the public on ways to influence HEW policy will be produced.

-- Public forums will be held on social issues to provide the Secretary an opportunity to raise questions with experts in the area of social policy analysis and development.

-- A visitor's center will be designed to educate the Department's visitors and personnel about HEW and to serve their informational needs.

-- The Department's Public Affairs Management Manual will be revised to reflect changes in the management of departmental public affairs activities.

Financial Management

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Immediate Office	4	$ 114,000	4	$ 117,000	---	+$ 3,000
Deputy Assistant Secretary, Comptroller	13	365,000	13	377,000	---	+ 12,000
Deputy Assistant Secretary, Finance	117 1/	3,287,000	117	3,599,000	---	+ 312,000
Deputy Assistant Secretary, Budget	40	1,124,000	40	1,158,000	---	+ 34,000
Financial Management Standards and Procedures	7	196,000	7	202,000	---	+ 6,000
Total	181	$5,086,000	181	$5,453,000	---	+$367,000

1/ Includes 13 positions requested in pending 1977 supplemental.

General Statement

The Office of the Assistant Secretary, Comptroller assists the Secretary in the financial management of the Department. The financial management function covers those activities of a policy nature and provides overall guidance to Departmental programs including supervision of the Department's financial and budget process. In addition, this office provides accounting services to the Office of the Secretary and the Office of Human Development.

In prior years, the Assistant Secretary, Comptroller has administered the DHEW Audit Agency. This agency has been transferred to the new Office of the Inspector General created by P.L. 94-505.

No new positions are requested for FY 1978. A request for 13 additional positions is included in a FY 1977 supplemental for the Deputy Assistant Secretary, Finance to strengthen Office of the Secretary accounting operations.

Accomplishments - FY 1977

-- A major effort was undertaken to begin the simplification of accounting systems in the Department and to improve operations of its financial systems. These systems include:

The grants payment system funded out of the Working Capital Fund which was transferred in FY 1976 from NIH to the Comptroller's Office;

-- The Regional Accounting System;

-- The Payroll Accounting System;

-- Individual agency accounting systems;

-- A reporting system to identify indirect costs awarded under DHEW grants and contracts has been established.

-- The Department's recommended revisions to cost principles for colleges and universities have been proposed to OMB, and government-wide cost principles for non-profit institutions have been completed.

-- On-site reviews of regional indirect cost rate negotiation activities were completed.

-- Guidelines were issued to agencies for standardizing reprogramming procedures and submitting reprogramming requests to the House and Senate Appropriations Committees.

-- Comprehensive information was furnished to the House Ways and Means Committee and the Senate Labor and Public Welfare Committee on the interrelationships among budget functions, authorizations, and appropriations.

-- A major review of the staffing needs of the Department and the manpower systems used to support staffing requests was conducted jointly with the Assistant Secretary for Administration and Management.

Program Plans - FY 1978 - An increase of $115,000 for computer services is requested for FY 1978. Of this, $85,000 is for computer services in FY 1978 which would enable substantial improvements in fiscal controls and timeliness of services and reports to components of the Office of the Secretary and Office of the Assistant Secretary for Human Development. The remaining $30,000 is requested to procure computer time which would enable the Comptroller's Office to analyze and forecast outlays.

-- Efforts will continue to simplify the accounting systems in DHEW.

-- Emphasis will be placed on improving the Department's use of operating budgets as an indication for managers of their progress under their program and fiscal plans.

-- An automated budget information system will be completed for use in the analysis and presentation of the DHEW budget.

-- Work will continue with the Congressional Budget Office and the Budget Committees to provide budgetary information required by the Congressional Budget and Impoundment Control Act.

-- A training program on major revision to cost principles for colleges and universities and non-profit organizations will be held for the regions and for awarding agencies.

-- Revisions to cost principles which apply to state and local governments (FMC 74-4) will be recommended.

Administrative Management

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Administrative Management..	431	$12,208,000	439	$12,664,000	+8	+$456,000

General Statement

The Assistant Secretary for Administration and Management provides direction to all administrative activities and services of the Department. The Assistant Secretary administers two sub-activities, "Administrative Management" and "Facilities Engineering". The latter consists of engineering/ architectural support of the Department's operations, the Surplus Property program, and the Safety Management program. These activities are represented in the Departmental Operations portion of the budget. "Administrative Management" consists of those activities which are of a policy nature and which provide overall guidance to the operating agencies. These department-wide activities include: Equal Employment activities; Management Planning and Technology; Environmental Affairs; International Affairs Management; Grants and Procurement Management; Personnel Administration; Training and Career Development; and Administrative Support including data management service, property management and printing.

Eight new positions are requested for the Personnel and Training activity in FY 1978.

Personnel and Training - FY 1977 Accomplishments

The Office of Personnel and Training, with a current staff of 133 positions, established policy for the Department's agencies in all areas of personnel management including classification, training and career development, merit promotion, adverse actions and employee grievances.

-- Major attention is being focused on assuring the integrity of the merit system. A plan is being developed to audit all positions within the Department over a three-year period. This is in accordance with CSC guidelines providing for an annual review of one third of all Federal positions.

-- Emphasis is being placed on training Department personnel having responsibility for records covered by the Privacy Act, and improvements are being made in the employment of handicapped individuals and veterans.

-- In addition a full curriculum of executive and management seminars is being designed in response to specific HEW needs.

Program Plans - FY 1978

An increase of 8 positions is requested for the Division of Employee Appeals Examining Staff to assist in reviewing, investigating, and rendering decisions on grievances filed by departmental employees. This staff handles all grievances which cannot be resolved at the Agency level. The increase will permit the hiring of six examiners and two clericals to handle the rapidly increasing grievance workload being generated by departmental agencies.

A total of 500 new cases is estimated for FY 1978, a 60% increase over the 312 new cases originally estimated for FY 1976. An average of 43 cases per month are presently being filed. Based on past experience, an examiner processes an average of 29 cases per year. The request would provide 18 examiners to handle the anticipated 500 new cases and to complete approximately 250 unopened and partially completed cases.

The following are additional program emphases for FY 1978 in Personnel and Training:

-- Major attention will be focused on the three-year plan for classification review that was begun in FY 1977.

-- A beginning will be made to implement the new Federal Executive Agency guidelines on employee selection procedures designed to protect governmental employees from discriminatory practices in hiring, promotions, reassignments and other personnel actions.

-- Improvements will be made in Department-wide management of training activities as a result of analysis of data from the Training Management Information System, which tracks the types of training programs and the number of trainees within the department.

Office of Management Planning and Technology - FY 1977 Accomplishments

The Office of Management Planning and Technology is currently staffed with 87 positions. No new positions are requested for FY 1978. The Office is responsible for setting Department-wide policy in the areas of management planning and technology, manpower management, telecommunications, fair information practices, environmental affairs, and international affairs management.

-- A large scale effort was begun throughout the Department to improve work measurement systems as the basis of future Agency staffing requests.

-- A uniform, Department-wide Administrative Code was developed and implemented for organizational designations, delegation of authority coding, personnel data system and other administrative applications.

-- The Department Grant Information System data base was established.

-- Actions were initiated to reduce the cost of data processing which will result in savings of $5.8 million dollars over the FY 77-80 period.

-- The Fair Information Practice Staff, in administering the Family Educational Rights and Privacy Act of 1974, answered approximately 10,000 inquiries.

-- The Management Control Staff continued to administer the Department's Operational Planning System for 48 major operational objectives.

Program Plans - FY 1978

-- A position management task force will work toward improving coordination between budget, position management and classification review programs to provide a broad gauge approach to improving staff resource management.

-- The Office will develop a policy and procedures for an annual Department Paperwork Management Plan and Appraisal system.

-- A new Division of Management Science will be established and will apply and encourage the use of advanced quantitative methods of management science in the decision making processes within HEW.

-- The Office will develop a Department-wide automated position accounting system and will complete an ADP planning system related to overall Departmental programmatic planning.

-- The Management Control Staff will continue to administer the Operational Planning System. In addition, the MCS intends to refine and expand the Department's Implementation Planning System which is designed to track implementation of newly enacted legislation.

Grants and Procurement Management - FY 1977 Accomplishments

The Office of Grants and Procurement Management, with a current staff of 55 positions, provides overall guidance for the Department's grant, contract and procurement, and materiel management administration.

-- The Office issued procurement regulations (1) guarding against unnecessary noncompetitive procurements (2) providing for the procurement of professional architect engineering services and (3) revising and updating general provisions for negotiated fixed-price and cost-type contracts.

The Office conducted procurement training programs for (1) regional project officers and (2) headquarters and regional procurement personnel. Approximately 600 participants received training.

-- The Office completed oversight reviews of over 20 departmental grants and contract programs located at both headquarters and regional office locations. Follow-up on the 15 reviews completed in FY 1976 will be commenced during the last quarter of FY 1977 to assess status of review recommendation implementation.

-- The Office has begun a review, under the provisions of OMB circular A-76, of all production facilities (eg. laundries, animal farms, printing facilities) within the Department to ascertain whether these functions can be more economically procured from private sources. A-76 establishes policies for acquiring commercial or industrial products and services for government use. This effort will be expanded to other departmental activities in FY 1978.

-- It is anticipated that the Department's minority business volume will be as follows:

	1977	1978
8(a) Contracts	$22,270,000	$23,500,000
Non-8(a) Contracts	43,247,000	45,000,000
Federally assisted construction contracts	2,500,000	3,000,000
Bank Deposits	4,727,000	5,000,000

Program Plans - FY 1978

-- Emphasis will be placed on simplifying individual grant program regulations by consolidating common requirements into a Department-wide regulation.

-- A training program for grants officers will be expanded, and the training program for providing technical assistance to all activities having materiel management responsibilities will be enlarged.

-- Procurement training courses for project and procurement personnel will be conducted. We will continue to work with OMB's Office of Federal Procurement Policy in supporting the activities of the Federal Procurement Institute.

-- For FY 1978, an increase of $17,071,000 in small business awards is anticipated, from $341,434,000 to $358,505,000.

Other Administrative Functions - FY 1977 Accomplishments

-- The Department's Federal Women's Program established models for a special career counseling service for HEW employees in the Social Security Administration and region IX.

-- A position management review of one-third of Office of the Secretary positions has been conducted to assure proper classification.

Program Plans - FY 1978

-- Supervisory training will be provided to at least 95% of the total supervisory personnel in the Office of the Secretary and an extensive training program in office practice and procedures for all secretarial and clerical personnel within OS will be developed.

-- A position management review of an additional one-third of headquarters OS positions will be completed, thus bringing the coverage to 66% or approximately 2,000 positions.

-- The Federal Women's Program will participate in a Personnel and Training effort to institute a career development program for women employees at the GS-9/12 levels.

-- Analysis of job series, promotion rates, public contact requirements and improved referral and outreach efforts will be conducted to further explore employment opportunities for Hispanics in the Department.

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Field Management

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Field Management.....	290	$9,485,000	290	$9,709,000	---	+$224,000

General Statement

The Field Management activity consists of the HEW Regional Directors' staffs. These staffs help general purpose local and state governments develop the capacity to coordinate human service delivery programs; assist HEW program administrators in responding to local and state coordination efforts; develop and implement plans to integrate regional resources to achieve general departmental goals; and evaluate the administration of selected program initiatives on behalf of the Secretary. The Regional Director also administers such departmental operations as Long Term Care, the Federal Property Administration program, and regional offices of the Federal Engineering and Construction program. Administrative functions performed for regional offices of the Department's agencies include personnel, financial management and office services supported through the Department's Working Capital Fund.

Accomplishments - FY 1977

-- HEW regional offices continued to expand their effort to strengthen human services delivery programs of state and local governments. This effort is realized through "Partnership" demonstration grants to state and local governments.

The regional offices increased information provided to these governments through Project Share, HEW's new National Clearinghouse for Improving Human Services. Project Share is designed to provide a users' list of human services research and evaluation findings, thereby avoiding constant "reinvention of the wheel" in human services activity.

-- Increased emphasis was placed on participation of citizens in the operation of HEW. This effort has involved a series of public hearings across the nation to ascertain the desire on the part of citizens to be involved in Departmental activities such as regulations development and the general planning, policy and decision-making processes.

- The Safety Incentives Program, mandated by the Occupational Safety and Health Act and established in the regions in mid-FY 1976, began the identification of environmental health hazzards as well as unsafe work practices. A system is being developed to ensure the correction of identified deficiencies.

-- Increased emphasis has been placed on implementation of regional responsibilities associated with the Public Information and Privacy Acts. Inquiries and requests for data under these Acts have increased significantly over FY 1976.

Plans - FY 1978

No new positions are requested in FY 1978.

-- Regional offices will continue the citizen participation effort and attempt to seek means to involve increasingly the public in Departmental activities.

-- The effort begun under partnership grants will continue. This will include continued grant activity combined with evaluation and monitoring of previous grant projects. Increased emphasis will be placed on seeking other means of enhancing state and local governments' capacities to deliver human services such as is the case in Project Share.

The regions will continue to administer their responsibilities mandated under the Public Information and Privacy Acts, and expand their efforts in the regionalized safety incentives program.

General Counsel

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Subactivities:						
Supervisory and General Legal Services	72	$1,744,000	75	$1,855,000	+3	+$111,000
Departmental Program Services	93	2,253,000	107	2,624,000	+14	+ 371,000
Regional Services	50	1,211,000	60	1,466,000	+10	+ 255,000
Total	215	$5,208,000	242	$5,945,000	+27	+$737,000

General Statement

The Office of the General Counsel provides legal services for the Secretary, the Department's operating agencies, and the staff of the regional offices. The General Counsel is comprised of two major subactivities entitled, "General Counsel" and "Legal Services". The latter encompasses legal workload entirely related to operation of the Food and Drug and Social Security Administrations and is included in the Departmental Operations portion of the budget. The General Counsel subactivity includes Supervisory and General Legal Services, regional staff not allocated to Social Security, and headquarters program divisions other than those supporting the Social Security and Food and Drug Administrations. Twenty-seven additional positions are requested to enable the General Counsel subactivity to meet increasing litigation workloads.

Supervisory and General Legal Services

Accomplishments - FY 1977

-- The Business and Administrative Law Division prepared documents and opinions concerning the swine flu immunization program, and participated in negotiating contracts for the purchase of swine flu vaccine; assisted in planning a consolidated board of contract appeals; participated in developing uniform Government-wide patent and copyright policy; and provided legal guidance to the Department in the early stages of operation under the Privacy Act.

The Legislation Division continues to be responsible for all legislative drafting within the Department and drafted approximately 30 separate bills during calendar year 1976. The Division also continues to be responsible for overseeing the preparation of the Department's reports to the Congress and OMB on proposed and pending legislation; 326 reports were made during this same period.

Program Plans - FY 1978 - An increase of 3 positions is requested for the Business and Administrative Law Division to handle increasing litigation and hearings in the area of departmental personnel grievances. The Department is experiencing substantial increases in the number of grievances that reach the stage of a formal hearing and the number of suits brought against the Department. Estimated workloads in comparison with FY 1976 will have doubled by FY 1978 as shown below:

Comparison of New Case Filings

Area	FY 1976	FY 1977	FY 1978	Increase
Litigation.....	20	37	49	+12
Hearings.....	27	42	56	+14
Total.....	47	79	105	+26

Departmental Program and Regional Services

Accomplishments - FY 1977

-- The Education Division assisted in the drafting of over 210 Federal Register documents including approximately 45 comprehensive program regulations. The Division and related regional staff were involved in 35 additional court cases, related to higher education, elementary and secondary education, education of the handicapped, and the Emergency School Aid Act. The Division also participated in 23 administrative proceedings before the Title I Audit Board for the purpose of resolving audit issues.

-- The Human Resources Division and related regional staff were involved in 71 additional court cases concerning such major issues as: 1. federal enforcement of sterilization regulations; 2. exclusion of payment for abortions under the Medicaid program; 3. the right of the Department to permit states at their option to include or exclude strikers from the AFDC-UF program; 4. the validity of the child day care standards established by Title XX of the Social Security Act; 5. the defense of the right of states to have some flexibility in fashioning their Emergency Assistance programs.

Among the regulations which have been drafted and/or issued are those concerning the annual audit of the state Child Support Enforcement Programs; establishing when good cause exists not to cooperate in obtaining child support under those programs; and implementing the Randolph-Sheppard Act Amendments.

-- The Public Health Division was involved in implementation of the National Health Planning and Resources Development Act of 1974 (P.L. 93-641), through the preparation of voluminous sets of regulations. The Division and related regional staff defended ten lawsuits based on this law which were brought against the Department. In addition, the Division assisted substantially with both program personnel, industry, and the Department of Justice in the implementation of the Swine Flu program.

Program Plans - FY 1978

An increase of 24 positions is requested for the Program Divisions and related regional staff. The new positions would handle increasing litigation workloads. Ten of the 24 would be allocated to the regional offices, and 14 to the headquarters divisions including 4 to the Education Division; 8 to the Human Resources Division, and 2 to the Public Health Division.

We project 1,267 new court case filings for 1978, more than double the FY 1976 total of new case filings and a 50% increase over FY 1977. The projection is based upon historical experience with caseload growth and an examination of recent legislative and administrative action. The increases in new case filings have three principal causes: increasing resort to the courts by aggrieved persons; increasing efforts by the Department to control program growth and costs; and establishment of additional programs.

The following table traces caseload growth by program area in both the headquarters divisions and analogous regional office activity.

Comparison of New Court Case Filings

Program	1976	1977 est.	1978 est.	Increase over FY 1978
1. Human Resources:				
Aid to Families with Dependent Children, child support, paternity.....	35	52	65	13
Social services.....	10	23	31	8
Randolph-Sheppard, architectural barriers, and related human development.....	13	18	22	4
Other regional litigation.....	48	84	120	36
Subtotal, Human Resources.....	106	177	238	61

Program	1976	1977 est.	1978 est.	Increase over FY 1978
2. Education:				
Buckley Amendment	0	13	43	30
Guaranteed student loan enforcement	5	5	30	25
ESEA march-in (by pass)	8	8	15	7
Title I, ESEA- audit hearings	20	20	35	15
Grantee appeals	2	2	3	1
ESAA enforcement	0	2	10	8
Post-secondary insured loan civil fraud	5	5	10	5
Suits against Secretary	29	29	33	4
Enforcement suits by Secretary	0	0	2	2
Regional education litigation	140	160	245	85
Subtotal, Education	209	244	426	182
3. Health				
Medicaid	43	54	64	10
Medical malpractice	70	70	70	0
PSRO	3	3	10	7
HMO dual choice	0	10	40	30
Hill-Burton	4	5	25	20
OSHA	5	18	58	40
Sterilization, abortion	3	3	13	10
Human research	1	2	18	16
Health professions	2	3	9	6
Regional health litigation	156	226	296	70
Subtotal, Health	287	394	603	209
Total Litigation	602	815	1,267	452

Facilities Engineering

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Subactivities:						
Facilities Engineering and Property Management.....	403	$11,815,000	403	$12,028,000	---	+$ 213,000
S.L.U.C. (GSA space costs).....	---	11,431,000	---	13,568,000	---	+ 2,137,000
Total.....	403	$23,246,000	403	$25,596,000	---	+$2,350,000

General Statement

The Assistant Secretary for Administration and Management administers the Office of Facilities Engineering and Property Management (OFEPM). OFEPM provides architectural/engineering services to construction projects supported through HEW programs. The Office oversees management and utilization of facilities owned by the Department or assigned by GSA and develops the Department's SLUC budget estimates. The Office promotes maximum utilization of all Federal surplus property and allocates personal property to State agencies for distribution to eligible applicants for public health, educational and civil defense purposes and transfers surplus real property for public health and educational purposes. OFEPM also has responsibility for the Departmental Safety Program.

The Office has a current staff of 403 positions. Of this staff 294 are located in the 10 regional offices. These regional staffs are under the administrative supervision of the Regional Directors while receiving technical guidance from the Office of Facilities Engineering and Property Management. No new positions are requested for FY 1978.

Accomplishments - FY 1977

Long Term Care - Emphasis was placed on enforcement of the life-safety conditions of participation by nursing homes in the Medicare and Medicaid Programs. The Office concentrated on evaluations of the annual State surveys of skilled nursing homes, intermediate care facilities and hospitals receiving Title 18 and 19 support to determine compliance with the life/safety code and to assess elimination of architectural barriers to the handicapped.

-- Technical architectural/engineering support services were provided to 2,200 Federally assisted construction projects with an estimated value of 9.2 billion dollars and 17 major direct Federal construction projects valued at 364 million dollars. Prototype hospital designs were developed for the Indian Health Services.

-- A Department-wide space utilization program for GSA assigned space (24 million square feet) was initiated.

-- A comprehensive review was conducted of all 51 Indian Health Service hospitals and most clinics and health stations to identify life safety, health, environment and energy deficiencies to provide for hospital accreditation and to correct facility deficiencies.

-- Emphasis was placed on increasing the effectiveness of the safety and occupational health program within HEW to reduce accidental losses and associated costs.

-- Personal property with an estimated acquisition cost of approximately $400,000,000 will be allocated to State agencies for distribution to eligible health, educational, and civil defense donees. The acquisition cost of real property to be transferred for health and educational purposes is estimated at $70,000,000.

Program Plans - FY 1978

-- Long-Term Care - Efforts will continue to enforce the life-safety conditions of participation for nursing homes and hospitals which receive Federal funds under the Medicare and Medicaid Programs.

-- OFEPM will continue its emphasis on providing technical assistance to Federally assisted health and education construction programs with projects estimated between 7 and 8 billion dollars and on direct Federal construction at approximately $225 million.

-- OFEPM in the Federally assisted activity areas will concentrate on furnishing technical support services having to do with the elimination of architectural barriers to the handicapped, energy conservation, and environmental protection.

-- A new computer program will be implemented based upon the Facilities Engineering Automated Management System to assist in developing FY 1979 budget estimates for SLUC/reimbursable costs for HEW. The SLUC billing exception listing will be fully operational resulting in less than a 5% billing error by GSA. A long range facilities planning process will be implemented which will lead to more accurate budget projections and more timely identification of facility needs.

-- Support to the Indian Health Service will be expanded to provide professional design and construction services and to provide all support formerly provided by GSA to enter into leases for health care structures with Indian Tribes.

-- Continued emphasis will be exerted to improve the effectiveness of the HEW Safety and Occupational Health Program.

-- The personal property portion of the Federal Property Assistance program will be transferred to the General Services Administration as required in P.L. 94-519, the Federal Surplus Property Amendments of 1975. The real property activity will remain within HEW.

FY 1978 GSA Space Costs

The FY 1978 request for GSA office space charges is $13,568,000, an increase of $2,137,000 over the FY 1977 level of $11,431,000.

This increase is based upon FY 1978 GSA Fair Annual Rental (FAR) rates and on the requested FY 1978 staffing levels. The FY 1978 request, with the single exception of the San Francisco co-location, includes no funds for non-recurring reimbursable services. The three factors causing the increases are:

-- GSA Rate Increase +$1,522,000. GSA has begun a new system for charging Executive departments for office space. Under the Fair Annual Rental system, office space charges are assessed at the prevailing local market value rather than on uniform national rates. Total increased charges to General Departmental Management based on this new system will be $1,522,000 in FY 1978.

-- New Positions +$315,000. The request includes $315,000 for new positions in General Departmental Management including the 123 positions requested in the FY 1977 Fraud and Abuse and Welfare Reform/Health Insurance supplementals currently pending before Congress.

-- San Francisco Co-location +$300,000. An additional $300,000 is also requested to co-locate Office of the Secretary components in the San Francisco regional office. These components, now located in several locations, would be moved to one location consistent with HEW policy which encourages location of an organization in a single office building.

Long-Term Care

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Long-Term Care.....	252	$6,938,000	252	$7,051,000	---	+$113,000

General Statement

The Offices of Long Term Care Standards Enforcement operate under the line authority of the ten Regional Directors. The function was organized in 1974 to consolidate functions which had been separately administered by the Social Security Administration, Social and Rehabilitation Services, and Public Health Service. The objective of the Long Term Care Office is to insure that recipients of long term care, whose costs are reimbursed by Medicare or Medicaid, receive quality care in a safe environment according to standards established by Federal laws and regulations. This objective is achieved in four ways: Review and evaluation of state surveys of skilled nursing and intermediate care facilities; conduct of direct Federal validation surveys; technical assistance and training for State personnel, nursing home operators and employees and public interest groups; and implementation of systems to evaluate and improve the delivery of care.

Accomplishments - FY 1977

-- Completed reviews of 60% of the State surveys of approximately 15,000 Medicare and Medicaid skilled nursing and intermediate care facilities.

-- Performed direct Federal validation surveys on 8% of the 15,000 facilities. Reviewed Medicaid facilities for the mentally retarded.

-- Completed review of all requests for waiver of Federal fire safety standards for Medicare/Medicaid skilled nursing facilities.

-- Implemented a Patient Assessment and Care Evaluation (PACE) study project in 20 states to explore methods of improving delivery of health services in long term care facilities.

-- Participated with the headquarters Office of Long Term Care and the Office of Regulatory Review in an effort to simplify Medicare and Medicaid regulations and to shorten the lengthy forms used by the States to certify nursing homes for participation in these programs.

Program Plans - FY 1978

No new staff is requested for FY 1978. The program for FY 1978 will seek to integrate and consolidate various initiatives to:

-- Attempt to review 70% of State surveys of approximately 15,000 long term care facilities including 100% of facilities for the mentally retarded.

-- Attempt to increase Federal direct validation surveys to 10% through increased spot-checking.

-- Expand implementation of the Patient Assessment and Care Evaluation (PACE) study project to all States. One anticipated product of PACE will be additional simplification of Federal regulations governing nursing homes.

-- To integrate survey and certification work done by the LTC Divisions with utilization, medical, and professional standards review efforts conducted by other departmental agencies.

Legal Services

	1977 Estimate		1978 Estimate		Increase or Decrease	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Subactivities:						
Social Security Division	250	$6,676,000	290	$8,202,000	+40	+$1,526,000
Food and Drug Division	69	1,843,000	69	1,878,000	---	+35,000
Total	319	$8,519,000	359	$10,080,000	+40	+$1,561,000

General Statement

This portion of the Department's General Counsel's Office handles the legal workloads of the Social Security Administration and the Food and Drug Administration.

The budget represents a request to add 40 positions to the Legal Services activity to handle increased Social Security litigation workloads. No increase in staff in the Food and Drug Division is being requested.

Accomplishments - FY 1977

The Social Security Division's litigation workload has increased substantially in volume, scope, and complexity. The Division anticipates 9,310 new case filings, an increase of 4,199 over FY 1976.

-- The Medicare Overpayment Recovery effort received its first court decisions in 1976. Complaints were filed in courts seeking recovery of over four and a half million dollars in such overpayments. Amounts recovered in Calendar Year 1976 will exceed $900,000.

-- The first decisions were issued by the Provider Reimbursement Review Board, which are subject to judicial review. These cases are becoming a large part of the Division workload. Since the cases involve constitutional challenges to many aspects of the Social Security Administration's policy in the health insurance area, the litigation has had a major effect on policy development by the Social Security Administration. The cases thus have national effect, impacting on the entire Medicare program.

-- The Division's appellate practice has increased significantly, culminating in five full decisions by the U.S. Supreme Court in social security cases in Calendar Year 1976.

-- In conjunction with the Department's emphasis on the regulations process, the Division provided increased services to handle the greater volume of work involved with the Social Security Administration's effort to simplify its regulations and to improve the quality of its regulations development process.

-- A major effort continued on improvement of the administrative adjudication process, with emphasis on due process for beneficiaries.

-- The Division advised the Social Security Administration on siginficant issues pertaining to the negotiation of new agreements with the States concerning the Federal administration of the States' supplementary payments to SSI beneficiaries. These agreements raised complex issues involving large amounts of Federal and State funds.

-- The Food and Drug Division was heavily involved in complex court proceedings concerning (1) the labeling for non-standardized foods, alcoholic beverages, and cosmetics; (2) manufacturing requirements for food; (3) maximum costs for Federal reimbursement for drugs; (4) plastic bottles for carbonated beverages and beer; and (5) the distribution of a purported cancer cure. A growing number of new regulations and administrative proceedings was handled relating to such issues as, implementation of the new Medical Device Amendments, freedom of information, fluorocarbon propellants, vitamins and minerals, environmental impact and proposals to remove from the market unapproved new drugs, unsafe drugs, and color additives.

Program Plans - FY 1978

An increase of 40 positions is requested, for a total of 290, to handle increasing Social Security litigation. We project 11,258 new Social Security case filings for 1978, an increase of 21% or 1,948 cases over FY 1977. The projection is based upon historical experience with case load growth and an examination of recent legislative and administrative action. The increases in new case filings have three principal causes: increasing resort to the courts by aggrieved persons; increasing efforts by the Department to control program growth and costs, and congressional establishment of additional programs. The requested personnel increase of 40 positions would be somewhat less than the positions needed to handle all the litigation expected. Even so, it is hoped that most court deadlines will be met and that demands for other services will not have to go unmet or the response thereto delayed significantly.

In examining the following detailed breakdown of caseload, the hours per case vary substantially from area to area. The following table traces growth in Social Security litigation workloads:

Comparison of New Case Filings

Program	1976	1977	1978	Increase (FY 1978 over FY 1977)
Medicare				
authorized.....	56	70	200	130
unauthorized.....	33	200	100	-100
overpayment.....	142	245	400	155
subtotal.....	231	515	700	+185

OASDI -				
disability.....	4,140	5,165	6,484	1,319
non-disability....	197	330	330	0
SSI -				
disability.....	499	2,800	3,182	382
non-disability....	44	500	562	62
subtotal.....	4,880	8,795	10,558	1,763
Total.....	5,111	9,310	11,258	1,948

-- Medical Device Amendments of 1976 will substantially increase the workload of the Food and Drug Division through FY 1978 as a result of the informal legal advice and Federal Register documents that will be required and an increasing number of enforcement and compliance proceedings involving medical devices.

-- FDA's new Bio-Research Monitoring Program, growing out of congressional concern for the quality of nonclinical laboratory studies supporting the safety of foods and drugs, is supported by an appropriation for $16.4 million and over 600 new positions. The number of criminal prosecutions, administrative proceedings, and Federal Register documents generated by this program will substantially increase the workload of the Division through FY 1978.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

GENERAL DEPARTMENTAL MANAGEMENT

Program Purpose and Accomplishments

Activity: Departmental Direction

Sub-Activity	1977 Estimate Pos.	1977 Estimate Amount	Authorization	1978 Budget Estimate Pos.	1978 Budget Estimate Amount
1. Executive Direction.....	364	12,468,000		370	16,730,000
2. Public Information.....	29	1,201,000		29	1,228,000
3. Financial Management.....	181	5,086,000		181	5,453,000
4. Administrative Management..	431	12,208,000		439	12,664,000
5. Field Management.....	290	9,485,000		290	9,709,000
6. General Counsel.....	215	5,208,000		242	5,945,000
7. President's Commission on Olympic Sports.....	---	270,000		---	---
Total, Departmental Direction.....	1,510	$45,926,000		1,551	$51,729,000

Purpose: To assist the Secretary in formulating overall policy direction for departmental programs and to provide general management services for the Department's operating agencies.

This activity is distinct from the Departmental Operations activity which is conducted in support of Agency program operations.

Explanation: To provide salaries and expenses for (1) the Executive Direction activity which supports the immediate staff of the Secretary, Under Secretary, and the Assistant Secretaries for Legislation and Planning and Evaluation. Included in the Planning and Evaluation activity is staff to administer the Policy Research program; (2) the departmental financial and administrative management functions; (3) the Office of the General Counsel excluding legal services for the Food and Drug and Social Security Administrations; (4) the staffs of the Regional Directors; and (5) the Office of Public Affairs.

Accomplishments in FY 1977:

-- The Assistant Secretary for Legislation handled approximately 300 telephone calls per day and 1,500 pieces of Congressional correspondence per month mainly dealing with constituent problems. Four hundred and forty hours of legislative and oversight testimony were prepared and coordinated for presentation to Congressional committees.

-- The Assistant Secretary for Planning and Evaluation administered the Department's initiatives in planning and implementation of Welfare Reform, National Health Insurance, and Hospital Cost Containment. A FY 1977 supplemental of $2.9 million and 68 positions has been requested to commence these initiatives.

In addition, the Assistant Secretary fully applied a Department-wide evaluation planning process; completed a number of analyses of the Federal role in financing education; brought the capacity-building clearinghouse (Project Share) to full operation; continued planning and initial development for a major new income survey, and completed a study of alternative goals for a comprehensive national income maintenance strategy.

-- The Office of Public Affairs developed briefing materials on the Department's initiatives combatting Medicaid fraud and abuse, citizen participation, Section 504 (Handicapped discrimination) regulations, and home health care.

-- The Comptroller recommended revisions to cost principles for colleges and universities and for state and local governments; established a reporting system to identify indirect costs awarded under DHEW grants and contracts; conducted a major review of Departmental staffing needs and manpower systems used to make staffing requests in conjunction with the Assistant Secretary for Administration and Management.

-- The Assistant Secretary for Administration and Management focused major attention on assuring the integrity of the merit system; began a large-scale effort to improve work measurement systems; initiated actions to reduce the unit cost of data processing which will result in savings of $5.8 million from FY 77-80; began a review of all departmental production facilities to determine whether private sources would be more economical.

-- The Regional Directors continued to expand their capacity building efforts with State and local governments; placed increased emphasis on citizen participation in departmental operations; and began identification of environmental health hazards and unsafe work practices.

-- The General Counsel prepared documents and opinions and participated in implementation of unique swine flu immunization program; provided legal guidance in the early stages of operation under the Privacy Act; prepared 326 reports to Congress and OMB on proposed and pending legislation; and was involved in an increased number of court cases against the Department.

Objectives for FY 1978: This budget request includes an increase of 8 positions to assist in handling employee grievance appeals, 27 positions to handle increased litigation workloads in the General Counsel's office; and 6 positions and $4.2 million to complete planning, design and implementation of Welfare Reform, a National Health Insurance Program, and a Hospital Cost Containment program. An increase of $115,000 is requested for the Comptroller's office for computer services.

-- An increase of 8 positions is requested for the Assistant Secretary for Administration and Management to assist in reviewing, investigating, and rendering decisions on grievances filed by departmental employees.

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The Assistant Secretary will also focus major attention on the three-year plan for Department-wide classification review, develop a Department-wide automated position accounting system and place emphasis on simplifying individual grant program regulations.

-- An increase of $4.2 million and 6 positions is requested by the Assistant Secretary for Planning and Evaluation to complete design and implementation of the new administration's major initiatives of Welfare Reform, a National Health Insurance program, and a Hospital Cost Containment program.

In addition the Assistant Secretary for Planning and Evaluation will emphasize working with the HEW audit agency to increase the number and quality of program effectiveness audits; initiate a major analysis of alternative forms of education revenue sharing; evaluate the effects of Title XX of the Social Security Act; and develop designs for a National Income Maintenance Strategy through analysis of existing programs and alternative proposals.

-- An increase of 27 positions is requested to handle a projected increase of 464 new court case filings in FY 1978 in the Supervisory and General Legal and Program divisions of the General Counsel's office.

-- The Regional Directors will continue the citizen participation and capacity building efforts; they will also continue to administer their responsibilities mandated under the Public Information and Privacy Acts and expand their efforts in the regionalized safety incentives program.

-- The Assistant Secretary for Public Affairs will prepare a citizen participation handbook, and will assist in developing or revision of implementing regulations for the Freedom of Information Act, the Federal Advisory Committee Act, the Privacy Act, and the Sunshine Act.

-- An increase of $115,000 is requested for the Comptroller's office for computer services. $85,000 is for improvements in fiscal controls and timeliness of services and reports; $30,000 is to procure computer time to enable the office to analyze and forecast outlays. The Comptroller will continue to simplify the accounting system in DHEW; improve the Department's use of operating budgets as an indication of program progress; complete an automated budget information system; and assess the need to revise grant policy on the reimbursement of indirect costs.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
General Departmental Management
Program Purpose and Accomplishments

Activity: Departmental Operations

Sub-Activity	1977 Estimate Pos.	1977 Estimate Amount	1978 Estimate Pos.	1978 Estimate Amount
1. Facilities Engineering.....	403	$23,246,000	403	$25,596,000
2. Long-Term Care.....	252	6,938,000	252	7,051,000
3. Legal Services.....	319	8,519,000	359	10,080,000
Total, Departmental Operations.....	974	$38,703,000	1,014	$42,727,000

Purpose: To provide services in support of and essential to operation of the Department's programs.

Explanation: To provide salaries and expenses for (1) the facilities engineering and surplus property functions and GSA space and reimbursable service charges; (2) the regional Long-Term Care Standards Enforcement Offices; and (3) the provision of legal services to the Social Security and Food and Drug Administrations.

Accomplishments in FY 1977:

-- Facilities Engineering: Emphasis was placed on enforcement of the life-safety conditions of participation by nursing homes in the Medicare and Medicaid programs. The Office provided technical architectural/engineering support services to 2,200 Federally assisted construction projects and conducted a comprehensive review of all 51 Indian Health Service hospitals and most clinics and health stations.

-- Long-Term Care: The Regional Directors participated in an effort to simplify Medicare and Medicaid regulations and to shorten the lengthy forms used by the States to certify nursing homes for participation; completed reviews of 60% of the State surveys of approximately 15,000 Medicare and Medicaid skilled nursing and intermediate care facilities; reviewed Medicaid facilities for the mentally retarded.

Legal Services: The General Counsel handled an increase of over 4,000 Social Security court cases (approximately 9,000 cases) in FY 1977; the Medicare Overpayment Recovery effort received its first court decisions in 1976 -- amounts recovered will exceed $900,000; the Office represented the Department in five decisions handed down by the Supreme Court in social security cases; The Food and Drug Division was heavily involved in complex court proceedings, administrative proceedings and a growing number of new regulations related to food and drug issues.

Objectives for FY 1978: This budget request includes an increase of 40 positions for Legal Services to handle 11,000 new court cases facing the Social Security Administration.

-- Facilities Engineering: A new computer program will be implemented to assist in developing FY 1979 budget estimates for SLUC/reimbursable costs for HEW; support to the Indian Health Service will be expanded; emphasis will continue on providing technical assistance to Federally assisted health and education construction projects.

-- Long-Term Care: The Regional Directors will expand implementation of the Patient Assessment and Care Evaluation study project to all States; will integrate survey and certification work of the Long-Term Care divisions with utilization, medical, and professional standards review efforts by other departmental agencies; will review 70% of State surveys of approximately 15,000 long-term care facilities including 100% of facilities for the mentally retarded.

-- Legal Services: An increase of 40 positions is requested, in addition to the 50 positions reallocated from Departmental Direction in FY 1977, to handle increasing Social Security litigation which is expected to reach over 11,000 new case filings in FY 1978, an increase of 21% or almost 2,000 cases over FY 1977; the Medical Device Amendments of 1976 and the new bio-research monitoring program will substantially increase the workload of the Food and Drug Division.

New Positions Requested
Fiscal Year 1978

	Grade	Number	Annual Salary
I. Departmental Direction			
A. Assistant Secretary for Planning and Evaluation:			
Economist	GS-13	2	$ 48,616
Economist	GS-12	1	20,442
Program Analyst	GS-12	2	40,884
Secretary	GS-6	1	10,370
Subtotal, Planning & Evaluation		6	$120,312
B. Administrative Management:			
Deputy Assistant Secretary for Personnel and Training:			
Supervisory Employee Appeals Examiner	GS-14	1	$ 26,861
Employee Appeals Examiner	GS-13	5	114,530
Clerk-Typist	GS-5	1	8,925
Clerk-Typist	GS-4	1	7,976
Subtotal, Administrative Management		8	$158,292
C. General Counsel:			
Attorney-Advisor	GS-13	1	$ 24,308
Attorney-Advisor	GS-12	6	122,652
Attorney-Advisor	GS-11	13	221,728
Paralegal Specialist	GS-9	1	14,097
Secretary	GS-7	1	11,523
Secretary	GS-6	3	32,110
Secretary	GS-5	2	18,606
Subtotal, General Counsel		27	$445,024
Subtotal, Departmental Direction.		41	$723,628
II. Departmental Operations			
A. Legal Services:			
Attorney-Advisor	GS-13	6	$145,848
Attorney-Advisor	GS-12	14	286,188
Attorney-Advisor	GS-11	2	34,112
Paralegal Specialist	GS-11	3	51,168
Paralegal Specialist	GS-9	2	28,194
Secretary	GS-7	3	34,569
Secretary	GS-6	7	72,590

	Grade	Number	Annual Salary
Secretary.....	GS-5	2	$ 18,606
Clerk-Typist.....	GS-4	1	8,316
Subtotal, Legal Services..		40	$679,591
Total, General Departmental Management.		81	$1,403,219

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