

PROBLEMS IN ADMINISTRATION OF PUBLIC WELFARE PROGRAMS

HEARINGS
BEFORE THE
SUBCOMMITTEE ON FISCAL POLICY
OF THE
JOINT ECONOMIC COMMITTEE
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PROBLEMS IN ADMINISTRATION OF PUBLIC WELFARE PROGRAMS

MONDAY, MARCH 20, 1972

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON FISCAL POLICY
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to notice at 10 a.m., in room S. 407, the Capitol, Hon. Martha W. Griffiths (chairman of the subcommittee) presiding.

Present: Representatives Griffiths and Bolling.

Also present: James W. Knowles, director of research; Alair A. Townsend, technical director; James R. Storey, staff economist; George D. Krumbhaar, Jr., and Walter B. Laessig, minority counsels; and Leslie J. Bander, minority economist.

OPENING STATEMENT OF CHAIRMAN GRIFFITHS

Chairman GRIFFITHS. The subcommittee will be in order.

I have called this hearing to explore the administrative problems we face in improving the way our public welfare programs operate.

As the chairman of the Subcommittee on Fiscal Policy of the Joint Economic Committee, I am currently directing a 2-year review of public welfare and related programs. This review is considering not only public assistance, but encompasses all of the related social insurance and veterans' programs, and the programs which offer aid in the form of free or subsidized food, shelter, and medical care.

The Congress wants to know how all of these programs actually work, who do they help, and who do they neglect, and most important, how do they all work in combination with each other? What combined benefit levels are possible, and how many people receive particular benefit combinations? Is this distribution equitable? What incentives with respect to work and family structure result? And how are these programs administered?

These are issues that crosscut the jurisdictions of both executive departments and congressional committees and are difficult to deal with for that reason. Yet, we in the Congress and representatives of the executive branch are becoming increasingly aware of the fact that we can no longer afford to legislate and administer programs in a piecemeal fashion when so many of the programs affect the same persons.

We must face up to the fact that welfare programs are not limited to public assistance programs such as AFDC.

The food stamp program, for example, is an income maintenance program with its own basic guarantee level, benefit reduction rate, and break-even point.

Medical programs have some cash income value. Families who are covered by medicaid have greater economic welfare than families with identical income but no medicaid coverage.

We must be concerned also about the relationship between public assistance programs and social insurance programs; we must avoid structuring programs so that many persons are no better off for having coverage under social security or unemployment insurance.

In short, we must work cooperatively, across jurisdictional boundaries, to construct equitable, rational, and efficient programs. It is in that spirit that I open today's hearings.

The members of the subcommittee will certainly appreciate hearing the testimony of the two gentlemen today as to what the problems with public welfare programs are and what we should be doing about them. I might mention that the subcommittee will also be hearing from State and local officials at hearings to be held later this spring. These hearings are set for New York City in April, Detroit in May, and Atlanta in June.

Our first witness this morning will be Hon. Elmer B. Staats, Comptroller General of the United States. Under his direction the General Accounting Office (GAO) has conducted a number of studies and audits of public welfare programs at various locations throughout the country, and we will be interested in discussing the results of those studies.

I am particularly concerned about the degree to which welfare eligibility and payment determinations are in error and the reasons for those errors. We will also want to discuss ways in which administration of public welfare programs can be improved and the possible costs and savings of making such improvements.

Another aspect of the GAO's work which the subcommittee will want to hear about concerns the overall distribution of all welfare-related programs by individual families. At the request of this subcommittee, the GAO has studied a scientific sampling of households from one urban poverty area to see what benefits these households receive. The GAO staff has done a quick and thorough check of agency records, and they have found that, of the 100 sample households in the poverty area, 65 are currently receiving at least one benefit and 66 have received benefits at some point in the year.

The preliminary results they have reported show that 37 of these households receive public assistance payments or food stamps, but only two have members in the WIN program; no one is currently receiving publicly funded child care, and no one has a job under the Emergency Employment Act.

I think that the information the GAO is collecting will give us a better picture of how public programs are affecting the Nation's poverty areas than we have ever had before. Their comments on the problems involved in checking local records will shed light on the administration of the programs as well. I look forward to their further reports on this work.

Our second witness today will be Under Secretary John G. Veneman of the Department of Health, Education, and Welfare (HEW). Mr. Veneman's Department administers two of the systems that are at the focal point of today's inquiry—the program of grants to States for public assistance and the social security system.

As a member of the House Committee on Ways and Means, I have had occasion to discuss these programs with Mr. Veneman during the many committee meetings last year on H.R. 1.

A primary topic we will want to explore with the Under Secretary today is how we can better integrate these two systems with each other and with the related programs operated by the Departments of Agriculture and Housing and Urban Development and other Federal, State, and local agencies.

A subcommittee staff paper soon to be released points out that more attention needs to be paid to the proper integration of public welfare programs. This paper indicates that while there are 14 million people receiving public assistance, there are from 25 million to 30 million people receiving one or more benefits when all programs that relate benefits to income are reviewed together. While many people receive benefits under more than one program, benefit combinations are not available to all persons in need, nor do they assure adequate income for all those who do receive them. Until more information is collected, no one can be certain who gets what. But, the structure of some combined benefits may create undesirable financial incentives with respect to work effort and family stability. And administrative procedures that are already complicated have been made even more complex by the interactions of these programs.

We had intended to hear from Norman V. Watson, Assistant Secretary for Housing Management of the Department of Housing and Urban Development. However, scheduling problems arose, and he is unable to be with us. A hearing date for testimony from that Department will be announced later.

STATEMENT OF HON. ELMER B. STAATS, COMPTROLLER GENERAL OF THE UNITED STATES, ACCOMPANIED BY GREGORY J. AHART, DEPUTY DIRECTOR, CIVIL DIVISION; DEAN K. CROWTHER, ASSOCIATE DIRECTOR, CIVIL DIVISION; JOHN D. HELLER, ASSISTANT DIRECTOR, CIVIL DIVISION; AND RICHARD L. FOGEL, MANAGEMENT ANALYST, CIVIL DIVISION

Mr. STAATS. I would like to introduce my colleagues. To my immediate left is Mr. Gregory Ahart, Deputy Director of our Civil Division. To his left is John Heller, Assistant Director of the Civil Division. To my immediate right is Dean Crowther, Associate Director of the Civil Division, and to his right, Mr. Richard Fogel, a management analyst who has been working in this area.

We are pleased to be here today to discuss, in the light of the experience of the General Accounting Office, problems of administering welfare programs and the question of whether such programs can be effectively managed.

At the outset, it is appropriate to observe that there are many Federal and federally assisted programs, as well as non-Federal pro-

grams, which can all be called welfare programs. These programs are directed to various needs, including food, shelter, clothing, education, health, employment, and so on, and at the Federal level are administered by a large number of departments and agencies under even a larger number of legislative authorizations. The extent of the multiplicity of such programs is, itself, a factor contributing to the problems which have surfaced in their administration. The consolidation of programs in terms of broader categories of assistance, as would be provided for by title II of the proposed Intergovernmental Cooperation Act of 1972 (S. 3140), would, we believe, be of considerable help in this regard.

Beyond the problem of the proliferation of Federal and federally assisted welfare programs, much of the publicity and interest in recent years has focused on public assistance programs, specifically those authorized under the several titles of the Social Security Act, as amended. These programs have experienced substantial growth, with the number of participants doubling between 1966 and 1971—from about 7 million to over 14 million. Expenditures more than doubled during the same period, reaching a level of about \$9 billion in 1971.

Medicaid expenditures amounted to about \$6 billion in fiscal year 1971, more than triple the 1966 level as a result of the implementation of the program in more States, the increasing number of recipients, and the increasing cost of medical care.

The unprecedented growth in these programs has caused many questions as to whether they are being effectively managed. Such questions tend to lessen the public confidence in the integrity of the programs.

Our comments today will be directed largely to the welfare programs authorized by the Social Security Act. We will, however, comment on certain others because of the commonality of administrative problems.

This subcommittee has a broad jurisdiction and interest in all aspects of the Nation's economy and welfare. We hope that the study it has launched into welfare programs will help to clarify many aspects of the subject.

PUBLIC ASSISTANCE PROGRAMS

There are three basic problem areas in the administration of public assistance programs as they are presently constituted:

The complexity and lack of uniformity in the massive Federal-State-local administration of the programs;

The difficult problem of insuring an acceptable level of program integrity consistent with reasonable costs of administration and the needs and dignity of intended program beneficiaries; and

The problem of providing for the needs of the intended beneficiaries without creating disincentives to seeking employment and becoming more self-sufficient.

PROGRAM COMPLEXITY AND UNIFORMITY

Current federally assisted programs are essentially State-operated or State-supervised programs in which the 54 different States (including the District of Columbia, Puerto Rico, the Virgin Islands and Guam) have a great deal of discretion with respect to program design

and day-to-day administration. There are no comprehensive national standards of eligibility for assistance or level of benefits, and only a few standards with respect to methods of administration.

Accordingly, for each category of beneficiaries—the aged, the blind, the disabled, and families with dependent children—there are in reality 54 programs with widely differing eligibility criteria, benefit levels, and quality of administration.

For example, in Pennsylvania the value of a home owned by an applicant is not a factor in determining eligibility for assistance; in Ohio, a person is not eligible if such value exceeds \$12,000. In Massachusetts, a family of four may receive \$349 a month, 100 percent of the amount the State considers necessary to meet the family basic needs; in Mississippi, the family could receive just \$60, only 26 percent of the basic need amount set by the State.

Nationwide, over 200,000 persons are employed at the State and local level in administering the programs, engaged largely in determining the eligibility of applicants and recipients for benefits and providing needed social services. They perform under differing management and administrative systems of differing quality. The large size, diversity, and complexity of the administration of the various programs makes it difficult to generalize on its effectiveness.

Because of the basically State and local character of the programs, administrators at the Federal level have frequently only reacted to problems arising in the States rather than attempting to directly influence the management of the programs. A considerable amount of their time has necessarily been devoted to insuring that the States' descriptions of their plans for program administration meet the basic requirements of the governing legislation, rather than assessing the administration of the programs in actual practice. In this regard, even the proper implementation of the statutory criteria governing the Federal share of the costs of administering the programs has been a difficult problem.

PROGRAM INTEGRITY

Concern with the integrity of public assistance programs—the degree to which benefits are given only to eligible recipients and in the correct amounts—goes back many years.

As a result of a nationwide study of the extent of ineligibility and incorrect payments conducted by HEW—which we monitored at the request of the Senate Appropriations Committee in 1963 (see appendix A), the Department of Health, Education, and Welfare designed a quality control system to be implemented by the States, which was intended to measure the integrity of the programs on a continuing basis.

As a result of more recent studies, including one in New York City we monitored at the request of the House Ways and Means Committee and which showed an ineligibility rate of 10.7 percent (plus 7 percent partially ineligible) compared with a 1.2 percent rate reported under the quality control system (see appendix B), HEW revised the quality control system in 1970 in an attempt to make it more effective. We will comment later on our review of the revised system.

There is something of a dilemma in the problem of program integrity. On the one hand, the job of fully investigating all factors bearing

on the eligibility of an applicant or recipient for benefits is time consuming and difficult and costly. On the other, persons in need should not have their benefits delayed and should be treated with dignity and respect. Accordingly, a balance must be struck among the desire for program integrity, the cost of assuring this integrity, and the needs of the program beneficiaries.

The approach to seeking this balance in recent years has been to try to simplify to the extent possible the determination of eligibility, and to assure integrity within certain tolerance limits through a quality control system which can identify reasons for excessive rates of ineligibility and incorrect payments, and provide a basis for strengthening the eligibility determination process.

SIMPLIFIED METHOD OF DETERMINING ELIGIBILITY

In 1969, HEW began urging States to implement a "simplified method" for determining eligibility for public assistance. Under this method States are permitted to accept persons as eligible for public assistance on the basis of information furnished by the applicants without verification. Under the previously used "traditional method," independent verification of information furnished by applicants was required.

At the request of the Senate Committee on Finance, we made two reviews of the simplified eligibility system. In one, we evaluated a test conducted by HEW and selected States which led to HEW's decision to implement the simplified method for the aged, blind, and disabled (adult) programs. In the other, we compared the relative effects of using the simplified and traditional methods in the aid to families with dependent children (AFDC) program.

We noted some weaknesses in the test of the simplified method in the adult programs. The biggest problem was that the States tested something other than the method prescribed by HEW. Local jurisdictions added additional requirements in determining eligibility—such as selective verification of applicants' statements—which raised questions concerning the validity of the data upon which a decision was made to mandate the use of the simplified method for the adult programs. We made several recommendations relating to (1) verification of information furnished by applicants, (2) effectiveness of the application forms used by the various States, and (3) the acceptable level of errors prescribed by HEW. (*See* appendix C.)

In our comparison of the two methods in the AFDC program, we noted that caseloads had increased significantly at all welfare centers visited regardless of the eligibility method used by the individual centers. Also, there was not much difference between the extent of verification of eligibility information under the respective methods under the traditional method, verification of factors having a bearing on applicants' eligibility was not as extensive as was commonly thought and under the simplified method some verification was being done before eligibility decisions were made.

We noted that AFDC caseloads rose disproportionately when welfare centers first began using the simplified method and at the time welfare centers separated their eligibility and social service functions. Regardless of the method used, ineligibility appeared to be a problem. We

recommended certain actions aimed at helping HEW to attain improved integrity of the welfare programs. These recommendations involved (1) face-to-face interviews and verification of key eligibility factors, (2) using more experienced people, and (3) prescribing a quality control system which would alert management when the incidence of ineligibility and incorrect entitlement reaches a point where corrective action is called for. (See appendix D.)

H.R. 1, which was approved by the House on June 22, 1971, and HEW's plans for administering the eligibility system under the proposed welfare reform program encompass these recommendations and should help HEW to effectively manage the program.

QUALITY CONTROL SYSTEM

It is not administratively feasible to thoroughly investigate all eligibility factors of all applicants for welfare, and still produce proper and timely eligibility decisions. Therefore, it is very important that a sample of cases—representative of all recipients—be thoroughly investigated to determine whether any problems, such as unreported income, age of recipients, number of children, affecting eligibility or amount of payment are widespread. If widespread problems of one kind or another are found, corrective action, in terms of improved eligibility determination methods, can then be taken. This is what the quality control system is supposed to do.

As previously mentioned, HEW revised the quality control system in 1970 in an attempt to make it more effective. We undertook a review of the revised system shortly after it was implemented and concluded that the quality control system had not accomplished its purpose of maintaining the integrity of the welfare programs. Most of the problems were of an administrative nature.

All States visited by GAO encountered problems in carrying out quality control activities. These problems varied in intensity from State to State. Two States—California and New York—had not implemented the Federal system as of July 1971. Most of the States had insufficient staff; none reviewed the required number of cases; and verification of eligibility information in cases reviewed was often inadequate. Because of limited staff and the desire to implement the revised system as quickly as possible, HEW was not ready to deal with many of the complexities of implementing a system that required close cooperation between the Federal Government and the States.

As a consequence, HEW and the States did not know whether rates of ineligibility and incorrect payments were within established tolerance limits.

HEW intends to build upon the present quality control system for use in a welfare reform program. To strengthen the present system and to provide for a sound basis for any changes to the system, we recommended that HEW (1) assure that top State officials are aware of the benefits to be derived from an effective quality control system, (2) increase quality control staffs to a level where they can effectively assist and monitor State quality control operations, and (3) define necessary steps to be considered as requirements in determining eligibility factors so that quality control investigations provide conclusive findings.

HEW has promised corrective action which, if effective, should strengthen the quality control system. (See appendix E.) We plan to keep abreast of HEW's progress in this area.

INCENTIVES

The degree to which public assistance benefits provide a disincentive to work and achieve self-sufficiency has been much debated and has been the subject of certain experimentation. To our knowledge, however, no clear answers have been found. Our work in this area has been limited to monitoring an evaluation of the extent to which programs in New York City were effective in encouraging the employment of welfare recipients in suitable cases (as part of the previously mentioned work requested by the House Committee on Ways and Means), an evaluation of the so-called New Jersey experiment on the effects of a negative income tax—this is the experiment being monitored by the Office of Economic Opportunity—and, an evaluation of the work incentive program administered by the Departments of HEW and Labor.

Factors which tended to inhibit the achievement of self-sufficiency through work training programs for AFDC recipients in New York City included:

A State policy noting that when a mother is the only parent in the home, she should be regarded as having family-care responsibilities and not be considered available for work;

Lack of sufficient day-care facilities; and

Administrative responsibilities of the caseworkers which allowed little time to provide self-support services to AFDC recipients.

(See appendix F.)

After 1 year's testing of a work incentive experiment in New Jersey, the Office of Economic Opportunity (OEO) concluded that there was no evidence of a disincentive to work among those receiving income support payments. Our analysis of the OEO data led us to conclude that OEO's conclusion was premature. OEO's conclusion was drawn from information on less than 1 year's activity in a 3-year experiment. We believe the data has not been subjected to as complete an analysis as needed to support OEO's conclusions and that there were defects both in the underlying data and in its preparation sufficient to preclude conclusions from such data. (See appendix G.)

The work incentive (WIN) program—administered by HEW and the Department of Labor—has had only limited success and has not had any significant impact in reducing welfare payments because of its limited size in relation to the soaring AFDC rolls. The WIN program has contributed to the creation of disincentives for self-sufficiency because of the restrictions in the cash assistance programs. For example, AFDC families frequently lose money when fathers go to work because AFDC payments are discontinued when fathers obtain full-time employment, regardless of their wages. On the other hand, families continue to receive AFDC payments following the employment of mothers and such payments are reduced only after certain income levels have been reached. The immediate cutoff of welfare payments to AFDC families with working fathers is unrealistic and tends to discourage fathers from seeking employment. (See appendix H.)

In the short time available today, we have been able to only briefly outline the major problems, as we see them, in the public assistance programs. We have summarized our work in this regard in several appendixes to our statement, as follows:

Appendix I. Three reports dealing with problems in administering certain aspects of the medicaid program.

Appendix J. Reports on the efficiency of the administration of programs by OEO and the extent to which program objectives have been achieved.

Appendix K. Report on Federal manpower training programs.

Appendix L. Report on controls needed over occupancy of federally subsidized housing.

Appendix M. Listing of GAO reports issued to the Congress and its committees covering fiscal year 1969 to present dealing with social programs.

WELFARE REFORM

If certain administrative actions were taken such as those we have suggested on the basis of our various studies, improvements would result in the management of welfare programs. Yet, improvements in the present welfare programs would not necessarily serve to overcome the social problems that have caused families to seek public assistance—such as inadequate income, poor health and sanitary conditions, bad housing, ineffective schools, insufficient jobs, poor work incentives, and insufficient day-care facilities.

Several provisions of welfare reform as passed by the House in H.R. 1 are directed towards overcoming some of the social problems which have perpetuated the welfare cycle for many families. Key provisions of H.R. 1 include:

National eligibility and minimum national benefit levels. Poor families, regardless of whether or not the father was present or working would be eligible for assistance. Such benefits would taper off as income increased.

A work-training program for able-bodied recipients. The bill specifically identifies those who must be referred for and accept job training.

Child care and other supportive services for recipients who require them in order to accept or continue to participate in manpower services, training, employment, or vocational rehabilitation.

A public service employment program to provide needed jobs with substantial Federal participation in the costs of the program.

There are other provisions of the bill relating to Federal administration of the welfare programs which should also provide better assurance that the integrity of the system is maintained.

Welfare reform legislation, however, cannot provide the framework to solve all social problems. Other programs are needed that deal with the educational, environmental, health, and housing problems of the recipients with the goal of improving conditions so that fewer citizens will find it necessary to seek public assistance.

You pointed out, Madam Chairman, in your opening statement, the extent to which these programs have been developing over the

years. The 1972 budget, for example, reflects some \$85 billion of expenditures in various income maintenance programs. This includes \$38.5 billion of social security payments. It also excludes tax benefits, which amount to around \$6 billion. This \$85-billion figure goes up to \$95 billion in 1973, a \$10-billion increase in 1 year.

Chairman GRIFFITHS. Therefore, we are not really just talking about little expenses. We are talking about a very large part of the national budget.

Mr. STAATS. You are talking about 45 percent of the total Federal budget.

Chairman GRIFFITHS. Right.

Mr. STAATS. In this connection, our pilot test in Norfolk for your subcommittee has shown that of 100 families sampled in a low-income area, 66 are receiving some type of social welfare benefits. Sixteen of these families have been or are receiving benefits from five or more individual welfare programs such as cash assistance, food stamps, medicaid, neighborhood youth corps, school lunches, or public housing. One family is receiving benefits from eight different programs and has been on welfare intermittently since 1949.

Expansion of our pilot program to other cities should assist your subcommittee in considering the problems arising from the multiplicity of programs affecting the poor and assist you in identifying the underlying causes of those families' problems.

What is already apparent, though, is that an overall solution to the problem of such families involves more than just providing benefits from different programs. At the local level—where the programs have their impact—a coordinated approach for solving basic problems should be developed, taking into account the benefits available from various separate programs. Families need to be assisted in developing a coordinated approach to trying to solve their problems, and they should understand that benefits received from the various programs are designed to help them achieve independence.

The success of coordination of programs among Federal agencies will depend in large part on how well the programs are managed. If the public confidence in welfare programs is to be improved, then management of such reform programs must be equally improved.

Reforms, therefore, should be thoroughly evaluated. Sufficient lead-time is needed to insure proper implementation. The Congress and the administration must also be willing to commit the resources necessary to insure that the systems are operated both effectively and in coordination with one another.

This concludes my prepared statement, Madam Chairman. I have tried to highlight the more important aspects of our work as they relate to the matters of interest to this committee. We would be pleased to respond in greater detail to any questions the members of the committee might have.

Madam Chairman, I should like to say that we have increased from year to year the manpower in our office assigned to evaluate these programs. We foresee the need for further increases in the years ahead.

We have just taken action to set up a separate division, which Mr. Ahart will head, which will be concerned with manpower and welfare programs on a governmentwide basis.

Part of our objective in doing this is the same point we are making here, to evaluate these programs in relation to one another. Whether they are administered in Labor, Agriculture, HEW, or OEO, or any other place in the Government, we want to evaluate them. We will also be very happy to work with you, your committee, and staff, as time goes on.

We have, as you know, a limited staff. We are concerned with the Government budget as a whole, and all Federal programs; but we do recognize the high priority which this area has, and we want to be as helpful as we can be to you.

(The appendixes referred to by Mr. Staats follow :)

[NOTE.—Page numbers in the following appendixes refer to the full reports]

APPENDIX A

COMPTROLLER GENERAL OF THE UNITED STATES

Washington, October 4, 1963

DEAR MR. CHAIRMAN: Herewith is our report on observations on the adequacy of the nationwide review of eligibility in the Aid to Families with Dependent Children program which was conducted under the direction of the Welfare Administration, Department of Health, Education, and Welfare, during the period from January to July 1963. Our report is made pursuant to your request dated December 21, 1962, also signed by the Chairman, Subcommittee on Departments of Labor, and Health, Education, and Welfare, and Related Agencies.

Our observations are summarized in the forepart of the report. The most important observation is that the field investigation techniques used to obtain information on the eligibility of assistance recipients were not consistently applied in a thorough manner, particularly as to the degree of inspection of the premises of the recipients and the completeness of collateral checks. Because our participation in the review was established as that of an observer and reviewer and therefore did not include independent investigations, we are unable to estimate the extent to which the findings from the review might have been different if the field investigation techniques had been consistently applied in a thorough manner. Our observations raise a question as to whether, for many cases, the investigations provided sufficient acceptable information on which to base conclusive determinations as to eligibility.

Since your Committee wished to receive our report as soon as possible after release of the Department's report, it was determined, on the basis of discussions with the Committee staff, not to obtain agency comments regarding the draft report. However, we have discussed our principal observations with officials of the Department of Health, Education, and Welfare.

In the letter dated July 27, 1963, transmitting the report on the nationwide review to your Committee, the Secretary of Health, Education, and Welfare stated that certain administrative actions had been or would be taken to correct deficiencies in the operation of the State programs. These actions pertain to (1) a requirement, effective July 1, 1963, for a redetermination of eligibility for each case every 6 months instead of every 12 months, (2) a requirement, effective September 1, 1963, for testing the quality and accuracy of decisions on eligibility and payments through a reinvestigation, including home visits, of a sample of cases each month, and (3) a detailed review with the States of the results of the nationwide study, with the objective of improving, where necessary, the methods of administration within each State. We plan to review the corrective actions taken by the Department and the States and to consider the need for possible additional corrective measures during our regular work on public assistance activities.

We appreciate the cooperation shown us by representatives of the several States and the Department of Health, Education, and Welfare during the course of our work on the nationwide review.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

SUMMARY

The principal observations based on our participation in the nationwide review are summarized in this section and discussed in detail in later sections of this report.

HEW plans, instructions, and supervision

Our review of the preliminary instructions sent to the States in December 1962 raised certain questions regarding (1) the scope of the review, (2) the selection of cases to be reviewed, and (3) an interim report to the Senate Appropriations Committee. The questions were discussed with HEW officials early in January 1963, before the actual review was started in the States. Subsequent discussion of these matters in January and February 1963 by representatives of the Senate Appropriations Committee, HEW, and GAO resulted in certain changes in the nationwide review procedures. (See pp. 8 to 13.)

The HEW instructions concerning the supervision and direction of the review were adequately followed in the 10 selected States. We observed one weakness in supervision in that the HEW instructions did not require, as an additional quality check on the thoroughness and consistency of field investigation techniques, that State supervisors or HEW staff members accompany each State reviewer on a field investigation of at least one case. (See pp. 14 to 16.)

Field investigation

Field investigation techniques were not consistently applied in a thorough manner. It is particularly significant that (1) visits to the homes of AFDC recipients did not include an inspection of the entire premises in 70 percent of our subsample cases and (2) collateral checks were frequently incomplete in that all pertinent information was not obtained before eligibility determinations were made.

HEW officials advised us they did not intend that an inspection of the entire premises be made in every case and that the information which could be obtained from such inspections could also be obtained by other means. We believe that, from an investigative or factfinding standpoint, inspections of the entire premises of assistance recipients, with their consent, can provide worthwhile information for making more conclusive eligibility determinations and for verifying the correctness of amounts of the assistance payments.

Our observations raise a question as to whether, for many cases, the investigations provided sufficient acceptable information on which to base conclusive determinations as to eligibility. (See pp. 17 to 28.)

HEW report

We believe that the HEW report to the Senate Appropriations Committee represents a reasonable summary of the statistical information furnished by the States as part of the nationwide review, except for 468 cases that were classified as eligible even though they were found to be ineligible by the review and subsequently were closed. Some, if not all, of these cases should have been classified and reported as ineligible or should have been reported in another category. If all the cases had been classified as ineligible, the reported results would have been changed considerably in several States. (See pp. 29 to 32.) Also, the HEW report did not include information as to the monthly amount of the payments to ineligible families and the monthly amounts of overpayments and underpayments to eligible families. (See pp. 33 to 35 and appendix III.)

APPENDIX B

COMPTROLLER GENERAL'S REPORT TO THE CHAIRMAN, COMMITTEE ON WAYS AND MEANS, HOUSE OF REPRESENTATIVES. MONITORING OF SPECIAL REVIEW OF AID TO FAMILIES WITH DEPENDENT CHILDREN IN NEW YORK CITY CONDUCTED BY THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE AND THE NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES B-164031 (3)

Why the review was made

At the request of the Chairman, House Committee on Ways and Means, the General Accounting Office (GAO) monitored a special review of the program under which aid is provided to families with dependent children (AFDC) in New York City.

The review was conducted jointly by the Department of Health, Education, and Welfare (HEW) and the New York State Department of Social Services (NYSDDS), at the request of the Committee.

The three objectives of this special review were to :

Identify the reasons for the rise in the AFDC case load and expenditures in New York City during 1966-68.

Determine the number of AFDC families receiving assistance who were ineligible and the number of AFDC families who, although eligible, were receiving payments in excess of, or less than, amounts authorized.

Ascertain the effectiveness of the New York City Department of Social services (NYCDSS) in assisting potentially employable AFDC recipients to become self-supporting.

In the 3-year period (1966-68) the AFDC case load in New York City rose from about 92,000 to 187,000 families, Expenditures increased during this period by about \$360 million—from \$209 million to \$569 million.

GAO monitored the special review at each of its stages and made suggestions to the HEW-State reviewers, designed to ensure that areas of particular interest to the Committee were given adequate attention.

GAO draft report was not submitted to HEW, State, or New York City officials for comment.

Findings and conclusions: The HEW-State review was carried out in a competent and effective manner in accordance with plans and instructions agreed upon by HEW and State officials. The HEW-State report issued to the Chairman, Ways and Means Committee, September 24, 1969, presents a fair overall summarization of the results of the joint review.

There are certain conclusions in the HEW-State report with which GAO does not completely agree. There are also matters in the HEW-State report which GAO has commented upon to provide the Committee with additional views. These matters concern, essentially, three areas :

Reliability of HEW-State conclusions as to the rise in the AFDC case load.

Eligibility and correctness of AFDC payments.

Problems which hinder provision of employment and self-support services to AFDC recipients.

Reliability.—The HEW-State study to identify the reasons for the recent rise in AFDC rolls in New York City provided important information relative to his subject and the study dealt with many, but not all, of the factors often suggested as reasons for the rise; more research appears to be needed.

Certain precautions appear to be required in the use of the study results presented to demonstrate the relationship between various factors that might be associated with he rising AFDC case load. (See pp. 12 to 16.)

Eligibility and payments.—GAO has estimated that—

10.7 percent of the AFDC families were ineligible.

34.1 percent of the AFDC families received overpayments, and

14.9 percent of the AFDC families were underpaid. (See pp. 17 to 33.)

GAO has also estimated that—

payments to ineligible families amounted to about \$3.5 million a month,

overpayments to AFDC families amounted to about \$2.8 million a month, and

underpayments to AFDC families amounted to about \$389,400 a month.

(See pp. 38 and 39.)

GAO's estimates are based on the results of the HEW-State review as modified to reflect differences pointed out by GAO.

If the same rates of ineligibility, overpayments, and underpayments were applicable for the entire year and the AFDC case load and expenditures remained constant, the total dollar amount of excess payments to AFDC recipients in New York City would amount to about \$75.6 million. The total dollar amount of underpayments to AFDC recipients would amount to about \$4.7 million annually, which would make a net amount of excess payments of about \$70.9 million. Fifty percent of the costs of the AFDC program in the State of New York are financed through Federal financial participation.

Since the quality control system administered by NYCDSS did not alert responsible officials to the high rate of ineligibility found in the special review. GAO believes that changes in the quality control system are needed. HEW advised the Chairman, House Ways and Means Committee, that a thorough review of the quality control system would be made. GAO contends, as part of its ongoing review of HEW activities, to keep informed as to the results of the HEW reexamination of its quality control system and to appraise the adequacy of corrective measures taken, through reviews of the system in operation in selected States. (See pp. 40 to 43.)

Problems.—GAO noted that the HEW-State review demonstrated that NYCDSS had had only limited success in its attempts to provide self-support services to AFDC recipients. (See p. 45.)

GAO believes that solutions to problem areas, such as rapid turnover of caseworkers and language barriers with Puerto Rican recipients, which now exist in New York City, must be found before the provision of social services will become a wholly effective tool in helping welfare recipients to become independent. (See pp. 47 and 48.)

GAO noted also that the work incentive program authorized under the Social Security Amendments of 1967, with its various provisions aimed at enabling the AFDC recipient to become self-sufficient, should help NYCDSS to increase its effectiveness in providing self-support services to AFDC recipients. (See p. 47.)

APPENDIX C

COMPTROLLER GENERAL'S REPORT TO THE COMMITTEE ON FINANCE, UNITED STATES SENATE. OBSERVATIONS OF THE TEST OF THE SIMPLIFIED METHOD FOR DETERMINING ELIGIBILITY OF PERSONS FOR ADULT PUBLIC ASSISTANCE PROGRAMS, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE B-164031 (3)

Why the review was made: The traditional method of determining eligibility of persons for public assistance programs has been the object of criticism in recent years because it was considered to be too expensive and time consuming and too humiliating to the applicant. Generally under this method no decision on eligibility or extent of entitlement was made by welfare agencies until a caseworker had visited the applicant's residence and verified information previously furnished at the time of application, which included obtaining information from collateral sources. For applicants deemed eligible, redeterminations of eligibility were made at least annually following these procedures.

The Department of Health, Education, and Welfare (HEW) developed a simplified method for eligibility decisions designed to reduce administrative costs, initiate payments to eligible recipients more promptly, and make more time available for social workers to render services to recipients of public assistance.

The simplified method provides for eligibility determinations to be based, to the maximum extent possible, on the information furnished by the applicant, without routine interviewing of the applicant and without routine verification and investigation by the caseworker. In January 1969 HEW required all States to begin to implement the simplified method for adult public assistance programs in selected locations.

The Social and Rehabilitation Service of HEW instituted a test of the simplified method in July 1969, to determine whether the intended objectives were being achieved. The test included validating the correctness of decisions made by the caseworkers on eligibility and extent of entitlement through acceptance-sampling techniques. The test was carried out by State and local welfare agencies and was monitored by HEW. The results were reported to the Secretary, HEW, in January 1970. Largely on the basis of this report, HEW directed the States to fully implement the simplified method for adult programs. Implementation began in July 1970 and it is to be completed by July 1971. States were also directed to develop a plan to be carried out over a period ending July 1, 1973, which would result in further simplification and improvement of the method.

Because of the continuing congressional interest in the rising costs of federally aided public assistance programs, and because of the potential significant impact of the simplified method on such costs, the General Accounting Office (GAO) observed the procedures followed in making the test and reviewed the results of the test. GAO's observations have been discussed with HEW officials but written comments have not been obtained.

FINDINGS AND CONCLUSIONS

GAO observed a number of problems in the implementation of the simplified method by the States in selected locations and in HEW's conduct of the test of the method. These suggest that HEW needs to closely monitor the nationwide implementation of the simplified method.

In implementing the simplified method—

Few States pretested the simplified application form to the extent set forth in the HEW regulations; as a result, when the testing began many States found their simplified forms to be inadequate (see p. 15);

Many welfare agency workers found it was not possible to make decisions on eligibility solely on the basis of information provided by the applicant (see pp. 15 to 16), and

Some welfare offices conducted prescreening interviews with applicants; and, in cases where the welfare worker believed the applicant to be ineligible, the applicant was not allowed to complete a simplified application form (see p. 17).

GAO NOTED ALSO THAT

About 83 percent of the total cases included in the test were redeterminations of eligibility which had previously been subjected to the traditional method of determining eligibility, so that the overall results of the HEW test may not be indicative of the manner in which the simplified method will operate (see pp. 17 to 18).

A 3-percent level of incorrect eligibility decisions for accepting sampled lots was established largely on a discretionary basis (see pp. 19 and 20).

The sampling plan used by HEW contained relatively high probabilities that the tolerable level of ineligibility was exceeded (see pp. 21 to 22), and

A benefit-cost analysis of the simplified method was not made during the test period (see pp. 22 to 23).

GAO believes that the problems associated with the HEW test were, collectively, sufficient for questioning certain of the data from which conclusions were drawn to have the simplified method implemented on a nationwide basis. However, the problems we observed should not be construed as meaning that GAO is opposed to use of the method.

HEW advised GAO that most of the problems were the result of a short time frame within which to plan, conduct, and report on the test.

RECOMMENDATIONS OR SUGGESTIONS

To insure that the States implement HEW's simplified method in an effective manner and work toward further simplification and improvement of the method, the Secretary of HEW should—

Provide the States with specific guidelines as to when, and the manner in which, inconsistent statements made by applicants at the time of application should be verified by information obtained from collateral sources (see p. 24).

Provide for an examination of the simplified application forms adopted by the States and, where the forms are found to be inadequate, provide assistance to the States in designing and implementing a simplified form upon which proper eligibility determinations can be based (see p. 25), and

Reevaluate the 3-percent tolerance level for ineligibility on the basis of experience gained through continued validating procedures when the simplified method becomes operational in a representative number of States (see 25).

APPENDIX D

COMPTROLLER GENERAL'S REPORT TO THE COMMITTEE ON FINANCE, U.S. SENATE; COMPARISON OF THE SIMPLIFIED TRADITIONAL METHODS OF DETERMINING ELIGIBILITY FOR AID TO FAMILIES WITH DEPENDENT CHILDREN, SOCIAL AND REHABILITATION SERVICE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, B-164031 (3)

Why the review was made: In January 1969 the Department of Health, Education, and Welfare (HEW) permitted the States to accept persons as eligible for public assistance on the basis of information furnished by the applicants without verifying their statements. This is known as the simplified method for determining the eligibility of persons for public assistance.

Under the traditional method, decisions are made as to applicants' eligibility only after information furnished by them is independently verified by welfare agency workers.

Under the program for aid to families with dependent children (AFDC), States have the option to use either method. As of January 1971 a simplified method was being used as statewide in 22 States.

The Chairman of the Senate Committee on Finance asked the General Accounting Office (GAO) to compare the AFDC caseload data from welfare

centers using the simplified method with data from centers still using the traditional method.

GAO's work was done in three metropolitan areas—New York City, Kansas City, and Los Angeles County—and may not represent the situation nationally.

During February 1971 AFDC expenditures of \$105 million (Federal, State, and local) were made in these areas. These expenditures represented about 22 percent of the nationwide AFDC expenditures for that month. Therefore operations in these three areas do have a significant impact on the total program.

HEW has not been given an opportunity to examine and comment on this report. Most of the matters in the report, however, were discussed with local welfare officials.

Findings and conclusions: Conformity to HEW criteria; Does the simplified method in use conform to HEW's criteria?

There was not much difference between the extent of verification of information at welfare centers using a simplified method and those using the traditional method of determining eligibility.

Welfare centers supposedly using the simplified method were using a "modified" version of that method. Generally, the modified version did not conform to HEW's criteria because—

Personal interviews were carried out routinely to obtain eligibility information, and

Certain eligibility factors were verified routinely.

Without exception, the directors of the centers using the simplified method stated that the centers should not rely completely on applicants' statements as a basis for making eligibility determinations. The directors emphasized that, although they believed that most applicants were honest, eligibility workers had an obligation to assure themselves that their decisions were based on a reasonable amount of evidence that applicants qualified.

At centers supposedly using the traditional method, verification of factors having a bearing on applicants' eligibility is not as extensive as is commonly thought. These centers generally verified certain of the applicants' statements through home visits but did not follow normal additional investigative techniques before making a final decision. (See pp. 11 to 26.)

INCREASE IN CASELOADS

Does the AFDC caseload in centers using a simplified method increase faster, slower, or at about the same rate, as the caseload in centers using the traditional method?

AFDC caseloads have increased significantly at all centers visited regardless of the type of eligibility method used.

Caseloads in the centers using a simplified method increased disproportionately when (1) the centers first switched from the tradition method and (2) they no longer required the same welfare agency worker to determine an applicant's eligibility and also provide social services. (See pp. 27 to 36.)

REJECTION RATES

Do centers using a simplified method reject more, less, or about the same percentage of applications as do centers using the traditional methods?

Rejection of applications for assistance by centers using a simplified method were at similar or lower rates than those experienced by centers in the same area using the traditional method.

Rejection rates tended to be higher where the eligibility workers made comprehensive investigations, including checks with collateral sources, than under a simplified method which relies on applicants' statements.

Centers' rejection rates dropped significantly immediately after adopting a simplified method but tended to level off, or even recover, as eligibility workers gained experience. (See pp. 37 to 49.)

CASE CLOSINGS

Do centers using a simplified method close fewer, more, or about the same number of cases as centers using the traditional method?

Data available on case closings—discontinuing payments to aid recipients—did not indicate any particular trend or wide fluctuations that could be attributed to the different eligibility methods in use at the centers.

In all areas visited by GAO, a lower percentage of cases was closed during 1970 than during earlier periods.

Welfare officials have informed GAO that cases are usually closed on the basis of a specific request by the recipient or data supplied voluntarily by informants. They are seldom closed on the basis of data developed during periodic redeterminations of eligibility for assistance. (See pp. 50 to 53.)

INELIGIBILITY RATES

Does a simplified method result in higher, lower, or about the same ineligibility rates among the AFDC recipients as does the use of the traditional method?

Where local welfare departments made special reviews of the eligibility of recipients of assistance qualified under a simplified method, they found that a high percentage of these recipients were (1) ineligible, (2) could not be located, or (3) refused to cooperate.

Where data was available—regardless of the method used to determine eligibility—the ineligibility rates either exceeded the 3-percent tolerance level established by HEW or contained many cases where eligibility was questionable. (See pp. 54 to 61.)

Any method for determining the eligibility of an applicant for assistance should be designed to produce proper and timely decisions. The traditional method did not provide for timely decisions because of the time needed to make home visits and collateral checks to verify factors bearing on an applicant's eligibility.

The simplified method—as prescribed by HEW—was not wholly acceptable to those who were responsible for implementing it at local levels. Modified simplified methods produced timely results and, for the most part, caused little inconvenience to the applicant. The use of a modified simplified method tends to result in a greater number of applications being rejected, when compared with a truly simplified method.

HEW estimates that nearly 25 million persons would be eligible for assistance under its proposed welfare reform program—about double the number currently receiving public assistance.

Under a program of that size, it does not appear practicable to require detailed field investigations of each eligibility factor for each applicant and still render prompt decisions. On the other hand, the integrity of such a program must be ensured by keeping ineligibility at a low level.

RECOMMENDATIONS OR SUGGESTIONS

To help maintain such integrity, the eligibility method should provide for—

Determining the eligibility of applicants for assistance on the basis of information obtained through face-to-face interviews and verification of certain key eligibility factors;

Using, to the maximum extent possible, experienced people and, before assigning new people to do eligibility work, training them in program policies, procedures, and interviewing and investigative techniques; and

Prescribing a quality control system designed to alert management when instances of ineligibility and incorrect entitlement rates reach a point where special corrective action is called for. (See p. 64.)

APPENDIX E

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS; PROBLEMS IN ATTAINING INTEGRITY IN WELFARE PROGRAMS, SOCIAL AND REHABILITATION SERVICE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, B-164031 (3)

Why the review was made: Whether welfare assistance payments are being provided to eligible persons only is a source of increasing national concern aroused by the following facts.

From fiscal year 1960 to fiscal year 1971, Federal and State welfare costs more than tripled—from \$2.8 billion to \$8.7 billion.

The number of recipients increased from 5.8 million to 14.3 million.

The General Accounting Office (GAO) examined the effectiveness of the quality control system used by the States, to ensure that public assistance funds were being provided to eligible persons only and that public assistance programs were being managed fairly and efficiently. This system was developed by the Department of Health, Education, and Welfare (HEW).

GAO's review was made in California, Colorado, Louisiana, Maryland, Michigan, New York, Ohio, and Texas. These eight States spent about 50 percent of all Federal welfare funds in fiscal year 1971.

BACKGROUND

The quality control system was adopted by HEW in 1964 for evaluating eligibility under the welfare programs. It is an adaptation of a technique which is used widely in industry for evaluating the quality of products and services. In October 1970 HEW required the States to implement a revised quality control system. The new system was based on experience under the prior system and on the States' increasing use of a simplified method of determining applicants' eligibility.

Under the new system cases are selected on a statistical-sampling basis and are investigated to see whether the eligibility of recipients and the amounts of payments are within established levels of accuracy. If they are not, the States must identify the inaccuracies and take necessary corrective actions.

FINDINGS AND CONCLUSIONS

Benefits from the implementation of a well-conceived quality control system can be achieved only through effective Federal and State administration. Adequate staffing and timely resolution of problems are essential to effective administration.

The Federal quality control system had not been implemented fully in the eight States at the time that GAO completed its fieldwork (July 1971). Consequently quality control has not accomplished its purpose of maintaining integrity over the public assistance programs.

HEW does not know whether rates of ineligibility and incorrect payments are within established levels of accuracy.

The problems encountered in implementing the quality control system are complex, as shown below.

HEW'S PROBLEMS

HEW decided that the Federal quality control system should be implemented as soon as possible after its design was completed. HEW's organization, however, was not ready to deal with many of the complexities of implementing a system that required close cooperation between the Federal Government and the States.

HEW recognized, 5 months prior to the system's implementation, that 55 additional staff members were needed—45 for the regional offices and 10 for headquarters. As of September 1971—almost a year later—only 19 of these positions had been filled. (See p. 40.)

HEW was only marginally successful in obtaining State recognition of the importance of quality control and of the need to commit the resources necessary to ensure its success. (See p. 45.)

Once the quality control system was in operation, HEW was able to recognize the problems that the States were having with it. HEW's regional offices, because of insufficient staff and limited knowledge of the system, usually were able only to react to State problems as they occurred rather than to anticipate them and assist States in avoiding the problems.

STATES' PROBLEMS

All States visited by GAO had encountered problems in carrying out quality control activities. These problems varied in intensity from State to State. (See p. 12.) Two States—California and New York—had not implemented the Federal system statewide as of July 1971 but had attempted to use other methods to control public assistance expenditures. The methods used were not designed to meet Federal objectives. (See p. 28.)

The remaining six States—which implemented the system statewide—encountered one or more of the following problems.

Staffing.—As of April 30, 1971—7 months after the Federal system was to be implemented—only Colorado and Michigan had met their staffing needs. Insufficient staffing continues to be a major problem limiting quality control's effectiveness. (See p. 12.)

Investigations.—HEW specified the number of cases to be reviewed in each State so that reliable statistical projections could be made concerning the total

number of cases. None of the six States, however, completed the required number of quality control reviews for the quarter October to December 1970, although Colorado and Ohio came close. (See p. 16.)

For those cases that were reviewed, ineligibility rates or incorrect payment rates generally were high. Although these sample results could not be used for statistical-projection purposes for the total number of welfare cases, GAO believes that some error rates were sufficiently high—in view of the number of cases reviewed—for the States to have taken corrective action. (See p. 18.)

Verification.—HEW requires that independent verification and documentation of all aspects of eligibility and payment be pursued to the point at which decisions on eligibility and the amounts of payment are conclusive. About 90 percent of the completed quality control reviews analyzed by GAO had not done this.

HEW guidelines did not specify the extent and types of verification to be obtained. For example, if recipients stated at the time of initial application that they had no savings or earnings, this information was reaffirmed in an interview and was accepted by reviewers without further attempts at verification. Use of additional sources—such as employment offices and local credit bureaus—to verify eligibility information could enable States to make more accurate decisions as to eligibility and amounts of payment. (See p. 19.)

GAO analyzed 150 quality control reviews in Colorado and Maryland and in Cuyahoga County, Ohio (50 cases selected at random from each). Had reviewers used additional sources, they could have had more assurance that their eligibility and payment decisions were accurate. (See p. 22.)

PENDING LEGISLATION

Under pending welfare reform legislation (H.R. 1), HEW would take over administration of all federally assisted welfare programs and would have sole responsibility for quality control. GAO believes that HEW's plans for carrying out this proposed change, if effectively implemented, could restore public confidence in the integrity of the welfare programs.

Because the present Federal quality control system is to be the basis for such a system in the welfare reform program being considered by the Congress, HEW should make a concentrated effort to solve the problems in the present system not only to help accomplish the objectives of the present system but also to provide an adequate basis for the development of the quality control system to be used in the welfare reform program. (See p. 43.)

RECOMMENDATIONS OR SUGGESTIONS

HEW should: Insure, through appropriate efforts, that top State officials are aware of the benefits to be derived from an effective quality control system;

Increase headquarters and regional office quality control staffs to a level at which they can effectively assist and monitor State quality control operations; and

Define, for the guidance of State and local quality control reviewers, necessary steps to be considered as requirements in determining recipients' resources, incomes, and other eligibility factors so that quality control investigations can provide conclusive findings. (See p. 46.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

HEW has stated that: Its regional commissioners are taking vigorous action to ensure that States which do not have fully operational quality control systems comply with Federal regulations;

Training seminars are being conducted for its regional staff so that they can provide assistance to States for realizing fuller use of quality control as a management tool;

As of March 1972 all but one of the 55 authorized quality control staff members had been hired, and a request has been submitted to the Congress for additional staff members;

It is developing additional guidelines for issuance to State agencies so that quality control investigations can provide conclusive findings.

The actions taken or planned by HEW should strengthen the quality control system and should make it more effective. (See p. 47.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report provides the Congress with timely information for its consideration of welfare legislation and also provides the appropriations committees with information for their consideration of HEW's request for additional quality control staff members. It contains no recommendations requiring legislative action.

APPENDIX F

FROM GENERAL ACCOUNTING OFFICE REPORT, "MONITORING OF SPECIAL REVIEW OF AID TO FAMILIES WITH DEPENDENT CHILDREN IN NEW YORK CITY CONDUCTED BY THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE AND THE NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES," B-164033 (3), OCTOBER 17, 1969

Chapter 5—Employment and other self-support services provided to AFDC recipients in New York City

The HEW-State review to ascertain the effectiveness of the NYCDSS in assisting potentially employable recipients to become self-supporting included interviews with welfare agency staff members in five social services centers, reviews of selected case records, and reviews of the policies and procedures of the State and City agencies engaged in the provision of the self-support services. GAO accompanied the HEW-State review teams to each of the five centers and monitored all aspects of the reviews at these centers.

At our suggestion, the centers visited included one "declaration" center and one "satellite" center. The centers were selected on a stratified sample basis, i.e., randomly selected after grouping by types of centers. A declaration center was so classified because of its experimental use of formal declaration statements by welfare applicants as the basis of eligibility determination without field investigations except in special situations; two such centers were in operation at the time of the HEW-State review. A satellite center was so classified because of its use of branch service centers located in the immediate neighborhoods being served; seven such centers were in operation at the time of the HEW-State review. It should be noted that the information obtained through interviews at the social services centers visited is applicable to those centers only and should not be construed as having applicability to all of the 41 centers in operation at the time of the HEW-State review.

During the review it became apparent that statistics on the number of AFDC clients who were being assisted by the various work training and employment programs were not readily available. Accordingly, at our suggestion the HEW-State review team formally requested such data from New York City so that adequate consideration could be given to reported progress in the several programs. Much of this data is included in the HEW-State report; however, in some instances it is not possible to distinguish the number of AFDC recipients from other welfare recipients.

We believe that the HEW-State review demonstrates that NYCDSS has had only limited success in its attempts to provide self-support services to AFDC recipients. The HEW-State report points out several factors which the review team believed were barriers to the provision of self-support services to AFDC recipients. Many of these factors are also cited as contributing to the "problems" mentioned in other sections of the HEW-State report, i.e., eligibility determination and reasons for increase in the AFDC rolls. These factors include (1) inadequate training, (2) work disruptions due to strikes and client demonstrations, and (3) a high rate of staff turnover. The report also brings to light three major factors which tended to inhibit the success of self-support programs for the AFDC client in New York City, namely:

A State policy (adhered to by New York City) that, when the mother is the only parent in the home, she should be regarded as having family-care responsibilities and, as such, not available for employment;

Lack of sufficient day-care facilities for children of AFDC mothers who are employed, in training, or desirous of becoming employed or trained; and

Administrative responsibilities of the caseworkers, which allowed little time to provide self-support services to the AFDC clients.

The HEW-State report added that the principal effort of NYCDSS was to use special programs for self-support and training purposes. These programs included the Employment Incentive Program, State Aid to Vocational Education, the Welfare Education Program, and Adult Education Classes. Also, programs

established under the Manpower Development and Training Act were used by New York City, and training courses were provided in connection with the Manpower and Career Development Agency of the Human Resources Administration. Such programs and projects contained many innovative features for which the NYCDSS is to be commended; however, cumulatively such programs served a very small number of the total AFDC case load.

The HEW-State report points out that the work incentive (WIN) program for AFDC families was initiated in New York City in December 1968 shortly after the inception of the joint study. The WIN program, which was authorized under the Social Security Amendments of 1967, was designed especially for AFDC recipients. Its purpose, as stated in the authorizing legislation, is to:

"* * * require the establishment of a program utilizing all available manpower services, including those authorized under other provisions of law, under which individuals receiving aid to families with dependent children will be furnished incentives, opportunities, and necessary services in order for (1) the employment of such individuals in the regular economy, (2) the training of such individuals for work in the regular economy, and (3) the participation of such individuals to independence and useful roles in their communities."

The Department of Labor (DOL) has principal administrative responsibility for the WIN program, with the cooperation of HEW. The law requires that the Secretary of Labor use the three approaches mentioned above to assist persons referred to him by the welfare agencies to become self-sufficient. These persons are to be pointed toward regular employment regardless of their present level of skill.

New York State directives issued in August 1968 require employable AFDC mothers to accept suitable training or employment under the WIN program after consideration of the mothers' physical and mental health, child-care needs, and the adequacy of child-care plans. NYCDSS announced in September 1969 that 40 new child-care centers would be financed by the Department during the next 12 months and that 123 additional sites for child-care centers had been selected. NYCDSS also advised the review team that the responsibility for providing social services and financial assistance was being formally separated and assigned to different staff members. The income maintenance division, responsible for the financial assistance aspects of the AFDC program, is to be staffed totally by clerical and clerical-administrative personnel, which releases social service staff to concentrate on providing social services to families.

The start-up of the WIN program with its many provisions aimed at enabling the AFDC recipient to become self-sufficient—particularly the provision for suitable child-care arrangements—and the separation of responsibility for financial assistance and social services should, in our opinion, help NYCDSS increase its effectiveness in providing self-support services to AFDC recipients. We believe, however, that solutions to other problems which are now present in New York City must also be found before the provision of social services will become a wholly effective tool in helping welfare recipients to become independent. For example:

1. NYCDSS must find ways to retain qualified and competent caseworkers so that a feeling of confidence can be created between the client and caseworker. As pointed out in several places in the HEW-State report (for example, see pp. 51, 90, and 128), New York City has had a high rate of caseworker turnover—61 percent of the caseworkers had less than 2 years experience; and the average age is 22.5 years. In our opinion, the delivery of self-support services is extremely difficult under such circumstances.

2. Programs must be developed which direct themselves to problems of the large Puerto Rican welfare population. The HEW-State report points out problems caused by a language barrier (see p. 128) and a lack of desire on the part of both men and women to develop employment skills (see pp. 114 and 117). Since the report predicts (see p. 24) that Puerto Ricans will soon account for the majority of AFDC recipients in New York City, we believe that special emphasis must be placed on this group of recipients.

Research in these areas by the City, State, or HEW, seem warranted in view of predictions in the HEW-State report that the AFDC rolls will climb to new levels in the early 1970's.

In further regard to the WIN program, the need for continuing program evaluations was recognized by the Congress when enacting the program. The Social Security Amendments of 1967 require DOL to make a continuing evaluation of the program, including its effectiveness in achieving stated goals and its impact

on other related programs. The DOL guidelines for the WIN program show that DOL, in accordance with the act, is developing a comprehensive monitoring and evaluation system for the program.

These guidelines provide that the WIN program evaluation system consist of (1) evaluation studies, (2) operations reviews, and (3) program monitoring. Evaluation studies are to be specifically directed toward the effectiveness of the program in achieving established goals. The frequency and nature of the three basic factors of the system, as set forth in the guidelines, if properly implemented, together with the required reporting thereon that is directed to all appropriate levels, should, in our opinion, provide a sound basis for developing, maintaining, and strengthening program effectiveness.

The Committee may find it helpful, in keeping abreast of the trends in the AFDC rolls, to arrange with DOL for it to periodically furnish the Committee with evaluation reports on the WIN program projects in New York City. These reports should serve as an indicator of the extent to which the WIN program is effective in reducing the AFDC rolls.

APPENDIX G

PRELIMINARY COMMENTS ON THE NEW JERSEY GRADUATED WORK INCENTIVE EXPERIMENT

SUMMARY

This paper deals with work performed by GAO in connection with OEO's New Jersey Graduated Work Incentive Experiment, and more specifically, with a report issued by OEO in February 1970, describing the results of that experiment. Our review was limited by constraints on our access to the full data base accumulated during the experiment.

We believe that a number of important qualifications which are omitted from the OEO report are necessary to a proper understanding of the issues which the report seeks to address. We found problems in the collection and analysis of data supporting the OEO report—and in the completeness of the presentation of the data in that report.

We believe our findings raise serious questions as to the appropriateness of the conclusions drawn in the OEO report. Our own overall conclusions are found on page 16 of this paper.

BACKGROUND AND SCOPE OF THE GAO WORK

The Office of Economic Opportunity (OEO) initiated the New Jersey Graduated Work Incentive Experiment in 1968. The experiment, which is scheduled to be completed in 1972, is being conducted by a contractor (Institute for Research on Poverty, Madison, Wisconsin) and a sub-contractor (Mathematics, Princeton, New Jersey).

On February 18, 1970, OEO issued a 26 page report describing preliminary results of the experiment. The report emphasized questions of work effort behavior and income patterns of families included in the experiment, and suggested that certain conclusions might be drawn from the preliminary data being reported.

The material we are presenting in this paper for the information of the Committee is addressed to the content of the OEO report and the data supporting it. More specifically, we centered our inquiry on those parts of the report concerning the income and work effort and characteristics of the families included in the experiment. We have not yet inquired into those parts of the report concerning spend behavior, family stability, and administrative costs.

After preliminary contacts with OEO and OEO's contractors, we began work on April 13, 1970 at the offices of Mathematica, where most of the material supporting the OEO report is maintained. Our work proceeded with some difficulty because of objections raised by OEO and OEO's contractors as to the propriety of GAO's access to data which they considered preliminary and experimental. In the interest of expediting our work and as an accommodation to the concerns expressed by OEO and OEO's contractors relative to the unique character of the experiment, we have proceeded to date to carry on our work under the following constraints: We agreed not to insist on access to the complete data base accumulated during the experiment, and we agreed to test certain of the data presented in the report by means of a sampling procedure which we devised.

These constraints clearly limit our ability to report more fully to the Congress on the status of the experiment. While our access was adequate to permit us to prepare the charts in our Appendix II and to make the other observations on the OEO report which are contained in this paper, our ability to provide additional information and explanations would be severely limited unless complete access were to be allowed by OEO and the contractors.

INTRODUCTION

Page 2 ("Introduction") of the OEO report stated:

"The New Jersey data now available were gathered from August 1968, through October, 1969, in Trenton, Paterson, and Passaic from 509 of the 1,359 participating families. They are based on the experiences of 364 families receiving various levels of support payments and a control group is used for purposes of comparison with the experimental group, since their characteristics at the beginning of the experiment were similar to those of the experimental group. We can therefore tell whether the payments have had any effect at the end of the experiment by looking at any differences between the two groups."

We are bringing to the attention of the Committee a number of facts not stated in the OEO report which we believe bear on the usefulness of the OEO report and which relate to the data described in the paragraph quoted above. Some of these facts we believe quite seriously affect the conclusions which, according to OEO, are suggested by the data. Other of these facts are of lesser importance but do relate to matters of accuracy and understanding of the report.

CHARACTERISTICS OF FAMILIES IN THE EXPERIMENT

Pages 6 and 7 of the OEO report describe ". . . the characteristics of the families in the experimental group at the beginning of the project."

We believe that the reader of the report should be made aware—and the OEO report fails to point out—that these data on family characteristics do not relate to the 509 families from whose experience the income data described later in the report were drawn. The data relate, instead, to the larger group of 1,359 families, which include those from Jersey City, New Jersey, and Scranton, Pennsylvania, as well as those from Trenton, Paterson, and Passaic, New Jersey.

The importance of this distinction is that some of the characteristics of the larger and the smaller groupings are different—for example, ethnic composition. Well all five cities are included, the ethnic composition is correctly described on page 6 of the OEO report, as follows: "About 36 percent of the families were white, another 36 percent were black, and the remainder were principally Spanish-speaking Puerto Ricans."

However, other data in the OEO report (e.g., work effort) were not obtained from the five cities, but only from three of them: Trenton, Paterson, and Passaic. The ethnic composition of the 509 families from whom data were drawn in these three cities was about 13 percent white, 45 percent black, and 42 percent Spanish-speaking Puerto-Rican.

We make this point as a matter of accuracy since we believe that pages 6 and 7 of the OEO report are somewhat misleading insofar as the rest of the OEO report is concerned. In order to clarify the actual characteristics of the 509 families on whom the OEO report was based, we asked OEO's contractor to prepare the descriptive material which we are including as Appendix I for the information of the Committee.

WORK EFFORT BEHAVIOR

On pages 10 and 11, the OEO report briefly describes work effort behavior and provides a chart comparing the earnings of the experimental and control groups. The contents of these two pages from the OEO report are reproduced below:

ACTUAL WORK EFFORT BEHAVIOR

"Chart IV indicates actual work effort on the part of the participants. On the basis of these data, we can say that work effort did not decline for the group analyzed, but rather that it followed a pattern close to Line B on Chart III. There is, in fact, a slight indication that the participants' overall work effort actually increased during the initial test period."

(GAO note: Chart III is attached as our Appendix III).

CHART IV.—ACTUAL WORK EFFORT BEHAVIOR

	Control	Experimental
Percent of families whose—		
Earnings increased.....	43	53
Earnings did not change.....	26	18
Earnings declined.....	31	29

We believe that readers of Chart IV should be aware of several facts concerning it which are not made explicit in the OEO report:

(1) The chart is based on only 318 of the 509 families participating in the experiment in the cities of Trenton, Paterson, and Passaic. The data on 191 of the families (37 percent of the families) was not used by OEO's contractor in preparing Chart IV because of the problems in the interviews and coding of the data.

Based on generally accepted statistical standards we believe that conclusions are made highly questionable if drawn from data in which this large an attrition has occurred.

(2) The basis used by OEO's contractor for determining whether a family's earnings changed was a comparison of weekly earnings. A family's earnings for the week preceding the pre-enrollment interview was compared with the family's earnings in the week preceding an interview conducted ten to twelve months after the pre-enrollment interview. Approximately twenty percent, or greater, change in the weekly earnings between the two periods was the criterion used to determine whether the family's earnings would be considered to have increased, to have decreased, or not to have changed.

The two weekly periods used in making the comparison for the Trenton families differed from the two weekly periods used for the Paterson and Passaic families. For the Trenton families earnings for a week in August 1968 were compared with earnings for a week in August 1969.

For the Paterson and Passaic families, earnings for a week in November or December 1968 or in January 1969 were compared with earnings for a week in either November or December 1969.

We believe readers of Chart V should be aware of several other facts which represent a violation of good statistical practice and precludes the application to Chart IV of appropriate tests of statistical significance. In summary, we believe that any conclusions drawn on the basis of Chart IV are highly questionable based on the data from which the chart was constructed.

INCOME PATTERNS OF THE EXPERIMENTAL GROUP

Page 12 of the OEO report describes income patterns of the experimental group and page 13 of the report contains Chart V showing the average monthly income of experimental families over 10 consecutive four-week periods, extending from December 28, 1968 through October 3, 1969. The time period covered by the chart was not identified in the report.

We believe readers of Chart V should be aware of several other facts concerning it which are not made explicit in the OEO report:

(1) Chart V reflects the income experience only of families in Paterson and Passaic, New Jersey. The income experience of families in Trenton, New Jersey—the city longest in the experiment—is not shown.

(2) The income data for the first month (\$340 on Chart V) was obtained in a different manner than the income data for the subsequent 9 months. The first month's income data was obtained by interview (from the stated recollection of the interviewees) and was not supported by income statements, and payroll stubs, as was the data for subsequent months after families had been enrolled. We have no evidence that the manner in which the first month's income data was obtained reflects any upward or downward bias, but we do believe that readers of the chart should be aware of this difference in derivation of the data.

(3) Chart V was based on data from income statements submitted every four weeks by families in the experimental group. Similar data was not collected from families in the control group, and so it is not possible for OEO's contractor to directly relate the monthly experience of the control group families to the monthly experience of the experimental group families.

We believe that, in general, this seriously diminishes the utility of the control group as a means of isolating the effects of the experiment. With respect to Chart V, we believe that the absence of comparable data from the control group makes extremely difficult and tenuous any attempt to draw conclusions from it relative to the effects of the experiment on the income patterns of the families reflected in it. That is, Chart V should be read as reflecting not only the effects of the experiment but such factors as changing economic conditions as well, e.g., changes in the prevailing wage scales.

(4) As stated above, the OEO contractor had accumulated data from income statements submitted by the families in the experimental group every four weeks. This data was accumulated by city (Trenton, Paterson, and Passaic) and by the level of income the families stated they were earning when they entered the program. These latter, termed "income strata" by the contractor, reflected three levels:

Families whose stated incomes were within the defined poverty standard at the time they were enrolled in the experiment. These were identified as Stratum I.

Families whose stated incomes were up to 25 percent above the defined poverty standard. These were identified as Stratum II.

Families whose incomes fell between 25 and 50 percent above the defined poverty standard. These were identified as Stratum III.

Most of the families enrolled in the experiment fell into Strata II and III, i.e., those whose stated pre-enrollment incomes placed them above the defined poverty standard.

While we would caution that data such as that shown in Chart V is inconclusive, we believe that to the extent that the Committee chooses to consider it, the Committee would benefit by having the data accumulated by the contractor presented more comprehensively, and with further refinement, than was presented in the OEO report. For this reason we have prepared, and are furnishing as Appendix II the following charts:

A corrected Chart V. Chart V, as published by OEO, contains a number of minor arithmetic errors in its construction. The errors were not serious and are shown in our Appendix II, page 20 along with the corrected chart prepared by us. This chart combines Strata I, II, and III families.

Charts depicting for the Paterson—Passaic families the average family income over the 12 consecutive four-week periods from December 28, 1969, through November 28, 1969 for each of the three income strata (See Appendix II, pages 21, 22, and 23). Data has not as yet been made available to us to extend these charts into 1970.

Charts depicting average family income for the Trenton families over 21 consecutive four-week periods extending from August 3, 1968, through March 13, 1970. This data is presented for all Trenton experimental families (Appendix II, page 24) and by income strata (Appendix II, pages 25, 26, and 27).

THE DIFFERENT PAYMENT PLANS

The allocation of the families in the experiment among the various income maintenance plans being studied in the experiment is not addressed in the OEO report. We believe a brief discussion of this allocation is useful in understanding the data being accumulated and reported by OEO and OEO's contractors.

The 1,359 families in the full experiment and the 509 families in the three cities on which the OEO report is based are distributed among 8 different income guarantee plans and to a control group. The variations among the 8 plans are the result of combinations of two specific factors: the "guarantee" and the "benefit reduction rate."

The guarantee is the amount of money a family will receive if they have no other income. The guarantee is expressed as a percentage of the poverty level, which varies according to family size. The guarantees in this experiment are 50 percent, 75 percent, 100 percent, and 125 percent.

The benefit reduction rate is the rate (percentage) of income earned by which the benefits are reduced. For example, if the benefit reduction rate is 30 percent, the benefits will be reduced by 30 cents for each dollar of earned income.

The control group is made up of a similar mixture of families which receive no benefits under the plan other than small fees for cooperating in the periodic interviews and reporting changes of address. These fees have been adjusted to increase the incentive to co-operate. We have not as yet, reviewed these pay-

ments but we understand that a family may receive from ten to twenty dollars per month depending upon the information required of them in the month.

As stated in the OEO report, 364 of the 509 families in Trenton, Paterson and Passaic were assigned to plans under which they were guaranteed a certain income. The eight plans and the number of families assigned to each plan are as follows:

ALLOCATION OF FAMILIES TO PLANS

PATERSON-PASSAIC

Plan	Percentage guarantee	Benefit reduction rate	Number of families, preenrollment family income (expressed as percentage of poverty level)			Total
			Stratum I (0 to 100)	Stratum II (101 to 125)	Stratum III (126 to 150)	
A.....	50	30	0	0	10	10
B.....	50	50	23	21	0	43
C.....	75	30	19	0	17	36
D.....	75	50	0	10	34	44
E.....	75	70	7	28	1	36
F.....	100	50	17	7	9	33
G.....	100	70	6	6	31	43
H.....	125	50	9	8	14	31
Total.....			81	80	116	277

TRENTON

A.....	50	30	5	5	3	13
B.....	50	50	3	5	6	14
C.....	75	30	6	4	3	13
D.....	75	50	5	7	1	13
E.....	75	70	4	4	1	9
F.....	100	50	6	2	6	14
G.....	100	70	4	4	3	11
H.....	125	50	0	0	0	0
Total.....			33	31	23	87
Grand total.....			114	111	139	364

Note: The following is an example of how the experiment works. A family of 4 assigned to plan B, which most closely approximates the family assistance plan, is guaranteed an income of \$1,741. If the family's other income for the year is \$1,000, the benefit received from the experiment will be reduced 50 percent of that amount. The family's total income would be—

Other income.....	\$1,000
Income from experiment guarantee.....	1,741
Less 50 percent of \$1,000.....	500
Total.....	1,241
Total.....	2,241

The data drawn from the 364 experimental families and 145 control families (total of 509) was presented in the OEO report in an aggregated way without reference to the operation of the 8 different plans within the experiment. The experiment was deliberately designed to provide data which presumably would be sensitive to the varying effects of these plans. Such conclusions as may eventually be drawn from this data, are likely to vary with the plans and strata defined in the experiment. For this reason, we would caution readers of the OEO report that the aggregated data reported is not necessarily representative of the operation or effects of any particular income maintenance plan.

CONCLUSIONS

On page 3, the OEO report concludes the following from the preliminary data obtained in the three cities:

The data suggest that: "There is no evidence that work effort declined among those receiving income support payments. On the contrary, there is an indication that the work effort of participants receiving payments increased relative to the work effort of those not receiving payments."

We believe it is premature to conclude generally that, "There is no evidence that work effort declined among those receiving income payments." The data reflected in the OEO report represents less than a year's activity. Moreover, on the basis of the material in the OEO report and the other material to which we were given access, we do not believe the data has been subjected to sufficient analysis to support conclusions from it. Finally, we believe that such conclusions as may eventually be drawn from this data are likely to vary with the plans and strata defined in the experiment. In such cases, premature conclusions drawn from the aggregated data could be misleading.

We believe it is wrong to conclude that, "On the contrary, there is an indication that the work effort of participants receiving payments increased relative to work effort of those not receiving payments." The only evidence we find in the OEO report to support this statement is Chart IV on page 11. We believe there are defects both in the underlying data and in the preparation of that chart sufficient to preclude conclusions from it.

APPENDIX H

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS; PROBLEMS IN ACCOMPLISHING OBJECTIVES OF THE WORK INCENTIVE PROGRAM (WIN); DEPARTMENT OF LABOR; DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, B-164031(3)

Why the review was made

The Work Incentive Program (WIN) was designed to provide recipients of welfare under the Aid to Families with Dependent Children (AFDC) program with training and services necessary to move them from welfare dependency to employment at a living wage.

The General Accounting Office (GAO) reviewed WIN because of the program's cost—\$328 million appropriated for the first 4 years—and because of widespread concern over AFDC welfare rolls. As of June 1970 the AFDC rolls had soared to 2.2 million adults who were receiving \$391.2 million a month.

FINDINGS AND CONCLUSIONS

Results of WIN operations

WIN has achieved some success in training and placing AFDC recipients in jobs, which has resulted in savings in welfare payments in some cases. The complete results of the program cannot be determined readily, however, because of significant shortcomings in the management information system for WIN. Complete, accurate, and meaningful information was not generally available on program costs, benefits, or operations.

Because of its limited size in relation to the soaring AFDC rolls, WIN does not appear to have had any significant impact on reducing welfare payments. The success of WIN is determined largely by the state of the economy and the availability of jobs for its enrollees. WIN is not basically a job-creation program and, during periods of high unemployment, encounters great difficulty in finding permanent employment for the enrollees. (See p. 10.)

PROBLEMS IN PROGRAM DESIGN

WIN and AFDC need to be changed if the overall objective of encouraging AFDC family heads to seek employment is to be realized. Conditions in Denver, Colorado, and Los Angeles, California, illustrate what is wrong.

Fathers frequently lose money by going to work because their AFDC payments are discontinued when they obtain full-time employment, regardless of their wages. Mothers, on the other hand, continue to receive AFDC payments following their employment, and payments are reduced only after certain income levels have been reached.

The immediate cutoff of welfare payments to AFDC families with working fathers is unrealistic and tends to discourage fathers from seeking employment. GAO believes that family income should be the primary criterion for establishing AFDC eligibility, irrespective of whether the family head is male or female. (See p. 24.)

AFDC payments to mothers are not reduced fairly after they become employed. In Los Angeles a mother with three children may continue to receive payments,

plus food stamps and free medical and dental care for herself and her children, until her earnings exceed \$12,888 a year. (Medical and dental care may continue even beyond this point if the family is medically needy.) In Denver a similar family may continue to receive benefits until the mother's income reaches \$9,000 a year. (See p. 28.)

The effectiveness of sanctions applied against persons who refuse to participate in WIN or to accept employment, without good cause, appears questionable. Local officials have been hesitant to apply the sanctions because such application is administratively time consuming and penalizes the entire family, not just the uncooperative individual. (See p. 32.)

Funding restrictions have severely limited implementation of the special work projects. The projects were provided by the law to subsidize employment for AFDC recipients who are considered not suitable for training or who cannot be placed in competitive employment. (See p. 35.)

RECOMMENDATIONS OR SUGGESTIONS

The Department of Labor should improve the management information system for WIN so that it will provide accurate and complete data on program operations, costs, and benefits.

Data should be developed consistently both on a nationwide basis and on individual projects and should be used for managing and evaluating the effectiveness of WIN operations and for developing estimates of appropriation needs. (See p. 20.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Assistant Secretary of Labor for Administration advised GAO that the Department of Labor considered the report a fair and objective appraisal of some of the major problems confronting WIN. He said that, although WIN activities in Los Angeles and Denver were not necessarily typical, the Department's experience showed that the problems faced by these cities were universal, to varying degrees.

The Assistant Secretary described actions being considered by the Department for improving the management information system for WIN and stated that the proposed Family Assistance Plan/Opportunities for Families Program (H.R. 1, 92d Cong., 2d sess.) if enacted, would correct the four major problem areas cited by GAO for consideration by the Congress. (See pp. 20 and 23.)

The Assistant Secretary also informed GAO that the WIN sponsors in both California and Colorado had indicated their general agreement with the report, although Colorado had offered no comments on the section of the report dealing with program design. (See p. 23.)

The Assistant Secretary, Comptroller, Department of Health, Education, and Welfare (HEW), also informed GAO that HEW was in general agreement with GAO's conclusions and recommendations and stated that the welfare reform provisions of the proposed legislation would correct many of the deficiencies cited by GAO. (See pp. 20 and 23.)

The State welfare agencies in California and Colorado also agreed generally with GAO's conclusions. (See p. 23.)

In August 1971 California enacted legislation designed to deal with the problem of continuing AFDC benefits to employed mothers with high earnings. California also took action in August 1971 to make more State money available for special work projects. Since these actions will not be effective until October 1971, GAO is unable to evaluate their results at this time.

MATTERS FOR CONSIDERATION BY THE CONGRESS

Since the designs of WIN and the AFDC program cannot be dealt with effectively by administrative action alone, GAO believes that the Congress, during its current deliberations on welfare reform, may wish to consider:

Making family income and family needs the principal criteria upon which AFDC eligibility determinations are based, irrespective of whether the family head is male or female or whether employment accepted by heads of families is full time or part time (see p. 28);

Adjusting the welfare cutoff provisions with respect to both dollar payments and related supplemental benefits (see p. 32);

Examining the present penalty provision of WIN and enacting legislation which would strengthen work incentive and work requirements (see p. 35); and

Amending the Social Security Act to permit the use of regular WIN funds to subsidize the wages of enrollees in special work projects (see p. 41).

APPENDIX I

COMPTROLLER GENERAL'S REPORT TO CONGRESS. PROBLEMS IN PROVIDING PROPER CARE TO MEDICAID AND MEDICARE PATIENTS IN SKILLED NURSING HOMES, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE B-164031 (3)

Why the review was made

America's "age 65 and over" population has increased from 9 million in 1940 to 20 million in 1970. As persons become older their need for care increases, and, for those requiring more intensive care, this means institutional care in hospitals or nursing homes. Nursing-home care is generally classified as:

Skilled nursing care (Medicaid) and extended care (Medicare)—Periodic medical and daily nursing care without hospitalization.

Intermediate care—Care over and above that classified as room and board but less than skilled care.

Supervised care—Primarily room and board with some supervision.

Because the cost of such care has increased beyond the financial capability of State and local governments, Federal financial assistance has been made available through the Medicaid and Medicare programs administered by the Department of Health, Education, and Welfare (HEW). For example, under these two programs the Federal Government expended in 1969 about \$1 billion for skilled nursing care and extended care—primarily for the elderly.

The Congress is interested in answers to questions about skilled nursing homes, such as:

Are skilled nursing homes providing proper care to patients?

Are patients being provided with levels of care more intensive than needed?

The States of Michigan, New York, and Oklahoma have about 1,200 nursing homes certified as skilled. In 1969 these States expended \$336 million of Federal, State, and local funds to care for Medicaid patients in these homes; about half of the expenditures represented the Federal share.

The General Accounting Office (GAO) visited 90 nursing homes (30 in each State) having 5,581 Medicaid patients and examined into whether the homes were adhering to the requirements established by HEW for participation in the Medicaid program as skilled nursing homes. For those homes which also served Medicare patients, GAO examined into whether the homes were adhering also to Medicare requirements.

GAO examined also into whether it appeared that a less intensive level of care would satisfactorily meet the patients' needs.

FINDINGS AND CONCLUSIONS

Many of the skilled nursing homes GAO visited may not have provided proper care and treatment for their Medicaid and Medicare patients. (See p. 9.)

Many patients in the nursing homes GAO visited may not have needed skilled care and should have been provided with less intensive—and less costly—care. (See p. 25.)

Care and treatment given to nursing-home patients

Many nursing homes participating in the Medicaid program—and in some cases the Medicare program—were not adhering to Federal requirements for participation. As a result, the health and safety of the patients may have been jeopardized, since the homes' providing proper skilled-nursing-home care is directly related to their meeting established requirements for skilled nursing homes.

This problem resulted primarily from weaknesses in State procedures for certifying eligibility of nursing homes and from ineffective State and HEW enforcement of Federal requirements which include State licensing requirements. (See pp. 9 to 24.)

Following are examples of deficiencies by nursing homes in meeting requirements for participation in the Medicaid and Medicare programs found by GAO:

Patients were not receiving required attention by physicians. HEW requires that Medicaid and Medicare patients in skilled nursing homes be seen by physicians at least once every 30 days. Nevertheless, 47 of the 90 homes were not complying with this requirement. Of the 47 homes, 12 were approved also for Medicare.

Patients were not receiving required nursing attention. Of the 90 nursing homes visited, 16 did not have a full-time registered nurse in charge of nursing service, 27 did not have a qualified nurse in charge of each 8-hour shift, and 20 did not meet State licensing requirements for nurse-patient ratios. In total, 48 homes accounted for the 63 nursing deficiencies. Eight of the 48 homes were approved also for Medicare.

Many nursing homes did not have complete fire protection programs. Of the 90 homes visited, 44 did not comply with HEW regulations which require that simulated fire drills be held at least three times a year for each 8-hour shift in each home participating in the Medicaid and Medicare programs. Seven of the 44 homes were approved also for Medicare.

Level of care needed by nursing-home patients

Patients have been placed in skilled nursing homes even though their needs are for less intensive and less costly care which should be provided in other facilities; however, alternative facilities in which less intensive levels of care could be provided were limited. This not only could result in unnecessary costs but also—and perhaps more important—could make unnecessary demands on professional care available for patients who are in need of such care.

GAO believes that the primary cause of this problem is that HEW has not developed a yardstick or criteria for measuring the need for skilled care under the Medicaid program. In the absence of such criteria, each State follows its own procedures for determining the need for skilled-nursing-home care. (See pp. 25 to 37.)

The Social Security Administration has developed criteria defining skilled nursing care under the Medicare program.

In the absence of Medicaid criteria, the State of Michigan—to assist those persons who normally evaluate patient needs—has explicitly defined the medical and nursing-care characteristics that it believes that patients should have to qualify for skilled-nursing-home care.

In Michigan—the only one of the three States in GAO's review that had developed such criteria—the State's evaluators accompanied GAO to selected nursing homes and, at GAO's request, evaluated patient needs.

The evaluators concluded that, of the 378 patients whose needs were evaluated, 297, or about 79 percent, did not require skilled-nursing-home care. (See p. 28.)

GAO could not have similar evaluations made in New York and Oklahoma since these States had not developed such criteria. The evaluators advised GAO, however, that if, in a limited test, the medical and nursing-care characteristics of New York and Oklahoma patients were measured against the Michigan criteria, a similar high percentage (71 and 85 percent, respectively) of the patients would not require skilled care. (See pp. 26 and 34.)

Further, recent reviews of patient needs by professional health teams of voluntary areawide health planning agencies in 10 counties in New York, using criteria established by the agencies' staffs, showed that 25 to 35 percent of the patients in skilled nursing homes did not require the level of care provided in those homes. (See p. 30.)

GAO did not judge the reasonableness of any criteria, including Michigan's, because of the medical expertise and judgments involved. GAO is of the opinion that criteria developed by HEW would help pinpoint more precisely the extent to which skilled or less costly nursing care is needed and, as a result, limited human resources could be allocated to meet more effectively the most critical nursing-care needs. Under the existing, unrealistic procedures, decisionmakers often are confronted with two choices—skilled nursing care or no care at all.

RECOMMENDATIONS OR SUGGESTIONS

The Secretary of HEW should instruct the Social and Rehabilitation Service and the HEW Audit Agency to continue and increase their monitoring of States' adherence to HEW's requirements for nursing homes' participation in the Medicaid program as skilled nursing homes. (See p. 22.)

The Secretary of HEW, to assist the States in determining whether Medicaid patients are in need of skilled care, should issue criteria setting forth the medical and nursing care required for patients to be classified as being in need of skilled-nursing-home care. GAO suggests that consideration be given to the experience with the criteria already developed for the Medicare program. (See p. 36.)

The Secretary of HEW should instruct the Social and Rehabilitation Service and the HEW Audit Agency to continue and increase their monitoring to ensure

that States are following existing HEW Medicaid regulations relating to the admission of patients to skilled nursing homes and are periodically determining whether patients admitted to skilled nursing homes are still in need of skilled care. (See p. 36.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

HEW stated:

That the Social and Rehabilitation Service had implemented a new monitoring and liaison program in each regional office that require the regional offices to maintain closer relationships with State agencies. It required also that regional officials make more frequent visits and make detailed reviews of State Medicaid operations, which should aid in the reduction of such deficiencies as those discussed in this report. (See p. 22.)

That the Social and Rehabilitation Service planned to issue, within 6 months, guidelines to assist the States in evaluating a patient's need for skilled nursing care and services under the Medicaid program and that, where applicable, these guidelines would consider areas of common interest, as outlined in criteria developed for the Medicare program. (See p. 37.)

The actions taken or promised by HEW should strengthen administration of the Medicaid and Medicare programs. In view of the substantial Federal and State expenditures under these programs, prompt attention should be given to the implementation of the promised administrative actions.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report contains no recommendations requiring legislative action by the Congress. It does contain information on weaknesses in HEW's administration of Medicaid and Medicare programs for nursing homes, suggestions for their correction or improvement, and corrective actions taken or promised by HEW. This information should be of assistance to committees and individual members of the Congress in connection with their legislative and oversight responsibilities relating to the Medicaid and Medicare programs.

CONTROL NEEDED OVER EXCESSIVE USE OF PHYSICIAN SERVICES PROVIDED UNDER THE MEDICAID PROGRAM IN KENTUCKY; SOCIAL AND REHABILITATION SERVICE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE B-164031 (3)

Why the review was made

Under Medicaid, the Department of Health, Education, and Welfare (HEW) shares with the States the costs of providing medical care to individuals unable to pay. About \$4.2 billion was spent under the program during fiscal year 1969; the Federal share was \$2.2 billion.

The Social Security Amendments of 1967 require that the States safeguard against unnecessary use of medical services. Because Medicaid's spending for physician services, nationally, amounted to \$505 million in fiscal year 1969, the General Accounting Office (GAO) reviewed this aspect of the program.

The percentage of Medicaid expenditures for physician services in Kentucky—where GAO made its review—was substantially higher than the nationwide average. Kentucky reported Medicaid expenditures for fiscal year 1969 of about \$53 million; of this amount, about one fourth was for physician services.

FINDINGS AND CONCLUSIONS

HEW did not provide the States with guidelines to follow in evaluating the need, quality, quantity, or timeliness of medical services provided. HEW also did not adequately supervise or monitor, on a continuing basis, Kentucky's evaluation of medical services provided.

Although Kentucky had established some procedures for reviewing physician services and had identified instances of physician services being misused, more effective action by the State was needed to curb excesses in using the program. (See p. 11.)

Kentucky formed a committee in November 1968 to review the Medicaid services. At the time of GAO's fieldwork (July 1969 to Apr. 1970), the committee was understaffed and had directed its efforts primarily to reviewing pharmacy services; relatively little attention had been given to physician services, which accounted for almost one fourth of the State's Medicaid costs. (See p. 9.)

GAO selected 100 Medicaid recipients' cases to review the use of physician services. GAO's selection was made from recipients identified by the State's review committee as having received large quantities of drugs. Interviews with the physicians who attended these recipients or reviews of correspondence between the State and prescribing physicians showed that:

84 recipients received an excessive number of prescriptions and were over-using physician services. They received an average of 18 prescriptions a month at an average monthly cost of \$47.

Of the 84 recipients, 62 were averaging five visits a month to different physicians at an average monthly cost of \$33.

For example one recipient obtained services 170 times during a 14-month period, or about once every 3 days, from six different physicians. He sometimes visited two physicians on the same day. During one 3-month period, Medicaid paid for 50 prescriptions for this recipient. (See p. 16.)

Although Kentucky had taken steps to advise physicians on matters concerning the quantity and quality of medical care under the program, the physicians visited by GAO generally expressed the view that they—and the recipients—had not been adequately informed by the State about the purposes and uses of Medicaid. (See p. 17.)

An obstacle to examining and evaluating the quantity and/or frequency of physician services is the HEW regulation—adopted by Kentucky—which allows providers of service to submit bills for payment under Medicaid up to 2 years after the services are provided. (See p. 12.)

It appeared to GAO that staffing limitations at both the Federal and State levels contributed to these problems and that better monitoring of Kentucky's activities by HEW would have assisted in their solution. (See pp. 20 to 23.)

RECOMMENDATIONS OR SUGGESTIONS

HEW should:

Provide the States with guidelines to assist in effectively reviewing the use of physician services, including limits as to the quantity and/or frequency of medical services,

Increase its monitoring of the States' evaluations of physician services, and

Reduce the 2-year period during which providers may bill for services. (See p. 23.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

HEW said that guidelines for evaluating the use of medical services had been prepared in draft form and it was hoped that such would be issued in the near future. In addition, contracts had been awarded to Colorado, Oklahoma, Rhode Island, and West Virginia for a pilot surveillance and review program. (See p. 24.)

HEW has (1) provided for an increase in the Medicaid program staff, (2) agreed to increase its monitoring of State evaluations of physician services, and (3) agreed to shortly institute a closer monitoring and liaison program with each individual State agency. HEW feels that this will provide for more frequent visits and detailed reviews of State operations. Kentucky has advised HEW that it is adding to the staff of its Medicaid program as rapidly as it can. (See pp. 24 and 25.)

HEW said that it was in the process of amending its regulations to require submission of bills within 6 months of the date the services were provided rather than 2 years. Kentucky put such a limitation into effect on October 1, 1970. (See p. 25.)

GAO believes that these actions will help to improve the effectiveness of evaluations of the use of physician services.

MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is sending this report to the Congress because of congressional interest in the Medicaid and other health-related programs.

CONTINUING PROBLEMS IN PROVIDING NURSING HOME CARE AND PRESCRIBED DRUGS UNDER THE MEDICAID PROGRAM, IN CALIFORNIA, SOCIAL AND REHABILITATION SERVICE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, B-164031 (3)

Why the review was made

Problems in providing nursing home care and controlling payments for prescription drugs under the medical assistance program for welfare recipients in

California were pointed out by the General Accounting Office (GAO) in an August 1966 report to the Subcommittee on Health of the Elderly, Special Committee on Aging, U.S. Senate.

California, in March 1966, replaced its medical assistance program with Medicaid, a grant-in-aid program administered at the Federal level by the Department of Health, Education, and Welfare (HEW). Expenditures for its nursing home care program increased from about \$67 million in 1965 to about \$160 million in 1968. HEW paid about half of the amount each year.

Because of that substantial increase and the concern of the Congress over the rising costs of medical care, GAO examined into the actions taken by HEW and the State of California to correct the problems discussed in its August 1966 report.

Findings and conclusions

Actions taken by HEW and the State to correct the previously reported problems were generally ineffective. Coordination between State agencies still is insufficient to successfully implement the Medicaid program. (See p. 36.)

Some problems continue because California's Medicaid plan, as approved by HEW, does not provide adequate guidelines. GAO's review shows that:

- payments are not stopped for Medicaid patients in nursing homes where significant substandard conditions persist (see pp. 10 to 18),

- narcotics and other drugs in nursing homes are not controlled properly (see pp. 20 to 23), and

- patients are transferred from one nursing home to another for the benefit of the attending physician or nursing home operator (see pp. 34 and 35).

Improper practices continue also because the State does not have adequate procedures to help ensure compliance with guidelines. GAO's review showed that:

- controls over authorizations for medication and treatment were inadequate (see pp. 19 and 20),

- drugs for patients who had died or had been discharged were not destroyed or proper records of their destruction were not kept (see pp. 24 and 25),

- supplemental payments, prohibited under Medicaid, were made to nursing homes for services covered by the rates paid to the homes (see pp. 26 to 28),

- patients' personal funds were not always properly safeguarded (see pp. 28 to 30), and

- some nursing home advertising was misleading and advertising was not being policed (see pp. 31 to 33).

The continuing nursing home problems are attributable, at least in part, to the inadequacy of administrative reviews by HEW regional representatives. (See pp. 36 and 37.)

GAO has found also that the procedures for payment of prescribed drugs do not ensure that payments are made only for prescribed drugs actually delivered for use by program recipients in nursing homes or other institutions, or private homes, or that drugs are dispensed by pharmacies in quantities and in frequencies consistent with physicians' dosage instructions. (See pp. 39 to 45.)

Recommendations or suggestions

The Secretary, HEW, should:

- direct HEW regional representatives to review State agencies' implementation of HEW regulations on the care of Medicaid patients in nursing homes,

- impress upon State officials the need to clarify the roles of State and county agencies involved in the Medicaid program,

- help the State find solutions to the problems discussed in this report, and

- urge the State to see that payments for prescribed drugs are made only for drugs actually delivered for the use of program recipients and that drugs are dispensed in quantities and in frequencies consistent with physicians' instructions. (See pp. 37 and 44.)

Agency actions and unresolved issues

HEW informed GAO that it would review Federal regulations relating to the quality of nursing home care and their application with California officials. Similar reviews would be made in some other States and possibly in all States eventually, HEW said.

HEW agreed that the State agencies responsible for administering California's Medicaid program should make sure that other agencies assisting them are

aware of their responsibilities. HEW promised to discuss that issue, as well as other GAO findings, with State officials, and to assist the State in determining corrective actions.

HEW stated that it would review with the State the implementation of HEW regulations designed to ensure delivery of proper quantities of drugs and the new pharmacy billing form designed by the State to improve drug claim processing and determine whether further action would be necessary. (See pp. 38 and 44.)

Matters for consideration by the Congress

GAO is sending this report to the Congress because of the congressional interest in the Medicaid program and in the provision of quality nursing home care to program recipients. The report should be useful to the Congress in its consideration of planned legislative changes to the Medicaid program.

APPENDIX J

(From General Accounting Office Report, Review of Economic Opportunity Programs, B-130515, March 18, 1969)

CHAPTER 1. ORIGIN OF STUDY AND PLAN OF REVIEW

The Economic Opportunity Act of 1964 (42 U.S.C. 2701), commonly referred to as the war on poverty act, was enacted on August 20, 1964. It was designed to strengthen, supplement, and coordinate efforts of the United States to eliminate poverty by opening to everyone the opportunity for education and training, the opportunity to work, and the opportunity to live in decency and dignity. To lead this endeavor, the act created the Office of Economic Opportunity (OEO), headed by a Director, in the Executive Office of the President.

Amendments enacted in 1965, 1966, and 1967 authorized continuance of the programs included in the original legislation, added new programs, and made various changes governing the administration of the programs. A description of the programs and activities authorized by the act is included in appendix I.

In the Economic Opportunity Amendments of 1967, enacted on December 23, the Congress directed that a comprehensive and impartial investigation of the antipoverty programs be undertaken. In title II it authorized and directed the Comptroller General of the United States to make an investigation of programs and activities financed in whole or in part by funds authorized under the act to determine:

"(1) the efficiency of the administration of such programs and activities by the Office of Economic Opportunity and by local public and private agencies carrying out such programs and activities; and

"(2) the extent to which such programs and activities achieve the objectives set forth in the relevant part or title of the Economic Opportunity Act of 1964 authorizing such programs or activities."

The statutory direction to make this investigation did not add greatly to the authority already vested in the Comptroller General to review, investigate, and appraise performance of the programs and activities authorized by the act. The assignment made by title II, however, is, at least in degree, considerably greater in scope than the audit work normally performed by the General Accounting Office (GAO). The unique and unprecedented character of this examination lies in the direction contained in paragraph (2) above. There we are directed to formulate judgments as to the extent to which OEO's antipoverty programs are achieving the objectives set forth in the act.

This task is an extremely complex and difficult one. The methods of evaluating social programs such as these and the indicators of progress or accomplishment are not well developed or understood. We recognize that, as the scope of governmental activity broadens and as the complexity of governmental programs increases, the Congress is recurrently confronted with the necessity of appraising accomplishments that cannot be measured in terms of dollars expended on in terms of such tangible yardsticks as the number of miles of road built or pieces of mail delivered. We recognize that it is essential that efforts be made to develop new yardsticks of effectiveness, to meet the needs of the Congress.

Plan of GAO review

Our examination of the OEO programs and activities was made over a period of 14 months. The examination was conducted on the basis of two closely related approaches:

1. Field examinations into the efficiency of administration and the achievement of objectives of the major programs at selected locations and a review of management functions of the administering Federal agencies as they pertained to the antipoverty programs. These examinations were made at field offices of the responsible Federal agencies and of grantees, contractors, and delegate agencies.

2. Statistical and economic analyses designed to broaden the geographical coverage of our field examinations pertaining to the achievement of objectives and studies of various aspects of the function of evaluating the antipoverty programs.

Of the programs authorized by the Economic Opportunity Act, the most significant, in monetary terms are the Job Corps, Community Action, Neighborhood Youth Corps, Work Experience and Training, Concentrated Employment, and Volunteers in Service to America Programs. We conducted field examinations at various places with respect to each of these programs and the Economic Opportunity Loan Program, the Rural Loan Program, and the Migrant and Seasonal Farmworkers Program. Further information as to locations where our fieldwork as performed is included in appendix IV.

Our review of management functions of the administering Federal agencies as they pertain to the antipoverty programs was directed to their headquarters and field offices and included organization, interagency coordination, recruiting and staff development, and past and current evaluation efforts by these agencies.

Although we concentrated principally on programs authorized under the Economic Opportunity Act, we also obtained data on similar programs authorized under other legislation for comparative purposes. These other programs included the preschool program under title I of the Elementary and Secondary Education Act (HEW), institutionalized training under the Manpower Development and Training Act (Labor), and the Vocational Rehabilitation program (HEW).

The statistical and economic analyses relating to achievement of objectives on a national basis were undertaken because of the difficulty of generalizing from conclusions based on detailed audit work performed at relatively few places. This difficulty stems from such factors as local variations in the characteristics of the people served, institutional environment, economic environment, and proximity to related non-Federal activities or to related non-OEO-sponsored Federal activities. Therefore we expanded our review work on achievement of objectives to obtain performance and accomplishment information from a large number of localities, for use in our effort to make assessments of a national basis.

In making evaluations as to the achievement of objectives, we expected that there would be shortcomings in the types of data available. Therefore in conducting our review, we performed extensive work to fill gaps in the available data and to check the validity of the data used in our evaluations.

To assist us in our examination, we engaged the services of three firms under contracts.

RESOURCE MANAGEMENT CORPORATION OF BETHESDA, MARYLAND

To conduct independent economic and statistical studies of antipoverty programs, particularly those in the areas of health, manpower, and education.

Also, to conduct an across-the-board review of national statistical and economic evaluations that have been carried out at OEO and at other agencies.

In performing these services, the firm assessed (a) the usefulness of national data banks for evaluation, (b) available evaluation criteria and methods, and (c) numerous evaluation studies that have been conducted.

PEAT, MARWICK, LIVINGSTON & CO. OF WASHINGTON, D.C.

To assist in reviewing the information systems relating to the antipoverty programs.

TRANSCENTURY CORPORATION OF WASHINGTON, D.C.

To interview selected enrollees and former enrollees in the Community Action, education, and manpower programs as to their experience in the programs and their status thereafter. These interviews were made to obtain essential information, not generally available in the agencies in any complete form, regarding the status of enrollees several months after their leaving the programs. The completed questionnaires were turned over to us for analysis and use in our field examinations and national evaluation efforts.

We were also assisted in our examination by a number of individual consultants in specialized fields who advised us on various aspects of the programs we reviewed. These individuals included:

Benjamin Aaron, Professor of Law, University of California at Los Angeles; Peter S. Bing, M.D., Los Angeles, Calif.; formerly, Office of Science and Technology, Executive Office of the President; Urie Bronfenbrenner, Professor, Department of Child Development and Family Relations, The New York State College of Home Economics, Cornell University, Ithaca, N.Y.; Glen G. Cain, Associate Professor of Economics, University of Wisconsin; on staff of Institute for Research on Poverty at the University of Wisconsin, Madison, Wisc; John J. Corson, Consultant, Washington, D.C.; Educational Testing Service, Princeton, N.J.; Roger O. Egeberg, Dean, School of Medicine, University of Southern California, Los Angeles, Calif.; John Forrer, Bureau of the Budget, City of New York; formerly, Office of Economic Opportunity; formerly, Bureau of the Budget, Executive Office of the President; Arthur M. Harkins, Director, Training Center for Community Programs, University of Minnesota, Minneapolis, Minn.; Robert A. Levine, Urban Institute, Washington, D.C.; formerly, Office of Economic Opportunity; Sar A. Levitan, Center for Manpower Policy Studies, The George Washington University, Washington, D.C.; Colin M. MacLeod, Commonwealth Fund, New York, N.Y.; formerly, Office of Science and Technology, Executive Office of the President; Garth L. Mangum, Center for Manpower Policy Studies, The George Washington University, Washington, D.C., and Professor of Economics and Director of Human Resources Institute, University of Utah, Salt Lake City, Utah; Rufus E. Miles, Princeton University, Princeton, N.J.; formerly, Department of Health, Education, and Welfare; Robert N. Moore, Robert N. Moore Company, management, marketing, and governmental consultants, Nashville, Tenn.; Joseph N. Reid, Child Welfare League of America, New York, N.Y.; Rosemary C. Sarri, School of Social Work, University of Michigan, Ann Arbor, Mich.; James L. Sundquist, The Brookings Institution, Washington, D.C.; formerly, Department of Agriculture; Sidney E. Zimbalist, Welfare Council of Metropolitan Chicago, Chicago, Ill.

Structure and Content of the Report

This report summarizes the results of our examination. A summary of our principal findings and recommendations is included in chapter 2. Succeeding chapters describe the dimensions of poverty and the antipoverty effort and OEO's role therein (chapter 3); our evaluation of each category of current programs (chapters 4-8); planning and coordination of antipoverty programs (chapter 9); proposals for improving the organization and management of antipoverty programs (chapter 10); improving the evaluation function (chapter 11); and financial management and related administrative matters (chapter 12).

Supplementary reports on our examination will be submitted as they are completed (a) on our field examinations where such work was performed, (b) on our review of management functions of the administering Federal agencies, (c) on our program evaluation work on a national basis, and (d) on the special studies performed for us under contract.

Several reports on OEO programs, undertaken prior to this overall review, have already been submitted to the Congress or committees or members of Congress. These are listed in appendix V.

CHAPTER 2. SUMMARY OF PRINCIPAL FINDINGS AND RECOMMENDATIONS

Our examination has yielded a large body of information from which we have drawn conclusions and developed recommendations. Our overall findings are summarized in this chapter under the following broad categories:

1. The financial dimensions of the total Federal antipoverty effort and the part played by the Office of Economic Opportunity (OEO).
2. The extent to which the objectives set forth in the act have been achieved.
3. The efficiency with which the programs authorized by the act have been administered.
4. The actions which should be taken to realize more effective and economical use of the resources available for reducing poverty.

TOTAL FEDERAL ANTIPOVERTY EFFORT

Passage of the act which became known as the "War on Poverty," may seem to many to have been the beginning of Federal antipoverty efforts. In terms of

the Federal budget, the Economic Opportunity Act of 1964 represented a relatively small increment to the already existing programs which have aided the poor.

The aggregate of all Federal programs for assistance to the poor (see chapter 3 for the nature of assistance) amounted to \$22.1 billion in fiscal year 1968 and will amount to an estimated \$24.4 billion in fiscal year 1969. The projection for fiscal year 1970 is \$27.2 billion. Increases in Federal programs in recent years have been accompanied by a reduction in the number of the poor, based upon the definition used by the Social Security Administration, from about 34 million in 1964 to 22 million in 1968. Although Federal programs for assistance to the poor undoubtedly contributed importantly to this reduction, much of the reduction can be attributed to the expansion of the national economy in recent years.

In monetary terms, the funds appropriated for programs authorized by the Economic Opportunity Act (\$1.8 billion in 1968 and \$1.9 billion in 1969) are small in relation to the total Federal effort. In other terms the role of OEO is significant—it is the only Federal agency exclusively devoted to antipoverty; its programs are for the most part innovative in one or more aspects; and it shares with the Economic Opportunity Council the responsibility for coordinating antipoverty activities of other Federal agencies, at least nine of which in addition to OEO administer significant programs directed to assisting the poor.

OVERALL PERSPECTIVE

The accomplishments achieved under the Economic Opportunity Act should be appraised in the light of the difficulties encountered by the agency (OEO) created to carry out the purposes of the act. These difficulties include:

The urgency of getting programs underway as quickly as possible.

Problems in the development of a new organization and in obtaining experienced personnel.

Problems involved in establishing new or modified organizational arrangements at the local level.

The delays and uncertainties in obtaining congressional authorizations and appropriations.

The problems of working out relationships with other agencies and with State and local governments.

Lack of consensus as to the meaning of poverty, i.e., who are the poor for purposes of receiving assistance.

Our review properly and inevitably focuses on problems, shortcomings, and recommended improvements. OEO and other participating agencies are in agreement with many of our conclusions and recommendations. Agency actions to deal with certain of these problems are under way or are in the process of being initiated. This report notes these actions to the extent practicable. Also, we are including as a part of this chapter the OEO comments on our summary of principal findings and recommendations.

Achievements of the programs authorized by the act can be assessed only in judgmental terms. This is so for several reasons: the programs are new; they deal with such intangible concepts as the economic and social levels of disadvantaged people; they impose requirements and are subject to conditions which are not amenable to reliable, and in some cases, any quantitative, measurement. More specifically:

Criteria is lacking by which to determine at what level of accomplishment a program is considered acceptably successful.

The methods for determining program accomplishments have not yet been developed to the point of assured reliability.

The large volume and variety of pertinent data necessary to ascertain program results have been and still are either not available or not reliable.

Program results may not be fully perceptible within a relatively short time frame.

Other programs—Federal, State, local, and private—aimed at helping the poor, as well as changes in local conditions—employment, wage, scales, local attitudes—have their effect upon the same people who receive assistance under the programs authorized by the act.

Amendments to the act and revisions in agency guidelines, at various times have necessitated redirection of programs and other changes, which have affected the progress of programs in the short run.

ACHIEVEMENT OF OBJECTIVES

The basic objective of the Economic Opportunity Act is to strengthen, supplement, and coordinate efforts to provide to everyone the opportunity for education and training, the opportunity to work, and the opportunity to live in decency and dignity.

Toward the achievement of this objective, the act authorized a series of programs and activities designed to bring new approaches to the task of eliminating poverty and to supplement efforts authorized by other legislation. The programs authorized by the act can be grouped in five broad categories—Community Action, Manpower, Health, Education, and Other.

An important and basic objective is coordination of the programs authorized by the act with one another and with related programs administered by other agencies. This coordinating task was assigned to the Economic Opportunity Council created by the act and to OEO, the former having the dominant role.

The Council has never functioned effectively and as recast by the 1967 amendments has not been established.

OEO, preoccupied with setting up the machinery to get a new agency started and then with its responsibility for initiating and administering programs authorized by the act, was not able to devote as much effort to its coordinating function as that function demanded. This coordinative task was made difficult by the necessity of OEO's influencing the actions and policies of older established agencies; OEO, a new agency of lesser status in the Federal hierarchy, was unable to bring together all programs related to attacking poverty. As a consequence effective coordination has not been achieved; we do not believe that it can be so achieved under the existing organizational machinery.

An important part of the overall program management process is the evaluation of performance and accomplishments. Evaluations during the first years of OEO operations were too small in scope and too unrelated to one another to provide satisfactory information on the achievement of objectives nationally. OEO has more recently responded to the provisions of the 1967 amendments to the act which directed an expansion of evaluation efforts.

COMMUNITY ACTION PROGRAM

The Community Action Program (CAP) was intended by the act to be the means of bringing a unified effort to bear on the problems of the poor in urban and rural communities through projects designed to organize community residents; to engage the poor in the planning and implementation of projects; and to be an organized advocate for the poor to effectuate changes which would expand the availability of services to the poor.

The program has achieved varying success in involving local residents and poor people in approximately 1,000 communities; it has been an effective advocate for the poor in many communities and appears to have gained acceptance in most communities as a mechanism for focusing attention and action on the problems of the poor; and it has introduced new or expanded existing services to the poor. However, CAP has achieved these ends in lesser measure than was reasonable to expect in relation to the magnitude of the funds expended. This shortfall is attributable principally to deficiencies in administration which should be evaluated in the light of the nature of the program and the fact that it has been in operation for a relatively short time.

MANPOWER PROGRAMS

Unemployment and the lack of those capabilities that enable individuals to obtain employment are major causes of poverty. To attack these causes, OEO currently invests approximately one half of its resources in manpower development, training, and employment programs; a significant portion of this effort is focused on youth. The programs have provided training, work experience, and supportive services to the participants. Apparent results—in terms of enhanced capabilities, subsequent employment, and greater earnings—are limited.

The Concentrated Employment Program (SEP) has shown some promise, during the short period it has been in existence, of contributing meaningfully to the coordination of existing manpower programs in specific target areas. There is evidence, however, that there is an especial need for better coordination with the federally funded State employment security agencies and with the Job Oppor-

tunities in the Business Sector (JOBS) program sponsored by the National Alliance of Businessmen.

Through the institutionalized training of the Job Corps programs, corps members have had opportunity to receive certain benefits, many of which are not subject to precise measurement; however, post Job Corps employment experience, which is measurable, has been disappointing. In light of the costly training provided by the Job Corps program, we doubt that the resources now being applied to this program can be fully justified. Our doubt is especially applicable to the conservation center component of the program.

The in-school and summer components of the Neighborhood Youth Corps (NYC) program have provided youths enrolled with some work experience, some additional income, improved attitudes toward the community, and greater self-esteem. If it is intended, however, that these components continue to have as a principal objective the reduction of the school dropout problem, greater flexibility should be provided in the use of funds for such things as the enlargement of existing school curriculums, more intensive and professional counseling, and tutoring for potential dropouts.

We question the need for retraining the NYC out-of-school component as a separate entity. The objective of this component seems to be encompassed in other existing programs, particularly the Manpower Development and Training Act (MDTA) program, with which it could be merged. As presently operated the out-of-school component has not succeeded in providing work training in conformity with clearly expressed legislative intent.

The work experience and training program, soon to be replaced by the work incentive (WIN) program, has enabled persons on the welfare rolls to obtain employment and assume more economically gainful roles in society. On the other hand the program experienced deficiencies in certain functions of administration which detracted from the accomplishment of the program's mission.

Our limited review of locally initiated employment and job creation programs under CAP revealed varying degrees of success.

The available data showed that most of the manpower programs experienced high, early dropout rates which strongly indicated that many enrollees received little or no actual help.

HEALTH PROGRAMS

The Comprehensive Health Services Program is a rather recent innovation and, partly because of delays in becoming operational, has reached only a portion of its intended population. Many of those that it has been able to reach have been provided for the first time with readily accessible medical care on a comprehensive basis. Uniform plans and procedures are needed to evaluate OEO and the Department of Health, Education, and Welfare health projects during the development phase and on a long-range basis. More appropriate and equitable standards need to be established for determining eligibility for free and reimbursable services.

The family planning programs are also of recent origin, and only limited data as to results is available.

EDUCATION PROGRAMS

Head Staff (for preschool-age children) has been one of the most popular programs in the economic opportunity portfolio. Potential long-range effects cannot yet be measured.

Available evidence suggests, however, that Head Start children at the locations visited made modest gains in social, motivational, and educational characteristics and were generally better prepared for entry into regular school than their non-Head Start counterparts. The children also benefited from medical and dental services, although some did not receive them because of delays in providing these services; from well-balanced meals; and from group instruction activities. The program, however, has not succeeded in getting, sufficient involvement by parents of Head Start children, which is a primary objective of the program.

The Upward Bound program has provided participants with opportunities to overcome handicaps in academic achievement and in motivation, to complete high school, and to enter college. National statistics show that Upward Bound students have lower high school dropout rates than is considered normal for the low-income population; have higher college admission rates in comparison with the national average for high school graduates; and have college retention rates above the national average for all college students. The extent to which ineligible youths are accepted detracts from the effectiveness of the program.

Other education programs have experienced some success by raising the enrollee's proficiency in basic educational skills and by culturally enriching their lives; however, the management of such programs was in need of improvement.

OTHER PROGRAMS

The *Legal Services* program has improved the plight of the poor by affording them legal representation and educating them as to their legal rights and responsibilities. The success of this program in assisting the poor to form self-help groups, such as cooperative and business ventures has been limited and few Legal Services projects have engaged in efforts to bring about law reform.

As overall evaluation of the performance of the *Volunteers in Service to America* (VISTA) program is a complex task, because VISTA volunteers are involved in a variety of functions alongside other program personnel.

The *Migrants and Seasonal Farmworkers* program in Arizona has been beneficial in helping migrant adults to obtain or qualify for employment and in preparing preschool migrant children to enter elementary school. Program effectiveness could be increased by more closely relating education and training courses to the specific needs of program participation to the target population.

The *Economic Opportunity Loan* program (transferred to the Small Business Administration (SBA) in 1966) would better achieve the objective for which it was established if it offered greater assistance to borrowers to aid them in improving their managerial skills and if it were carried on with greater administrative efficiency. The *Economic Opportunity Loan program for low-income rural families* administered by the Department of Agriculture made only a limited contribution to bettering the income of a majority of loan recipients included in our review. Our evaluation which was based on borrowers' operations for a 1-year period, did not permit an assessment of whether program objectives would be achieved in succeeding years. Inadequate counseling and supervision and lack of definitive eligibility criteria tended to limit program effectiveness.

EFFICIENCY OF ADMINISTRATION

The effectiveness of the total antipoverty effort is dependent, in considerable measure, on the manner in which individual programs and activities are administered. It was to be expected that establishment of a new Office of Economic Opportunity (in 1964) with responsibility for launching innovative (i.e., unprecedented) programs and for difficult or impossible coordination would create many administrative problems in the early years of operations. Also, the emphasis placed in 1964 on getting programs underway and obtaining results quickly did not leave sufficient time to plan and establish well-designed and tested administrative machinery. Although progress has been made in the past 4 years, the administrative machinery is still in need of substantial improvement; the nature of needed improvements is specified in this report.

Program and project managers, in most programs, have not been provided with adequate guidance and monitoring by OEO and other responsible Federal agencies. There is need for improved policies and procedures to strengthen (1) the process by which program participants are selected, (2) the counseling of program participants, (3) the supervision of staff, (4) job development and placement, (5) the ways in which former program participants are followed up on and provided with further assistance, and (6) the recordkeeping and reporting necessary to permit more effective evaluations of accomplishments and more adequate accountability for expenditures. Some of these shortcomings can be attributed to insufficient and inexperienced staff, particularly at the local level.

The Community Action Program, for which a substantial portion of OEO funds are expended, requires greater effort to aid the local CAA's to build effective administrative machinery, more adequate program planning and evaluation, and better operational procedures and trained personnel at the neighborhood centers and to support innovative efforts of the type currently underway at OEO to evaluate CAP's.

The administrative support to the antipoverty programs will have to be substantially augmented and improved to achieve satisfactory effectiveness of antipoverty efforts with the limited resources available.

For substantially all programs, payroll procedures, particularly in the manpower program, need to be strengthened to afford adequate control against irregularities: procurement practices should be modified to limit purchases to what is demonstrably needed and at the lowest cost; and more effective procedures are

needed to ensure the utilization and safeguarding of equipment and supplies and their timely disposition when they become excess to needs. Closer attention should be given to claims for non-Federal contributions so that only valid items supported by adequate documentation are allowed.

Many of the administrative deficiencies identified in our examination could have been avoided or corrected sooner if requisite auditing and monitoring by responsible local and Federal agencies had been more timely and comprehensive.

PRINCIPAL RECOMMENDATIONS

We believe that, to provide more effective means for achieving the objectives of the Economic Opportunity Act, revisions are needed in the programs and organization through which the effort to eliminate poverty has been outlined in the act. Accordingly, we offer the following recommendations.

Programs, Community Action (ch. 4), 1. Community Action Agencies and OEO should institute efforts to:

- a. Improve the planning of local projects.
- b. Generate greater cooperation among local public and private agencies.
- c. Stimulate more active participation by the poor.
- d. Develop means by which the effectiveness of programs can be evaluated and require periodic evaluations to be made.
- e. Strengthen the capability of the neighborhood centers to carry out their functions of identifying residents in need of assistance in the target areas and of following up on referrals made to other units or agencies for rendering needed services.

2. OEO should consider including income among the eligibility requirements for those component programs, such as education and manpower, which are directed to individuals or families and involve a significant unit cost and for which income is not now an eligibility requirement.

3. OEO should give greater emphasis to research and pilot projects that offer promise of alleviation of poverty in rural areas and should encourage Community Action Agencies in rural areas to broaden the range of activities that will contribute to economic development.

4. The Congress should consider whether additional means are necessary and desirable to assist residents of rural areas that cannot build the economic base necessary for self-sufficiency, to meet their basic needs.

Manpower (ch. 5), 5. The Secretary of Labor should take further steps to ensure that:

- a. Full use is made of the existing facilities and capabilities of the State employment security agencies in connection with CEP operations.
- b. CEP operations are coordinated fully with the JOBS program.

6. The Congress should consider whether the Job Corps program, particularly at the conservation centers, is sufficiently achieving the purposes for which it was created to justify its retention at present levels.

7. The Congress should consider:

- a. Redefining and clarifying the purposes and intended objectives of the NYC in-school and summer work and training programs authorized for students in section 123(a)(1) of the Economic Opportunity Act of 1964, as amended.

- b. Establishing specific and realistic goals for programs authorized and relative priorities for the attainment of such established goals.

8. The Congress should consider merging the NYC out-of-school program, currently authorized in section 123(a)(2) for persons 16 and over, with the MDTA program.

9. The Secretary of Labor, to make the WIN program effective, should give close and continuing attention to the problem of enrollee absenteeism, and ascertain the causes of early terminations and absenteeism and how these causes may be alleviated or eliminated through additional services, modification of program content, or other means.

Health (ch. 6), 10. The Director, OEO, through his cognizant program office, should define the circumstances under which health centers may finance costs of hospitalization, establish more appropriate and equitable criteria to be used in determining the eligibility of applicants for medical care, and in accordance with grant conditions require centers to claim reimbursement from third parties.

11. Increased attention should be given by both the Director of OEO and the Secretary of HEW to the coordination of the agencies' health efforts and the development of uniform standards for evaluating health projects and programs, including family-planning programs, both during the development phase and on a long-range basis.

Education (ch. 7), 12. The Director, OEO, should direct and assist local Head Start officials to make further efforts to involve more parents of Head Start children in the program in order to enhance the opportunity for developing the close relationship between parents and their children that is so vital to the child's social and educational growth.

13. The Director, OEO, should improve procedures for the recruitment and selection of participants in the Upward Bound program.

14. The Director, OEO, should require, as prerequisites to funding locally initiated education programs :

a. Determinations as to whether the program will conflict with existing programs directed to the poor and whether it could be financed with other than OEO funds.

b. The identification of available resources and facilities which could be used in the program to reduce the expenditure of limited OEO funds.

c. The identification of complementary education programs through which further educational assistance could be afforded to OEO program graduates.

Other programs (ch. 8), 15. The Director, OEO, should :

a. More clearly define program objectives and major goals to the Legal Services project directors and instruct them on the methodology of engaging in activities directed toward economic development and law reform.

b. Make efforts to develop and implement measures of the extent to which Legal Services projects are achieving national program priorities and objectives.

16. To improve procedures leading to the assignment of selected applicants to the VISTA regional training centers, the Director, OEO, should give consideration to the feasibility of requiring that applicants be interviewed and given aptitude tests before they are considered eligible for VISTA training.

17. The Director, OEO, should require, with respect to the Migrant and Seasonal Farmworkers program, that :

a. Systematic employability plans be prepared whereby participants' handicaps can be identified at the time of enrollment so that an appropriate curriculum may be developed to meet such needs.

b. Participants' progress in the program be periodically reviewed.

c. Data on participants' postprogram experience be maintained.

18. The Administrator, Farmers Home Administration, Department of Agriculture, should :

a. Conduct a study primarily aimed at :

1. Establishing minimum standards with respect to the amount of supervisory assistance that should be given borrowers under the Economic Opportunity Loan Program in order to ensure that they receive adequate guidance.

2. Determining, consistent with the foregoing standards, the quantity and types of supervision needed, and the loan activity level which can be sustained within the supervisory capabilities available.

b. Revise its instructions as to loan eligibility to require appropriate consideration of net assets and the recording of the circumstances considered to justify the making of loans to applicants whose income and/or assets exceed specified amounts.

Coordination and organization (chs. 9 and 10), 19. A new office should be established in the Executive Office of the President to take over the planning, coordination and evaluation functions now vested by the act in the Economic Opportunity Council and OEO.

20. OEO should be continued as an independent operating agency outside the Executive Office of the President, with responsibility for administering the Community Action Program and certain other closely related programs.

21. Funding and administration of certain programs now funded by OEO should be transferred to agencies which administer programs that have closely related objectives.

22. The proposed new office in the Executive Office of the President should have responsibility for ensuring coordination of activities of local Cities Demonstra-

tion Agencies and the Community Action Agencies. If this new office is not established, consideration should be given to placing this responsibility under the Secretary of Housing and Urban Development.

23. The Congress should direct that a report be submitted on longer term actions required to coordinate and to maximize the use of community action and citizen participation efforts in federally assisted antipoverty programs.

The evaluation function (ch. 11), 24. The recommended new office in the Executive Office of the President should further develop the evaluation function with respect to antipoverty programs.

General (ch. 12), 25. The responsible Federal agencies should give particular attention to providing for more frequent and comprehensive audits of all antipoverty programs.

More specific and supplementary recommendations are presented in subsequent chapters of this report, and in our individual location reports as the situations apply to each location.

OEO RESPONSE TO CHAPTER 2 OF THE GAO REPORT

The Office of Economic Opportunity responds to the 15-month study of its programs by the General Accounting Office with a certain degree of ambivalence.

On the one hand, we appreciate the great amount of work and time that has gone into the preparation of the report. Essentially, Chapter 2 seeks to present a calm, objective discussion of a complex problem. Many of its criticisms and recommendations have merit, and we are in concurrence with GAO that remedies are in order. Throughout the study, GAO has been able to count on the cooperation of OEO officials and staff in supplying full and complete information. We believe we have benefitted from the need to respond to the questions of GAO's investigators and contractors.

On the other hand, however, we find ourselves somewhat restricted in responding to but a single chapter of the document. While we had an opportunity to review an initial draft of the remaining chapters, we have not seen them in their revised and final form. Therefore, we do not know the extent to which revisions and suggestions given the GAO by this agency are incorporated in the final document.

GAO's Summary Chapter 2 defines the context within which the study was conducted in these words: "Our review properly and inevitably focuses on problems, shortcomings, and recommended improvements." The GAO thus confined itself largely to areas of deficiencies, and while it lists many of the factors that contributed to the agency's problems, the overall result is necessarily on the negative side.

It is with this aspect of GAO's focus that we have our greatest difficulty in viewing the report as a definitive study and evaluation of the antipoverty program. By concentrating on "problems, shortcomings and recommended improvements," the report largely omits the accomplishments of OEO programs over the past 4½ years. As a result, it lacks a balance that we feel is important for the objective reader.

Furthermore, we are not convinced that all the conclusions reached by GAO properly flow from the relatively small sample of each of the OEO programs studied in depth. A more comprehensive study, based on a larger sample, may well have modified or altered criticisms and recommendations.

In its section called "overall perspective," GAO lists a large number of conditions which have contributed to the agency's difficulties in carrying out its mission. We can only concur in and embellish this catalogue of vicissitudes. For example, the reference to the delays and uncertainties in obtaining Congressional authorizations and appropriations only touches the surface of the problems this situation induces. For the fiscal year beginning July 1, 1967, OEO did not receive its authorization until December and its appropriation until January 1968, after more than half its operating year had passed. Community Action Agencies, particularly, have suffered from these funding problems which must contribute, in large measure, to the GAO's conclusion that community action has achieved its ends "in lesser measure than was reasonable to expect in relation to the magnitude of the funds expended."

Actually, since 1966, no local community action program has been given sufficient money to expand appreciably beyond its first-year levels of operation. Since these local programs were initiated in the belief that they were "pilot" efforts designed to expand to an operational "war on poverty," it seems remarkable that

OEO was able to keep interest and enthusiasm alive, to stimulate the quest for other sources of funding, to enlist the energies and resources of private enterprise and public and private agencies, and to maintain as well as we have the faith and participation of the poor.

While the course we have followed has been largely uncharted, while we acknowledge our mistakes and accept criticism, it is the positive which we feel must be given at least equal emphasis.

We have deep pride and satisfaction from much that OEO has accomplished. There are the indisputable community action achievements of institutional change, the enlistment of the largest peacetime army of volunteers in history, the mobilization of community resources, and the pioneering involvement of the private sector in social welfare programs. Head Start, Upward Bound, Foster Grandparents, Legal Services and Neighborhood Health Centers were created and developed by OEO.

We find great significance in the stationing of U.S. Employment Service personnel in ghetto offices; in the location of welfare workers in OEO's neighborhood centers; in the more than 50 law schools which have incorporated courses on poverty law into their curriculum; in the "participation of the poor" principle adopted by almost every Federal agency concerned with domestic programs; in the increasing proportion of United Fund efforts that are directed toward the poor; in the adoption by the military services of Job Corps-developed techniques for educating hardcore youth, and in the public school systems which are utilizing Head Start practices of employing non-professionals as classroom aides.

It is an incontestable achievement that 500,000 Americans have served as volunteers to Head Start; that 50,000 volunteers work in community action agencies; that 30,000 persons serve without compensation on CAA boards; that 20,000 volunteers actively work with Job Corps enrollees; that 45,000 volunteers have dedicated their time and energies to other antipoverty programs.

It is also worthy of mention that more than 500,000 people in 389 counties were eligible for OEO Emergency Food Programs in 1968; that multi-purpose neighborhood centers have cared for the diverse needs of 3½ million poor people; that Neighborhood Health Centers have a capacity to give free and full health care to one million residents of impoverished neighborhoods; and that Legal Service Programs have brought justice to over one million people who otherwise would not have known it.

It is noteworthy that OEO has brought together for discussion and decision-making all segments of each of the communities it serves—groups which in many instances had never before engaged in dialogue—much less united action.

Now, at every program level the poor are deeply involved and participating in a broad spectrum of activities. They comprise one-third of all CAA boards. Eighty thousand are employed in CAP programs on a year-round basis with another 80,000 during the summer. Seventy percent of all Head Start programs utilize parents as staff members. (We do not understand GAO's criticism in this regard.) And the poor even comprise the membership of one of OEO's national advisory committees. Four million dollars in grants are currently earmarked for training residents for participation in the Model Cities programs. And through the impetus of the OEO's "new careers" approach, more than 100,000 poor people are now employed in public service capacities in schools, hospitals, recreation and conservation programs.

OEO's relationships with public officials, not always smooth, nevertheless have achieved a significant degree of understanding and accommodation. In 1968, when local officials had the opportunity by law to take over the operation of Community Action Agencies, fewer than two percent exercised their option to restructure the CAAs in their community as public agencies.

Many recommendations for improvements in the performance of all OEO programs—CAP, Job Corps, VISTA and the delegated manpower programs—are constructive and appear valid. Within the limitations of available staff and resources OEO has itself recognized its shortcomings and conducted ongoing self-improvement programs to make its efforts more effective and more susceptible to audit, analysis and evaluation.

OEO believes, however, that GAO's question of whether the Job Corps is "sufficiently achieving the purposes for which it was created" might not be asked if there was a greater understanding of the program's mission and accomplishments. The purpose of the Job Corps is to help the hardest core youth receive the education, training and motivation necessary for employment and constructive

citizenship. Considering that the young men and women eligible for the Job Corps have been for much of their lives 100 percent dropouts, the score of 70 percent placed in jobs, school or military service would certainly seem a sufficient achievement.

The GAO report considers the problems of coordination. We certainly agree that the hoped-for degree of coordination among the large number of Federal agencies and programs affecting the poor has not been achieved, nor as the report states, can it "under the existing organizational machinery." The validity of this statement, however, should not obscure the significant advances that *have* been made in coordination and cooperation. By virtue of its role as an innovator and operator of programs, and as a funding and policy source of programs administered by other Federal departments, OEO has broken new coordination ground through example and persuasion. Agencies and departments at all levels of government have devoted an increased share of their resources to the poor and have altered their administrative procedures to dovetail with that objective. In many specific instances such as hardcore training and employment programs, neighborhood centers, health centers, and Indian and migrant programs, resources have been combined and strong interagency cooperation has been developed.

Additionally, OEO was the first agency at the Federal level to develop, set up and live by a system of interagency delegation agreements. These agreements have involved such programs as Neighborhood Youth Corps (Labor), Rural Loan Program (Agriculture), Work Experience (HEW), Adult Basic Education (HEW) and Economy Loans (SBA). And through its "check-point" procedure of program signoff, OEO has successfully established cooperation between local officials which otherwise would not have taken place.

None of these efforts has worked perfectly. But a significant start has been made. As a result of its experiences, OEO has long advocated a recommendation in the GAO report for the establishment of a separate high level unit in the Executive Office of the President to handle overall coordination and planning of antipoverty efforts. GAO correctly notes that the Economic Opportunity Council, with which OEO was to "share" coordination responsibilities, has not existed for the past 15 months.

Finally, we would comment on the accelerated speed with which the poor are coming out of poverty. While we have agreed that there is a lack of criteria with which to determine "success," we believe the ultimate criterion is the contribution of the programs to the net decrease in the number of those in poverty.

Since 1964, as GAO mentions, more than 11 million Americans have come out of poverty. While GAO recognizes an "important" contribution from the social programs, it nevertheless attributes the reduction in large part to a healthy and expanding economy. We agree that economic expansion has played a big part in this reduction. However, the rate of economic growth has not accelerated sufficiently to account for the fact that since the inception of OEO, Americans have come out of poverty at a rate 2½ times faster than ever before. It cannot account for the fact that nonwhite Americans are emerging in numbers a thousand percent greater than the average for the years prior to 1964. OEO believes that much of this progress is due to the specific programs it has instituted, the climate of concern it has generated, the additional resources it has called forth, the opportunities it has provided, the influence it has had on other agencies and the mobilization of private individuals and businesses that it has spearheaded.

The foregoing discussion has been, necessarily, a brief comment on a summary. Consequently, it makes no attempt to address itself to many specifics which will be contained in the overall GAO report. We anticipate that questions regarding specific conclusions and recommendations contained elsewhere in the report will be directed to OEO by Members of Congress and others. We will, of course attempt to respond to any such inquiries as fully and completely as possible.

Meanwhile, OEO will continue its own close study of the recommendations in the report, seeking to respond positively to all those which it finds valid and which are within its power to implement.

Until poverty is eliminated in this Nation—a goal which we believe has been proved obtainable—there can be no letup in dedication or in efforts to perform the task more efficiently and effectively. As long as there is an Office of Economic Opportunity, we will continue to improve our contribution toward that objective.

APPENDIX K

(Comptroller General's report to the Committee on Appropriations, U.S. Senate; Department of Labor; Department of Health, Education, and Welfare; Office of Economic Opportunity, B-146879)

FEDERAL MANPOWER TRAINING PROGRAMS—GAO CONCLUSIONS AND OBSERVATIONS

Why the review was made

This report, prepared by the General Accounting Office (GAO) in response to a request by Senator Allen J. Ellender, Chairman of the Senate Committee on Appropriations, contains background information on the principal manpower programs and a summary of GAO's findings, conclusions, recommendations, and overall observations resulting from its reviews of manpower programs over the past 3 years.

The Department of Labor obligated over \$6 billion dollars for manpower training programs from fiscal year 1963 through fiscal year 1971. About 6 million persons were enrolled for training during that period. The Department's planned funding for such programs in fiscal year 1972 is about \$2.6 billion.

FINDINGS AND CONCLUSIONS

A major GAO effort in the manpower training area was a review during 1968 and 1969 of antipoverty programs and activities authorized by the Economic Opportunity Act of 1964. More recently GAO issued reports on the operations of the Manpower Development and Training Act, on-the-job and institutional training programs, the Job Opportunities in the Business Sector program, the Special Impact program, and the work incentive program.

GAO did not review the same aspects of manpower training programs at all locations. The findings discussed below therefore may not have been common to all the manpower programs GAO reviewed or even common to one program at various locations, but they are indicative of areas needing improvement.

Program design.—Program design has a significant bearing on a program's potential for achieving statutory objectives. For example, GAO believes that the program design for the in-school and summer compounds of the Neighborhood Youth Corps involved too simplistic an approach to bring about any dramatic reduction in the dropout rates among high school students.

Also problems existed in the design of the Job Opportunities in the Business Sector program. It does not work well during periods of a declining economy when it is difficult to interest employers in manpower programs. The design of the work incentive program and the aid to families with dependent children program needs to be changed in certain respects if the overall objectives of providing encouragement and opportunities for employment is to be realized. (See p. 21.)

Eligibility and screening.—Substantial numbers of persons enrolled in various manpower programs did not meet the eligibility criteria established by the Department of Labor or could not be identified readily by GAO as having met such criteria because the sponsors did not have enough information about program participants. (See p. 25.)

Counseling.—Improved counseling services were needed to ensure that participants benefit from a program. Generally counseling was not conducted on a regularly scheduled basis, and records of counseling activities were not adequately maintained. (See p. 27.)

Occupational and academic training.—A need existed to improve the quality and content of occupational and academic training given in a number of programs. For example, work assignments given to youth in the Neighborhood Youth Corps in-school, out-of-school, and summer components were directed almost entirely to providing these youths with work experience and work habits, as distinguished from training them in particular job skills. Also some program sponsors were not providing needed basic education. (See p. 29.)

Job development and placement.—Enough appropriate jobs had not been developed for all Concentrated Employment Program enrollees. Also program sponsors of the Neighborhood Youth Corps out-of-school components generally did not provide the needed postenrollment services, such as exit interviews, placement in permanent employment, and referral to more advanced vocational training.

A significant number of the jobs provided by contractors under the Job Opportunities in the Business Sector program paid low wages and appeared to afford little or no opportunity for advancement. Often they were jobs that traditionally were filled with unskilled or low-skilled persons. (See p. 32.)

Monitoring.—Effective and continuous monitoring of manpower programs by Federal representatives is essential to detect and correct program weaknesses, strengthen program administration, and better ensure achievement of program objectives. Many of the administrative weaknesses observed in a number of programs could have been corrected earlier through more effective monitoring efforts by the Department of Labor. (See p. 34.)

Follow-up.—The Department of Labor or the program operators should develop information on the status of former trainees and if necessary provide them with follow-up services, such as additional training or placement. (See p. 36.)

Program planning.—The Special Impact program in Los Angeles, California, was implemented hurriedly without the detailed planning and attention required to enhance the chances of its success and to protect the interests of the Government. It had fallen far short of accomplishing its objectives.

Little use was made of a training facility primarily because of a reduction in funding. Also the facility was not made available for use by other organizations. (See p. 38.)

Supportive services.—Certain contractors in the Job Opportunities in the Business Sector program failed to provide trainees with supportive services, such as counseling, basic education, and health care, although such services were required by their contracts. Training allowances, which are intended as subsistence or incentive payments and which are determined in accordance with enabling legislation, varied considerably among four manpower programs in the Atlanta, Georgia, area. (See p. 41.)

Management information systems.—Deficiencies existed in the management information systems for the work incentive programs, the Job Opportunities in the Business Sector program, and the Concentrated Employment Program. (See p. 42.)

Fiscal and financial matters.—GAO's reviews identified defects in the adequacy and exercise of controls over procurement and property management, payrolls and allowances, values assigned to non-Federal contributions, and auditing. (See p. 44.)

RECOMMENDATIONS OR SUGGESTIONS

GAO reported these findings to the Congress and to agency officials and made recommendations to improve the manpower programs.

AGENCY ACTIONS AND UNRESOLVED ISSUES

The agencies, in commenting on GAO findings (see ch. 3), indicated that they had taken or would take actions on most of GAO's recommendations. GAO has not made follow-up reviews to determine whether the actions promised have been taken or whether the actions taken have been effective in correcting the problems.

OVERALL OBSERVATIONS

In addition to reaching the conclusions and making the recommendations discussed above, GAO gained certain overall impressions about several aspects of manpower training which, GAO believes, warrant consideration in formulating programs and evaluating their results.

Some manpower programs can be assessed only in subjective terms because they deal with intangible concepts, such as the social levels of disadvantaged persons, and are subject to conditions which are not readily measurable. Although the Department of Labor is working to improve its management information system, a problem still will remain in attempting to ascertain at what point—using measurable data—programs are effective. GAO believes that evaluations, despite their limits, are of value to program managers and should continue to be made. (See p. 47.)

There has been a proliferation of manpower training programs, many of them specifically authorized in legislation and having their own funding source and eligibility requirements. Although some competition is healthy and desirable, duplication or overlapping can be counterproductive. For example, in one large eastern city 18 different organizations were involved in job development and placement activities. (See p. 48.)

During periods of high or increasing unemployment, manpower training programs are not too successful in achieving their main objective—placing persons in jobs utilizing their new skills—because the abundance of unemployed training workers offsets the benefits to the employers in hiring disadvantaged program participants. (See p. 49.)

Manpower training programs face limited chances for success in rural areas where job opportunities are limited and where there is a general lack of economic growth. (See p. 51.)

APPENDIX L

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS. TIGHTER CONTROL NEEDED ON OCCUPANCY OF FEDERALLY SUBSIDIZED HOUSING, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT B-114860

Why the review was made

Since 1961 the Department of Housing and Urban Development (HUD) has had a mortgage insurance program authorized by section 221 of the National Housing Act to provide multifamily housing for low- and moderate-income families. Under the program, the Government finances mortgage loans on cooperative and other rental housing projects at interest rates of as low as 3 percent.

In 1968 HUD was authorized by section 236 of the act to administer a multifamily housing mortgage insurance program for lower income families, under which HUD can pay all interest on privately financed mortgage loans in excess of 1 percent.

At the time that the General Accounting Office (GAO) began its review in the latter part of 1968, no section 236 projects were in operation. Therefore GAO's review was focused on the earlier section 221 program in areas served by HUD's Boston, Dallas, Detroit, and Fort Worth insuring offices, which had about one fourth of the projects. A determination, however, of the adequacy of HUD's policies and procedures for rating the eligibility of families for occupancy of housing under the section 221 program will have applicability to the section 236 program. HUD has established similar policies and procedures for that program.

FINDINGS AND CONCLUSIONS

Procedures and practices of HUD and project owners were not adequate to ensure that the federally subsidized housing was provided to families that were intended to be served by the section 221 program. (See p. 11.)

The records at 25 projects opened for occupancy during the 12 months ending June 1968 showed that project owners (1) did not obtain current income and employment information from families occupying about 20 percent of the 2,947 units and (2) did not verify, prior to occupancy, income and employment information reported by families occupying about 26 percent of the units.

Without current income information, as required by HUD procedures, the project owners had no assurance that those families had incomes within the limits prescribed by HUD for occupancy of the federally subsidized housing. (See p. 15.)

Some HUD insuring offices had not reviewed the practices of projects in enough depth to ascertain whether HUD's procedures for determining the eligibility of families for occupancy of housing units were being followed. HUD could not be sure that the projects were being operated in accordance with objectives of the program. (See p. 16.)

GAO's test of the incomes reported to the 25 projects by families occupying about one tenth of the housing units showed that 33 percent of the families may have had incomes that exceeded the prescribed limits. Income information provided by many of these families:

- may not have included the incomes of all adult members and

- may not have been current, in the case of applicants for cooperative housing, because income information often was furnished considerably in advance of occupancy—sometimes nearly a year to comply with a HUD requirement that 90 percent of the cooperative membership be approved prior to construction of the project. (See p. 18.)

GAO also checked on whether some projects in operation several years were following HUD's procedures for determining whether tenants continued to be eligible for subsidized rents. GAO found that the projects had not verified, as required, updated income information received from families occupying about one

third of the units that GAO selected for review. Without such verification, the projects had no assurance that the families continued to be eligible for subsidized rents. (See p. 15.) GAO tested the updated income reported by randomly selected families in three of the above projects. The test indicated that about half of the families may have had incomes which exceeded the incomes that they had reported. (See p. 20.)

The practices of 38 projects regarding the assignments of families to appropriate-sized units also were reviewed. About 20 percent of the units checked were assigned to families of less than the minimum number of persons appropriate under HUD criteria. (See p. 15.)

Of 2,500 families occupying units in 25 projects opened during the 12 months ended June 1968, more than 60 percent contributed less than 25 percent of their income for rent. One fifth of the families contributed less than 20 percent. (See p. 27.)

The Congress has determined a minimum contribution of 25 percent as appropriate for generally lower income families under other HUD programs, including the new section 236 program. (See p. 27.)

RECOMMENDATIONS OR SUGGESTIONS

HUD should: Strengthen its procedures to promote accurate reporting of income by families occupying federally subsidized projects. GAO suggests that each family adult should be required individually to certify the accuracy of income information. Also, families approved for membership in federally subsidized cooperative housing projects more than 60 days before occupancy should be required to provide updated income information prior to occupancy; and, if their incomes have increased above the applicable income limits, they should pay the prescribed rent surcharge. (See p. 24.)

Provide for more effective surveillance by its field offices of the adherence of federally subsidized housing projects to HUD instructions for obtaining and verifying income information and for assigning families to appropriate-sized units. (See p. 24.)

Establish an appropriate percentage-of-income contribution as the minimum rent to be required for units in section 221 projects, the maximum rent being the equivalent market, or unsubsidized, rent for the housing. (See p. 31.)

With respect to GAO's recommendation that HUD establish an appropriate percentage-of-income contribution as the minimum rent to be required for section 221 projects, the Secretary of Housing and Urban Development has said that, although there have been ample opportunities since the enactment of the program in 1961, the Congress has chosen not to amend the legislation to establish such a percentage. (See p. 31.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Secretary of Housing and Urban Development stated that HUD was devoting much time and attention to the consideration of various income verification and compliance procedures. He said that GAO's findings and recommendations would be studied carefully. (See p. 24.)

The Secretary said that HUD already required full reporting of all family members' incomes and that requiring approved members of cooperatives to update their income information prior to occupancy would diminish their willingness to become members. GAO noted that, under the program reviewed, all adult family members were not required by HUD's procedures to certify to the accuracy of information reported on their incomes. GAO believes that its suggestion that cooperative members' income information be updated prior to occupancy is consistent with the objectives of federally subsidized housing programs. (See pp. 24 and 25.)

The Secretary said also that project managements would be issued strong reminders of their responsibilities in regard to occupancy requirements.

MATTERS FOR CONSIDERATION BY THE CONGRESS

The Congress may wish to consider whether HUD should establish an appropriate percentage-of-income contribution as the minimum rent to be required of families occupying housing units in section 221 projects, the maximum rent being the equivalent market, or unsubsidized, rent for the housing.

APPENDIX M

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

1. Need to Improve Procedures for Reporting Individuals as Rehabilitated Under the Vocational Rehabilitation Program (B-164031(3), November 26, 1968).
2. Need for Timely Action in Resolving Problems Affecting the Eligibility of Hospitals Under the Medicare Program (B-164031(4), December 27, 1968).
3. Additional Information Relating to GAO Report Concerning Eligibility of Hospitals Under Medicare Program (request of Chairman, Senate Special Committee on Aging) (B-164031(4), March 25, 1969).
4. Review of Medicare Payments for Services of Supervisory and Teaching Physicians at Cook County Hospital, Chicago, Illinois (B-164031(4) September 3, 1969) (request of Chairman, Senate Committee on Finance).
5. Monitoring of Special Review of Aid to Families with Dependent Children in New York City conducted by the Department of Health, Education, and Welfare, and the New York State Department of Social Services (request of Chairman, House Committee on Ways and Means) (B-164031(3) October 17, 1969).
6. Questionable Claims Under the Medicaid Program for the Care of Persons in State Institutions for the Mentally Retarded in California (B-164031(3), May 11, 1970).
7. Problems in Approving and Paying for Nursing Home Care Under the Medicaid Program in California (B-164031(3), July 23, 1970).
8. Observations of the Test of the Simplified Method for Determining Eligibility of Persons for Adult Public Assistance Programs (request of Chairman, Senate Committee on Finance) (B-164031(3), August 5, 1970).
9. Continuing Problems in Providing Nursing Home Care and Prescribed Drugs Under the Medicaid Program in California (B-164031(3), August 26, 1970).
10. Improvement Needed in the Administration of the Iowa and Kansas Medicaid Programs by the Fiscal Agents (B-164031(3), October 20, 1970).
11. Controls Over Medicaid Drug Program in Ohio Need Improvement (B-164031(3), November 23, 1970).
12. Improvements Needed in Processing Medicare Claims for Physicians' Services in Texas (B-164031(4), December 31, 1970).
13. Opportunity to Reduce Medicare Costs by Consolidating Claims Processing Activities, Department of Health, Education, and Welfare and Railroad Retirement Board (B-164031(4), January 21, 1971).
14. Ways to Reduce Payments for Physician and X-Ray Services to Nursing Home Patients Under Medicare and Medicaid (B-164031(3), February 2, 1971).
15. Control Needed Over Excessive Use of Physician Services Provided Under the Medicaid Program in Kentucky (B-164031(3), February 3, 1971).
16. Problems in Providing Proper Care to Medicaid and Medicare Patients in Skilled Nursing Homes (B-164031(3), May 2, 1971).
17. Lengthy Delays in Settling the Costs of Health Services Furnished Under Medicare (B-164031(4), June 23, 1971).
18. Comparison of the Simplified and Traditional Methods of Determining Eligibility for Aid to Families with Dependent Children (request of Chairman, Senate Committee on Finance (B-164031(3), July 14, 1970).
19. Ineffective Controls over Program Requirements Relating to Medically Needy Persons Covered by Medicaid (B-164031(3), July 28, 1971).
20. Improved Controls Needed Over Extent of Care Provided by Hospitals and Other Facilities to Medicare Patients (B-164031(4), July 30, 1971).
21. Drug Purchases for Medicaid Patients in Nursing Homes in Illinois (request of Chairman, Senate Subcommittee on Long-Term Care, Special Committee on Aging) (B-164031(3), September 10, 1971).
22. Limited Impact of Federal Programs for Treating and Rehabilitating Narcotic Addicts (B-164031(2), September 20, 1971).
23. Analysis of Federal Expenditures to Aid Cuban Refugees (request of Chairman, Senate Subcommittee to Investigate Problems Connected with Refugees and Escapees Committee on the Judiciary) (B-164031(3), November 3, 1971).
24. Problems in Paying for Services of Supervisory and Teaching Physicians in Hospitals Under Medicare (B-164031(4), November 17, 1971).
25. Drugs Provided to Elderly Persons in Nursing Homes Under the Medicaid Program (request of Chairman, Senate Subcommittee on Long-Term Care Special Committee on Aging) (B-164031(3), January 5, 1972).

26. Continuing Problems in Paying State Claims for Administrative Expenses of Public Assistance Programs (B-164031(3) February 7, 1972).

27. Problems in Attaining Integrity of Welfare Programs (B-164031(3), March 16, 1972).

OFFICE OF EDUCATION

1. Need for Strengthening Controls for Determining Compliance with Statutory Restrictions on Use of Academic Facilities Constructed with Federal Financial Assistance (B-164031(1), December 23, 1968).

2. Practices Followed in Adjusting Federal Grants Awarded for Construction of Academic Facilities (B-164031(1), March 4, 1969).

3. Opportunities for Improving Administration of Federal Program of Aid to Educationally Deprived Children in West Virginia (B-164031(1), March 5, 1970).

4. Opportunity to Reduce Federal Interest Costs by Changing Loan Disbursement Procedures Under the GSL Program (B-164031(1), April 20, 1970).

5. Improvement Needed in Administration of the Federal Program of Aid to Educationally Deprived Children in Ohio (B-164031(1), December 28, 1970).

6. Need to Improve Policies and Procedures for Approving Grants Under the Emergency School Assistance Program (request of Senate Select Committee on Equal Educational Opportunity) (B-164031(1), March 5, 1971).

7. Improved Administration Needed in New Jersey for the Federal Program of Aid to Educationally Deprived Children (B-164031(1), April 7, 1971).

8. Weaknesses in School District's Implementation of the Emergency School Assistance Program (request of Senate Select Committee of Equal Educational Opportunity) (B-164031(1), September 29, 1971).

9. Assessment of the Impact of the Teacher Corps at: (B-164031(1).

1. The University of Miami and Participating Schools in South Florida, April 16, 1971.

2. The Northern Arizona University and Participating Schools on the Navaho and Hopi Reservations, May 13, 1971.

3. Western Carolina University and Participating Schools in North Carolina, May 20, 1971.

4. The University of Southern California and Participating Schools in Los Angeles and Riverside Counties, July 9, 1971.

5. The University of Southern California and Participating Schools in Tulare County serving rural-migrant children, August 25, 1971.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

1. Review of Financing of Community Facilities (B-118718, January 17, 1969).

2. Improvements Needed in the Management of the Urban Renewal Rehabilitation Program (B-118754, April 25, 1969).

3. Administration of the Leased Housing Program (B-118718, February 4, 1970).

4. Need to Strengthen Concrete Inspections and Testing Requirements in the Construction of Low-Rent Public Housing Projects (B-118718, March 24, 1970).

5. Opportunity for Accelerating Construction and Reducing Cost of Low-Rent Housing (B-114863, August 4, 1970).

6. Certain Aspects of the Housing Program Administered by the Department of Housing and Urban Development (request of Honorable John Sparkman, Chairman, Subcommittee on Housing and Urban Affairs, Committee on Banking and Currency, United States Senate) (B-114860, August 7, 1970).

7. Information Regarding the Rent Supplement Program Insurance Funds and Federally Assisted Housing Programs (request of Chairman, Subcommittee on Housing and Urban Affairs, Senate Committee on Banking and Currency) (B-114860), August 7, 1970).

8. Opportunity to Improve Allocation of Program Funds to Better Meet the National Housing Goal (B-118754, October 2, 1970).

9. Tighter Control Needed on Occupancy of Federally Subsidized Housing (B-114860, January 20, 1971).

10. Problems in the Program for Rehabilitating Housing Homes for Low-Income Families in Philadelphia (B-118718, March 19, 1971).

11. Benefits Could Be Realized Through Reuse of Designs for Public Housing Projects (B-114863, December 2, 1971).

DEPARTMENT OF LABOR

1. Need for More Realistic Wage Determination for Certain Federally Financed Housing in the Washington Metropolitan Area. (B-164427, September 13, 1968).

2. Report to the Congress on Improvements Needed in Contracting for on-the-job Training Under the Manpower Development and Training Act of 1962. (B-146879, November 26, 1968).

3. Report to the Congress on Need for Improvements in Certain Neighborhood Youth Corps Program Operations in Detroit, Michigan. (B-162001, December 26, 1968).

4. Report to the Congress on Review of Certain Aspects of the Administration of the Neighborhood Youth Corps Program in Los Angeles County, California. (B-165214, January 7 1969).

5. Report to the Chairman, Senate Committee on Appropriations on the Audit of Department of Labor Contracts With Youth Pride, Inc., Washington, D.C. (B-164537, January 16, 1969).

6. Report to the Department of Labor on Review of Certain Neighborhood Youth Corps Program Operations in Philadelphia and Pittsburgh, Pennsylvania. (B-165866 April 8, 1969).

7. Effectiveness and Administrative Efficiency of the Neighborhood Youth Corps Program Under Title IB of the Economic Opportunity Act of 1964. (B-130515) :

1. Grand Rapids, June 17, 1969

2. Carroll, Chariton, Lafayette, Ray, and Saline Counties in Missouri, July 11, 1969

3. Gila River Indian Reservation and Pinal County, Arizona, September 4, 1969

4. Gary, Indiana, September 5, 1969

5. Kansas City, Missouri, September 5, 1969

6. Maricopa County with emphasis on the City of Phoenix, Arizona, September 11, 1969

7. Los Angeles County California, September 17, 1969

8. Detroit, Michigan, September 30, 1969

9. Selected Rural Areas of Minnesota, October 14, 1969

10. Chicago, Illinois, October 24, 1969

8. Effectiveness and Administrative Efficiency of the Concentrated Employment Program Under the Title IB of the Economic Opportunity Act of 1964. (B-130515)

1. Los Angeles California, October 24, 1969

2. Detroit, Michigan, October 27, 1969

3. Chicago, Illinois, November 6, 1969

4. St. Louis and St. Louis County, Missouri, November 10, 1969

5. St. Louis, Missouri, November 20 1969

9. Report to the Departments of Labor and Health, Education and Welfare on Review of Institutional Training Programs in California, Illinois, and Texas Under the Manpower Development and Training Act. (B-146879, November 17, 1969).

10. Report to the Department of Labor on Survey of the Effectiveness and Efficiency of Manpower Training Contracts With the Chicago, Illinois Urban League (January 1, 1970.).

11. Report to the Department of Labor on Improvements needed in Procedures and Their Application in Certain Employment Security Program Activities. (B-133182, June 1, 1970.)

12. Construction Costs for Certain Federally Financed Housing Projects Increased Due to Inappropriate Minimum Wage Rate Determinations. (B-146842, August 12, 1970.)

13. Report to the Congress on the Special Impace Program in Los Angeles is not Meeting Goal of Providing Jobs for the Disadvantaged. (B-168560, October 7, 1970.)

14. Report to the Department of Labor on Survey of on-the-job Training Activities Carried Out Under Selected Manpower Development and Training Act Contracts in Milwaukee, Wisconsin (October 8, 1970.).

15. Report to the Congress on Need to Enhance the Effectiveness of on-the-job Training in Appalachian Tennessee. (B-146879, November 13, 1970).

16. Report to the Congress on Opportunities for Improving Training Results and Efficiency at the East Bay Skills Center, Oakland, California Under the Manpower Development and Training Act. (B-146879, February 10, 1971.)

17. Report to the Congress on Evaluation of Results and Administration of the Job Opportunities in the Business Sector (JOBS) Program in Five Cities. (B-163922, March 24, 1971.)

18. Problems in Accomplishing Objectives of the Work Incentive Program. (B-164031-(3), September 24, 1971.)

19. Opportunities for Improving Federally Assisted Manpower Programs Identified as a Result of Review in the Atlanta, Georgia Area. (B-146879, January 7, 1972.)

OFFICE OF ECONOMIC OPPORTUNITY

1. Federal Programs for the Benefit of Disadvantaged Preschool Children, Los Angeles County, California (B-157356, February 14, 1969).

2. Review of Economic Opportunity Programs (B-130515, March 18, 1969).

3. Selected Aspects of Payments and Charges to Job Corps Members (B-130515, June 30, 1969).

4. Opportunities for Improving the Neighborhood Health Services Program for the Poor Administered by St. Luke's Hospital Center, New York City (B-130515, June 15, 1971).

5. Activities Managed by Community Action Migrant Program, Inc., Fort Lauderdale, Florida (B-130515, June 16, 1971).

6. Progress Being Made and Difficulties Being Encountered by Credit Unions Serving Low-Income Persons (B-164031(4) June 17, 1971).

7. Opportunities for Improving the Southern Monterey County Rural Health Project, King City, California (B-130515, July 6, 1971).

8. Improvements Needed in Management of Projects to Develop Business Opportunities for the Poor (B-130515, July 20, 1971).

9. Development of Minority Businesses and Employment in the Hough Area of Cleveland, Ohio, Under the Special Impact Program (B-130515, August 17, 1971).

10. Improvements Needed in Administration of Contracts for Evaluations and Studies of Anti-Poverty Programs (B-130515, December 28, 1971).

Chairman GRIFFITHS. Mr. Staats, I think you have done a marvelous job.

What was the highest amount that any one family received in Norfolk, in the pilot study?

Mr. STAATS. Mr. Heller.

Mr. HELLER. Some of these amounts, Madam Chairman, cannot be quantified. It is very difficult for us to place a total dollar figure on them. I honestly don't believe we have compiled these figures yet.

Chairman GRIFFITHS. What problems did your staff encounter in trying to collect information from local agency records?

Mr. HELLER. The principal problem was that there was no common indicator to find one particular family. There was no common use of social security numbers, for example. So after selecting our sample, all we would have is the location of a family.

Chairman GRIFFITHS. For example, Henry Smith at 12 Joy Street?

Mr. HELLER. That is all we would have at that time. We would start at the welfare office and for some of the families we could pick up additional information such as the place of employment, the social security number, and names of the children in the family. Then we would move from one office to another office. There were a considerable number of places that we had to visit to try to find this information, and a considerable amount of time was consumed in trying to locate the person within the agency. Fortunately, the agencies have been very cooperative in doing a lot of detailed legwork for us by searching the files themselves. One of the problems is that there is no common indicator to find them.

Chairman GRIFFITHS. If every child were given a social security number at birth and the social security numbers of the parents were put on the birth record, and if the child's social security number

were used thereafter as identification, would you assume that would be of great help to you?

Mr. HELLER. It certainly would help.

Chairman GRIFFITHS. I have been trying to get the Ways and Means Committee to do this for a long time. I notice that the Senate Finance Committee is proposing to give each child a social security number at age 6. But, of course, you have plenty of time not only to collect quite a bit of money before you are 6, but to obtain five or six social security numbers.

Mr. HELLER. I am sure that would be of much help to persons such as the GAO when we undertake such reviews. I believe there are some ramifications that others may be concerned about, but, yes, it certainly would be helpful.

Chairman GRIFFITHS. How good are the program records of these local agencies?

Mr. HELLER. In some cases they are quite good, depending upon individual offices. For example, at the welfare office if you go to a particular caseworker she may have a very good file on a recipient. If you trace this recipient to the public housing office, those records may be very poor.

There is no standard for recordkeeping. Some of the information is outdated and not of much use to us.

Chairman GRIFFITHS. In the housing department, do they just have records on public housing, or do they have records on the 235 or 221 housing programs?

Mr. AHART. Madam Chairman, I think the records the local housing authority have would be restricted to public housing. They would have some information which would be available from the sponsor of the 235 housing or 236 housing, as the case may be. But I think any detailed information on the income levels and other eligibility elements for the people in the 235- and 236-type housing would be available from a place other than the housing agency itself.

Chairman GRIFFITHS. It is my understanding that although we are passing out a very substantial subsidy under the 235 or 221 program, there is not a single place in the Federal Government where you have a real check on whether or not the facts relating to eligibility are right and on who is getting the subsidy. Would you say this is correct?

Mr. AHART. I think you would be correct; there would be no central source from which you can obtain this kind of information.

Chairman GRIFFITHS. And no Government source?

Mr. AHART. And not necessarily a Government source.

Chairman GRIFFITHS. You would have to go to a real estate agent or to the financing organization?

Mr. AHART. Yes; to obtain that information.

Chairman GRIFFITHS. So here is a very substantial subsidy passed out with no Government record by name at all.

Do you know whether each local agency—such as the public assistance, food, and public housing agencies—tries to check its records with those of other agencies, or do they operate in a vacuum?

Mr. AHART. The extent of cross-checking, I think, would vary depending on which programs we are talking about, Madam Chairman.

On an overall basis, as Mr. Heller has indicated, in the work we are doing in Norfolk, there isn't that kind of detailed cross-checking or facilities for cross-checking the information from one agency to another.

Chairman GRIFFITHS. For instance, how does a child get a free lunch at school? Do the parents go in and say, "We are on welfare," or does the welfare department supply the names of the children to the school that serves the free lunches? Just exactly how do they do it?

Mr. AHART. Again, I think the specific procedures employed would vary to some degree between school districts. The work we have done in the school lunch program indicates that it is largely a case of the parents coming in to see whether the child can benefit and also the visual observations over time by the teachers, to see whether or not there is an indication that a child would be eligible for a free or reduced-price lunch. In some cases, I am sure they do have a tie-in with the local welfare department in obtaining the listing of people on AFDC, for example.

Chairman GRIFFITHS. How would the parent identify himself or herself as being on welfare? If it were necessary for the parent to go into the school and say, "I am drawing welfare and could the child have a free lunch," how would you identify yourself as being on welfare? You are not given a card, are you, to identify yourself as being on welfare?

Mr. AHART. I think in some instances you may have such a card, particularly such as the medicaid card.

Chairman GRIFFITHS. And would there not be people eligible for medicaid who are not eligible for welfare?

Mr. AHART. That would be correct.

Chairman GRIFFITHS. So a medicaid card doesn't necessarily mean that you do not have an income.

Mr. AHART. That is correct.

Chairman GRIFFITHS. Therefore, there could be people with incomes less than the persons who have medicaid cards and have identified themselves to the school. These persons would have to pay for their children's lunch because they have no means of identifying themselves as needy. Is that right?

Mr. AHART. It would be a strong possibility.

Chairman GRIFFITHS. Did you find in Norfolk that many people who were eligible for medicaid never applied for it?

Mr. HELLER. I can't answer that. I would have to check that, Madam Chairman. I don't recall we have looked into that.

Mr. Fogel, have we anything on that?

Mr. FOGEL. No, we don't. The only thing we do have is that 29 of the 100 families were receiving some type of medicaid benefits. We could not ascertain whether or not the others were eligible.

Chairman GRIFFITHS. So it is possible they were not even eligible.

Mr. FOGEL. We just don't know at this point in time.

Mr. HELLER. There were a few families who were eligible for medicaid, but during the 1-year period that we checked, they had not received any benefits, or had not gone to the doctor.

Mr. FOGEL. In fact, there were only three families who were eligible for medicaid benefits but were not receiving them in 1971.

Chairman GRIFFITHS. I did a most unscientific check with a hospital recently on why people do not use medicaid. Hospital personnel have found that even those people who are eligible and who come to the doctor and are given a prescription do not then get the prescription filled in an amazing number of cases. They never follow the doctor's directions.

If you are paying \$7 billion now for medicaid and every one who is eligible has not yet applied and those that are eligible and have applied are not using it fully after they have been told to use it, the possibility of an increase in medicaid must be astronomical.

Each agency and each program administrator must now verify all facts about family circumstances on their own. Each must determine a family's size and structure, income, assets, employability of its members, and so forth.

Do you think this means that the total administrative costs are higher than they would be if we consolidated the programs?

Mr. AHART. I think, Madam Chairman, to the extent that they could rely upon information checks which were done for some other program and had a system of exchanging information, it could certainly cut down the amount of administrative cost which goes into making the basic eligibility determination.

The public assistance provisions of H.R. 1 provide for access to the information that is already available through social security and other centralized programs. This should be of great help in identifying income sources and working with that aspect of eligibility determinations and should be helpful in cutting down the administrative costs associated with that.

Chairman GRIFFITHS. But won't the problem remain that if each agency has a different cutoff amount or requires a different amount of money to be eligible for its program, then you still would be in great trouble from agency to agency? They do not all have the same reasons for giving the aid.

Mr. AHART. That is certainly true.

Chairman GRIFFITHS. Therefore, you need one fundamental way of giving the aid. If you have so much money, then you get so much aid.

Mr. STAATS. At least there ought to be some rationale if there are to be differences among the different programs as to the income eligibility level. We don't really have an overall Government rationale today.

Just to add to your earlier point, if we get the social security numbers attached to each of the recipients, there should be a tremendous savings in the information collection process and in the recordkeeping process.

Chairman GRIFFITHS. And when you look at the fact that when a child is born, if a doting grandparent wants to give it \$100, that child has to have a social security number; or if you give it stock, that child has to have a social security number. The only cases in which children do not have to have social security numbers are when it is the Federal Government passing out money. That is the difference.

There can be no excuse for this situation. In my opinion, it is simply a blind spot. If you are going to protect people, then all of them ought to be protected, or none of them should be protected. If you are going to pay \$85 billion out of Federal Government, the least you can do is know who you are paying it to.

I had a letter in my office this morning that gave me about a dozen cases of situations in which a woman thought that people were drawing welfare who shouldn't, and at least six or eight of them were cases where there was a father with a good job and the mother on her own decided she wanted to be rid of him or she wanted the welfare benefits.

If the child's birth certificate had on it the father's social security number, you could not commit that kind of fraud at all, because all you would have to do is look at the social security number and say, "Madam, daddy seems to be making quite a bit of money. Why don't you let him support the child?"

MR. CROWTHER. We have found instances where more than one social security number has been issued. I recall a couple of cases where there was no evidence whatsoever of income in the household until we were able to find that there was more than one social security number, and intermittent wages that had been received by a construction worker had not been recorded under the social security number that was on the welfare records. It made it difficult to trace. So there are problems with the social security number, obviously.

Chairman GRIFFITHS. Of course. I have heard of one case where a person had 27 social security numbers. They have identified 27 different numbers. And, of course, this is one of the ways in which you could qualify under the 235 housing program too. You might only show the receipts for your part-time job. You show it only to a real estate man who shows it to a finance company and you are in. You do not disclose the fact that you also have a \$15,000 a year job and that your wife is working part time. So your total income may be \$25,000, but you are buying a house with a \$200 down payment and heavily subsidized interest. So a social security number for everybody, an absolutely identifiable number, would be of tremendous assistance if you are going to give away \$85 billion. You ought to know to whom you are giving it.

MR. CROWTHER. That is correct.

MR. HELLER. In this connection, Madam Chairman, last week we issued a report to the chairman of the Ways and Means Committee dealing with child support payments. That report will be released to the public today.

This report points out that a number of the States do not have an effective program for the following up to find the father, to find out if he is financially able to support the child, and then to make arrangements to collect money on behalf of the children.

One of the States which we reviewed was the State of Washington. We felt they had a rather aggressive program for collecting child support payments and were quite successful in doing so. They were using social security numbers wherever possible through the Social Security Administration to locate the parent. They then discussed with him his financial obligations and whether he could contribute and then acted as a bill collection agency on behalf of the mother to get child support payments.

The other States, because of various problems, did not have such an effective system, and very few of them were finding the father. The social security numbers are on file and the States could get the location of the absent parent.

Chairman GRIFFITHS. It would be so simple.

Mr. STAATS. Madam Chairman, if you wish, we could put the summary of this report into the record at this point.

Chairman GRIFFITHS. Please do so. We would appreciate that very much.

(The summary referred to follows:)

COMPTROLLER GENERAL'S REPORT TO THE COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES

COLLECTION OF CHILD SUPPORT UNDER THE PROGRAM OF AID TO FAMILIES WITH DEPENDENT CHILDREN, SOCIAL AND REHABILITATION SERVICE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, B-164031 (3)

Why the review was made

The Chairman, House Committee on Ways and Means, asked the General Accounting Office (GAO) to review the problem of absent parents who do not contribute to the support of their dependent children who are receiving assistance under the aid to families with dependent children (AFDC) program. GAO's review was made in Arkansas, Iowa, Pennsylvania, and Washington.

The number of families in which the fathers are absent from the homes has risen rapidly. During the 1960's the number of families which were receiving public assistance and in which the fathers were absent from the homes increased from two-thirds to three-fourths of the total case load.

About 1.9 million of the 2.7 million families receiving assistance under the AFDC program during fiscal year 1971 were without fathers in the homes.

An absent father who is financially able but who does not contribute to the support of his family which is receiving public assistance causes taxpayers (through Federal and State Governments) to carry a financial burden which should be borne by the parent.

Background

The AFDC program is administered by the States, and general guidance is provided by the Department of Health, Education, and Welfare (HEW).

In line with the requirements of the Social Security Act, HEW regulations require States to have a program for establishing paternity for children born out of wedlock and for securing financial support for these and all other children being aided under the AFDC program who have one or both of their parents (or other legally liable persons) absent from the homes.

Each State is required to establish a separate unit for carrying out these support enforcement activities.

HEW has not been given an opportunity to formally examine and comment on this report. The matters in the report, however, were discussed with local and State welfare officials and with HEW officials in Washington.

FINDINGS AND CONCLUSIONS

Opportunities exist to increase substantially the amount of child support collected from absent parents. To increase this amount, HEW should place more emphasis on the child support enforcement program.

An increase in collections could mean either (1) a reduction of State and Federal welfare costs or (2) an increase in the money available to welfare families. The benefits to be derived depend on a particular State's method of computing cash assistance payments.

HEW, however, has not emphasized the collection of child support because there is a shortage of regional staff and because this activity represents a small part of the total effort needed to administer the AFDC program. HEW has not required States to report regularly on their accomplishments in securing child support. Consequently HEW has not been in a position to provide guidance to the States to assist them in overcoming problems in their support enforcement programs.

Support enforcement activities in Arkansas, Iowa, and Pennsylvania (chapter 3)

Arkansas, Iowa, and Pennsylvania complied with the provisions of the Social Security Act that require that State plans for administering the welfare programs be submitted to and approved by HEW. In each of these States, however, the responsibility for establishing paternity, locating absent parents, and securing support was fragmented.

Thus coordination of efforts on a State-wide basis that could be attained through the operation of separate organizational units was not achieved. These States did not routinely collect and analyze pertinent data regarding their programs for collection of child support. Consequently they did not have a sound basis for evaluating the effectiveness of their programs.

In Iowa, however, recent steps have been taken that should result in substantially upgrading the child support enforcement program. The State has established a target date of March 1972 to begin operation of a separate organizational unit to administer the child support program.

Support enforcement activities in the State of Washington (chapter 2)

Of the four States in GAO's review, Washington's support enforcement program was achieving the greatest results.

The success of Washington's program resulted chiefly from the following features.

A separate unit was operated, on a State-wide basis, much like a bill-collection agency.

Emphasis was placed on encouraging absent parents to contribute child support voluntarily. Legal action was used only as a last resort.

Caseworkers did not become involved in, and had no responsibility for, collection activities.

State laws and regulations which emphasize the responsibility of absent parents for the financial support of their children.

In Washington the collection of child support results in reductions of State and Federal welfare costs. Collections are shared in the same ratio as AFDC expenditures (50 to 50).

During fiscal year 1970 Washington collected child support of about \$3.6 million from absent parents. About \$2.8 million was collected on behalf of children receiving AFDC assistance, and about \$800,000 was collected on behalf of children who were former AFDC recipients.

Operating expenses of the support enforcement program totaled \$688,000 for the same period. In addition to collecting the \$800,000 on behalf of former AFDC children, the State made a net recovery of nearly \$1.1 million. Also nearly \$1.1 million was collected for the Federal Government.

Summary of review of sample cases in each State

GAO reviewed sample cases involving child support in each of the four States. A summary of the review results is presented on page 34.

Of the sample cases in Washington and Pennsylvania, paternity was established for all but 6 percent and 8 percent, respectively. Paternity was not established, however, in 48 percent of the cases in Arkansas and in 28 percent of the cases in Iowa.

Also, in Washington, 43 percent of the absent parents in the sample were making support payments, compared with 18 percent in Arkansas, 19 percent in Iowa, and 13 percent in Pennsylvania. In Washington 81 percent of the absent parents were located, compared with 39 percent in Arkansas, 66 percent in Iowa, and 64 percent in Pennsylvania.

The characteristics of the results of the reviews of the sample cases—which were selected from counties or collection offices having the highest case loads—might not be the same as the characteristics of the total case load in each State.

GAO believes that, to take advantage of existing opportunities to substantially increase the amount of child support collected from absent parents, HEW should place greater emphasis on support enforcement activities under the AFDC program.

RECOMMENDATIONS OR SUGGESTIONS

HEW initially should review each State's child support enforcement program to determine how effective the program has been in identifying and locating absent parents and in securing child support, to identify problems encountered by the State in its support enforcement program, and to find ways to assist the State in solving its problems.

To fulfill its continuing responsibility for the oversight of the States' support enforcement activities and to assist the States in increasing the effectiveness of their programs, HEW should adopt procedures for monitoring the States' support enforcement programs; require States to periodically report to HEW statistical information, such as the number of cases involving absent parents and the amount of support collected, and accomplishments and problems encountered; disseminate to all States information on particular accomplishments

or organizational or operational features of either States or HEW regional offices that might assist other States in improving their programs; and encourage States to consider the features of the State of Washington's program that have contributed to its success and, when practicable, to adopt those features that would strengthen their support enforcement programs.

HEW headquarters officials generally agreed with the matters discussed in this report and had no significant disagreements with GAO's recommendations.

Chairman GRIFFITHS. On the basis of all the audits and management studies your agency has performed, are there conclusions you can draw with respect to the factors that lead to fair, efficient, and economical administration of the programs?

Mr. STAATS. You are not talking just about the eligibility question now, are you?

Chairman GRIFFITHS. No.

Mr. STAATS. I think overall, and I would like for my colleagues to comment also, two central points run through the various reports. One has been the lack of adequate personnel or people who should have been concerned with providing support services, advice, counseling, and so forth. They were pretty much chained to their desk on eligibility determinations.

The other central point, at least in my opinion, has been the complicated nature of the regulations themselves leading to eligibility determinations, which partially accounted for ineligibility rates. Also many of these workers are paid low salaries and just are not able to master the complicated regulations that they are supposed to interpret in making their eligibility determinations.

I would like for my colleagues to respond also to your question.

Mr. AHART. I think, Madam Chairman, one of the things which you referenced in the opening statement and which Mr. Staats commented on in his statement, is the great multiplicity that we have today of programs which serve the various needs of the individuals in the low-income sector of the economy.

Improved administration could result from the better categorization and broader categories of programs where you deal with more or wider ranges of individual needs within a wider program context.

This would certainly help simplify the administration and perhaps reduce the number of people that you would need to effectively administer it because you would be able to serve more than one need and not have all of the work that goes into making the various eligibility determinations.

On the other hand, and I think this is something that should come out of the work we are starting with the Norfolk pilot study, it would certainly ease the burden on the program recipient to identify for himself which benefits he would be entitled to under the Federal legislation and not require him to run around to 20 different places in a town the size of Norfolk to find out, first of all, that there is a program, find out what the eligibility requirements are, and fill out all the paperwork that might be necessary to receive those benefits that he should be receiving if he is eligible.

So I think this cutting down of the multiplicity of programs and having better coordinated administration would be one of the greatest helps in this area.

Chairman GRIFFITHS. Of course, one of the big problems in all of this and in making any correction is that a large part of these pro-

grams has actually helped the poor. But some programs do not have that as their primary objective, really. The commodity program is to get rid of food surpluses. It is incidental that anybody gets fed. That is evidenced by the fact that while we cashed out food stamps in H.R. 1, we could not get the Agricultural Committee to get rid of the commodities program.

This is really part of the problem we are facing. Obviously, if you are going to have programs that help the poor, the poor ought to be informed as to what they are entitled to.

Then there are queer little things that exist in each of these programs. A woman explaining a problem on medicaid to me in Detroit over the weekend explained that she had taken her child to the doctor under the medicaid program to have stitches removed that had been put in by a hospital emergency room. The woman told her that the cost would be \$5. She said, "Why doesn't the medicaid program cover this?"

"It doesn't cover it. Go back to the hospital emergency room." But at the emergency room she was told: "Taking stitches out is not an emergency. You can get them put in, but you can't get them taken out." I might say I think that is quite complicated to follow.

After you suggested in your report that corrective measures be taken in public assistance quality control, were corrective measures taken in any of these welfare programs? Did HEW do it?

Mr. STAATS. As I mentioned, the 1970 revisions in the quality control system grew out in part from the work that we did with HEW in monitoring the eligibility study in New York City. But I think your question is addressed more broadly. Perhaps Mr. Ahart or Mr. Heller or the other gentlemen can respond to it.

Mr. AHART. I think in general, Madam Chairman, HEW has recognized the need for improvements in the areas we have outlined in our studies.

As a general observation, I would say that in the last several years, and for quite a number of years, HEW has been faced with perhaps three different kinds of problems which have hindered the effectiveness of the action they have taken.

The first relates to the public assistance programs and particularly, the medicaid program. The diffused administration of the programs and the various State programs that the Comptroller General talked about in his statement have meant that we really have to influence in an indirect way the administration of some 54 different programs for each of these categories of assistance and the medicaid program. That is a mammoth job.

Second, HEW has been hampered to some degree by the several changes made in legislation over time. So they find themselves spending a lot of their personnel resources on trying to get new instructions out to implement legislative changes and to implement administrative changes.

Third, and I think they have tried to do something about this in the Social and Rehabilitation Services. They do not have enough people to work with the States in looking at the day-to-day administration of programs and how they might be improved. I think their intentions were good, but I think the implementation of the corrective actions

has not necessarily been too effective because of these various problems that they face.

Chairman GRIFFITHS. Would you think it would be reasonable that HEW require that the States have sufficient caseworkers, and that the caseworkers not be overloaded? Would you think it would save any money in the long run?

Mr. AHART. It is difficult to answer that categorically. Ever since the 1962 amendments there has been pressure for the States to reduce the caseload for the workers, and this is one of the ways by which they can get an increased Federal share of the administrative costs.

But the States have problems with their own budgets. They have problems with personnel turnover. A lot have not been able to achieve the levels of personnel that they wanted. The separation between the eligibility determinations on the one side and the provision of social services on the other side may be of some help in this regard. Of course, if H.R. 1 is enacted and the Federal Government take up quite a bit of the burden of administration, this should be a help as well.

Chairman GRIFFITHS. Now I would like to ask you really the \$64 question. Is it possible, given the complexity of program regulations and operations that you have outlined, to administer this set of programs well?

Mr. STAATS. It is a matter of judgment as to what you consider well, I suppose. If you read between the lines in our report, the answer is in the negative. The new welfare reform legislation, if enacted, would go a long way to helping in this respect. But even then we would think that you may have to go further if you are going to have a program that merits public confidence. You can always have some criticisms of any welfare-type program.

I believe it has gone well beyond the point of just a few people who are criticizing the welfare program.

One thing we would like to see, and which we have recommended to Congress, is to give high priority to the Intergovernmental Cooperation Act to open the door for consolidation of programs. We think this is long overdue. We believe that that is about the only way we are going to get much consolidation of grant programs.

Chairman GRIFFITHS. I am sure this is one of the ways to go. This would help tremendously in the whole program. Actually, have you made any estimate of how much it would cost to reduce error and fraud in welfare and what the savings would be?

Mr. AHART. We haven't made such estimates, Madam Chairman. I am not sure that anybody has really tried to do this kind of cost-benefit analysis.

Chairman GRIFFITHS. Do you think it would be worthwhile?

Mr. AHART. I think there is certainly some room for some study in this area to see if it is worth the cost, and what limits of error we are willing to tolerate, and what it would cost to bring it down to those limits. I think there is a tradeoff here, certainly, between the amount of manpower and money you want to put into making eligibility determinations and policing the system and how much you want to tolerate in terms of payments to ineligible people or overpayments, underpayments, and so forth. I think this is certainly an area to be studied.

Mr. STAATS. I think it would be fairly easy to run a calculation as to the cost-benefit ratio. The difficult thing about it would be to actually demonstrate how much reduction in ineligibility took place as you added additional administrative personnel to the system.

There are some, I know, who feel you would get a higher payoff if you could simplify the instructions and regulations so that the people we have presently employed could do a better job of interpreting.

Chairman GRIFFITHS. One of the higher payoffs would be from that social security number that really identifies people. This would probably do more than anything else that could be done right now.

Mr. CROWTHER. We might add, Madam Chairman, that HEW is developing a mathematical model to study the effects of the quality control system to determine its cost effectiveness. They are in the process of developing that and doing studies on it at the moment, but there are no results available now.

Chairman GRIFFITHS. Isn't one of the most costly problems, however, a thing that is perfectly legal and that is still going to be legal under H.R. 1, that the parents do not need to marry and the wife can draw all of the welfare benefits, live in the same home with the man, and he can have a perfectly good job? Isn't that really one of the most costly problems in the whole thing?

Mr. STAATS. The present system undoubtedly is a disincentive to the retention of the family unit.

Chairman GRIFFITHS. Of course. We are creating a situation that pays people not to marry and we will pay for it. H.R. 1 does not correct this. It will still continue after H.R. 1.

At what point do you think the cost of greater enforcement would exceed the savings to Federal and State governments?

Mr. STAATS. I would hesitate to venture a guess on that.

Mr. AHART. I don't think anyone could answer that question today, Madam Chairman.

Chairman GRIFFITHS. Do you think that States and localities could reduce fraud and error without added administrative costs by internal reorganization?

Mr. AHART. I think one of the keys to that is to have an effective quality control system as outlined by the Comptroller General in his statement. The States are trying to implement the one developed in 1970.

Our last look at it was fairly early in the implementation and it showed that they had not made the kind of progress sought. This is really the most effective means of identifying, in a reliable way, what your eligibility rate is and the factors contributing to it.

Therefore, you can take these, if there are some eligibility factors causing a particular problem, and you can go to those aspects of your eligibility determination process and strengthen them, so that over time you should have continued improvement in the eligibility-determination process.

Mr. STAATS. I believe HEW has picked 3 percent ineligibility as their tolerance level. Anything above 3 percent is considered to be above what should be. But even their figures indicated that in January of this year about 5.6 percent in the AFDC category were ineligible

and about 4.9 percent were ineligible in the adult categories (the aged, blind, and disabled).

Chairman GRIFFITHS. Can you give us some of the problems causing ineligibility among the recipients in the AFDC programs?

Mr. AHART. The two most important, I suppose, are the deprivation of parental support—whether, in fact, there is a father, who has income and is responsible for the support of his children, who is not so contributing.

This is something that is very difficult to identify, as we discussed.

The other one is the recipient or proposed recipient having income above the levels of eligibility, and the welfare agency, in turn, not being able to identify those sources of income to make a proper eligibility determination.

Chairman GRIFFITHS. Would this problem be accentuated by the fact that people have two social security numbers, or that people work and do not give a social security number or give an incorrect social security number?

Mr. AHART. It could be aggravated by either of those, or having part-time employment that is not covered by social security, or some kind of self-employment, such as painting houses on the side, that is not covered. It is just difficult to identify all these sources. This has been one of the main factors of improper eligibility.

Mr. STAATS. It is your recipient who is an intermittent worker who creates the problem. He is on one payroll one time and another payroll the next time. I would like to add a third category to the two Mr. Ahart mentioned, the simple problem of the difficulty of interpreting regulations by relatively inexperienced caseworkers and eligibility workers in the offices.

This is undoubtedly an important factor. The social security number identification would help a great deal in that respect.

Chairman GRIFFITHS. Do you have any indication outside of HEW of errors made in determining eligibility and the magnitude of the problem? What is your own opinion of what it is?

Mr. AHART. I think, Madam Chairman, that in every program that we have gotten into where there is a needs test—whether it be housing, the manpower training programs, health care programs, or any of these programs of this type—we have found problems similar to those in the public assistance program.

Chairman GRIFFITHS. In your statement, you indicate that some families living in federally subsidized housing had higher incomes than there were allowable to qualify to live in such units. Could you elaborate on the findings?

Mr. AHART. We issued a report in January 1971 which dealt with this problem. We went into several new projects under the section 221 program. We did a check of the income levels of the people living in those. With respect to the new occupants of these housing units, we found that as many as 33 percent could have been ineligible by reason of income.

We also took a look at some of the older projects that you have to police over time to see what changes in income take place. In those tests, we found that up to 50 percent of the people living in those units may have had income in excess of the criterion which entitled them to live in those housing units.

Chairman GRIFFITHS. Would you say that an effective quality control system is vital to the integrity of the welfare system?

Mr. STAATS. I don't think there is any alternative to this, Madam chairman. It is obvious that you cannot, through our office or even the audit agencies of the agencies responsible, do this on a case-by-case basis. It has to be done through a system of quality control in the eligibility system, itself.

Chairman GRIFFITHS. Why do you think HEW can't actually inaugurate such a program?

Mr. STAATS. Well, of course, they did have the 1964 system, and this was modified in 1970 in an effort to improve it. I would not want to be critical of HEW but they have a great deal of pressure from the States to let them run their own programs. There may be too much of an attitude of allowing the States to run the show. Maybe there is not quite a tough enough attitude on the part of HEW, or maybe there are not enough people who are actually taking a more positive effort to see that States work out their problems.

Mr. AHART. I think one other aspect, Madam Chairman which hampers HEW's administration, is that they really have very little sanction to impose upon a State if the State does not implement a quality control system or any other administrative procedure which HEW feels should be implemented.

It has to be pretty much a persuasion technique that they use. The sanctions provided by law are a cutoff entirely of all Federal funds if States do not meet the Federal requirements, or not to have Federal participation in identified erroneous payments.

The second sanction is difficult to impose because of the difficulty in identifying erroneous payments. The total cutoff of Federal funds is so drastic that it is unrealistic to expect HEW to use it.

Chairman GRIFFITHS. There are some additional questions that we would like you to answer. But since we are short of time, we shall supply them for the record. Could you then please provide us with your answers?

Mr. STAATS. Certainly, Madam Chairman.

(The questions and answers referred to follow :)

RESPONSE OF HON. ELMER B. STAATS TO ADDITIONAL WRITTEN QUESTIONS POSED BY CHAIRMAN GRIFFITHS

Question 1. Lack of adequate planning to adequately implement major administrative changes in the welfare program has caused difficulties. Your report comparing the simplified and traditional eligibility methods in the AFDC program (appendix D) noted that caseloads tended to increase when the centers first separated their eligibility and service functions and began using the simplified method. Could you explain why?

Answer. The main reason for the disproportionate increase in the caseload of those centers was that new eligibility workers were unfamiliar with the complex policies and procedures that had to be followed to make correct eligibility decisions. In some cases this major change in operation of the welfare system (separation of eligibility and service functions and use of the simplified method) occurred without adequate preparation.

For example, in one city new eligibility workers were given only 2 weeks of formal training before they began making eligibility decisions. As the eligibility workers gained experience and began to apply policies and procedures correctly the percent of increase in the centers' caseloads dropped back to a level commensurate with that of centers that were still using experienced staff to determine eligibility.

Question 2. In your statement you noted that HEW was not adequately prepared to effectively implement the quality control system. Would you explain?

Answer. The main cause of their problems was the lack of adequate planning. Because of the pressing need to achieve control over welfare expenditures, HEW elected to require nationwide implementation of the revised quality control system as soon as possible after design was finalized. There was not enough staff, however, at either HEW headquarters or regional offices to effectively prepare for implementation. Consequently, State and local staff were not provided enough training to fully understand how quality control was to operate before they began using the system. Detailed training instructions on how to conduct adequate investigations were not developed until several months after HEW became aware that quality control investigations were not thorough.

HEW therefore has usually only been able to react to problems that arose rather than planning and managing the quality control system so problems would not occur. If HEW had committed the resources required to effectively operate the system before quality control was implemented, some of the problems that caused the system to be ineffective could have been avoided.

Question 3. The major changes proposed in H.R. 1 could also be ineffectively administered unless adequate preparation and training is given to the 80,000 State and local employees who will become Federal eligibility workers according to HEW. What problems might occur when these workers changeover to the new program?

Answer. The changeover will undoubtedly cause many problems and anxieties for the State and local staff that would become Federal employees. It is essential, therefore, that HEW provide for adequate supervision, training, and administration for these people if they are to effectively carry out the program from the outset. With about 25 million people potentially eligible for benefits under H.R. 1—about 11 million more than the number on present welfare rolls—we cannot afford to wait for 1 or 2 years for these people to gain the necessary experience. They must be prepared before they begin processing applications so they can make correct eligibility and payment decisions. HEW therefore must commit the resources necessary to assure that this staff receives adequate advance training in both policies and procedures if they are to be expected to administer the program effectively.

In light of HEW's past problems in preparing adequately for the introduction of major changes to the welfare system (simplified method and quality control) we intend to keep in close touch with their actions in preparing for administration of H.R. 1.

Question 4. In your statement you noted that your tests of the simplified method for the adult welfare programs indicated that HEW's test did not provide sufficient assurance for adoption. Do you think the Secretary of HEW should have mandated use of the method in the adult programs?

Answer. If the test had been carried out properly—that is, it had no shortcomings—the results might well have proven the simplified method to be effective. However, what is important today is whether the operation of the simplified method has been effective for the adult programs since it has been in place. HEW, in January 1972, released some preliminary data regarding ineligibility for about half the Nation's public assistance caseload. The data showed that 4.9 percent of the adult cases (aged, blind, or disabled) were ineligible for benefits they received.

HEW and the GAO are concerned about this finding, even though it is only a preliminary indication that a problem exists. An analysis of this information by HEW should indicate the major causes of errors and may require HEW to rethink its decision to mandate use of the simplified method in the adult programs.

Question 5. Has HEW required States to use the simplified method in the AFDC programs?

Answer. The Department has not required use of the simplified method under the AFDC program. HEW tested the method in the AFDC program in several States. We understand, however, that on the basis of the results—which indicated some high ineligibility rates in certain locations—HEW decided not to require its use in the AFDC program for all States. HEW has not released the results of the test and has advised us that they may not release this data.

However, even though the States are not required to use the simplified method in the AFDC program, HEW records show that as of January 1972, 27 States were voluntarily using it statewide to determine eligibility for AFDC applicants. It seems to us that if the test of the simplified method under the AFDC program

showed some shortcomings in its use, HEW should at least alert the States to these problems.

Chairman GRIFFITHS. I want to thank you for your testimony and for your help. I particularly want to thank you for the help you have given us on the projects that have been requested by this committee. I hope you have been made converts and missionaries for the placing of social security numbers on a child's birth certificate along with that of the parents. It is incredible that we are continuing to pour out money without really having some idea of the persons to whom it is going.

Thank you very much.

I understand Mr. Veneman is in the room.

STATEMENT OF HON. JOHN G. VENEMAN, UNDER SECRETARY OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY JOHN TWINAME, ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE; JIM EDWARDS, DEPUTY ASSISTANT SECRETARY FOR WELFARE LEGISLATION; AND HOWARD NEWMAN, COMMISSIONER, MEDICAL SERVICES ADMINISTRATION

Chairman GRIFFITHS. Thank you so much for coming, Mr. Veneman. You may proceed.

Mr. VENEMAN. Thank you, Mrs. Griffiths. It is a pleasure to have this opportunity to appear before another committee upon which you serve.

Let me introduce the gentlemen who are accompanying me. To my left is John Twiname, the Administrator of Social and Rehabilitation Service. To my immediate right is Jim Edwards, Deputy Assistant Secretary for Welfare Legislation and to my far right is Mr. Howard Newman, the Commissioner of the Medical Services Administration. These three gentlemen will be available to assist in any questions the committee may have.

Mrs. Griffiths, may I say that Secretary Richardson and I both appreciate this opportunity to comment on the committee's study of welfare administration.

You could not have selected a more appropriate time to look at the major problems welfare administration presents and determine whether, under existing law, remedies are possible.

Our own conviction is that many, if not most, of the problems your investigation will uncover are the direct result of a failing system with overwhelming structural weaknesses that cannot be solved under existing law.

Two days ago we sent you a detailed account of what the Department of Health, Education, and Welfare does to improve the administration and overall effectiveness of public assistance programs in the Nation.

In my remarks this morning I will not repeat what is in that statement.

We will be at your disposal to answer any questions about that statement or elaborate upon any points you wish to raise.

But my opening remarks at this hearing will be confined to placing in perspective the record of our Department's efforts.

That perspective must begin with the public assistance law under which we operate.

As you know, public assistance is administered under a national law that is 36 years old. The intent of that law was not to establish a national welfare administration, or even a national system, but to provide Federal matching aid, under broad guidelines, to State welfare programs.

And the present administrative structure—with all its problems—reflects that original intent. The direct administration of welfare was and remains a State responsibility.

The Federal role is limited to providing aid, issuing regulations, and spelling out guidelines. We are cast somewhat in the role of a beneficent and distant uncle. This fundamental relationship has been the major influence in shaping the administration of welfare in America these past 36 years.

It has meant, for one thing, that we do not have a single administrative system at all for welfare. We have 54 systems run by our 50 States and four trust territories. Each of these 54 systems sets its own income-support levels. Each determines its own eligibility rules.

And from an administrative standpoint, we have 1,152 systems. Each local welfare jurisdiction operates essentially its own management system. Each maintains its own records. Each controls only its own information input.

Charles deGaulle once remarked that it was impossible to govern a nation that had 246 kinds of cheese. He should have tried governing a welfare empire that has 1,152 autonomous units.

Every welfare agency is an island unto itself. When a person applies for public assistance to one of these agencies, that agency has no really effective way to cross-check with other welfare agencies to determine whether that individual is receiving payments somewhere else. In light of America's highly mobile population, that alone is an invitation to disaster.

Not only are local welfare agencies isolated, but relatively speaking, they are small. Their small size makes it impossible in most instances for them to establish good career systems to attract, train, and keep skilled personnel. As a result, personnel turnover rates are often high, vacancies numerous, and understaffing chronic.

Their small size also conspires against the efficiencies that a large organization can routinely offer. The Social Security Administration, for instance, uses computers and the latest modern management methods. As a result, its highly skilled career staff is able to get out checks accurately and on time every month to 27 million Americans.

By way of contrast, only 20 percent of the Nation's welfare agencies are able to use automated techniques.

The consequences of these major administrative handicaps became painfully evident last April when HEW conducted a national quality control check among welfare agencies.

We found one out of every 20 welfare recipients getting checks who were ineligible for that month. And one out of four were being paid the wrong amount—either too much or too little. Projected over a year, the loss would total a half billion dollars.

If that survey indicated anything, it showed that it is not welfare recipients cheating the system that constitute our big problem. It is a chaotic do-it-yourself system that is cheating the whole Nation.

One indication of just how chaotic that system can get was revealed when our field staff visited one welfare agency where records were being stored in stacks of beer cartons.

HEW is constantly being asked why it doesn't "do something" about this chaos. Believe me, we try. Just how hard we do try should be evident by the detailed account of our efforts that has already been submitted to this committee.

We are constantly negotiating with welfare agencies that have been unable to comply with our regulations. But if we are unsatisfied with the outcome of those negotiations, our only recourse is to cut off Federal funds to a State, an action that ultimately will only penalize innocent welfare recipients.

So what it all boils down to is this: Under existing law we can make rules, plead for compliance, document the chaos, and pay the bills—that's it. And much the same hopeless dilemma confronts those who work diligently in State and local welfare agencies—good people charged with running a bad system.

What is really needed is a new law that deals realistically with the needs of the Nation in 1972. The 1935 law we live under cannot do that.

We need a new law. And that is precisely what the President proposed over 21½ years ago. That legislation, H.R. 1, has passed the House twice. It has been debated, amended and improved. That bill is still awaiting action on the Senate side of the Congress.

You know the major features of H.R. 1 so I need not elaborate on most of them. But one feature of that bill is of special concern to this committee hearing.

That feature would provide for a basic restructuring of welfare administration. It calls for welfare to be divided administratively into its two natural parts.

One part would give the Federal Government responsibility for determining eligibility based upon a single, national standard, and responsibility for mailing out the checks—which is the way social security is so successfully administered.

The other part would leave to localities the single and vital mission of organizing and delivering the mix of social services that people on welfare need if they are to escape permanent public dependency. From a management standpoint—and from a commonsense viewpoint—this makes sense.

It would combine two benefits: the benefit of efficiency and the benefit of localized service.

I have tried to trace briefly general patterns and where they are leading us this morning; no more. The sum of what I have said is that we are at best fighting a holding action in welfare administration today and that this state of events cannot greatly improve under existing law.

My colleagues and I now await your questions.

(The prepared statement of Mr. Veneman follows:)

PREPARED STATEMENT OF HON. JOHN G. VENEMAN

As indicated in my oral remarks, this statement presents an outline of the specific steps involved in translating Federal law into specific benefits and services for individuals and families under our present complex welfare structure.

The most important concept to keep in mind is that direct administration is at present solely a State responsibility. Essentially what the Federal Government does is provide a major share of financial support, regulation, and guidelines.

This split in responsibility is a major reason why the current welfare system is in need of drastic reform. While HEW issues regulations and sets national policy in many broad areas, the States control the machinery for day-to-day welfare administration. The States also are the ones who maintain records and control all the information about program operation. Data reports on welfare programs issued by the Department are actually little more than compilations of State data.

With 54 different State welfare systems (1152 when county systems are included) to contend with, HEW constantly is faced with welfare systems operating under numerous differing interpretations of the same basic legal point. Such chaos, of course, makes administrative control and administrative improvement on a national basis very difficult, if not impossible. This is not to say that we don't try; in fact, we are constantly negotiating with State welfare agencies.

I want to emphasize here the word "negotiate." *Webster's* defines it as "to confer with another so as to arrive at the settlement of some matter."

If we don't "arrive at the settlement," the only real weapon HEW has to produce State compliance is the ultimate one of cutting off Federal funds to the State. Obviously we hesitate to use this weapon because any such cut-off has to be passed on the recipients and thus defeat the purpose which Congress intended public assistance laws to achieve.

What this boils down to is that the current welfare systems asks the Federal Government to make the rules, plead for compliance, and pay the bills.

ADMINISTRATION OF WELFARE PROGRAMS

The States have the primary responsibility not only for administering their welfare programs, but for developing the programs themselves within the framework of the limitations and requirements of the Social Security Act.

Some of the requirements for State welfare programs are that (1) to receive financial assistance a person must be in need, (2) the State must consider a person's available income and resources in determining eligibility and the amount of assistance, (3) the State must submit to the Federal Government a State plan for administering the program, (4) the program must be administered on a statewide basis, (5) the State must participate financially, (6) the program must be administered by a single State agency, and (7) opportunity must be provided for a fair hearing to applicants and recipients dissatisfied with agency actions.

In establishing their programs for money payments, Medicaid, and social services, the States have broad authority in determining which programs they will have, who will be eligible for the programs and for what sums, care or services; how the programs will be administered within that State and by whom, and most other matters relating to the direct administration of the programs. The Federal Government is responsible for developing broad regulations and guidelines for the use by States in developing and administering their programs and for providing Federal reimbursement under the open-ended matching formulas provided in the law. The Department monitors and audits these programs in a variety of ways to assure Congress and itself that the provisions of Federal law are being enforced and that the individual States are providing the funds and services that they committed themselves to provide through the State plans.

To assist the States, HEW maintains and has available through its Regional offices, an array of staff specialists who provide technical assistance, advice and guidance and who periodically visit all States and work directly with the State agencies responsible for the various programs. The Department gathers information on State operations through regular data reporting systems, regular and one-time audits, and surveys, special studies, and routine contacts with State agencies.

Let me stress once again the essential element underlying the current system: the States have wide latitude in both program policy and administrative decisionmaking. As a result, programs differ widely from State to State in such essential features as the amount of benefits, the scope of coverage, and administrative practices. When a State appears to the Department to have made a policy decision which is out of conformity with law or regulations, all we can do is try to negotiate the State back into compliance—if that fails, then we must proceed to a hearing to publicize the situation, and ultimately face the choice of cutting off funds.

HEW STRUCTURE

Within HEW the Social and Rehabilitation Service (SRS) is the agency charged with the major responsibility for administration of welfare related programs.

Within SRS the principal operating agencies associated with welfare are the Assistance Payments Administration (APA), the Community Services Administration (CSA), the Medical Services Administration (MSA), and the Rehabilitation Services Administration (RSA). Each agency has a defined program area in which responsibility is fixed for issuing regulations, performing State reviews, and generally monitoring that area of the whole welfare operation.

The Secretary has delegated to the SRS Administrator the general management responsibility for these programs, except as specifically prohibited by statute, e.g., some discretionary project grants under Section 1115 of the Social Security Act. The Secretary's overall management control and accountability are achieved through systematic provisions for policy formulation, long-range and operational planning, Department-wide priority setting, evaluation, and integrated financial management processes.

The Administrator of SRS has redelegated to Bureau Commissioners the responsibility for planning, policy guidance, technical assistance and nationwide evaluation of the individual welfare programs. Their performances are governed by the SRS Planning and Management System. Similarly, the Administrator and the Bureau Commissioners redelegate to Regional Commissioners authority for operational decision-making in areas of Federal responsibility.

In public assistance, social services, and rehabilitation programs, the SRS Regional Commissioner reviews and approves State plans which govern eligibility, scope and level of benefits, and cooperative work among responsible state agencies.

NEW FEDERAL INITIATIVES

Two major thrusts of current Federal policy are toward integration of services and improved management systems in income maintenance and social services. The narrow, categorical characteristics of intergovernmental programs (which has been characterized by Secretary Richardson as "hardening of the categories") has meant that an individual or a family with problems has had to search among multiple and often uncoordinated local agencies for the services they need. The Department is encouraging efforts to establish linkages among these local agencies to improve access, to fill the gaps in service delivery, and to improve the overall quality of services. Service integration thus enhances benefits to the client and makes better use of Federal, State, and local resources. The Administration's proposed Allied Services Act together with the recently issued proposed regulations to separate income maintenance and social services functions are important first steps to accomplish service integration and improved management systems simultaneously.

DEVELOPMENT OF REGULATIONS

As requested, I will briefly explain the procedures involving the issuance of regulations. Regulations to implement the Social Security Act provisions and any applicable Supreme Court decisions are prepared initially by subject matter specialists in the Bureau having primary responsibility for the broad subject covered by the regulation.

The first step is usually the preparation of an issue paper which is circulated for comment to other units of the Department, Regional staff, representatives of client groups and State and local government, advisory councils and professional organizations, as appropriate.

These activities are coordinated by the Office of Policy Coordination in SRS which then takes responsibility for obtaining legal clearance from the Office of General Counsel, presenting the proposed regulation to the Administrator for his decision, and relaying the documents to the Secretary who has statutory authority for the final decision.

Following approval by the Secretary, regulations are published in the *Federal Register* first as proposed rule making, to provide maximum opportunity for general public comment (30 days).

After consideration of all comments received, the final regulations are prepared. A summary of comments and the SRS response to them is included in the

package transmitting the regulations (which often include suggested changes) for approval by the SRS Administrator and the Secretary of HEW.

Both proposed and final regulations are issued to State Administrators and other interested organizations and agencies, on date of *Federal Register* publication, through the formal SRS issuance system; the proposed, as an *Information Memorandum*; the final as a *Program Regulation*.

Regulations are supplemented when necessary by Program Regulations Guides which explain the requirements and indicate what States must do (or may not do) to achieve compliance in the operation of the programs.

The nature of the regulations are confined to those areas in which there is a clear expression of Federal authority either through Congressional action or by Federal Court decisions.

QUALITY CONTROL AND FRAUD

As for quality control and fraud, ensuring the validity of the welfare caseload is a primary consideration of the Assistance Payments Administration in SRS. In recent years we have continually assessed, reevaluated, and adapted the quality control system which had been required of State agencies since the middle 1960's.

As a result of the experiences gained, a completely revised quality control system was introduced in October 1970, which provides for far greater controls on ineligibility and identification of questions of fraud. In the first year of operation, we had extensive participation of private consultant firms as well as the General Accounting Office to ensure the system as designed would accomplish its goals and was being properly implemented.

Some of the major features of the new quality control system are:

a. Reporting on ineligibility and incorrect payment in the total caseload as opposed to the former system which was performance oriented to the correctness of the particular eligibility decision by the worker.

b. Establishes reasonable tolerance levels on both ineligibility and incorrect payment beyond which immediate correction action must be taken.

c. Early monitoring system by which States can identify trends in ineligibility and incorrect payment and begin to move in on problems before tolerances are exceeded.

d. Greater emphasis and follow-up by the Federal agency on corrective action when tolerances are exceeded.

e. More timely reporting to the Federal agency on review findings. Semi-annual review periods now exist as opposed to the former annual review period.

f. Federal sub-sample review—not in the former system—by which Federal reviewers conduct a complete review on a sample of the State reviewed QC cases to assure validity of State findings as well as identifying problems in State operations.

g. Automatic clearance with State Employment Service offices (the Social Security Administration for States not maintaining their own records) for wage verification in the AFDC category as an integral part of the quality control field reviews.

In addition, a system by which local supervisors review a sample of their workers' decisions on case actions has been developed and will be implemented shortly. This will augment the QC review system by providing an immediate control on worker performance at the local agency level. Mention should also be made of the BENDEX system (Beneficiary Data Exchange System) which is an automated system by which States can make inquiry directly to the Master Beneficiary Record of Social Security Administration to verify Social Security payments. Also, the system provides for automatic notification to the State welfare agency when any change in benefit amount takes place. At the present, this system is operational only for the adult welfare programs.

Files of the Internal Revenue Service are used for locating absent parents for support.

STAFF TRAINING

Soaring caseloads have not been matched with commensurate increases in staff. At the present time, we are developing materials to assist States in determining more precisely the quality and quantity of staff needed for eligibility determination functions, and aids in improving staff training. Although welfare agencies have responded to increase workloads in a diligent and dedicated manner, cases necessarily get less individual attention because of staff shortages

and errors resulting in ineligibility or fraud may go undetected unless there is concomitant effort to maintain standards of performance.

In addition to the formal State training programs, the Assistance Payments Administration has conducted a planned training program for Federal and State staff concerned with the implementation of the QC requirements. Regional seminars are being held for Regional and State staff and States are being encouraged to supplement this effort with additional training in the States.

FRAUD

In relation to fraud, Federal regulations require that States define fraud, develop criteria for identifying and investigating questioned cases, and designate official positions to decide on referral to law enforcement authorities. Since fraud is a matter of law, only legal authorities are empowered to make a definitive judgment as to whether fraud occurred. State welfare agencies are required to report annually to the Federal agency on activities in dealing with questions of fraud.

Currently, we are sharing in cost of installing new and improved client identification card systems, direct delivery of checks to recipients in high crime areas are monitoring plans for bank payment systems. Work on management information is expected to improve the States' ability to identify duplicate assistance payments, and detect individuals who attempt to file several applications under different names.

In addition to Quality Control we conduct administrative reviews from time to time in specific areas of program administration as well as the management audits conducted by the HEW Audit Agency. Both of these provide additional channels for assessment of State programs.

ADMINISTRATION OF SOCIAL SERVICE PROGRAMS

I want to speak now specifically to the social service programs. These programs, as distinct from the cash assistance are the responsibility of the Community Services Administration in SRS.

The social service program was an integral part of the cash assistance program until amendments to the Social Security Act in 1962 sought to separate the cash payments and services functions. Before 1962 a caseworker had responsibility for determining eligibility for assistance and the need for services for a given "caseload." Too often the service worker was forced to act as "policeman" in determining whether a woman was in fact eligible for service, because of such factors as unreported extra income or other persons in the household with income. In many cases the services were viewed as necessary in order to receive the assistance check.

Even with the separation proposed in 1962, as caseloads increased, the emphasis on service decreased as service workers were forced to give first priority to the determination of eligibility for money payments. In 1967 a number of amendments were added to Title IV of the Social Security Act which were designed to encourage the separation of the two functions by allowing a higher matching rate for service staff (75%) than for eligibility staff (50%) and the payment of the lower rate (50%) for those workers who worked in both areas.

However, the press of providing money payments to needy persons has increased with caseload increases and rising costs. In February of this year, in order to mandate the separation of service workers from income maintenance workers, a regulation was published which specified that each State must submit a plan to accomplish the separated functions by July 1, 1972 to be operational on January 1, 1973. This will allow the use of paraprofessionals in the determination of eligibility and the dispensing of assistance checks, allowing for substantial savings in staffing expenses.

The 1967 amendments provided that services may be purchased by an agency if such services are not available through the agency's own staff or without charge in the community. The effect of this amendment to the Social Security Act has been to rapidly expand the services program in most States. A variety of available resources may now be utilized to provide the services necessary to allow a person to become self-supporting or as independent as possible.

The increased emphasis on provision of services through the separation regulation, through purchase of service from other agencies, organizations, and individuals, and through expansion of training and employment programs requiring supportive services for participants has led to a rapid expansion of the

program. We have recognized the need for greater accountability on the parts of the State agency administering the services program. As a result a number of requirements will be implemented during Fiscal Year 1973 which will identify the services provided, the recipients of these services, the costs of the services, and the impact on the recipient.

ADMINISTRATION OF MEDICAID

I now would also like to talk about the administration of the Medicaid Program, Title XIX of the Social Security Act. Under the Medicaid Program, grants for medical assistance are made to States having plans approved by the Department of Health, Education, and Welfare to assist them in providing higher quality medical care to their low income populations, at least to all those receiving federally aided money payments under any one of the categorical public assistance programs.

Medicaid, like the public assistance programs for maintenance assistance, operates through State programs based on plans submitted by each State and approved by the Department of Health, Education, and Welfare as meeting the requirements of Federal law and policy.

States use a vendor payment method of administration through which providers of services to recipients are paid directly by the State agencies. The States are responsible for the administration of comprehensive claims and payment processes, surveillance and utilization review, and the provision of management and administrative reports to the Federal Government. States may contract with fiscal agents to perform part or all of their claims processing.

At the Federal level, the Medical Services Administration of the Social and Rehabilitation Services provides national leadership in the Administration of Title XIX programs. Within broad Departmental and SRS policy and guidelines, and subject to the health policy direction and other authority of the Assistant Secretary for Health and Scientific Affairs, the Medical Services Administration directs the planning, coordination and development of Title XIX programs and the development of effective relationships between them and other federally supported health and health related programs.

Medicaid program regulations, as for other welfare programs, are statements of Departmental policy which amplify and interpret the statutory requirements set forth in Title XIX of the Social Security Act. The manner in which they are drafted and promulgated conforms closely to Departmental guidelines broadly designed to meet the requirements of the Freedom of Information Act.

Administrative procedures to assure State compliance with the law and regulations governing the Title XIX program have taken two basic forms. (1) Regular quarterly compliance reporting; and (2) On-site State Medicaid Program Review and Evaluation projects.

The present SRS Compliance System which was established during the latter part of 1969 provides for reporting and action on State compliance with Federal requirements in programs administered by SRS. Within this framework the system provides for an orderly appraisal of each Program Administration's compliance issues both at the Regional Office level and at the Central Office level in order that appropriate activity can be directed to (1) ensure that each State's plan is in compliance with Federal requirements so that people will receive the benefits intended by the laws and implementing regulations, and (2) that the Federal monies in these programs are expended within the intent of the pertinent Federal laws.

On December 10, 1971, a memorandum was sent to all the SRS Regional Commissioners identifying priority areas for which nationwide reviews will be made in the immediate future. This memorandum established MSA's compliance strategy for reviewing States' compliance with Federal requirements relative to their skilled nursing home requirements which were not covered during the review of the nursing home certification process.

As an "ultimate" recourse to secure State cooperation, the Social Security Act authorizes the Secretary, after an opportunity for a State to be heard, to withhold funds otherwise to be paid the State until such time as the Secretary is satisfied that the State is within the requirements of Federal law.

DECENTRALIZATION

Along with the SRS reorganization, there was the decentralization to the Regional Offices of much authority and responsibility which had formally resided in the Central Office. As a result of this, the authority and the responsibility

for doing the Program Reviews of State administration was passed to the Regional Office Associate Regional Commissioner for Medical Services and his staff. Since that date the Central office through the Division of Policy and Operations until May, 1971, undertook to assist in the transition by having the Regions cooperate in a joint venture to schedule the program reviews to be continued.

Program reviews will include Medicaid fraud. We are now in the process of preparing guidelines to require that all provider claims forms used in the program include language indicating that State and Federal funds are involved and that false claims or statements could be prosecuted under State and Federal law. In addition, there is a requirement for the State agency administering Title XIX to report to the Social and Rehabilitation Service each case of suspected fraud by a provider which has been referred to law enforcement officials for appropriate action and the ultimate disposition by law enforcement officials. Regional SRS offices also coordinate potential fraud investigations, and information, with the Bureau of Health Insurance, Social Security Administration, so that Medicare and Medicaid information can be combined with respect to the providers involved.

CONCLUSION

I have attempted to trace for you the general pattern of how the current welfare programs are administered on the Federal level. I am sure that you realize the split responsibility with the States is not conducive to sound administration and is one of the key reasons for the dissatisfaction of recipients, taxpayers, administrators with the current welfare system that we are all well aware of. The answer, we believe, is the welfare reform legislation contained in H.R. 1, which would establish a system of unified national administration of assistance payments, while strengthening State services programs.

I might add that while I deplore the present system. I truly believe that there are many State and HEW employees who have gone far beyond what is required of them to try to make the system work for people. I also believe that we at HEW have worked diligently with the State welfare people to make the present system work as well as it could, given the limitations placed upon it. But even maximum effort cannot make a success of a system which is bound to fail because of its very design. That design must be redrawn.

Chairman GRIFFITHS. Thank you very much, Mr. Veneman. You have been very kind. I am sure you know that I have been one of your best supporters on H.R. 1.

Mr. VENEMAN. We are aware of it and appreciate of it.

Chairman GRIFFITHS. Let me ask you: Isn't it true that even if H.R. 1 is effective, we would still have the problem of family splitting?

Mr. VENEMAN. Well, you would still have the problem. I think it is a problem you are going to have in society. But I think with the passage of H.R. 1, at least you have eliminated an economic incentive for family splitting.

Chairman GRIFFITHS. I don't think that is necessarily true. You can still have a couple living in the same quarters where the wife gets aid from H.R. 1 and the man has a job and they are not married. You cannot do anything about it.

Mr. VENEMAN. Yes, you can.

Chairman GRIFFITHS. What can you do?

Mr. VENEMAN. Even under existing law, if that man living in that home is in fact contributing to the support of that family, the mother and her children, then that income is considered income to the family and deducted from the grant.

Chairman GRIFFITHS. But how do you prove this? This is the one thing you can't prove. What would you need to be able to prove this in various areas? This is one of the biggest criticisms that you have at the present time.

Mr. VENEMAN. It is a difficult thing to prove in that sense of the word. I think we certainly tried to find every feasible means of assur-

ing that income that is available to a family would be accounted for and reported. You still have a problem if they refuse to report income. They are violating the law, either under present law or under H.R. 1. But at least we have the advantage of a national system under the provisions of H.R. 1, where you can cross-check against the Internal Revenue Service records if there is an absent parent or a father who is legally responsible for some child support. You can check against the social security records.

There are stricter fraud provisions in H.R. 1. These are the kinds of cross-checks and penalty provisions you can put in. If somebody wants to cheat on welfare, on their income tax or their farm subsidy, or go down the parkway at an excessive rate of speed, which is violating the law, it is difficult to catch every case. I think we have to concede that.

Chairman GRIFFITHS. Isn't one of the real reasons for the growth in ADC the fact that you have the family splitting, plus the fact that women now, even if they have a job, can disregard a considerable amount of the money they make, so that they continue to draw some aid to dependent children? Isn't that right?

Mr. VENEMAN. That is correct. Speaking to the last point first, under the present law you have a provision that disregards \$30 a month plus one-third of the income, which allows for job-related expenses.

Chairman GRIFFITHS. Job-related expenses can run up to quite a little sum.

Mr. VENEMAN. It depends on the State.

Chairman GRIFFITHS. And the welfare worker himself decides, "That is all right. We don't count that money."

Mr. VENEMAN. In many States it will be a welfare worker, in some it is the State statute itself. This gets back to the initial point I made—for the most part, the administration of these programs are the responsibility of a State. So you do find these horror cases, as I like to refer to them, where a woman with three or four children is working and earning as much as \$8,000, \$9,000, or \$10,000 a year and is still entitled to some kind of payment because she is still eligible because of the generous job-related expense provisions.

As you will recall, what we have done in H.R. 1 is eliminate that possibility by saying that there will be a \$60 disregard, the first \$60 a month that a person earns they would be entitled to retain, dollar for dollar. That would be in lieu of work expenses.

The other area in which I think we put a cap on this is that of the kind of income that is normally disregarded, for example, a student living with a family and working in summer employment; that is not counted against the grant. We say in the provisions of H.R. 1 there shall be a maximum of \$2,000 of this kind of incidental income. If the family has more than \$2,000, then it is deducted, dollar for dollar, as earned income. That is not a problem but a correction of a problem.

Chairman GRIFFITHS. But we were talking about the problems. One of the additional problems of H.R. 1 is that you still pay only where there are children, or someone is aged, disabled, or blind. One of the things it should have done was to pick up the singles. In the little review we have done, we have discovered that a woman, for instance, in Michigan, with three children would have to be making substantially more than \$5,000 a year to be better off than she is on welfare.

I have checked this also with the director of social services, and he said that they have agreed for years that a woman in Michigan has to be making between \$3.75 and \$4 an hour to be better off than on welfare, if she has four children. These are real problems because you really are paying her to have those children.

Mr. VENEMAN. I think we are talking to two points. One is that the problem you are bringing up is the payment level that presently is in effect in Michigan. We would assume even under H.R. 1 the States would continue to supplement, and the States would continue to maintain that payment level. That is the way the hold-harmless provision is written into the bill, giving the incentive to the States to continue that payment level.

I will let Mr. Twiname respond to what the present payment level is in Michigan.

Mr. TWINAME. \$3,696 is the standard which, of course, is higher than most States and very near the poverty level. This makes an exit point before you get off welfare, if we assume that work expenses are the \$60 per month that you have in H.R. 1, up near \$7,000.

Under H.R. 1, even if the States supplement it up to that level, the mother should be better off at each incremental level of income earned than she was by not working at all.

Mr. VENEMAN. I think we have covered most of those problems where a person would be better off on public assistance than they would be working when we were going through the hearings in the Ways and Means Committee. I think we have eliminated that problem which we have under the present system.

Chairman GRIFFITHS. Supposing H.R. 1 does not pass. What effort are you making now to coordinate with other departments? For instance, have you talked yet with Mr. Romney or with Mr. Butz on how to coordinate the cash payments with the housing programs and the food programs?

Mr. VENEMAN. Yes. As a matter of fact, Mrs. Griffiths, these kinds of conversations have been going on since the very first month that I arrived, which was at the beginning of the administration, originally through the Urban Affairs Council and subsequently through the Domestic Council.

The welfare reform bill was not drafted in isolation at HEW. It was drafted with the cooperation and really with members of the subcommittee working on welfare reform, including the Department of Housing and Urban Development, the Department of Agriculture, the Department of Labor, the Department of Treasury, and others that have programs that deal with income benefits to low-income people.

The food stamp program, of course, is a national program administered nationally by the Department of Agriculture. The stamps are usually administered, when it gets to the local level, by the local welfare agencies. But the policy for eligibility determinations and all of those kinds of decisions are made on a national level. That is what we are suggesting should be done with the money payments.

Chairman GRIFFITHS. Why didn't somebody suggest, then, early in 1969, to the Housing Department, that they run those 235 and 221 sales through the Welfare Department? You would have saved Detroit a lot of grief.

Mr. VENEMAN. I am not familiar with the specifics of the Detroit problem. I think one of the problems that we learned both in the Senate Finance Committee 2 years ago when Senator Williams brought up all his notch problems, and that we learned when we were working with the Ways and Means Committee, is that trying to develop a relationship between public assistance and housing is probably the most difficult thing to do for a couple of reasons.

One of them is that despite what Senator Williams had on his charts, there are very few welfare recipients who actually receive the benefit of public housing.

Secondly, public housing is, in fact, operated much differently than public assistance because under the public assistance, as bad as it may be, at least we have a single agency requirement.

Chairman GRIFFITHS. As a matter of fact, do you know how many people who are drawing welfare are living in public housing?

Mr. VENEMAN. As I recall, the figure was, depending on the city, somewhere around 10 or 15 percent. Well, 8 to 10 percent, I guess.

Chairman GRIFFITHS. Do you know who those people are or not? Do you have a record?

Mr. VENEMAN. By name?

Chairman GRIFFITHS. A number or anything else?

Mr. VENEMAN. We don't specifically in HEW. I suppose that information is kept at the State level.

Chairman GRIFFITHS. Do you know how many people have been enabled to buy housing under 235 or 221?

Mr. VENEMAN. I am not aware of that, no, Mrs. Griffiths.

Chairman GRIFFITHS. Can you get such information on the number of welfare recipients who have bought houses under the 235 or 221 housing programs?

Mr. VENEMAN. I am not sure. I think the Department of Housing and Urban Development would have those figures. Whether or not they keep their records as to who the purchasers are by source of income, I don't know.

Chairman GRIFFITHS. Do they? If the person is on welfare?

Mr. VENEMAN. I don't know the answer to that question either. I am sure they ask what their income source is, if anybody is signing some kind of agreement for the purchase of property.

Chairman GRIFFITHS. During the course of the study that we have already completed, it has become very clear that we don't really have sufficient information to be able to predict the impact of program changes. There seems to be no data on individuals that includes all sources of income including the in-kind benefits of food, health, and housing. Do you in the Department have plans to try to collect this data?

Mr. VENEMAN. We would be able to acquire that kind of data if we had some kind of a national system. Right now, the Department of HEW has to depend primarily upon the information that is given to us by States. When it is determined how many people are eligible, what the money payments are, this is information that is submitted to us by the State departments that have the responsibility for administering. Maybe we should pursue this because this is very similar to the point that was raised many times in the Senate Finance committee.

The individuals that are receiving public assistance, and particularly

on AFDC, are, for the most part, not a permanent group. They do not all receive the benefit of all the services that are available. In other words, I think the average stay on AFDC is something like 21 months, if I am not mistaken. They don't all receive medical benefits. That will vary from State to State, depending upon what kind of a title 19 program they have.

As I mentioned, they don't all receive public housing. They don't all receive food stamps. That is up to them, their option. So it is very hard to identify what collection of benefits any one individual may receive regardless of whether he is entitled to them or not. Many are entitled to benefits and don't take advantage of it.

Chairman GRIFFITHS. How many people on AFDC have been on for more than 20 years?

Mr. VENEMAN. We do have that study.

Mr. TWINAME. We do not have it here with us.

Chairman GRIFFITHS. Would you supply it for the record?

Mr. VENEMAN. Yes.

(The information referred to follows:)

A 1971 national study of characteristics of AFDC families made by the Social and Rehabilitation Service showed that about 0.5 percent of the families have been on assistance for 20 years or more. In numbers this was about 12,700 families.

Chairman GRIFFITHS. How many women on AFDC were reared by mothers who were on AFDC? Do you have that information?

Mr. VENEMAN. Do you mean how many second generation cases?

Chairman GRIFFITHS. Yes. Do you have that information? Do you have any studies on it?

Mr. VENEMAN. I don't know, Mrs. Griffiths.

Chairman GRIFFITHS. If you have that information or any studies on it, will you supply it to us?

Mr. TWINAME. Yes.

(The information to be furnished follows:)

A 1971 national study of the characteristics of AFDC families made by the Social and Rehabilitation Service showed that for 56.6 percent of the families it was unknown whether the mother received AFDC as a child. The mothers in 9.2 percent of the families did receive AFDC as children, and in 34.3 percent of the families the mother did not receive AFDC as a child.

Chairman GRIFFITHS. Does the Department know enough about the State and local rules under which benefits are distributed to know what combined benefit reduction rates face people, how much the benefits are worth and how much these benefit packages compare with the earnings of nonwelfare families?

Mr. VENEMAN. There, again, we are getting to the question of if everybody took everything they were entitled to, how much would that total package be worth.

Chairman GRIFFITHS. Not only if everyone took everything they were entitled to, but how many people take what they are entitled to or any part of what they are entitled to.

Mr. VENEMAN. We can get those figures based upon a sample. But, again, I would point out that if we are talking about the total benefit package that they may be entitled to, it again will vary from State to State.

Chairman GRIFFITHS. That is what we want to know.

(The information to be furnished follows:)

In order to provide the committee with a fully responsive answer to this question, several lengthy and costly studies are needed which would require extensive State agency involvement. Although the Department is not in a position at this time to request States to undertake such studies, we recognize the great value of gathering the information requested and will give serious consideration to initiating the studies at an early date. Any results obtained would of course be supplied to the committee as soon as they can be made available.

Chairman GRIFFITHS. Do you know how many recipients of old age assistance will be adversely affected by the social security increases in H.R. 1 if these increases are enough to make them ineligible for old age assistance and, therefore, for medicaid as well?

Mr. VENEMAN. We don't know. But then the increased benefit from social security shouldn't adversely affect too many of the people that are on old age assistance.

Chairman GRIFFITHS. How could you find that out? Is there any way in which the Department could find out what that information is?

Mr. VENEMAN. It might be through a sample. Mr. Edwards has been working with Mr. Mahoney and some of the others in the Department doing statistical work. Whether or not they can identify that accurately, I don't know.

Mr. EDWARDS. We would have fairly good figures on the number of concurrent beneficiaries of social security and old age assistance, but the only way to determine whether the social security benefit increase would make a person ineligible for old age assistance would be to have a breakdown of the size of the payment for old age assistance in a particular State.

What we would have to do is a State-by-State survey of old age assistance and determine those who were receiving a current old age assistance payment at a level of less than what the social security increase was and by means of a survey in an individual State we then would be able to isolate the number who might be involved.

Chairman GRIFFITHS. Would this be simpler for you if all of these people had social security numbers and you had all of them on a computer?

Mr. VENEMAN. Again, it would be simpler. I think most of the aged population does have social security numbers.

Chairman GRIFFITHS. Are they given the old age assistance by social security number? Can you identify them through that?

Mr. VENEMAN. Not the way the structure is set up now.

Chairman GRIFFITHS. Wouldn't this be a good idea to do it that way?

Mr. VENEMAN. We think it would be an excellent idea.

Chairman GRIFFITHS. Would you agree with me that every child should be given a social security number at birth?

Mr. VENEMAN. I won't go with you that far but I will go part way with you. We would issue numbers to every child whose mother makes application for welfare. That is middle ground.

Chairman GRIFFITHS. Suppose the mother makes application for welfare for the child and gets a social security number and then grandma takes the baby down and gets a social security number and then a favorite aunt. You have no way of cross-checking, do you?

Mr. VENEMAN. I think there would be.

Chairman GRIFFITHS. How?

Mr. VENEMAN. The way the bill is written now there has to be evidence and verification that the child is their own child. They have to bring in the birth certificate or other appropriate evidence indicating that that is in fact their child.

You know, this is the same thing we go through, the same process we use, when we identify a person for eligibility under social security. We are not asking anything different.

Chairman GRIFFITHS. You are not really identifying people. That is the big mistake. You don't identify the people under social security. We have already discovered one man with some 27 different social security numbers.

Mr. VENEMAN. What is the advantage of him doing that?

Chairman GRIFFITHS. In all of the answers to me, social security's answer has been nobody has a right to rely on this number, this is not an identification number. That is in spite of the fact that people all over this country, credit bureaus and every place else, are relying upon those social security numbers, and Social Security itself, is relying.

When I asked Social Security to give me the list of all of the people they had found who had duplicate numbers, they refused to do it. All I wanted was the numbers. I had already gotten the Internal Revenue to agree that if Social Security would give me the numbers, they would run it through Internal Revenue and see if those people were claiming tax refunds or if they had paid their taxes.

It seems to me that would be very simple and it would be, I think, a very good thing to do. But Social Security is very worried about passing out any numbers or anybody relying on them.

Mr. VENEMAN. In Social Security, the decisions have been made on the basis of the statute, the confidentiality provisions of the statute.

Chairman GRIFFITHS. They have the right to disclose under circumstances, and I provided the circumstances. They didn't disclose the numbers.

Mr. VENEMAN. Again, I would point out that under H.R. 1 there is a penalty provision for obtaining duplicate numbers by fraud. We would beef that one up, too.

Chairman GRIFFITHS. Good luck, but I think my system is better. Can you tell me whether the Department is focusing on the issue of program integration in terms of making recommendations about what program should be cashed out, what program should be continued, and what program should be changed?

Mr. VENEMAN. Yes. There are two or three things going on. No. 1, I think we have already publicly stated on many occasions that we felt the food stamp program for welfare recipients should be cashed out and considered a part of the cash grant. We are looking to the integration of social services so that we can more effectively provide them. That isn't exactly a cash-out type of situation but it makes for more effective administration of the services. These are two that I can specifically identify.

Another program, under the health insurance bill that the administration has put forth, that would essentially be cashed out or changed significantly would be the health benefits for the family groups, which would become an insurance program as opposed to a direct vendor payment program under title 19.

Again, what you have in present law is the case where the States are setting the ground rules, including the number of medical services available, and it will vary significantly from one State to another.

Chairman GRIFFITHS. What about housing?

Mr. VENEMAN. On housing, Mrs. Griffiths, you will recall, and I didn't make this point a moment ago when we were discussing the housing benefits that public assistance recipients are entitled to, we do run into serious problems, as I would describe them, because of the way the housing authorities are set up. They are not statewide. We run into problems, quite frankly, within the congressional system because of committee jurisdictions.

Chairman GRIFFITHS. What about food commodities? Do you think we can ever take that away from the Secretary of Agriculture and the Agricultural Committees?

Mr. VENEMAN. Food commodities, as such, we would recommend be bought out, for all intents and purposes.

Chairman GRIFFITHS. I remember Mr. Poage suggested they not be.

Mr. VENEMAN. When he sent his letter to Chairman Mills, he said that they had no objection to you buying out the food stamps but they did have some hangups about your buying up commodities. That is the way the bill went out of committee.

Chairman GRIFFITHS. Is there any group or person in HEW who is cognizant of how all programs work?

Mr. VENEMAN. Yes. I think probably more so now than previously. Both Secretary Finch and Secretary Richardson have emphasized the need for entire departmental coordination, and the focal point of this right now is primarily in the Assistant Secretary for Planning and Evaluation, combined with the Assistant Secretary, Comptroller. Between those two I think you do have a focal point of how the programs work, their interrelationships, and other aspects. This applies not only to public assistance and services that we are talking about at this hearing today, but when you start talking about some of the other problems that we have in the Department, such as health manpower, changing the health delivery services, health education, and drug abuse. They interrelate between the various agencies within HEW; between these two Assistant Secretaries' offices we do have a focal point for determining to what extent there is duplication and overlapping.

Chairman GRIFFITHS. If the income definitions and eligibility rules on the residual food stamp program are not identical with those for FAP, the cash-out will not really work. For example, a family with children may not be eligible for a FAP payment because of the accounting period. FAP would apply to prior income. But the family might still qualify under the food stamp rules for measuring income. How can you bring such program rules into closer accord?

Mr. VENEMAN. We will have to take a look at the accounting period problem for one thing. What we have said, essentially, is sort of an either/or situation. If you want food stamps, then you can't have the cash benefit. Even with the accounting period problem, if that family were ineligible for a period of 6 months until they again established eligibility, they would be entitled to food stamps during that period. Once they had the cash benefit they would not be.

If they decided they didn't want the cash benefits they could stay on the food stamp program. We talk about how we do this and we are

talking maybe somewhat provincially. But I really think that the President's reorganization plans that have also been submitted to the Congress move in the direction of trying to eliminate some of these kinds of problems, where the feeding programs then would be a jurisdiction of the new Department of Human Resources, where the manpower and the training programs would be shifted around instead of being divided between Labor and HEW. We do have jurisdictional problems.

Chairman GRIFFITHS. Do you have an opinion of the highest benefit reduction rate or tax rate which is tolerable?

Mr. VENEMAN. I think if you went beyond what we have in H.R. 1, you are running into problems. We have the two-thirds tax rate under H.R. 1. The reason we came out there, really, is first it is the same tax rate as under current law, the \$30 and one-third provision.

Second, if you adjust the tax rate and you are dealing with a basic Federal floor, you have to take into consideration two factors, I think. One is cost, and if you go down to a 50-percent tax rate the cost is significantly higher, and if you adjust down to a 50 or lower tax rate your population of potential eligibles increases significantly.

I think one of the major criticisms we are having with H.R. 1, at the present time, is this total misunderstanding, either because we have perhaps done a poor job of educating or perhaps it is because some people don't want to really know what we are trying to do, about what we mean by the inclusion of the working poor, the income supplementation.

There is a tendency to oversimplify and say how can you reform welfare when you are adding 10 million people, without going to step 2 and saying those 10 million people are presently working and are mostly children.

If you went to a 50-percent tax rate that would pick up about 16 or 17 million people that would be potentially eligible. You would adjust your breakeven point—the point at which they would still be entitled to some assistance even though they were working—to \$5,520, so everybody under an income of \$5,520 would be eligible technically for some kind of income supplementation.

But the whole tax issue, to be more direct in answer to your question, is if we went beyond the two-thirds it would be impracticable.

Chairman GRIFFITHS. What are you doing to bring this about with all programs considered together?

Mr. VENEMAN. You are getting back to housing, food stamps, medic-aid and other features?

Chairman GRIFFITHS. Yes.

Mr. VENEMAN. We feel we will correct it in medicaid, the health care provisions, by family adjustments, and we have offered an adjustment to the existing title 19 program so there would not be the "notch" program. The housing is, I stipulate, not taken care of in H.R. 1 for the reasons you have cited.

I think the Ways and Means Committee, after a couple of days of deliberations as to how we could take care of the problem in the Social Security Act, determined that it can't be taken care of in the Social Security Act because, No. 1, it is not the right act in which to adjust housing allowances, and No. 2, you have committee jurisdictional problems.

Chairman GRIFFITHS. Don't you feel it should be adjusted?

Mr. VENEMAN. I think it should be, but that is a significant change in jurisdiction.

Chairman GRIFFITHS. You are dealing there with 10 committees and 11 agencies to get this thing straightened out.

Mr. VENEMAN. More than 11 because the local housing authority is not necessarily statewide. You can have a housing authority in New York City and one in some other part of New York State. You might have 10 or 15 different kinds of authorities within one State with different eligibility standards and subsidy allowances. There is nothing that says you have to apply housing equally across the State line when it comes to publicly assisted housing. They are set up with local housing authorities which makes it even more difficult.

Chairman GRIFFITHS. In January you reported that last April almost 6 percent of the families receiving AFDC were ineligible to receive any payment under that program and that 25 percent of the eligible families were underpaid or overpaid. The press release accompanying the survey warned that the results were based on only about half of the Nation's public assistance caseloads, and some of the largest States were not represented.

What progress has been made toward completing this survey for all of the Nation's caseload?

Mr. VENEMAN. I will turn that over to Mr. Twiname.

Mr. TWINAME. This is a question of getting the remaining States to meet requirements. I think there were at that time 17 States that still were not up to a standard where we could say they had an adequate sample. This is being reduced as we negotiate or help some State come into compliance. Ultimately, we are down to where we have 11 States now that appear not to be making enough progress, and on which we might have to take formal action.

Chairman GRIFFITHS. Two months ago many of the States had not yet fully implemented the new quality control program. Have all of the States implemented that by now?

Mr. TWINAME. No; not satisfactorily, according to the standards that we have set. But all are trying. They all have some form of quality control. The question is do they have an adequate system and to that I have to answer "No."

Chairman GRIFFITHS. If the quality control system is not accurately measuring rates of eligibility, underpayment, and overpayment, will it ever succeed in doing it?

Mr. TWINAME. I think it will. When it is adequately staffed and the right samples are taken, it does give a good measure of the eligibility.

Mr. VENEMAN. Under the present system it is going to be very difficult. Under a national system your quality control would be much easier to do and much more effective.

Again, I might look back to the area I am most familiar with. In the 58 counties that administer welfare in the State of California, no two are alike, and no two have the same quality control system. You might have an effective one in some of the counties, and an ineffective one in the others. The ability of the Federal Government to really use leverage on them is difficult as opposed to what you could do if we had the responsibility for eligibility and checkwriting.

Chairman GRIFFITHS. Don't you think you will get a little objection from some of these State departments to becoming part of the Federal Government? I seem to have sensed some of it already.

Mr. VENEMAN. Sure, you are. In fact, a good deal of the testimony before the Senate Finance Committee expressed opposition. They want the best of both worlds. They want us to pay the bill and they want to run it. I just don't think we can say, "States, we will hold you harmless. We will assure you that your welfare costs aren't going up" and then let them call all the shots. I don't think it will work.

Chairman GRIFFITHS. As a matter of fact, I think when I get out in the field what I am going to hear is that it is all our fault here in Washington that things aren't working. I have already heard some of this.

Mr. VENEMAN. You hear it frequently, particularly in my home State.

Mr. TWINAME. The welfare directors, however, of the States have, in a substantial majority when all were together, voted to support the position for Federal administration, recognizing that in the end the mass check transfer cannot be handled the current way and that Federal Administration would be better for recipients and for the system. They have gone on record on that position.

Chairman GRIFFITHS. The local directors too?

Mr. TWINAME. No, the State administrators of the welfare program today have come out in favor. I am referring to the State Council of Public Welfare Administrators—with a substantial majority they favor it.

Chairman GRIFFITHS. I hope if we take over the State employees we make some arrangements so that they don't draw two pensions.

Mr. VENEMAN. I think our latest figures indicate our problem when we start talking about State administrations. As I said in my opening statement, basically they determine who is eligible and they determine what the benefit payment level is going to be. Some States have been quite generous in determining eligibility. I think it is fair to point out that a State like Louisiana, for example, has 115,000 people receiving Federally aided old-age assistance. The State of New York has 110,000, 5,000 less than Louisiana, despite the fact that their population of people over 65 and in need is much higher. But the State determines who is in need by their State standards. The State of Michigan has 40,000, approximately one-third of what the State of Louisiana has. What we are saying is that you can't operate a good, effective system of quality control or an equitable system without the Federal Government setting the basic standards and the payment levels. If the States want to go beyond that, then that is their ball game.

Chairman GRIFFITHS. Of course, if you let them go beyond it then you will be right back in the same mess, won't you?

Mr. VENEMAN. They would go beyond strictly under State administration and there would be no Federal funds involved if they went beyond. If they wanted to provide benefits to people that would not be eligible under the Federal program, that would be their responsibility. I don't think we should tell the States, "If you want to be generous and give more people in your State money, then you do it" but if they do it, and if they don't meet our eligibility requirements then

we have to tell them "you have to make the payments, 100 percent, with whatever resources you have and you have to pay to administer it."

If they wanted to add to the payments for those people eligible under our rules, we would administer for them.

Chairman GRIFFITHS. In determining eligibility, are State welfare agencies now required to routinely verify applicant statements on such items as amounts of income and size of family.

Mr. TWINAME. The verification varies on that by the States. We require that they redetermine regularly these matters. But their verification varies as to the degree to which they take each case on a matter like that.

Chairman GRIFFITHS. Why shouldn't applicants for welfare be required to present birth certificates, income records, and other written evidence of the truth of their statements?

Mr. VENEMAN. They would be under H.R. 1.

Chairman GRIFFITHS. Why don't you require it now whether you have H.R. 1 or not? You could.

Mr. VENEMAN. I don't know whether we could or not. I don't know whether there is authority in the statute to say to every single State agency that is administering welfare that "You must have the applicant submit a birth certificate."

I don't know whether the statute gives us that much authority.

Chairman GRIFFITHS. It seems to me that you folks take authority without the statute a lot of times when you want to.

Mr. VENEMAN. There are only two cases. One is the statute and the other is the courts.

Chairman GRIFFITHS. I remember voting for that money in one of the welfare bills for day care centers. A few months later I called to Michigan to ask why they were not putting up day care centers, and they said, "The Secretary changed that. We can pay baby sitting fees and that is determined to be day care." They said, "It is amazing how these baby sitting fees are going up." I discovered last week they are paying \$20 million in baby sitting fees. So you can change some of these statutes quite a bit if you want to.

Mr. VENEMAN. I didn't realize we had a provision for day care centers in the Social Security Act.

Chairman GRIFFITHS. Yes. Eighty-five cents on the dollar. New York is \$250 million. Look back. It was 1967, I think.

Mr. TWINAME. That is the former administration, I think, that you have there.

Chairman GRIFFITHS. Do you take any steps to assure that underpayment is rectified?

Mr. TWINAME. It is the same as for the overpayment.

Chairman GRIFFITHS. What do you do on overpayments?

Mr. TWINAME. Stop them.

Chairman GRIFFITHS. Has any money ever been gotten back on overpayments?

Mr. TWINAME. Yes. The State can recover if there is an adequate income. But in the case of welfare recipients—

Chairman GRIFFITHS. Actually, do you have any record of how much money has ever been returned?

Mr. VENEMAN. I am sure there is a significant amount, Mrs. Griffiths. Getting very provincial, perhaps, we have an agency or small

staff in our district attorney's office in the county where I formerly lived that collected approximately \$300,000 a year from absent fathers, child support payments, and through other means. What that means is that \$150,000 of that was a saving to the Federal Government.

Chairman GRIFFITHS. If it is a saving, then don't you have a running record of how much money you are getting back on this?

Mr. VENEMAN. I don't think so.

Chairman GRIFFITHS. Anyplace in HEW?

Mr. TWINAME. Mr. Hurley is Deputy Commissioner for Assistance Payments Administration.

Mr. HURLEY. I think as far as our policy goes, if the State does recover, and there are some of those records available, they have to return the Federal share.

Chairman GRIFFITHS. Don't you have a record of how much money?

Mr. HURLEY. We have some data.

Chairman GRIFFITHS. Would you be willing to supply for the record how much money has been recovered over a period of 5 years or so, year by year?

Mr. HURLEY. Yes, ma'am.

(The information referred to follows:)

Total Federal share of collections¹ made by State welfare agencies in all public assistance money payment programs, by fiscal year, 1966-71:

Year:	<i>Amount of collections</i>
1971 -----	\$28, 865, 111
1970 -----	23, 133, 654
1969 -----	22, 026, 015
1968 -----	17, 947, 767
1967 -----	15, 653, 720
1966 -----	16, 755, 640

¹ Collections represent assistance payments recovered by State welfare department through repayments by individual recipients, estates of individuals, or some third party on account of such assistance. They may relate either to overpayments of assistance or a right of the State to recover from or on behalf of the recipient or his estate for all assistance paid. Specific amounts recovered because of fraud or from absent parents are included in the above amounts but cannot be identified as such. The amounts do not include the State share of recoveries.

Chairman GRIFFITHS. In order to reduce fraud and error, why shouldn't States be required to limit the size of the caseload per caseworker? Would that help?

Mr. VENEMAN. Do you mean the number of people they would be responsible for?

Chairman GRIFFITHS. Yes.

Mr. VENEMAN. They tried that one time with regard to the number of clients a particular social worker could have, as I recall, by Federal regulation.

Mr. HURLEY. Yes, we did. We did have a caseload limit for service workers of 60 cases. At this particular time, the States are required under the quality control system, that where they do exceed our tolerance levels, to take corrective action.

That corrective action in many instances is moving the staff into income maintenance and also to get at the causative factors of it. But there isn't any standard requirement as to the number of workers.

Chairman GRIFFITHS. The Federal law authorized the State welfare agency to use both Social Security and Internal Revenue Records to determine support for children. To what extent are State welfare agencies making use of these records for welfare purposes; do you know?

Mr. HURLEY. They are making extensive use of that. In some cases, they find the Internal Revenue records such as in California more adequate in terms of followup. But they are required to use these resources.

Chairman GRIFFITHS. When you give us the amounts that have been recovered because of fraud, will you break out the amount that has been recovered because of absent fathers? Can you do that for us?

Mr. HURLEY. I believe we have some data on that.

Chairman GRIFFITHS. I can't understand why you don't have it exactly. Aren't you interested in any money you get back?

Mr. VENEMAN. We are very interested in that.

Chairman GRIFFITHS. I think you would have a list of the money you would get back. I think you would have a running total of the money you get back. Doesn't it come to somebody in HEW, or does it go into the Treasury with a carbon copy to you?

Mr. VENEMAN. I don't think we get a check back from the States every time we recover. It is offset against what their next payment is. It is a transfer at the State level.

Chairman GRIFFITHS. I would like particularly to thank you. As you are aware, this subcommittee will continue this investigation for a period of 2 years. I know you will be helpful to us if you can be. You always have been, and I am sure you will be in the future.

Mr. VENEMAN. We have, Mrs. Griffiths, approximately 14 different documents that are available that deal with the fraud and means of administration, these kinds of things. It is a high stack of material that we are assembling, which we will submit to the committee.

(The information referred to may be found in the subcommittee's files.)

Mr. TWINAME. May I add one more thing? I might draw the committee's attention to our recent supplemental request to the Congress for the administration of these programs in which we asked for resources to deal much more directly with the problems of quality control, the missed payments in the medicaid program, and the mismatching and the relative unaccountability in State accounting for social service reimbursement, the 75-percent matching.

This was only within the past month that we asked the Congress for some positions, resources, and contract to take a more direct hand with the States in overseeing this by establishing financial management units in each of our regional offices so we do not wait simply for welfare reform or other reforms in medicaid to get a handle on that. That might be of interest to the committee.

Chairman GRIFFITHS. There are some additional questions that we would like to ask you. But since we are out of time, we shall supply them for the record. Could you then please provide us with your answers?

Mr. VENEMAN. Certainly, Mrs. Griffiths.

(The questions and answers referred to follow:)

RESPONSE OF HON. JOHN G. VENEMAN TO ADDITIONAL WRITTEN QUESTIONS
POSED BY CHAIRMAN GRIFFITHS

Question 1. "Does the loss of \$.5 billion recently estimated by HEW due to erroneous public assistance payments include the cost of Medicaid benefits paid for ineligible?"

Answer. No. The quality control system which produced this estimate of erroneous payments deals only with income maintenance programs. Deter-

mining improper expenditures under Medicaid would require a separate, special review, since eligibility for public assistance payments is not necessarily related to Medicaid eligibility. For example: A child between the ages of 18-21 can be ineligible for money payment in some States, however, he or she need not be ineligible for Medicaid. Also, an individual receiving income in such amounts that would make him ineligible for public assistance money payment, could still be eligible for Medicaid as medically needy. It is also important to note that Medicaid payments are not necessarily made on a regular monthly basis as are income maintenance payments; rather, they are made on a "as services are incurred" basis. Payments in a given month for Medicaid bear no relationship to the individual's Medicaid eligibility in the month of payment but instead relate to his eligibility at the time the service was rendered.

Question 2. If a State increases its administrative resources to improve quality control, the added administrative expense is 50-percent State funded. However, as little as 17 percent of the savings in overpayments that result may return to the State treasury because of the Federal-State matching formula. Does this fact make it possible to force State improvements?

Answer. As explained in testimony, nothing short of cutting off Federal funds can "force" State improvements. The quality control program is designed to provide a gage of the propriety of total program expenditures, not the Federal or the State portion. It is an administrative device which gives a reading on the total health of program performance and has implications beyond just fiscal return on ineligibles or overpayments.

Furthermore, there is no significant relationship between these matching formula percentages for assistance and administration which can be used to draw conclusions about the willingness of States to use the quality control system or act on its findings.

In fact, in dollar amounts, overpayments returned to the State treasury may be considerably larger than the expenditure for quality control staff. The 17 percent of State funds in the overpayment amount may exceed the 50 percent of State funds in the quality control staffing costs. The federally required sample size for quality control review is limited and controls the staffing requirement, while the assistance caseload and assistance expenditures are open-ended and are considerably greater than the administrative cost. Consequently, no conclusion should be drawn from the mere difference in matching formulas for assistance and administration.

Question 3. In areas where there is a sizable non-English speaking population, what regulations exist to assure that the rules and other material explaining public assistance benefits are translated into the appropriate language and that there are caseworkers who can speak that language?

Answer. Federal regulation 45 CFR 222.26 requires that provision be made for bilingual staff or interpreters when there are substantial numbers of non-English speaking applicants and recipients.

Federal regulation 45 CFR 222.28 provides for a continuing program of public information specifically designed to assure that information about all the services the State agency provides will be made available to current and potential applicants and recipients, and where there are substantial numbers of non-English speaking individuals that such materials be issued in the native language most commonly used.

These regulations, issued January 28, 1969, appear in the provisions relating to service programs under Titles I, X, XIV and XVI of the Social Security Act.

Chairman GRIFFITHS. Thank you very much.

The subcommittee will stand adjourned, subject to the call of the Chair.

(Whereupon, at 12:05 p.m. the subcommittee adjourned, to reconvene subject to the call of the Chair.)

PROBLEMS IN ADMINISTRATION OF PUBLIC WELFARE PROGRAMS

TUESDAY, APRIL 11, 1972

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON FISCAL POLICY
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 110, U.S. District Courthouse, New York, N.Y., Hon. Martha W. Griffiths (chairman of the subcommittee) presiding.

Present: Representatives Griffiths and Widnall.

Also present: James W. Knowles, director of research; Alair A. Townsend, technical director; James R. Storey, staff economist; George D. Krumbhaar, Jr., minority counsel; and Trina Capobianco, administrative secretary.

OPENING STATEMENT OF CHAIRMAN GRIFFITHS

Chairman GRIFFITHS. This morning the Subcommittee on Fiscal Policy of the Joint Economic Committee begins 3 days of hearings on the administrative aspects of public welfare programs. These New York hearings are the first of three sets of hearings to be held in different cities, the other two to be held in Detroit and Atlanta.

To start in New York is entirely appropriate because the problems of welfare administration here seem almost overwhelming. In this one city alone are 9 percent of all the families receiving public assistance in the Nation. The gigantic administrative morass consisting of many different programs and literally hundreds of Federal, State, and local statutory provisions make it imperative that this subcommittee, for the first time, take a hard look at how welfare programs look from the bottom up, instead of the top down.

No doubt there will be those who will be disappointed that our witnesses, this week, are exclusively drawn from the various levels of the city and State program administrations. But we have done this deliberately. Sweeping proposals and opinions and broad-brushed national pictures of welfare are common.

These hearings, on the other hand, will attempt to detail the administrative apparatus of welfare from the front line of welfare agencies facing the public up through higher and higher levels of supervision, starting this morning with the worker who first interviews prospective welfare beneficiaries.

This afternoon we will move on to supervisors of centers, and tomorrow to still higher levels, reaching tomorrow afternoon the city's

highest welfare program officials. Thursday morning we will hear from the State officials as outlined in the press release.

I might point out that we began in Washington on March 20, with testimony from top Federal officials concerned with welfare. But today administrative responsibility of welfare programs rests ultimately with the local level where the client meets the welfare establishment.

Paralleling these hearings the subcommittee will be issuing a series of studies of public welfare, the first of which was released this morning. It reveals a maze of interconnected and overlapping programs. In the circumstances it is particularly fitting to hear from one former and three present supervisory clerks, for these are the persons who start the whole procedure by interviewing potential beneficiaries.

Our witnesses are Wallace Alves, former supervisory clerk, Livingston Center, Brooklyn; Nancy Brown, supervisory clerk, Dyckman Center, Manhattan; Sara O. Brown, supervisory clerk, Clinton Center, Brooklyn; and Catherine Stolze, a supervisory clerk.

I particularly have to thank you Mrs. Stolze for substituting on such short notice, and I would like to thank all of you for being here. It is very kind of you to come and share your knowledge with us. Would you like to begin, Mr. Alves?

**STATEMENT OF WALLACE ALVES, FORMER SUPERVISORY CLERK,
LIVINGSTON CENTER, BROOKLYN, N.Y.**

Mr. ALVES. Thank you, Madam Chairman.

The separation of income from service was supposed to facilitate the flow of these two services to the welfare recipient, but through bureaucratic processes this function has been curtailed.

As a clerical person employed in income maintenance, I can only speak for this area.

The income maintenance specialist (IMS) in many instances is the first person seen by the client when entering a welfare center. It is there that the recipients begin to formulate their opinion about the Department of Social Service. What the IMS says and does can determine whether or not a recipient would be agreeable to accepting further assistance. Many of the recipients are people with a great variety of problems. Clerical staff have not been given training in this area. The lack of training to recognize potential problems has often led to abuse by the clients to the worker both vocal and physical. Other problems the IMS encounters in an effort to achieve a rapport with the recipient is the multitude of procedures, of which many are years old, and have not been revised. They still deal with 1940 problems in the year 1972. The levels of approval for many financial situations has not changed in years; this has stymied the IMS in many instances from delivering a much needed financial service to their clients.

The IMS is further hampered by an acute shortage of clerical staff at all levels, which has caused an undue burden on the existing staff to try and service so many with so few.

New York City has 44 welfare centers, and 44 different varieties of separation of income from service. The reason for this is there is no uniformity of operation, center directors, and section heads interpret procedures as they see fit. This has caused what we affectionately refer

to as the grey area. That area no one wants to own, IMS says it is not their responsibility, and service says it is not theirs.

These are just a few of the problems that plague the employees of the Department of Social Service.

In order to function properly, procedures and forms and bureaucracy must be streamlined and modernized, sufficient staff must be employed and adequate facilities maintained.

Chairman GRIFFITHS. Thank you, Mr. Alves.

Mrs. Brown, would you like to proceed?

STATEMENT OF NANCY BROWN, SUPERVISORY CLERK, DYCKMAN CENTER, MANHATTAN, N.Y.

Mrs. NANCY BROWN. I am an income maintenance specialist working at present in one of the social service centers in the city of New York. My function as IMS is to administer financial maintenance and to accept applications for clients in need of public assistance.

To date this has been very difficult to do for the following reasons:

IM specialists have not been given adequate training on how to handle clients as compared to the training that the caseworkers had. IM specialists were given only 5 or 6 weeks training while caseworkers were given 6 months training. Also as specialists, we handle an average of about 10-15 different clients a day, 5 days a week. Whereas, caseworkers were given a specific caseload of about 75 clients to work with and only saw their individual clients by appointment in the centers or when a home visit to the client was due.

Specialists do not have a caseload and have to see the clients as they come to the center. Clients no longer need an appointment. Whatever their problem is, they are at liberty to walk into the centers handling their district and expect their problems to be solved right then and there.

We have clients from all walks of life, old, young, middle-aged, alcoholics, drug addicts, psychos or what have you.

The centers are not physically set up to handle all of these people. On check days, when the clients come to the center for undelivered, lost or stolen checks, it is almost impossible to give personalized attention to the client that you are interviewing. Clients or agitators will come to the booths and interfere with the interview, causing trouble and encouraging the client being interviewed to become sometimes abusive and reticent.

At times troublesome clients will curse and threaten specialists, as well as other clients using the most foul and derogatory language that cannot be found in any dictionary. Some specialists' lives have been threatened and in some cases they have actually been attacked. We have clients and agitators coming into the centers with lethal weapons which they intend to use if they deem it necessary.

IM specialists are a dedicated group of people, interested in their jobs and the welfare of the less fortunate or they would not be trying their best to do a job at the risk of being abused, hurt, or killed, to help these poor people.

The centers should be arranged so that the clients waiting to be serviced would be in an area where they can be monitored by security

guards until they are called and those clients that are being interviewed can have complete privacy with the specialist.

It is impossible to do your best as IM specialist under these circumstances I have mentioned, and I am sure that I speak for all the IM specialists in the social service centers of New York City.

Give IM specialists complete and adequate training, rearrange the physical setup of our centers so that the clients may have privacy during interviews and give us the protection that we need so that specialists and clients alike may feel protected.

With this protection and changes the specialists will be able to function in their jobs without being forced to work under severe nervous tension every day.

Chairman GRIFFITHS. Thank you. Miss Sara Brown.

STATEMENT OF SARA O. BROWN, SUPERVISORY CLERK, CLINTON CENTER, BROOKLYN, N.Y.

MISS SARA O. BROWN. Madam Chairman, members of the committee, the separation of income maintenance from services was instituted for two basic reasons. (1) Welfare recipients' financial needs would be handled by income maintenance only; (2) Any other problems other than financial would be handled in the service areas.

As an income maintenance specialist, I find that the administration of these programs are not cut and dried as first indicated. There are enough areas of difficulty to cause the function not to work smoothly. To name some of the most bothersome, inadequate training of income maintenance specialists, because of the need for a fast turnover in that area. A great many of the specialists are not properly prepared to cope with the basic problem of dealing with the public because of this lax in training. The department seems to show that they believe the saying that experience is the best teacher and that you learn by doing.

This can be very true, once you have the proper training foundation.

Another bothersome aspect of the program are the procedures. They are too long, too cumbersome, and most of the time one procedure overlaps the other. I think that procedures needed in the function should be precise, exactly to the point, and use as little paper as possible to outline what is needed to do the job. Income maintenance specialists have the very difficult task of trying to get the public recipients to understand that we are not functioning in our jobs to take anything away from them, but that we have mandated Federal, State, and city laws that must be adhered to.

There is a general feeling throughout the social services system that we don't know what we are doing and therefore we are the enemy of the people. The main reason for this attitude is that there are 44 different systems being instituted at the same time in 44 social service centers. And clients do compare notes on how things are being done for them. I say that we need uniformity throughout the system. We need to have a clear picture of what the service area functions are and we need to keep income maintenance separated from services as the initial idea started out to be. At times as specialists, we don't know whether we are dealing with finances, services or both.

These are a few of the problems that I had in mind, but I feel they can be dissolved. I feel that from these hearings and continued efforts on the part of the Department of Social Services, these problems will be erased.

In closing I want to say that functioning as a specialist (clerical) is a rewarding experience in spite of the obstacles, and I sincerely feel that the clerical income maintenance specialists have proven and will continue to prove that they are capable of doing an outstanding job with or without the difficulties of the job.

Thank you for taking time out to have us here and to listen to what we have to say about the job that we are doing.

Chairman GRIFFITHS. Thank you, Miss Brown. And Mrs. Stolze, will tell us what you do and what your objections are?

STATEMENT OF CATHERINE STOLZE, SUPERVISORY CLERK

Mrs. CATHERINE STOLZE. I am a supervising clerk, Department of Social Services. The thing is that there is not much additional that I can say besides what Wally, Nancy, and Sara have said about the conditions.

What I would like to see, actually, is that management would work with those people who are performing the function to get their suggestions and their ideas as to how a thing can be done, how a center should be set up which could be easier for us to work.

You know, I think that the disregard up until now for our feelings as to how we feel something should be done—I am not speaking of the procedures or the laws or whatever—what I am saying is that we have a problem.

I surely feel that they should sit with our employee groups and discuss these problems so that we can come up with some equitable solution. Not that everything is always one-sided but no one listens to what the people that actually do the job have to say.

Chairman GRIFFITHS. Thank you. Now, each of you has pointed out that there really are 44 different systems in New York, because there are 44 different centers. Can you explain that to me more particularly?

Mr. ALVES. I will start.

In my center, Livingston, I will start with the housing specialist alone there.

The housing specialist in my center requires the income maintenance specialist—let me start with the client. When he first walks into the center and says, "I would like to move some place and change apartments," the housing specialist requires the income maintenance specialist to tell the client he is going to go back, see the landlord or the broker, and get a 2-year lease with certain information on it that the landlord will be responsible for internal repairs.

In other centers, the housing specialist does not do this. They come up with another formula. They interpret the procedure as they see fit.

In my center, when I have to refer a client to the DER section, which is the employment section, they require me to bring all of the information that I have, which are all of the forms that I have filled out, up to that particular point of referring him there. In other centers they do not have to do it, they just send the client alone and with the W-117, which is the job-referring card, and it would have all of his basic employment information on it.

(The card referred to follows:)

Case Number		Case Name (surname only - print)				Center Number			
Address (include borough, ZIP Code, and Apartment No.)					Acceptance Date		Caseload Number		
Change of Address									
PERSONS 16 YEARS OF AGE AND OVER					FOR EMPLOYMENT SECTION USE ONLY				
First Name (print) (full name if different from case name)	M or F	Year of Birth	Marital Status (see below)	Ethnic Group (see below)	School Grade Compl.	Empl. Status Code (see over)	Record of DRAT Actions		
ETHNIC CODES: W-White; N-Negro; P-Puerto Rican; O-Other									
MARITAL STATUS: M-Married; S-Single; D-Divorced; W-Widow; S-Separated;									
Form W-117 (face) Rev. 4/16/70		EMPLOYMENT MASTER CONTROL CARD					The City of New York Department of Social Services Human Resources Administration		

Form W-117 (reverse) 15031-702069(72) Rev. 4/16/70		
EMPLOYABILITY STATUS CODES		
IA Fully employable	IIIE Employability or availability not determined	
IB Employable-physical or mental limitations	IIIF Verified temporary health condition (up to one year)	
IC Employable-history of drug addiction	IIIH Rehabilitation	
IIA Employed at full capacity	IVA Infirmitities of age	
IIIB Employed at less than full capacity	IVB Health conditions requiring treatment for more than 1 year	
IIIA Attending school	IVC Verified permanent disability	
IIIB Training other than WIN	IVD Personality limitations	
IIID Family Care		
FOR EMPLOYABLE PERSONS WITH OCCUPATIONAL LIMITATIONS - CODES IB AND IC		
First Name	Date of Medical Report	Limitations (specify) <i>(For health condition include diagnosis with source, and physician's recommendations)</i>

Mr. ALVES. Other centers say, "Just bring us that card." The procedures are interpreted as each particular section sees fit, and they come up with whatever they want as their own easements. This is really what it is, it is easements.

In some areas, it is hardships, because for me to send the client back, it is a hardship on them because now it is carfare, for which they are not reimbursed. So I have to say "Go back and see the landlord."

He gets there, he comes back with it, I take it to housing. If they do not like it, go back again, which is sometimes three or four carfares.

In other centers they say, if he wants to move and he has not, he has lived up to certain guidelines, he has not moved like in the last 24 hours, they will accept that, and I let him go on.

Maybe Nancy or Sara could elaborate a little more.

Mrs. NANCY BROWN. Speaking of housing, now in our center when a client comes in and asks whether they can move, usually, they just walk right in—"I found an apartment, I want to move." We have to get a clearance through housing.

Now, the difficult part with us is, our housing section does not allow you to make a clearance over the telephone with them. The specialist has to take the information. We have forms that we fill out, M-640k and an M-622. We have to take it upstairs to housing, let them get the clearance, and then come back downstairs to the client and tell her or him whether our housing approves, whether there is a record of violations, and so forth and et cetera.

(The forms referred to follow:)

THE CITY OF NEW YORK
DEPARTMENT OF SOCIAL SERVICES

CLEARANCE FOR MAXIMUM LEGAL RENT (prepare in triplicate)

TO Office of Rent Control L.M. U.M. Bronx Bklyn Queens Richmond

FROM Center _____ Worker _____ Title _____ Unit _____ Date _____ Housing Specialist _____ Date _____

Name of Tenant _____ Status: Accept Active Case No. _____

Date of First Rental _____ New Lease Signed: Yes No If "Yes", specify date _____

Address of Building _____ Borough _____ Landlord (name, address) _____ Borough _____ Tel. No. _____

Fill in ALL items on line of appropriate accommodation:

KIND OF ACCOMMODATION	APT. NO.	ROOM NO.	FLOOR AND LOC.	FURNISHED	UNFURNISHED	NO. OF ROOMS OCCUP.	NO. OF OCCUPANTS	RENTAL INDICATED ON RENT RECEIPT				
								Amount	Month	Week	Day	
Apartment in Multiple Dwelling												
Apartment in 1- or 2-Family House												
Rooming House												
Hotel												
Rooms in Private Apt.												

Clearance Not Required: Reason _____ Signature _____ Title _____

Approved Disapproved: Reason _____ Housing Specialist Signature _____

FOR USE BY RENT CONTROL OFFICE ONLY

1. Maximum Legal Rent: \$ _____ for Persons per Month Week Day Lease: No. _____ Effective: _____

Changes in rent from \$ _____ to \$ _____ Reason: _____

2. Accommodations Registered as: Unfurnished Furnished N.L. Yes No N.L. Painting: _____ Utilities Included in Rent: Gas: Yes No N.L. Electric: Yes No N.L.

Cooking Stove: Yes No N.L. Last Installation Date _____ Refrigerator: Yes No N.L. Last Installation Date _____

3. Accommodation Designated Cannot Be Identified _____

4. No Registration Found 5. Registration Avail. Yes No. Docket No. _____ Reclear Date _____ 6. Not Subject to Rent Control (date and reason) _____

Under Rent Stabilization 7. _____ 8. Other _____ Date _____

Signature of Rent Office Clerk _____ Date _____

DISPOSITION OF RENT CLEARANCE (To be filled in by Housing Specialist)

Submit new M-640k with better designation. (Current rent payment may be continued.)

Current rent payment may be continued. No follow-up is necessary because:

- Rent paid is equal to or less than MLR.
- Housing unit is decontrolled.
- Housing unit is subject to Rent Stabilization Law.

Current rent payment may be continued until further notice:

- Improper Registration. Non-Reg. Reclear - date _____

Housing Specialist will do follow-up and notify you of further change.

Overcharge action to be taken by Housing Specialist Unit:

- With ORC - (2-year cumulative overcharge over \$100).
- With landlord or agent - (cumulative overcharge less than \$100).
- Current rent payment is to be reduced from \$ _____ per _____ to MLR of \$ _____ per _____.

Attached memorandum is to be completed and returned to Housing Specialist when budget reduction is made.

Signature of HOUSING SPECIALIST _____ Date _____

Form M-622
8/11/70The City of New York
Department of Social ServicesBUILDING STATUS REPORT
Part I
(To be completed by I.M. Specialist)To: Housing Specialist _____ Date _____
Center _____ From: _____
Unit - Title - Name

House Number	Street	Borough	Apt./Room Number	Floor	Other Identification
Landlord's Name	Address		Telephone Number		

Case Name - Last	First	Case Number	Family Composition	
			Adults	Children
Prime Tenant <input type="checkbox"/> Yes <input type="checkbox"/> No				

- Family moved to above premises on _____
- Family plans to move to above premises on _____

Part II
(To be Completed by Housing Specialist)

To: I.M. Supervisor _____ From: Housing Specialist _____

The following information is on file for the above accommodations:

SECTION A

In the following situations, rents may be authorized:

- No Record - there is no information which precludes occupancy.
- R.H.M. Repair Program - The landlord has entered into an agreement with the Department of Rent and Housing Maintenance to correct violations.
- Other Information _____
- No Referral - The Department of Social Services will not make a referral to these accommodations due to hazardous violations; serious social conditions. This information should be discussed with family. However, this does not preclude client's right to self-determination in occupying the accommodation.

SECTION B

In the following situations, no rent may be authorized:

- Vacate Order - effective _____. The entire building must be vacated.
- Partial Vacate Order - effective _____, affects the following apartments only _____
- Spiegel Law - the Department of Rent and Housing Maintenance has certified that dangerous conditions exist.
- Other Information _____

Note: Where vacate orders involve temporary or emergency rehousing, either through the Department of Social Services or the Department of Relocation, arrangements such as storage should be considered for the protection of family's furniture and other belongings.

- Local Housing File Clearance
- Out-of-Borough Clearance _____ Date _____ PHS _____
- Signature _____ Housing Specialist _____ Date _____

Mrs. NANCY BROWN. And then we have to advise the client, "Well, we can't let you have this apartment," or either, "It is too much money."

Do you have a question?

Chairman GRIFFITHS. Yes.

Why do they have to get clearance from you? Aren't they given some money to pay the rent with?

Mrs. NANCY BROWN. All of this has to be done before we are allowed to give them money.

Mr. ALVES. The reason for that, Madam Chairman, is the State has certain requirements regarding what you call Speigel, and Spiegel Act houses, which have violations that the Department of Social Services will not pay the rent on.

There are other houses that may have violations on them, and we have to inform the client that, "If you are going into this particular house, it has violations."

Now, the violations, because of the backlog within the agency that does the clearances on these houses, could be a bulb missing in a hallway, but it was a violation, and therefore it comes through our agency as a violation.

So, our responsibility in clearing the forms that Mrs. Brown alluded to is we have to notify the client that this house has a violation, and if you want to move into it, the agency then requires that we get some sort of a statement that they will absolve us of any responsibility should, you know, the roof fall in, or whatever it happens to be.

Chairman GRIFFITHS. Is this for all welfare people, those on home relief, those on AFDC?

Mrs. NANCY BROWN. Yes.

Chairman GRIFFITHS. Anybody that moves has to come first to you and ask if they can move?

Mrs. NANCY BROWN. That is right.

Chairman GRIFFITHS. And they do not do this exactly the same in every one of the centers? In some centers, you require one type of form to be filled out; and in others, a different form?

Mr. ALVES. No; the form—

Miss SARA BROWN. Excuse me, Madam Chairlady.

I am in a center that is among the first three separated, and our way of doing it is: If a client comes in and they have an apartment, we send them with the form. The basic forms are the same, which is called a basic clearance or 622, and the clearance that goes to the Department of Buildings, which is 640K. We get an immediate clearance by using a 622. That goes downstrains, or upstairs, wherever the housing section is located.

In our center, if there is a broker's fee involved, we send for a clearance on the broker, because some brokers are not legitimate and the city will not authorize paying a broker's fee. So we have to have a clearance.

In our center, we send the clients with these two forms to clear the broker's number and the 622 to find out if there are any violations or if there is no record on the premises.

Then they come back to the specialist, and if they say there is no record, or whatever the information, then based on that we will issue money.

In other centers, as the other two speakers have said, the workers have to go to housing. But, as I stated in the beginning, we are among the first three centers separated. Our centers are running very smoothly, so far as ironing out bugs and basic problems. We do things the basic way.

We started out stumbling and fumbling, also, but we find that while the client has gone for housing, you can get the money part

ready because you know you are going to give them the money even if there are violations on an apartment. You have to tell the client there are violations. It is up to them if they still want to take it.

Chairman GRIFFITHS. So that you are protecting the client from the landlord?

Miss SARA BROWN. That is the idea.

Chairman GRIFFITHS. Are you sometimes protecting the landlord from the fact that the client has never paid rent; you protect both?

Miss SARA BROWN. We are supposed to be protecting both. But it does not work that way.

Chairman GRIFFITHS. Why doesn't it work that way?

Miss SARA BROWN. In spite of the fact that we have these clearances and the fact that we issue the money, the clients still do not pay their rent. That is one of the areas I thought we would get into in the question-and-answer period.

It would be a very good thing if the rent were paid directly to the landlord, and that would cut down a tremendous amount of the problems of functioning as IM specialists, because the majority of clients today come in and landlords call up constantly. We have a constant rapport with landlords about nonpayment of rents.

The clients get their rents in their regular checks semimonthly. If there is no indication that there has been poor money management, the client gets the money directly. It is up to the client as a person to pay their rent. The majority of the people seem not to want to pay their rental, or for some reason they do not pay, and the landlord says, "The client did not send the rent; I have not received the money."

We are bogged down in this rent situation constantly because they get the money, because they know if they come in and they have an excuse, that we are going to pay this back rent to keep them from being evicted. Because of lack of places to move, we are going to recoup the money from them. That is not the idea. It is still the same game over and over and over.

Chairman GRIFFITHS. Do you make any notes on a client's records that you have had to pay back rent?

Miss SARA BROWN. Yes. We have to; and we have to keep a record of any eviction notices.

Chairman GRIFFITHS. After you have made these notes, and you know that there are clients who are not paying their rent regularly, what happens to them? Can you then make a protective payment to the landlord, or can you not do so?

Miss SARA BROWN. We then request that the client's rents be put on restricted, two-party rent. It goes in the client's name and the landlord's name.

Chairman GRIFFITHS. I see.

How long after these rents are not paid could you make that restriction?

Miss SARA BROWN. Well, as soon as we find out we put in a request, you know.

If a landlord calls and says, "The client has not paid and I would like the rent," usually the landlord will request, "Please restrict this client's rent because they're not paying."

Then we put in the request to restrict the rent, and when we get the OK we put it on two parties.

As soon as the next payroll appears at money time, then we can say this rent should be paid as a two-party restricted rent, and goes in the name of the client and the landlord.

But some of the clients have some sort of connections. They can cash those checks, also.

Chairman GRIFFITHS. Really?

Miss SARA BROWN. Oh, yes.

Chairman GRIFFITHS. You mean they cash those checks without the landlord signing his name?

Miss SARA BROWN. Oh, yes.

Mr. ALVES. Madam Chairman, there is another problem with the restricted check in that under the Federal mandate you cannot have a check restricted for too long a period because they do not pay the city reimbursement for any restricted payments. So we can only keep it on for a short period of time, and then we have to take it off. The checks are supposed to be put on restriction during a period of rehabilitation to the client, of trying to get him to pay his own rent.

The client knows that if he does not pay his rent, we are going to pay it anyway. Even if we restrict it, he is still going to get the rent; so he misuses it.

Chairman GRIFFITHS. How long can you restrict the rent?

Mr. ALVES. Two periods, which would be 2 months.

Miss SARA BROWN. For two periods. It is restricted for 12 semi-monthly payments; that's 6 months.

Chairman GRIFFITHS. Six months?

Miss SARA BROWN. In other words, for no more than a year.

Chairman GRIFFITHS. Now, you are restricting it under State law; is that right?

Miss SARA BROWN. That is right.

Chairman GRIFFITHS. But the Federal Government says you cannot restrict it beyond a certain period; is that right?

Miss SARA BROWN. That is right.

Mr. ALVES. They will cut off that particular—

Chairman GRIFFITHS. But the clients have figured out a way of getting the checks cashed, even if you do restrict it?

Miss SARA BROWN. They have ways.

Chairman GRIFFITHS. So they take the money.

But then, further, they know that you are going to pay the back rent; is that right?

Miss SARA BROWN. Right; because of the housing shortage, they come in and they have a story, this, that, or the other thing, and we say, "You cashed the check," so the money is going to be recouped from them. They have to sign for them.

"Did you cash it?"

"No."

"Do you want a hearing?" or whatever.

It eventually ends up that the money is being taken out of the semi-monthly checks; but in the meantime you still pay that money back, to clear up the situation between them and the landlord so they do not get evicted.

Chairman GRIFFITHS. Then, do you say you take some of the money out of their checks?

Miss SARA BROWN. We take the money back. The amount of that check that they use, that they misappropriate, we take that back.

Chairman GRIFFITHS. How do you do it?

Miss SARA BROWN. Out of the preadded money.

Chairman GRIFFITHS. How much do you take at a time?

Miss SARA BROWN. It is according. The first time you take back out of 12 semimonthly checks, 6 months.

Chairman GRIFFITHS. I am very happy to have Mr. William B. Widnall, Representative from New Jersey, join us.

You are going to learn more about welfare, Mr. Widnall, than you ever thought you would know.

Representative WIDNALL. Thank you.

Chairman GRIFFITHS. How much is the average rent that these people are paying?

Mr. ALVES. It varies. If I may, it varies by the size of the family. It can go from \$120, \$150, \$170, \$190, \$210. Some people are paying \$75. We get very few of the rents less than \$100.

That was why I stated that the levels of approval have not changed. The rents have gone up since the advent of the New York State laws regarding rents, and the people are now coming in with \$120 for a room and a half, \$170, \$190. We are getting them as high as \$250, \$275.

So if someone spends a \$275 rent check, we have to deduct it in 12 issues.

Chairman GRIFFITHS. But they could have quite a good time on \$275, couldn't they?

Mr. ALVES. Yes, they can; especially if you know you have somebody who is going to pay your rent, and that you have that money to play with.

Mrs. NANCY BROWN. They seem to feel, regardless of what they do with the money, when they come in you are supposed to give it to them. They feel it is their right. They come in and say, "I want my money." That's the way they tell you. "I want my money and you're going to give me my money before I leave this center."

Chairman GRIFFITHS. Tell me about the problems that you mentioned—no privacy in the interviewing rooms. Is it just a great big room with desks?

Mrs. NANCY BROWN. In my center it was originally, I could say, a room similar to this. And they eventually put up partitions to make a sort of a passageway, but along the walls we have, say, five desks put together for one group, and then another set of five. Each group has five desks. We have five specialists with a file clerk, a group clerk, and a supervisor, and there is just a partition about this high, just about this high, between each desk [indicating].

Now, he can be interviewing a client [indicating Mr. Alves]. If he speaks loudly, or the client is speaking loudly, I can hear what they are saying.

The same way down the line. And in the center we have seats where the clients that are waiting are supposed to sit until we call them. They do not sit; they walk around.

Like I mentioned, some are alcoholics. They lean over the partitions. I am trying to talk to this lady, they are leaning over, listening to what I am saying to her or to him, and if I say to the client, "no; such a thing

is the case." "Well, you don't have to take what she is saying" [referring to interviewer and addressing interviewer]. "Why don't you give the lady what she wants," or "Why don't you give the fellow what he wants."

It is a very rough job that we have to do, and it just so happens last Friday we had an incident in our center where the client jumped over the desk. We didn't know that was quite possible, but she jumped over the desk and attacked one of the file clerks with her umbrella because she did not get what she wanted at that particular time, and the language is abusive and, as I said, they have weapons.

Chairman GRIFFITHS. Do some of the clients or some of the people sitting, waiting, actually know the law, as to what they are entitled to, better than the employees?

Mrs. NANCY BROWN. Sometimes they can quote your procedure better than you can. Where they get the information from, I do not know.

Miss SARA BROWN. There are client action groups.

Mrs. NANCY BROWN. As she mentioned, they have a lot of these groups around the city that are telling the clients what their rights are. "You are supposed to have this and that, and you go to the center and demand it."

That is why I say agitators.

Chairman GRIFFITHS. In this, I noticed that New York had some problems with shoes when they cut out the clothing allowance, that then the clients discovered they could get shoes through a prescription from a podiatrist.

Mrs. NANCY BROWN. Yes.

Chairman GRIFFITHS. And they got those.

How did that information get around that fast?

Miss SARA BROWN. It must have come from the client action groups. There is someone that seems to know how, because they brought the news to us. We did not know about this, and they came and said they were entitled. I think it is the client action groups and someone working with them that tells them that they are entitled to this, that and the other thing, and they inform the client, and they come in and they seem to know, and if you check it through you find out they were correct. They are correct.

Chairman GRIFFITHS. Tell us about the training. How are you trained to do these jobs?

Now, obviously, you people know much more about this than most of the people with whom you work. How are you originally trained to do these jobs?

Miss SARA BROWN. I would like to speak first, ahead of them, because I am one of the first that was separated.

Chairman GRIFFITHS. Go ahead.

Miss SARA BROWN. I had a very good training session. I didn't have to go downtown for the basic training. I was fortunate; I came up through the ranks clerically, group clerk and all, and from that becoming IM specialist. I was trained on the job, with professional training. The officer of training in our office, she had sessions with us once a week for, it was at least 3 months, and then I also sat in the group with one of my coworkers that was experienced, and I learned

by observing and doing similar tasks until I was gradually integrated into doing the whole job.

But I found this training on the job was invaluable. I didn't have to go downtown for one reason—the forms I knew because I had worked as a clerk, unit clerk, group clerk, and to go downtown just to learn the forms wasn't necessary; but what I did need was the training by IMS. I got that at my location and working with the group. That is why I wanted to speak before them, because Nancy might have been different than me.

Mrs. NANCY BROWN. Well, the training that I received, I had to go downtown—it would be uptown from here, to 16th Street for my training, and they gave us more or less a talk session on how you are supposed to handle clients.

They showed us movies on how to interview, and they also gave us a little training on budgeting, home economics, how to budget a client and the various things that they said we would come in contact with.

Right now, I can't bring them all to mind. But, the point is this, when you get back to your center you find it's entirely different than what they tell you in these training courses.

Chairman GRIFFITHS. You mean it's like these books on how to rear a child; the child isn't reading the book.

Mrs. NANCY BROWN. That's right.

Then to have your own individual child in front of you, it's entirely different.

Chairman GRIFFITHS. Quite a lot different.

Mrs. NANCY BROWN. And as I said, we have all sorts of clients. Sometimes, they walk right up to you, like one told one of the interviewers the other day, "I just came out of Attica, I have been up there for about 30 years."

So naturally, she looks at him, she says, "Well, whatever he wants——"

Chairman GRIFFITHS. He is going to get.

Mrs. NANCY BROWN (continuing). "I will try my best." Because you don't know how these people are going to react, you see. They come in with hostility, sometimes.

And I feel sorry, as I said—we need more protection—I feel sorry because you also have old people that need assistance, and they come in.

Some of them are crippled, some of them are half blind, they can't see. And they can become injured if someone else becomes violent. You understand what I am trying to say?

Chairman GRIFFITHS. Yes; I do.

Mrs. NANCY BROWN. We have parents that come in with infants in their arms and whatnot, but you have these other people walking around and, I mean, they just walk in.

Sometimes I think it's really what the center is, a social center. They come there to meet and socialize.

Chairman GRIFFITHS. I see.

Mr. ALVES. I would like to elaborate just a little bit more.

What Sara Brown stated, and what Nancy Brown stated, and myself, the training that we received was bad. It was inadequate, to say the least, really. It was disgusting.

Although we received 6 weeks of it, the only thing, as Sara pointed out, her center is functioning because the people who initially went

into income maintenance were from social services and had a background of dealing with the public.

As unit clerks we used to deal over the telephone. We spoke to a lot of people. We had some initial training there just, you know, we got our baptism under fire right there on the phones.

The problem we are experiencing now is they are only giving 2 weeks of training, and that's only in theory, with a form, to say with this form, you put an X here and a name there and you send it on to somebody else. That's all the training the people are getting.

And what we are getting now are people from other agencies, who have never dealt with the public. They sat in an office and dealt just with each other.

They don't have to pick up a phone and speak to an irate client who wants to know why he hasn't received a check. Under the old system the unit clerk, which is now the group clerk, could give them that information because he knew where to look and what to look for.

Now the specialists don't know, a lot of the people do not know how to really deal with the public and deal with these problems. And when someone comes in and they are a little irate, right away they become flustered because they have never dealt with this, where the unit clerk does or the former unit clerk who is now the income maintenance, knows how to deal with it because he has spoken to these people before.

So the training is ludicrous, really.

Chairman GRIFFITHS. Well, let me point out to you, I understand that Mr. Sugarman is holding today a conference to announce a complete restructuring of large parts of the social service agencies of the city.

How much information will each of you be given, do you suppose, on all of this? Or will you read it in the papers, like the rest of us?

Mr. ALVES. I will read it in the papers, just like you did.

Chairman GRIFFITHS. So that you are not going to be told how this thing is going to work?

Mr. ALVES. No.

Chairman GRIFFITHS. You are not going to be shown how it is going to work?

Mr. ALVES. Oh, you mean his restructuring of the agency?

Chairman GRIFFITHS. Yes.

Mr. ALVES. From the article that I read, where he is now saying that there is \$63 million lost, \$10 million of it through cheating, the other \$53 million through our mistakes, I am sure we are going to wind up with a batch of new procedures which are now going to—as a matter of fact, here is one here [indicating].

I was given this thing this morning, and it's one of the problems that we have.

In your initial form to us, why don't people participate in the programs, you will notice we stayed away from program area because we are so mired down in garbage in our area.

People say, "I am so hung up here." It takes sometimes hours to get away from us, but they say, "The heck with that. If it's going to take me 4 hours here, why should I sit 4 hours someplace else?"

This was given to me for the staff [indicating]. We now have to be policemen over each other, as to why it took so long for a case to get closed. This kind of stuff is why we are getting hung up.

Now we have to write forms, what did it take—there was fraud, someone told an IMS there was fraud, now he has got to go in and find out who worked on that case.

Maybe it will be me. I will say Nancy Brown worked on it. Well, Nancy Brown is accused of fraud.

The people are becoming very demoralized because they find they are not given the implementation to do the job with dignity. Clients come in, find out there is no dignity in the center, no dignity in the program.

Formerly, the client used to come in, he would see one caseworker and that caseworker was his until he moved out of the district, and then the case was transferred.

Chairman GRIFFITHS. When you are given these new forms, a new procedure goes into effect, how many minutes are you given to absorb what the new procedure is going to be?

Mr. ALVES. About two and a half.

Mrs. NANCY BROWN. Pick it up, read it, put it down.

Mr. ALVES. If you have the time.

Mrs. NANCY BROWN. If you have the time, you might be able to sit down and study it.

Chairman GRIFFITHS. Where do you keep all these procedures? Do you have loose-leaf notebooks with every procedure?

Mrs. NANCY BROWN. The only place we can keep them is the drawer, and we have stacked like this [indicating].

Chairman GRIFFITHS. How frequently can you go back through them.

Mrs. NANCY BROWN. Sometimes you don't even have the time to refer back to them for something that you really want, because you refer back all the way and you are interviewing a client, that means it may take you maybe 5 or 10 minutes of—

Chairman GRIFFITHS. Just to find it?

Mrs. NANCY BROWN. To just find the procedure. We have so many overlapping procedures. We have so many overlapping procedures that come to us constantly and sometimes in my center you don't even get the procedure.

Chairman GRIFFITHS. What do you mean you don't get the procedure?

Mrs. NANCY BROWN. You don't. They don't have enough, or if you go to one of the other supervisors, you say, "Do you have such and such a procedure?"

Like I had a situation where something I had done, I don't recall what it is now, but when I had to take it to the assistant office manager to be signed, it wasn't correct, and she said, "Well, didn't you see the procedure?"

I said, "What procedure?"

She said, "Well, I have a copy of it here."

I said, "Well, we don't have copies of it. We didn't get the procedure. We don't know anything about this."

"Well, if you go upstairs to the office manager, maybe you can get a copy up there and you can run it off on the photocopying machine." We don't get enough procedures.

Chairman GRIFFITHS. How many supervisory clerks have you?

Miss SARA BROWN. Five in a group.

Mrs. NANCY BROWN. In my center, there's five to a group, and we have 18 groups, and I understand they are getting ready to put two more in.

Chairman GRIFFITHS. Well, surely they have enough paper to send out a copy to everybody?

Mrs. NANCY BROWN. Yes. The procedures come from the central office.

Mr. ALVES. We don't know why they don't send the procedures in to us.

Chairman GRIFFITHS. But you are the person who originally interprets every procedure, aren't you?

Mr. ALVES. No.

Mrs. NANCY BROWN. That's right.

Mr. ALVES. We don't interpret here. We are supposed to refer back to it—what it's supposed to be.

The utopian situation would be a group consisting of five specialists who deal with the public, one AA, who is administrative assistant, who is the supervisor for a particular grouping of groups. There is another AA which is—I am sorry, AOM, which is the assistant office manager, she is the supervisor of all of those AA's.

By rights, we should be holding meetings with the groups so that everyone has the procedure and can ask questions back and forth. This would stop the separate, or individual, interpretation. But this is not it.

One procedure is sent in, it's given to this AOM, she talks to her group, the other AOM, she speaks to her group, and the first thing we find out, this one said something, that one didn't, these people are doing something we are not.

Chairman GRIFFITHS. So that the client finds this out, I would assume, by questioning from other people, and he must know, the client must know, that if you go to a group, you get a better deal—

Mr. ALVES. He can't do that.

Mrs. NANCY BROWN. It's by alphabet.

Chairman GRIFFITHS. You have to go by alphabet?

Mrs. NANCY BROWN. That's right.

Miss SARA BROWN. The groups are broken down by alphabet, but they can wander from center to center and use different names.

Chairman GRIFFITHS. Well, of course. I might say my name starts with a G, and it used to start with a W, the thing to do would be to go back to my maiden name, if I were given a better deal.

Miss SARA BROWN. But the main reason that we don't get to discuss the procedure properly is the time element. The name of the game is clients must be serviced.

Now, the supervisor might say, "Tomorrow morning we are going to have a meeting at 9:30. I want to discuss the new procedure. Tomorrow morning we are going to have a meeting at 9:30, we are going to have a meeting, staff."

Fine. It's one of those days. You look up, the door opens, there is what we call wall-to-wall clients. They are coming from every place.

Come 9:30, there is no meeting, because those people aren't going to sit out there while we have a meeting. We have got to take care of it.

This is the first thing, because a client will know if it takes too long. He will get on the elevator and go up to the director and say, "I was down in group so-and-so and nobody will take care of me. I was sitting there since 8 o'clock this morning," which is not true because they are not allowed in at 8 o'clock in the morning, but before you know it, there is a whole big thing. Not anybody is going to think we had to take time out for a meeting to discuss this very important procedure that you wanted initiated. So we don't have a meeting that day.

The next day could be maybe the second day after check day, and people come in, "I didn't receive my check," and blah-blah-blah.

No meeting that day.

Then, before you know it, it's put off and put off. When maybe you should have had time to discuss the procedure.

Now, a day like today, we are supposed to be increasing rents in the New York City Housing Authority. They have sent through rent increases. Those have to be done by a certain date of this week. There is no time for meetings because any time there are no clients, that is the next order of business.

When you figure, if there's no clients, we could have a meeting, but this is now——

MISS SARA BROWN. All that will come and still go in our basket.

CHAIRMAN GRIFFITHS. And nobody will know exactly what it is, and some clients will find out and you will be told by the client.

MISS SARA BROWN. That's right. But we say, "It's not like that, sorry."

They say, "Oh, yes." They will basically say that they will send out a quick memo, a BPA memo, this is effective immediately, that you read it right away. That's in case somebody comes up with an idea, supposed to do so-and-so. But these new changes will probably interfere with something that we were supposed to get in our head, say last week or last month. That might wipe that out altogether because we don't know. We don't know what the changes are going to be. We are only hearing new changes.

I can say that Nancy Brown knows this client was a cheat, that client can ask for a fair hearing, and Nancy Brown, I am going to have to prove that I said she knows she was a cheat.

The clients know their rights, too, but they are going to try to put us in the middle, and this is going to cause more confusion and more distrust by the clients thinking, "What are you trying to do to me?" Because when a client comes in, and we tell them we will replace this money but we are going to have to take it back, "I didn't cash no check. I definitely didn't cash the check," you are the enemy.

And it's the law; it is the law, but we can't get this across, and the people that are coming along now, they get this 2 weeks' training downtown talking about forms. If they knew how to sit with confidence and look a person dead in the face and say, "If you cashed this check, I am going to have to take the money back," and that person knows that person is speaking with authority, they would have less trouble.

But the people, first thing, they are afraid. They—clients—say, "I didn't cash the check. You better not take no money back from me."

If they are not equipped, or not prepared, they are going to say, "He said he didn't cash the check," and they will never set that up to take it back or close the case.

If people threaten them, they are not prepared.

Our basic problem is the people are not prepared to cope with this job that we need now. Those of us that have been in a long time, we are like veterans.

I don't think of clients as being afraid of them. They are just people to me. If a client comes in with a belligerent attitude, I suggest he sit down and calm himself, and we talk.

But how about a person just coming from downtown, they say, "This is your first time in the group, take your first client."

Chairman GRIFFITHS. He will be scared to death.

MISS SARA BROWN. Panic.

Chairman GRIFFITHS. Mr. Widnall, would you like to ask some questions?

Representative WIDNALL. Yes.

What can an income maintenance clerk look forward to in the way of a career?

Mr. ALVES. Well, as far as income maintenance clerks, throw that out of your mind and say supervising clerks.

We do have the promotional ladder from senior clerk, supervising clerk, there are two now, supervising clerks; supervising clerk-income maintenance—this is the supervising clerk that will function only in income maintenance. He has a career ladder, he can go from supervising clerk to AA, or within the municipal structure, municipal clerical structure, I should say.

As far as a career, if he doesn't run into one of the irate clients who have been coming in well armed, better than our Armed Forces, I would say he could look to long life in the civil services structure.

But, as sister Brown pointed out a few minutes ago, they are becoming a little bit—

Mrs. NANCY BROWN. Bold.

Mr. ALVES (continuing). Nancy hit it—bold.

They are coming in now with guns, and we are afraid that a couple of our people will be shot sometime soon. I hope it never comes to that, but this is what we are looking—we face this every day.

We had a lye incident, not too long ago, where someone had lye thrown in his face.

We had a clerk stabbed, about 3 weeks ago—a rather large gash on the arm. And it was meant for her chest, but she warded it off with her arm.

We had a gun incident in Queens; two of them, actually, in Queens, where people actually came in with a gun. The gun was seen, and they escaped.

We have not had a shooting yet. I hope to God we never do have it.

But as far as the career itself, and most of the clerical staff, we are a breed. They stick it out, with all of that. They take the promotions, and they promote them.

Representative WIDNALL. What is the starting salary?

Mr. ALVES. For a supervising clerk, it's \$7,300, pending the contract that is now with the Pay Board in Washington. It will then go to \$7,600. That's in New York.

In other States, it's much, much lower.

Detroit, I think, is about \$1,000 lower; it's about \$1,000 or \$2,000 lower, isn't it, Catherine?

Mrs. STOLZE. That's right.

Mr. ALVES. So it varies.

Miss SARA BROWN. But they don't have the influx that we have.

Representative WIDNALL. I would like each of you to answer this question:

Do you believe that separation works?

How can you separate the social problems of the welfare client from the purely monetary?

Miss SARA BROWN. You can't. That's my answer.

Representative WIDNALL. Do you all feel that way?

Miss SARA BROWN. I say that you can't give out finances without doing a service. In spite of the fact that they say that you could completely separate income maintenance from social services.

The minute the client comes in, you have to do some service before you can give out money. They can't just come in and you give out money. They don't just come in and get money. It involves a service each and every time.

Representative WIDNALL. Do you believe that if you had the authority to deal with some of these social problems, you would be able to do more for the clients?

Mrs. NANCY BROWN. Well, I should say, as specialists the original idea was that the social staff was supposed to handle the services and then give us the referrals, as far as the money was concerned. But it hasn't worked out that way.

As Miss Brown has said, we are doing services and handling the monetary part of it. It's actually an impossibility to separate them. And we do not get the cooperation from the various services which would probably touch on some of these reforms and programs and things that you are asking about.

Representative WIDNALL. Would the rest of the panel comment on that too, please?

Mr. ALVES. Under the old system, the client only saw one person, his caseworker, who had the responsibility of putting into some sort of effect all of the services that the particular client needed, whether it was family court or purchase of clothing, or whatever it was. He only had to tell his story to that one person, the caseworker. And they build up a rapport between themselves.

Under the new system now, the client does not have one person; he may see the five of us on any given situation, or, say, on any consecutive 5 days. He will see me today, maybe Nancy tomorrow, because that's how we would pick up his form to work with. We don't just call a person.

He would tell us his story. We make a referral to housing. He tells it to housing. Then he gets a referral to E. & I. (eligibility and investigation unit), he tells it to them, then general service and he has to tell the whole story to them.

Under the new system, I think the dignity for the client has been taken away because now almost the entire world knows his particular problem, whereas before only one person knew it.

He doesn't have a rapport with anyone anymore that he can sit down and really relate to, because he may catch me today, and I'm feeling pretty good, and I will do anything I can, when tomorrow he may catch another person that is not feeling too good, and they could have problems.

He says, "To heck with the whole system." He doesn't feel he has anyone he can relate to any more to really help him in his problem. The whole world knows his problem now.

I think, as Sara Brown pointed out, you can't really separate the two. There is a little bit of services built into anything the income maintenance does. And I alluded to it in my presentation, the grey area.

We are stuck with it. We have to get involved in certain areas of service in order to really give the money, because the procedures state you can only give it if this and this and this is done, and in order to get that and that and that done, we have to do it.

So the separation of the two, we find, is working in some centers because the people are making it function, but it's functioning with difficulty.

Mrs. STOLZE. The answer to welfare is not only money. Money is not going to solve people's problems. The services are the thing that perhaps if they got, and got adequately, that they would not—would no longer need the money.

Think about that one.

Miss SARA BROWN. Can I just add to that, because the point that we seem to be making here, people alluding to the fact that they saw one person, I feel that we could have a good working system, income maintenance and services, but if services were administered properly, the people would learn to manage better. It could cause less problems financially.

They would want the money—they always want money, because a lot of times when they come in with an application, there is a question, "Now, are there any other areas where you need help, other than financial?"

Most of the time, they check "No,"—like with schooling, housing, any kind of problem—they are not interested in that, they just need money for clothes and rent, and so forth, and so forth.

But if we had a central point, I don't think we need so many service areas, if we had one place that income maintenance would get the referral—because the idea was the caseworkers found it difficult to give service because they had to be bothered giving out money.

So they said, "We will take the money part of it away, they can do the servicing of the client," and this should be done.

Then referrals come to us, "Issue so and so, it's been cleared, it's been verified." We know John Jones gets so much and so much because the rent situation has been cleared, the social security, whatever it is, we issue the money.

But this way we get involved in things because we have to make entries and say certain things, then it backfires or something.

Sometimes, you are called up, "Well, why did so and so happen?"

I have a situation, a lady wants an apartment, I have got to write a case consultation memo. That's a service.

I haven't given her 1 penny. I have got to write a memo, have it typed, sent downtown for case consultation approval. If it comes back, then she gets the money.

But I have done the service first.

That should not be my responsibility.

See, if we had the services definitely defined and functioning, we give out money; but this way we cannot do income maintenance without doing services.

Representative WIDNALL. Do you spend any time at all doing verification work, visiting the housing of clients, or writing consolidated reports?

Miss SARA BROWN. No; they have a special section.

Mr. ALVES. They have a special section that does validation.

Representative WIDNALL. You are not concerned with that?

Mr. ALVES. No; we are not concerned with that. We don't go to the field at all.

Representative WIDNALL. How many persons have come to you claiming that checks have not been received?

Mr. ALVES. Offhand, I couldn't give you an exact accounting. I'd say on any given pay period, let me see, in group 2, I would say we get within 3-day periods somewhere between 120, 150 people, out of a thousand cases that would say they did not receive their checks, either through loss in the mail or nondelivery in the mail; or they would get them, cash them, then we would find out maybe 6, 7 months later that it was done.

But I'd say it comes to somewhere around 120, 150 people every 2 weeks.

Representative WIDNALL. You say that the most common cause for undelivered checks is failure of the mail service, or what?

Mr. ALVES. A great bulk of the clients live in houses that don't have mailboxes that are adequately identified and the mailman won't leave them.

He, in turn, brings the check back. Those checks, of that 120 I would say maybe 30 of those checks may come in. The rest of them are just not delivered, for some reason.

Although we get a roll every 2 weeks showing every check that has been sent out from our disbursing section, and for every name on that list a check is supposed to be delivered, we have this situation.

Now, if we check that list and see the check was gone, we can't re-issue that check for a period of time; about 6, 7 months later, we will get a form saying that check was found and subsequently cashed by the client, then you have another whole thing you have to go through, asking the client to come in, signing the forms, then deducting the money, then he requests a fair hearing, as Sister Brown alluded to. It's a cycle.

Representative WIDNALL. Do you have the authority to issue checks?

Mr. ALVES. Issue checks?

Representative WIDNALL. Yes.

Mr. ALVES. Under given situations; yes.

Representative WIDNALL. You don't have to have the authority given from the center directly?

Mr. ALVES. No. Under given situations, if it's his level, we have to see him to get his approval to sign.

Representative WIDNALL. What percentage of fraudulent claims do you have?

Mr. ALVES. We have no particular knowledge regarding how many of the cases are actually fraud. If we sign, get the client to sign the form, which is a M325H, it goes to other people, they process it and send it back to us and say this check was cashed, we then are mandated by the State law to just deduct money.

But then he requests a fair hearing, and we might not even see it any more, so we don't know whether it was ever turned up as real fraud or not fraud.

So as far as the actual theft checks, we have no knowledge on the amount.

Representative WIDNALL. Is there a knack to spotting fraudulent claims?

Mr. ALVES. I am sorry, is there a knack?

Representative WIDNALL. To spotting fraudulent claims.

Mr. ALVES. We don't do them.

Miss SARA BROWN. We wouldn't know.

Mr. ALVES. We wouldn't know.

Representative WIDNALL. You don't have any experience?

Mr. ALVES. No.

Miss SARA BROWN. That's another area.

Sir, may I ask you a question?

You asked us if we have authority to issue checks. What did you mean by that question? I don't quite understand what you want to know.

Representative WIDNALL. If the check has not shown up—

Miss SARA BROWN. If the client says he didn't receive the check?

Representative WIDNALL. Yes. He needs the money. Who has the authority to issue another check, or is another check issued? And what is the procedure, in order to issue—

Miss SARA BROWN. They have to sign the forms, as Mr. Alves stated—they did not receive the check. that it was lost or stolen and that if they do receive the check, they would return the check—because we then replace it on a certain code number.

But that's what we—

Representative WIDNALL. But do you have the authority, additionally, to deliver a second check to them?

Miss SARA BROWN. Yes; we have to replace that check after certain days.

Representative WIDNALL. Is that done just after an interview with the client? Do you then make the decision and have the check issued?

Miss SARA BROWN. They come in and they will say they did not receive their check, we check the roll, as he explained, to see if there was a check sent out to them, because we have to have a check number. And if they say that they didn't get the check, we then, in turn, turn around and reissue that check—and we have the authority to do that, based on his memo of procedures, yes.

Mrs. NANCY BROWN. Excuse me. May I add something to that?

I don't know whether they are doing this in the other centers, but in our center when a client states that they have not received their check, and we have gone through the procedure that Miss Brown stated, wherein we check the rolls to find out whether a check had

been issued or not, we then look at what we call a ledger card that is in their folder, and if we have issued more than three code 7's, which means lost or stolen checks, if they have more than three code 7's, then we are not allowed to give them an additional check unless we get approval from the assistant office manager, or sometimes the director, because in all cases when these people say they have not received their checks, some of them are honest and really have not received their checks and some are not honest.

And then in other cases, you have people that will—I imagine, have the check in their pocket, and still come in and tell you that they did not receive their checks.

But if we get approval to issue them a fourth check, we have to tell them so that they would understand clearly that, regardless whether they have received—they do not receive a check, we cannot issue any more, that would just be their loss.

Now, I don't know whether they are doing that in the other centers or not, but that is something that we have been doing in our centers, in my particular center, recently.

After three checks, or maybe four checks, no more.

But I wish to add this: Three checks to the date in 1 year, that's it. Three checks in 1 year.

Say, for instance, the first check is issued in November, and he has three by the next November, no more.

But if a check has been sent back to the center as undelivered, then we will change that code 7 to a code 8 and that will erase one, so he still has another chance, you see. Code 8 means canceled or undelivered checks.

But it's a year to the date. Only three code 7's a year to the date of the first code 7.

Representative WIDNALL. I have one other question at this time:

One of the statements made this morning, just after I came in, was that agitators will come to the booths and interfere with the interviewers, or they will lean over the panel in between; and, at times, troublesome clients will curse and threaten the specialists. Some specialists' lives have been threatened. In some cases they have actually been attacked.

Does this threat of danger have an effect on the person's getting welfare assistance, that is, do you sometimes allow assistance, just in order to avoid a scene?

Mrs. NANCY BROWN. Pardon me, would you repeat that last part?

Representative WIDNALL. Do you sometimes allow assistance, just in order to avoid a scene?

Mrs. NANCY BROWN. It has happened, but in most cases we try to get some sort of protection to get the troublesome person or the agitator out of the center.

We have to call our security guards, the few that we have, to get that particular client out of the center.

But in some cases, with the supervisor's approval, if the supervisor feels that, well, this client is going to be very troublesome to you, we review their case and see just what it is they need, it might be something minor, they will say, "Well, just give it to him and get him out."

Representative WIDNALL. Your assistance in case of trouble comes from security guards who are part of the system; is that right?

Mrs. NANCY BROWN. Yes, but we do not have enough, I must say, especially in my center.

We have a very large center, and we have two floors, and we only have, I think, five now, and they cannot be all over at one time because in some instances it takes five to handle one client.

Representative WIDNALL. That is all I have.

Chairman GRIFFITHS. Thank you.

I would like to ask you, suppose a woman comes in who has three children, her husband has abandoned them, she has no money. Now she wants aid to dependent children.

What do you do? What do you ask that woman; what kind of a form do you have?

Mr. ALVES. Is this an initial interview?

Chairman GRIFFITHS. Yes. This is the first time.

What kind of form do you have to fill out? Does she have to fill out anything?

Miss SARA BROWN. Excuse me. She fills out a form and application with families; it's an application with families. It's two kinds; application without family, you know, nonfamily application, and an application with family. She fills that out first.

She fills it out before she comes to the specialist, because when she stops at the receptionist area, she will say she wants to make application, and they give her an application and she fills it out, and by her last name they send her to the group with her application.

She then comes, she fills out the application completely. When it's her turn, you look at the application, you go over it, and she says her reason for making application, she can say that—you know, because it's a question—it's a question, "How have you been maintaining yourself up to now?" and so forth, and so forth, and so forth.

Chairman GRIFFITHS. All right. You ask that question?

Miss SARA BROWN. That's on the application.

Chairman GRIFFITHS. And she gives "housewife," or her husband was home, or—

Miss SARA BROWN. Yes. That her husband had deserted her. He was living with her, taking care of the family, then he deserted them.

Then she has to go to eligibility investigation section. Up there certain forms she fills out to try to find, you know, locate the deserted husband, the missing father, try to find him for support.

That's the first order of business. She has to go there, if it's a husband involved, to determine from what she said the type of code under which we open her case.

By her having children on the case, she is eligible for aid to dependent children.

Chairman GRIFFITHS. Supposing she said, "My husband is ill, and this is his address, or this was his address." Does anybody check it?

Miss SARA BROWN. Eligibility investigation, yes. They investigate. They will send down and say she filled out the form and they do an investigation right behind that to locate the father. Even if they might make telephone calls, they could verify that maybe that's where he works, or if it's late in the day, they might not find out, but they follow up on that; that's the eligibility investigation function.

Chairman GRIFFITHS. Does she have to produce any evidence of the children's birth?

Miss SARA BROWN. Yes; you are supposed to produce birth certificates, or some proof that there are children.

Chairman GRIFFITHS. Does anyone visit her home?

Mr. ALVES. No.

Miss SARA BROWN. Not unless she is picked. They pick a certain amount.

Chairman GRIFFITHS. It is a random sample?

Miss SARA BROWN. Random sample.

Chairman GRIFFITHS. How soon could she get a check?

Miss SARA BROWN. She can get an emergency check that day.

Chairman GRIFFITHS. If they only do a random sample and they discover, for instance, that in the case of three of these women, that as a matter of fact their husband was living right there, and they were in pretty good circumstances, but they didn't check 500 others, and maybe 20 of those women were living with their husbands, doesn't this help tear down the whole system?

Miss SARA BROWN. That's right.

Chairman GRIFFITHS. I mean, because these women must be running around saying, "I'm getting a welfare check," isn't that right?

Miss SARA BROWN. Of course.

Mr. ALVES. If I may, Madam Chairman, in my capacity as a union representative I have met on various occasions with the city and the top management of social services, and we have also brought these particular points to them. And the random sampling is given as that amount of—that's where they come up with the, say, 3 percent or 4 percent. even the 20 that you alluded to, would be considered under the overall percentage to say this is the amount of chiselers and this amount is nonchiselers.

So there may be 20 other people who would escape, but under the random sampling they are figured in the overall total of people.

Chairman GRIFFITHS. Yes.

But now, do you have problems with people who come in and say, "Well, she got a check and she is in better circumstances than I am, but you won't give me anything?"

Do you have problems with that?

Mr. ALVES. You have those problems because, as I stated earlier, all of us have stated earlier, we do have procedures which govern everything that we do. We don't just take a person, you know, when they come in, and say, "Well, we think you should get this amount of money."

There are procedures based on the information, as Sister Brown pointed out, that they put on the application blank as to the amount of assistance that they will get.

Now, the categories, all categories get the same amount. By this I mean, home relief category will only get \$38 for the 2 weeks for food and necessities, plus whatever his rent costs. And ADC children will get —

Miss SARA BROWN. According to the number of people.

Mr. ALVES. According to the number of people.

Two people, a mother and child, will get \$18.50 for food and necessities, plus the rent. Three people will get \$80 something—it goes up about \$2 per person for each additional person.

So we don't sit and say, "Well, you are only going to get \$12."

Although there is a new system coming out, the brownie point system, which will now have the effect of mandating that type of decision.

So when people come in, it's because they don't really know, you know, they are not that versed in social services. The great majority of the clients know exactly how much they are supposed to get, to the penny, and you can't deviate from that penny, one way or another. They know.

Chairman GRIFFITHS. How many of these people understand that \$30 and one-third —

Mr. ALVES. I didn't hear the last part of the question.

Chairman GRIFFITHS. How many of these people understand that, once they are on welfare they can get a job and under ADC you disregard the first \$30 and one-third of their income; how many of those people understand that?

Mr. ALVES. All of the ones that we explain it to. We have to explain it to the people as they come in, if they are put into the employment area, that, you know, they will get this and this and this, so that they know exactly how much money they are supposed to get.

We don't leave it to guesswork. We inform him that if he gets the job, so much will be deducted and he will be allowed to keep so much.

Chairman GRIFFITHS. Are there people on welfare, on ADC particularly, with jobs who with the job and the ADC are drawing more than you are?

Mr. ALVES. Yes. But then they have more children than I have.

Chairman GRIFFITHS. Yes, I see.

Do they not understand before they arrive at the center that they can both have a job and welfare, do you think?

Miss SARA BROWN. Do they not understand?

Chairman GRIFFITHS. Do they not understand that?

Miss SARA BROWN. A husband and a wife, you mean?

Chairman GRIFFITHS. No, an ADC. Do you always have to explain to her?

Mr. ALVES. I understand what you are saying. The newer applicants may not be aware of that new state of the law, but the old applicants definitely know that they can do that, and a lot of them are doing it and conceal it. And sooner or later, one of their good friends writes in and writes about so and so got a job but don't mention my name because it's my friend. But it's found out eventually, and then we are supposed to go way back and find out how long it's been going on, and they owe us back that amount of money, and they say, "The heck with it, I don't want welfare any more," and they close the case and you can't get it at all.

Chairman GRIFFITHS. Is there such a thing as a suspense file? Do you know anything about that, a suspense file?

I have been told that HEW has a regulation that even if the client calls in and say, "I have gone back to my husband, I don't need the money," or "I have a job, I don't need the money," that still two additional checks are sent.

Do you know anything about that?

Miss SARA BROWN. Two additional checks are sent?

Chairman GRIFFITHS. Yes.

Mr. ALVES. I have heard of that. I can't give the information on it.

Chairman GRIFFITHS. If a person comes in for old age assistance (OAA), do you follow the same procedures as for the ADC assistance?

Mr. ALVES. Basically, yes.

You see, a person comes in with an application, and once we have established the category for the person, then we know who to begin sending him to.

For an OAA person, if it's AD, which would be aid to the disabled, once we have established that he has a disability, and he would bring in medical verification of that, we bypass DDR, which is employment, and go straight into our medical section and have them come make out papers on him, so that he will see our medical panel and they will tell us whether he is permanently or temporarily disabled.

This way, we know how long to carry him under particular categories. If he is temporarily disabled, they will say, "Well, for a period of 6 months, then he will be reevaluated. They then find at the end of 6 months he is all right; we may then refer him for a job, or if he is 65, classify him OAA.

Chairman GRIFFITHS. Under the reevaluation, is that—

Mr. ALVES. That's an absolute.

Chairman GRIFFITHS. It is an absolute.

I would like to ask you, you know, there is a general theory in the country that people gravitate toward those areas where there is a high level of payment on welfare. In your judgment, do you think that is true?

Miss SARA BROWN. I do.

Mrs. NANCY BROWN. Yes.

Mr. ALVES. Especially when you see buses lined up from North Carolina, South Carolina, Mississippi, with clients getting off, walking into the welfare centers.

Miss SARA BROWN. We had an incident about 2 months ago, a man his wife, one baby in her arms and one in a basket, they drove from some part of South Carolina, and his story was that he had a friend in Brooklyn that had a place for him to live and a job. He picks up his little belongings in this car and with \$10, I mean, his wife and the baby, is headed this way.

When he got here, no friend, no job, no location. But yet, not knowing his way—he had never been to Brooklyn before in his life, he found our welfare center because he stopped to get some gas and someone directed him to our welfare center.

He passed four, but they directed him to ours.

And his story was that they had slept in the car and they had no food, nothing for the baby, you know, and we offered to send him back home, since he, you know, didn't find his friend—and why would he bring his wife and baby, why not leave his wife and baby, because she had her mother and all there, come and check the job out, then send for his family?

He didn't think of that. He was sure of his friend; he was positive.

And they did a lot of investigation. I don't know what happened. Last I saw, even upstairs, the director, everybody was involved. They were reluctant to really offer him assistance, because they felt that there was more involved than what he was actually telling, because

very few people have to sleep in cars or sleep in the park or sleep in the street in New York. He happened to be aware of that.

But it seemed very foolish for him to pack up everything, he didn't have a letter or anything from his friend, he remembered something that his friend had told him a couple of months ago, and just came this way.

We felt that he was just coming this way purposely to get on welfare because he had one child and was expecting another. That would have been four right there.

Chairman GRIFFITHS. Do you think that if the welfare payments were the same all over the country, that it would relieve some of your problems?

Miss SARA BROWN. If the cost of living was the same all over the country, yes; but we can't do it.

You mean the basic?

Chairman GRIFFITHS. No. You don't give any allowance for cost of living, you just give a flat sum. Do you think that people would be inclined to move into the areas where that sum would fill—

Miss SARA BROWN. I don't think that would work. How could that work?

Chairman GRIFFITHS. You mean the people would not be willing to leave New York?

Mr. ALVES. Those who are native New Yorkers I think would stay. Those who are from other States, if the payments were the same all over, I think they would be much more inclined to stay nearer their place of origin than travel up here, because there would be no need to come here.

If there were also jobs or, you know, areas that they could achieve a little dignity in their own areas, they might stay.

But if the payments were the same, if we had, let's say, different laws here that might help them get a job or get some training in school, I think they would still come. If this were nationalized and he, say, had the same benefits there—and I will just take a State—let's say North Carolina, as we would have in New York, regarding job placement, job training, all of those other type benefits that we have, then I think he would be more inclined to stay.

Chairman GRIFFITHS. Do you think so?

Miss SARA BROWN. Yes, if it was like that. Yes, if the benefits were the same.

Let's use a figure, say everybody got \$2,400. It would pay for a person in New York to leave and go to North Carolina, because there \$2,400 would purchase more.

But, see, if the benefits were the same in North Carolina, Georgia, Connecticut or anyplace as in New York, then they would stay. There wouldn't be any reason for them to migrate from one place to the other.

Chairman GRIFFITHS. You personally feel that they do come to the areas in which benefits are higher?

Miss SARA BROWN. Yes.

Mrs. NANCY BROWN. Yes.

Chairman GRIFFITHS. Well, now, if a man comes in to apply for ADC, unemployed father benefits, what evidence does he have to produce with respect to the nature and wages of his past employment?

Mr. ALVES. Again, if I may, he fills out the application blank, based on the information there, one of the areas that they train us in is this prudent person concept. We are supposed to ask him, you know, where did you work prior to coming here?

If he says no place, well, how have you maintained yourself? You know, if he gives some story that just doesn't sound plausible, then we reject the case and tell him, you have to come back with better information than that.

If the information does sound plausible, then he would be referred to whatever areas, based on his situation.

When I say that, I mean—like, DER, or E.W. & I., whatever the situations might be; but his application blank almost tells the story, it asks about 40 pertinent questions and from those you can build and you can usually find out after the first five or six questions whether his story is believable or not.

If he is an ADC father—he is not referred for employment, is he?

Miss SARA BROWN. Yes.

Mr. ALVES. Is he? Yes, then he would be referred to DER, based on whatever he has put on the application blank.

Chairman GRIFFITHS. Do you call the old employer to inquire about this man, do you know?

Mr. ALVES. Sometimes. Yes, we call him.

Mrs. NANCY BROWN. If he has the information and he gives you the information, the name of his employer, or sometimes he has the pay stubs and et cetera. We can always call and verify that he was employed there and is no longer working.

Chairman GRIFFITHS. Do you check to see if he is getting unemployment insurance?

Mrs. NANCY BROWN. Yes.

Chairman GRIFFITHS. How do you do it?

Mrs. NANCY BROWN. Well, he brings in his UI book or sometimes we have forms that you can mail to the unemployment office to check whether they have been receiving benefits, how long and how much; and in figuring out a budget, if we decide to accept his case, then we deduct that from his, you know, regular budget.

Mr. ALVES. If I may stop you for a minute, Madam Chairman.

You asked the question a moment ago, do we contact the employer? Yes; we do. This is one of the great problems we have in social services structure, in that the client is told there is a whole new system, you will now fill out an application blank, and from this we will believe what you say. But everything he puts on there we verify. So, in effect, we are saying we believe you, we trust you, but we are going to investigate you anyway.

Where is the dignity? Where is the belief in me as a human being or as a person? You have just got another form, and you find another way to make me feel you're trying to believe me, but you are really not. Do you believe me regardless of what I say.

They take it out on us in their answers that they give us. They begin to know. I can tell you a couple of other lies. And some of them are pretty good. They can lie their eyeteeth out, and they can have four cases in our center alone, because he is that good.

We found, to a great deal, the affidavit system really has not worked that great. It does not give the dignity again to the client. I believe you but I do not believe you.

Chairman GRIFFITHS. Concerning this AFDC grant, you consider, of course, the size of the family, don't you; the number of children and their ages?

Mr. ALVES. Yes.

Chairman GRIFFITHS. Their sex?

Mr. ALVES. No; not really. We are not concerned with sex.

Chairman GRIFFITHS. What about rent and utilities? Supposing the woman has been abandoned and is still living in a fairly decent rented place and there is quite a lot of rent involved there. Do you leave her there and pay the rent?

Mr. ALVES. It all depends. As long as I have been in social services—and maybe the other ladies can verify some more on that—the belief has always been that if the client is in at the bottom, it is best to keep them there because we are so short of apartments here and public housing is in such great demand. It is best not to say, “Well, get out and go find something a lot cheaper.” Although we try to get them to accept the cheaper apartment, they say, “heck, I'm already here, set up. Why go for that?” So we would leave her there in that apartment.

Chairman GRIFFITHS. So that in reality they could have a pretty good address and still be drawing welfare?

Mr. ALVES. I think you heard of the case of the person who was in—

Chairman GRIFFITHS. There was one woman in the Waldorf that a lot of people were objecting to.

Mr. ALVES. Well, that was, again, the newspapers' writeup on that because she was placed there, but there are clients who have been put in the Waldorf and it really never hit the papers.

One of the problems that the social services has is we only get housing referrals or hotel referrals from places that are about to fall on your head. You would not send your worst enemy to these hotels, believe me. We have had many instances of where children have fallen down open elevator shafts because the hotel is so run down. They are really hovels.

As an income maintenance specialist—and I will probably hear about this from the Commissioner—I refused to send clients to some of these places because they were that bad, and I just felt I could not do it in honesty.

Chairman GRIFFITHS. What special needs can you make? For instance, a telephone. Who gets a telephone paid for?

Mr. ALVES. She must have a special need for the telephone. She can get it on her own. She can go down to any telephone company and say, “I want a telephone,” and they will put it in and they will have to pay out of her special grant, but say she has a child who has some sort of an affliction and she must remain with the child or she herself has some sort of an affliction and a telephone is needed to contact an emergency service, then, through special approval—and I really mean special approval—she can get it.

Chairman GRIFFITHS. All right. Supposing she does not pay for it. She needs it but she does not pay for it. Is this like a grant? Would you pay for it afterward?

Mr. ALVES. If she needed it and we got the approval it would be included in her grant; yes. She would get the additional money.

Chairman GRIFFITHS. How do you handle babysitting?

MISS SARA BROWN. Special approval. Most of these things come from the home economics section.

Chairman GRIFFITHS. How do you make the determination that they actually got the babysitting and for the right purpose? The only purpose for which they can have babysitting approval is they are in training, they are working or if there is some other special need; isn't that right?

MISS SARA BROWN. Yes.

Chairman GRIFFITHS. Do you determine, then, that she actually did pay a babysitter? Do you require a receipt?

MISS SARA BROWN. Once we get the authorization from the home economist worksheet, the service says that so-and-so has a babysitter and gets so much semimonthly. We put that on recurring for so many issues, and that is the only way it does not require a receipt, because it has been authorized in the folder.

Chairman GRIFFITHS. So that the only way you ever check up on this is that at the end of the 6 months they will check in to see.

Does anybody ever see if she is really working?

Mr. ALVES. Yes.

MISS SARA BROWN. That is part of some other area, they check about employment.

Chairman GRIFFITHS. Haven't the babysitting fees gone up quite drastically or not?

Mr. ALVES. They are regulated.

Chairman GRIFFITHS. How are they regulated?

Mr. ALVES. When a client comes in to us, after she has been put into a program of training or working or whatever, she is referred to our general services or the home economists, general service will have already determined that she is in the program and is functioning or that she is working and she needs the babysitter. Then the home economist, based on the child's age, I would imagine, and the amount of kids, has a set amount of fees that social services will pay for babysitting per day to a particular person; if it is an outside babysitter, or if it is one of the agency-approved babysitters who are also in a program that do the babysitting. So we have nothing to do with the fees. They have a schedule. All they do is determine how much is to be paid, refer it back.

Chairman GRIFFITHS. How much is the largest amount that will be paid?

Mr. ALVES. I could not give the answer. I do not know.

MISS SARA BROWN. It is according to the needs. If a client was hospitalized or going to be hospitalized for a time and a person has to stay around the clock, they would get a larger amount, but that comes down from upstairs. But it is determined. We do not know the largest amount.

Chairman GRIFFITHS. There would be clients who would get a cash allowance and food stamps; wouldn't there be such a client?

MISS SARA BROWN. Yes.

Chairman GRIFFITHS. Would there be clients who get a cash allowance, food stamps, and a veteran's pension?

Mr. ALVES. And a what?

Chairman GRIFFITHS. A veteran's pension.

Mrs. NANCY BROWN. It depends on the amount of the veteran's pension, and we would budget it accordingly.

Chairman GRIFFITHS. Food stamps, a special allowance, veteran's pension, and also social security—can they get benefits from all those sources?

Miss SARA BROWN. It is budgeted; yes.

Mrs. NANCY BROWN. We have to budget. We have our regular budgets that we allow the clients, and then we take away the benefits. If they are receiving benefits like UIB (unemployment insurance), veteran's pension, or OASDI, old age assistance, we subtract that, and in some instances some clients only get maybe \$10 every 2 weeks from us, you see, with this deduction, because all of that is added up to make up their budget. They do not have that much of a net deficit.

Chairman GRIFFITHS. You could have a client who is getting a money allowance, food stamps—

Mrs. NANCY BROWN. The food stamps are automatic.

Chairman GRIFFITHS. The food stamps are automatic. Medicaid?

Miss SARA BROWN. That is automatic.

Chairman GRIFFITHS. The veteran's pension?

Miss SARA BROWN. And social security.

Chairman GRIFFITHS. Anything else?

Miss SARA BROWN. That would be all.

Chairman GRIFFITHS. Could they be getting child support of some sort, or an allowance for the child, so you could add babysitting?

Miss SARA BROWN. It could be.

Mrs. NANCY BROWN. There are special approvals for that.

Chairman GRIFFITHS. And public housing?

Miss SARA BROWN. Shelter, yes.

Chairman GRIFFITHS. And their child could be getting free lunches in school, wouldn't that be right?

Mrs. NANCY BROWN. We do not have anything to do with that.

Chairman GRIFFITHS. I see. The free milk in school?

Miss SARA BROWN. No.

Chairman GRIFFITHS. But they could be getting all of these?

Miss SARA BROWN. Sure.

Chairman GRIFFITHS. Wouldn't it be simpler if all that was wiped out and they just got one grant?

Mrs. NANCY BROWN. I do not know.

Mrs. STOLZE. If they could handle it.

Chairman GRIFFITHS. Tell me about the services. What are the services, and why does this present such a problem?

Miss SARA BROWN. We cannot determine what the services are supposed to be; that is our problem.

Chairman GRIFFITHS. I see. What kind of services do they need?

Mr. ALVES. There are all types. There is education, there is money management, purchasing. It depends on what the individual recipient wants. When they come in with an application, we ask them: "Do you want counseling and education, or money management, or whatever the services are that we have?" If he says no, we do not even refer him. If he says yes, we circle it and refer him to the particular area for that type of counseling.

Chairman GRIFFITHS. Could you give me an example of the 1940 problems and procedures that you are struggling with in this year of 1972?

Mr. ALVES. I think you referred that to me.

Chairman GRIFFITHS. Yes.

Mr. ALVES. All right.

The problem of housing. In 1940, there was more housing, there was less rent, there were less restrictions on the client. The procedures have not changed. Now, in 1972, we are still dealing with the rents they have been paying back in 1940. We have not increased our levels of approvals of rent.

Sister Brown pointed out this week the IMS is supposed to be involved in increasing New York City housing rents.

Chairman GRIFFITHS. You mean you have not increased the amount that is available since 1940?

Mr. ALVES. For public housing.

Chairman GRIFFITHS. I see. But that presents a tremendous problem to public housing, doesn't it? It is not for you, but the problem is public shelter?

Mr. ALVES. Yes.

Chairman GRIFFITHS. We will get Representative Widnall to correct this. He is struggling with the Banking and Currency Committee, and this housing.

What kinds of decisions would the income maintenance specialist make, and what kinds of decisions must be approved by or refused by somebody else?

Mr. ALVES. Decisions must be approved or refused by someone else.

Chairman GRIFFITHS. Really? You mean every decision you make is subject to somebody else's approval?

Mr. ALVES. Yes, supervisors.

Mrs. NANCY BROWN. We do not have the final say.

Chairman GRIFFITHS. Does it result in delay?

Mr. ALVES. Definitely.

Chairman GRIFFITHS. Does a client have to wait with you and then wait with somebody else?

Miss SARA BROWN. The client waits. We say we will meet you over there and give you the money, but we have to get signatures. Ours is not the only signature. We do the initial work.

Chairman GRIFFITHS. Are some workers more liberal than others?

Miss SARA BROWN. Can't be. They might find a way, but it is not supposed to be. Everything is, you know, by the money. You know what a thing should be. You know there is an amount for so many people and food, and just give the emergency food check. So they cannot make up high-in-the-sky figures.

Chairman GRIFFITHS. How about old-age assistance, what factors affect the level of their grant?

Miss SARA BROWN. The level of grant would be the same with their old-age assistance. You see, it is divided. Whatever they get in is divided. And they are budgeted from both. Whatever the deficit is, they get the difference. Their income is the same. They get what is called a simplified necessity grant, plus an income exemption grant, because they have this income of social security.

Their rent is included. It is preadded, added together, and divided equally between the two. If the social security is greater than their needs, they have no deficit. Especially when they got the increase last

year. A lot of cases were closed because they had no deficit by getting a few dollars more in social security.

These other people have a picnic on public funds, but that is what the higher-ups have to take care of. That does not happen. If we find there is a deficit, we send them the difference. The only factor is the social security income.

Chairman GRIFFITHS. Is a woman pregnant with her first child eligible for AFDC or does she have to get general assistance?

Miss SARA BROWN. If she is 4 months—

Chairman GRIFFITHS. She is entitled?

Mr. ALVES. Yes. It has to be verified.

Chairman GRIFFITHS. Do some of these women get jobs? How about the woman who has just had a baby? Aren't some of these people getting jobs regularly or not?

Miss SARA BROWN. The employment sends for them. We do not know that, but they have to be referred to employment afterwards. But they send for them. They're supposed to go in the program.

Chairman GRIFFITHS. I see. What identification do you require for welfare recipients?

Mr. ALVES. Anything with their name on it.

Miss SARA BROWN. And address.

Mr. ALVES. Something to identify the person.

Mrs. NANCY BROWN. Social security, or if they have a driver's license, sometimes, for instance, or something legal, you know, like that.

Miss SARA BROWN. If they have a driver's license, we ask about the car, which goes to resources.

Chairman GRIFFITHS. What is the answer on the car?

Miss SARA BROWN. They will say if they have or they have not.

Chairman GRIFFITHS. They can have a car, can't they?

Mrs. NANCY BROWN. If they need it for their employment.

Miss SARA BROWN. It has to be checked out.

Chairman GRIFFITHS. Right.

In your judgment, would it be simpler for you to deal with this whole problem if everybody were given a social security number at birth and you could identify them from then on?

Mr. ALVES. By the number?

Chairman GRIFFITHS. Yes, by the number.

Mrs. NANCY BROWN. I do not know

Chairman GRIFFITHS. With their thumbprint. All the picture identifies is, as you look at the picture and you look at the person, you can say that is you. But what else can you identify? What you need to be able to identify is what other programs are they getting money from? Are they working? And so on. And if you had a number and if everybody were identified—

Miss SARA BROWN. Somebody could lose a number.

Chairman GRIFFITHS. You could reissue it. If they can positively identify themselves as being the owner of that number, you could reissue it.

Mrs. NANCY BROWN. But in some instances social security numbers—some people have more than one.

Chairman GRIFFITHS. We found one man with 27 numbers.

Mrs. NANCY BROWN. Yes, and also with any identification. These people have found ways of getting around that.

Chairman GRIFFITHS. If we required social security to give everybody one number and it was positively identifiable, we will stop that.

How do you know that people are not really drawing more than one social security pension?

Miss SARA BROWN. We do not know.

Chairman GRIFFITHS. You certainly do not. So that social security can be cheated.

Mrs. NANCY BROWN. You mean a social security number at birth?

Chairman GRIFFITHS. Yes. Would it help if the number of the parents were on the birth certificate; if when they brought this child in and said we want ADC for the child, you can look at the social security number and check the place where he is working?

Miss SARA BROWN. It could help, but if they do not know where he is—you could have a social security number and check where he works, because a lot of them come in and say, "I know he works at the Smith Packing Co.," and they check, and they have not seen him since the year of the flood. But this could be a way to check.

Chairman GRIFFITHS. But you do not have a positive way to check now, do you?

Mrs. NANCY BROWN. No.

Chairman GRIFFITHS. That picture of the client on the welfare identification card is not going to be of any real help at all, is it?

Miss SARA BROWN. New pictures? I think a new client should have a picture, and if they go some place else—but then they could say no—it is the same thing. It is not foolproof. It still would not be good.

Chairman GRIFFITHS. Do people have to come to you for food stamps?

Mr. ALVES. On occasions.

Chairman GRIFFITHS. On occasions.

Mr. ALVES. Not for the stamps, just for the authorization.

Chairman GRIFFITHS. Do you know whether or not when they get those food stamps authorized by you they have had food stamps authorized by another center or another county?

Mrs. NANCY BROWN. No.

Chairman GRIFFITHS. I understand this is one of the big problems. For instance, in Michigan they have authorized food stamps in more than one county. And food stamps, of course, are money.

Mr. ALVES. Please. As a union representative I have had some dealings on the food stamp problems and there are great inequities in the food stamp distribution procedures.

In the initial stages when the person is given the food stamp authorizations, when they have to be redetermined for continuing need for food stamps because of the lack of staff, there is such a backlog that they cannot determine. So this means that the authorization is never really canceled, so that the person is still receiving the food stamps although he has been told to come in and be recertified. He may come in and what they will do is, since they do not have the time to go back to the backlog, they will make a new application on this guy and send it through. So he may have two authorizations for food stamps.

The great problem here is staff shortages. We do not have enough people to really do the work. One person is doing the work of three and four. You are doing the file clerk's work, you are doing the

typist's work, you are doing the determination of eligibility work, you are doing the receptionist's work, all at the same time for the same person, and you just do not have time to go back to the backlog. That is the place where a lot of the stuff could be caught, but we have the budget freezes and the financial situations in New York City, between New York and the State.

Chairman GRIFFITHS. It is probably costing more money than the savings from budget freezing; wouldn't that be so?

Miss SARA BROWN. Yes.

Chairman GRIFFITHS. How do you recertify? How do you keep checking on the AFDC? There is a Federal requirement that such checks be made. Do you do that?

Miss SARA BROWN. Recertify? ADC is recertified every 6 months. The form is sent from the central bureau and they have to respond to that. If they do not, there is another form saying they intend to close their case because they have not responded. Evidently, they are not in need. But they have to send it back. It is a form needed for public assistance, and they have to fill it out.

Chairman GRIFFITHS. Is that all the check that is made?

Miss SARA BROWN. Unless they are doing it through verification or some other sources.

Chairman GRIFFITHS. I see. The Federal Government is accepting that as a sufficient check?

Miss SARA BROWN. It is called recertification.

Chairman GRIFFITHS. So you just send the woman a form?

Miss SARA BROWN. They send it from downtown the beginning of each month, a printed form, and the group clerk follows this up after so many days. If she does not get a response to the printed form, they are to send a second form with a letter, "We have not received your declaration." And then they send a third form with the intent that if they do not hear by the end of the month, and then you have to send the report in at the end of the month on who did not respond to the letters sent out.

Chairman GRIFFITHS. I would like to ask you, who checks up to see if there is a father to these children and if the father is earning any money?

Miss SARA BROWN. Eligibility investigation.

Chairman GRIFFITHS. Do you know what steps they take or not?

Miss SARA BROWN. We do not.

Chairman GRIFFITHS. You do not.

What do you think would be necessary? What steps do you folks think would be necessary to correct the erroneous payments. What do you think should be done?

Mr. ALVES. I do not really understand the question when you say "erroneous."

Chairman GRIFFITHS. In 1971 the New York State welfare inspector general estimated that 6 percent of AFDC families were ineligible; 20 percent of the families were being overpaid; and 10 percent of the families were being underpaid; and the annual net loss amounted to over \$50 million for this one city in this one program. What do you think could be done to reduce these high rates of erroneous payments? Do you think there should be better checks on the people involved?

What do you think should be done? It would not come to your department; is that right?

Miss SARA BROWN. It probably would not come to our department. Personally, I think there should be a better check in the system of the people involved in this. I definitely think there should be a better method of checking because there are so many people escaping, that are overlooked, you know. They never get to them because they never come into this 10 percent or this cross-check or whatever. Although the powers that be say this is working beautifully, it might be, but I think there are so many people that are escaping, getting by, because there is not enough checking being done.

Because when you read in the papers, the papers can take a small figure and really blow it up, and it looks very, very bad; and, on the other hand, the department has to defend itself. Well, it is not this much or not that much, and they are seemingly doing all they can to correct these situations, but I do not think there is enough checking being done.

Mr. ALVES. One of the problems that I have found for underpayments, some people come into a social services center, like the people that you are going to deal with, and they are afraid to tell you everything, and, unless they sit down and give us all of the information, we will figure out the money that they're supposed to get based on our schedules, based on what they tell us. Sometimes we find there has been a child that they did not tell us about. They were afraid they might have had two kids, because in some States they will pay up to a certain amount, and after that you are on your own. So they will hide a child. They won't tell us about the kid.

Or he may come in from Puerto Rico or North Carolina, South Carolina, or wherever he is. They are afraid that we will budget them for so many people and say, "Gee, maybe he is not supposed to be there," and they do not tell us. Then one day they slip up and tell us there is another child. We tell them, "You could have been getting money." Especially when this forces them to misuse the rent. This is where we find this misuse, the rent. Not so much that they want to go out and really party.

The clients that I have dealt with, whenever they have misused the money—and I have had to question them why—"I wanted to buy my kid a coat, you know. I wanted to buy him a new pair of shoes." It is not like they have taken it and gone to the Copacabana. They have not. They have been pushed into the area of misusing the rent because they wanted to buy something from the rent or, as I stated, a child may have come in—they were afraid to let us know that he had to buy extra food. They misuse. And we find out this is where it was.

Chairman GRIFFITHS. How do you think the clients made up for the cuts in the AFDC grants in New York?

Mr. ALVES. I would say by a great deal of misusing of the other checks, the rent checks. A great deal of that.

Chairman GRIFFITHS. What about lost checks, how many lost checks have been cashed?

Mr. ALVES. I would say a great deal of them have been cashed.

Chairman GRIFFITHS. What do you do on lost checks?

Mr. ALVES. We stated earlier, the same thing.

Chairman GRIFFITHS. How many lost checks can they have per year?

Mrs. NANCY BROWN. Three.

Chairman GRIFFITHS. Three?

Mrs. NANCY BROWN. As I stated before, when they come in stating they had lost their check and they need their money, first we have to ascertain that a check had been issued for them, and once it has been issued, we can reissue a check under a code 7, and they're allowed three code 7's to date a year. That is the way we do it in my center.

And after that they are not allowed to have any more, not unless we can get approval. Possibly from a higher level for a fourth check, but we have to inform the client that they will not receive any more money regardless of whether the check was lost, stolen, or whatnot.

Chairman GRIFFITHS. What percentage of clients lose three checks a year, would you say?

Mrs. NANCY BROWN. My goodness, I have one client—until we instituted this—that had lost maybe seven or eight checks a year. Sometimes they have been undelivered, really, or either put in the mailboxes. Mailboxes have been broken into and mail stolen, and they have come to the place now where they hold up the postman and take his mail. See, they take the checks directly from the postman now. But regardless of whether the person is telling the truth or not, if that is the situation, that is what we have to tell them.

Miss SARA BROWN. If the check is returned, then it is a code 8 because we replace it with a canceled check. See, the code 7's are a check they claim they never received, either lost or stolen, but a lot of times they are telling the truth and the check was not received by them. Then, it is returned to the center. That check is canceled, so that is a code 8.

They can get plenty of those because you just replace the check you have already canceled.

Chairman GRIFFITHS. Do you think that any of the people replaced the loss in AFDC benefits last year—because of the benefit cutback—with earnings or by pushing for support from the father of children? Do you think any of them did that?

Miss SARA BROWN. Replace the earnings?

Chairman GRIFFITHS. Replace the loss. The money that they lost in those AFDC cutbacks. Do you think any of them went to work to replace it?

Miss SARA BROWN. They might have.

Chairman GRIFFITHS. And not revealed it?

Miss SARA BROWN. Yes. A very important thing has come to our attention. The past week we have been getting the notices from the New York City Housing Authority about the 7 percent increase automatically for welfare clients. The majority of our clients are mothers with children. There is no indication with fathers and yet every one of these notices—most of those notices—have a male and female name on it. Very interesting. They would not issue those forms to them unless there is a man in the house.

It says Mr. and Mrs. Jones, for argument's sake, or Mary and John Smith on the increase, and they are sending us a copy of the notice and we only have, say Mary Smith with her children on the budget.

Chairman GRIFFITHS. How high do you think this is, where there really is a father and a husband at home, but not for the purposes of welfare, and the mother gets the welfare and the father gets a job?

Miss SARA BROWN. Just guessing, I think it is, oh, father of children, quite a bit.

Chairman GRIFFITHS. So that the father in many cases really is there?

Miss SARA BROWN. Yes.

Chairman GRIFFITHS. And maybe he has a job?

Miss SARA BROWN. Most likely.

Chairman GRIFFITHS. So that really AFDC—

Miss SARA BROWN. Unless they get him to sign, he is not responsible. They have to get him to acknowledge paternity and sign.

Chairman GRIFFITHS. And if he does not?

Miss SARA BROWN. No.

Mr. ALVES. Again, this goes back to what I stated before, Chairman Griffiths, the people are not doing this intentionally. They are forced into something of this nature by the system. The rents are abnormally high. The man may be employed, but not able to pay the rents being asked in some of these rat-filled apartment houses. He has to come down and lie to us.

They did it before when they had the caseworker concept, where the home visit was there. I have read and spoken to many caseworkers who said they went in the house where there was supposed to be no husband but found warm cigar butts in the ash tray or a pair of slippers or something to let them know the guy was there.

I think again it goes back to effective laws. If the laws were maybe revised or set up to deal with the poor, I guess in a manner that would give them some sort of dignity again, he would not have to do this.

Chairman GRIFFITHS. We are really teaching them in a way to cheat?

Mr. ALVES. Right. It encourages cheating.

Chairman GRIFFITHS. Yes.

Miss SARA BROWN. To bait some of them, especially here in New York, they say they must report to NYSES and sign up for a job. But the job market is ridiculous. If they create jobs and the people get a job at a halfway decent salary—naturally, a person is going to take a job for a dollar and change, but he could stay home and get that. What they need to do is create jobs. They did this type of thing once before. They had the WPA.

Chairman GRIFFITHS. It worked out pretty well.

Miss SARA BROWN. And the people were not getting relief at that time. People were working. Let people work. I am sure the majority of people would rather work honestly—honestly. I agree with Mr. Alves, they would rather have a job than have to come down and sit and look at me and tell me a story about a tale to get a pittance because that is really what it boils down to.

Chairman GRIFFITHS. I see. I think you are quite right.

The turnover of caseworkers in New York City in 1968 was estimated to be 61 percent. Do you have any idea on why people leave so quickly?

Mrs. STOLZE. For the aggravation and the bodily injury. These people have degrees. They can make a lot more money in other places.

I mean, it is not worth it for them to take all this abuse. That is why they have been leaving.

When you go down to a neighborhood where they know you, they can spot you coming two blocks away, and the man is on the way, and look out. They have been mauled, battered, and it is not worth the money they make for this sort of a job. No money is worth, you know, your life. Actually, this has happened.

Chairman GRIFFITHS. It really is as dangerous, in a way, as a police officer's job or a fireman's job.

Mrs. STOLZE. At least the policeman has got something to protect himself with.

Chairman GRIFFITHS. But you do not, nothing whatsoever?

Mrs. NANCY BROWN. No.

Chairman GRIFFITHS. Do you have some other questions you would like to ask, Mr. Widnall?

Representative WIDNALL. I would just like to talk about something we have not spoken about as yet.

A number of years ago I came to New York City with the congressional group looking at housing, low income housing, at problems that they were having in the city at that time, which they still have today. But at that time there was a tremendous influx of people from Puerto Rico, where they lived in slums, the worse kind of slums I have ever seen in my entire life. They own no property, there is no building on the land, it is swampland, land that could not be used for other purposes, waste dumps, no sanitary facilities, no water, no shelter. Overnight they came to New York and they went on relief. They lived like kings compared to down in Puerto Rico. And they were not equipped to handle anything at all. They had no experience.

I raised the question at that time with Mayor Wagner about making relief so attractive that you had all these people coming in from Puerto Rico, and yet nothing was being done in Puerto Rico in order to make these people better citizens when they came up to New York City. None of them had learned English. They were not being taught English in the schools down there, and this is practically the same today where Spanish is the cultural language. They want that because they want to keep the isle having the atmosphere, the Spanish background.

But they had started to make feeble efforts to teach English in the schools as a secondary language, and the then Governor said they were going to increase the interest so that the people knew English as well as Spanish.

The reason I speak about this is because I do not think that they have made any real progress in Puerto Rico. They still have secondary and optional languages in the schools there. This complicates the problems again when these people come up to the United States and want to get a job. They cannot speak English, and so they huddle together, forming their own Spanish-speaking community. This complicates the housing problems for those of low income status, and also makes it very difficult for some of these people to obtain employment.

You naturally have contact with people of Puerto Rican background, too; don't you?

Mr. ALVES. Yes.

Representative WIDNALL. Do you find this is still quite a limiting factor, as far as any of the Puerto Ricans are concerned, the fact they cannot speak English well or cannot speak English?

Mr. ALVES. If I may, as far as relating to what we are trying to interview them about, we have a particular problem there. As far as housing, I think they are only denied the housing because of the bigoted attitude of the landlord. I do not see where a man's language barrier would preclude him from getting the apartment if he has the money to pay the rent.

Quite a few people are still under the opinion that the Puerto Ricans who might register in New York are the lowest caliber. We saw those slums in December, by the way, so we know about the slums, although they have been publicized.

As far as the Puerto Rican person, I have dealt with him in my capacity as a specialist. I have found some of them to be most beautiful people, even though they did have a language barrier. And then I had a Chinaman come in and he was a beautiful guy, also. I have had some Africans and other groups of people, so I have not found the language barrier any difficulty.

Again I state the only reason they cannot get decent housing is the same reason that I might have a problem in finding decent housing.

Representative WIDNALL. I understand this, and I am not trying to point up anything in that direction at all, except I do know they had difficulty in getting the work opportunities and jobs because of their inability to speak English, and if they took a job, it was of the most menial nature rather than a decent job.

Mr. ALVES. It was all that was given. If that is all you offer a man, that is all he is going to get.

Let us say if I walked into a person and I could not speak his language and he does not feel like listening, does not like taking the time to try to find out what it is I am asking, he says "I have no jobs, go away," and the guy walks away. Maybe I am a good worker and I could do the job once I am trained to do it.

Representative WIDNALL. Are the forms all printed in English or are some in Spanish?

Mr. ALVES. Our basic form is in English. If we have to give them back information as to his rights, it is in English and Spanish. When I say that, our application blank is a four-page or a six-page form. And one of the sheets tells him about the right to review if our decision, that we have to render, is not to his liking, satisfaction. And it is written in Spanish and English as to who he can apply to for redetermination of that decision.

Representative WIDNALL. Do you find that many of your clients are people who cannot read?

Mr. ALVES. No. The great majority of them can read.

Representative WIDNALL. We have got a great improvement within the country, but I am just wondering about how much progress has been made outside the country.

Mr. ALVES. Well, the Puerto Ricans that I have had have all been able to fill the forms out. I have had a few who have had difficulty and have to have an interpreter to fill it out, but I will say of the entire amount of people that I have ever dealt with as a specialist, I would put it at a half to 1 percent of the people that I have spoken to. I do not know, maybe Sister Brown knows.

Miss SARA BROWN. When they come in, if they have any difficulty we usually have a person that will help them fill out the application,

but most of the people if they finally have a problem with the English they bring someone with them. Most of them that come they will bring someone and they pretty much understand. Quite a few of them try and can speak a little of the English language, and they understand enough that you can communicate, but those that have problems with the application there is a section that helps them fill out their application.

Representative WIDNALL. Thank you. Thank you very much.

Chairman GRIFFITHS. I would like to ask you, do these people—when they apply—have to produce any evidence of citizenship?

Mrs. NANCY BROWN. From Puerto Rico?

Chairman GRIFFITHS. Here or elsewhere.

Mr. ALVES. Yes.

Chairman GRIFFITHS. Do they have to produce the evidence of citizenship?

Mr. ALVES. Yes. Lately I have run into quite a few Haitian citizens who have the green immigration card, and before we can do anything on the application we refer them back to the Immigration Bureau to be registered there, then they come back to us and we can accept them.

Chairman GRIFFITHS. But there is a feeling, I know in Congress now, that we are supporting, either through jobs or by welfare, members of up to a million to 2 million people who are not legally in this country and are not really entitled.

Mr. ALVES. That is right.

Chairman GRIFFITHS. To either the welfare or the job.

Mr. ALVES. That is right. We have found that. But now there was a new procedure that came out.

Chairman GRIFFITHS. So you are trying to do something about that?

Mr. ALVES. We refer them back to the Immigration, then they can come back, because I think there is up to a year the sponsor is supposed to care for their well-being.

Chairman GRIFFITHS. If there are no further questions—

Representative WIDNALL. No.

Chairman GRIFFITHS. I would like to tell you how much I have appreciated your being here, Mr. Widnall, and I am very deeply in your debt, as is the Congress. No one has ever asked these questions to anybody who works every day with the people that get welfare. At least out of Congress no one has come from Congress to ask these questions, and we are deeply grateful to you. You have done a wonderful job.

Mr. ALVES. If I may, before you close, there was one area that you didn't really deal with. Perhaps my three colleagues here would like to say something on it. The narcotic problem.

We have a tremendous narcotic problem in the department of social services.

Chairman GRIFFITHS. How do you deal with it?

Mr. ALVES. Again, we have the same procedures, but this is where most of our abuse comes from, the narcotic. We see him much more regularly than we would the ADC, the UF or the home relief case. He has a lot more stringent requirements put on him than the ADC person does which requires him to become, in many instances, much more abusive.

Again, where you say before we were telling people how to cheat in many instances we are actually fostering the narcotic problem by giving them money and not following up on how it is to be used, and I think we are supporting the narcotic problem in the country in many instances in the way we have to deal with the narcotic people.

Chairman GRIFFITHS. What do you think should be done?

Miss SARA BROWN. I have a suggestion.

Mrs. NANCY BROWN. I have one, too.

Mr. ALVES. Please do.

Chairman GRIFFITHS. Let's hear the suggestions.

Miss SARA BROWN. Well, we don't have that particular problem in our center because our cases are integrated, family cases; narcotics are all in the same groups. But narcotic addicts are the name of the game throughout the system, and it's quite a thing throughout the center. They come in and they have to go through what is called the DAB service first to say they are in treatment or they are waiting to go in treatment. That referral is sent to income maintenance to be used to issue them food and rent for so many days. Most narcotic addicts, until they are actually, you know, in the treatment program, get their subsistence on a 7-day basis. And a lot of them go from center to center. They have a real game going. It's beautiful.

Now, if there was a way they would have to be enrolled in a program before they ever come to get any assistance, it would be a much better thing. That's one way.

How would we work that? Because some of them are waiting forever, and they get this money over and over. And I feel that they should—it should be understood with proof, you know, they come with this, that they are enrolled. In other words, they have started treatment some place and then they would be eligible to get this rent and things from welfare.

But they come upstairs, because they could tell the worker upstairs anything because a lot of times you can see while you are getting their checks ready they are sleeping and they are supposed to be on methadone and they are not supposed to be on drugs. But they act like they are quite heavily drugged at the time.

But you are supposed to take the word from upstairs, so it's not a thing that you are arguing about, but I think something should be done as far as addicts, cut down some of this addiction traffic, and that's what most of the workers are really afraid of because the people that threaten them the most are the narcotic addict, but if they were in a program when they came in, in treatment, this should be one of the requirements, and then to check that they are in treatment, and I think they would be entitled to some sort of aid, but I don't think they should come in this way, waiting, waiting like this. I don't think it is fair.

Chairman GRIFFITHS. It would be better actually if in place of the money, you had someplace where they would supply the drug.

Mr. ALVES. Well, that is one area of thought that has been put, the same thing as they did in England where they can go to the doctor and get it.

Chairman GRIFFITHS. Yes.

Mr. ALVES. In decreasing doses. I don't know, there are quite a few groups around, some say that it's good, some say no, they don't want

them to get it. I think just to put it there for them and not give them followup therapy would be a little bit ridiculous, because all you do is cut it down, then they'll come out to the streets again and find it all over again.

We don't have enough programs, we don't have enough facilities, here alone in New York to handle the drug traffic. Of all the drug addicts in the country, I think New York has over half of them. We have maybe one hospital—I don't believe we have a hospital that I can think of that deals mainly with drugs, and as far as the programs go, they are backlogged, they have waiting lists that are years long for the addicts. So he is actually still free, just running around waiting to get into a program, and in the meantime we are giving him money, and he is just going out and continuing to buy his drugs.

We do need effective legislation, I would imagine Federal, State, and local legislation, laws to sort of curtail some of that and to create hospitals.

You know, we can buy a ball park, but we can't create a hospital for an addict.

The facilities are here, you know. They are getting ready to close Sing Sing. It could be used. There is North Brothers Island that is sitting over there that could be used. Rikers Island could probably be used. Although it's an overcrowded penal institution right now.

There are many of these places, but these are some of the problems that we have by not having the programs for them to go into, by not having the hospitals to begin to help the addict, and by not having the therapy for him, the specialists are stuck with the problem that when they come in they usually come in ready to go out and buy their fix.

If we have to keep them there for a couple of hours, we really have to suffer the abuse. And many times the people who have perpetrated this vocal and physical abuse have been the narcotic addicts.

Mrs. NANCY BROWN. That's right.

Chairman GRIFFITHS. Well, thank you very much.

Representative WIDNALL. Madam Chairman.

Chairman GRIFFITHS. Surely.

Representative WIDNALL. I would just like to add my thanks to that of the chairman for your being here today and being excellent witnesses. It is very helpful to have this information. Thank you.

Mr. ALVES. Thank you for having us.

Chairman GRIFFITHS. This meeting will recess until 2 o'clock this afternoon.

(Whereupon, at 12:10 p.m., the subcommittee recessed, to reconvene at 2 p.m. the same day.)

AFTERNOON SESSION

Chairman GRIFFITHS. I would like to thank each of you very much for appearing here.

Mr. Podell, will you proceed?

Representative WIDNALL. May I ask a question first?

Chairman GRIFFITHS. Yes.

Representative WIDNALL. Are you related to the Congressman?

Mr. PODELL. No, I am not related to the Congressman, nor to the owner of the Copacabana, or any other Podell in public life.

Chairman GRIFFITHS. You are all by yourself.

Mr. PODELL. All by myself.

Chairman GRIFFITHS. All right.

Mr. PODELL. I will read my oral statement first.

Chairman GRIFFITHS. Yes, please.

STATEMENT OF SAMUEL PODELL, DIRECTOR, FORT GREENE CENTER, DEPARTMENT OF SOCIAL SERVICES, NEW YORK CITY HUMAN RESOURCES ADMINISTRATION

Mr. PODELL. As the director of the Fort Greene Social Services Center, I am responsible for administering public assistance programs to a caseload of about 8,000 in all Federal categories of public assistance, plus general assistance.

The geographical area of the center is wholly within the Bedford-Stuyvesant section of Brooklyn, although it does not cover the entire Bedford-Stuyvesant neighborhood.

Since October 1971 this responsibility has been administered through two components within the social service center. The first component, designated as income maintenance, consists of five income maintenance groups, two disabled, aged, and blind (DAB), one narcotic addicts group, and two eligibility investigation groups.

The five income maintenance groups are composed of five income maintenance specialists, and one group supervisor, plus clerical staff.

The caseload of each group is approximately 1,000 cases. The group handles all applications for public assistance in the AFDC categories and the general assistance category, all services for public assistance clients, and makes referrals to other sections in the office, where necessary.

Applications for public assistance in this group are based on the affidavit system. Under the affidavit system a client's statements about the need for public assistance are not verified. The decision to accept or deny assistance is based on the consistency of the client's account of his or her situation. If there are gaps in the client's account which cannot be explained, the application is rejected.

Another feature of the affidavit system is that a decision is made immediately and assistance issued immediately.

Although the narcotic addicts group performs similar functions for addict cases, these applications are investigated and do not operate within the affidavit system.

The eligibility investigation groups handle specific types of cases referred by the income maintenance groups. These include all addict cases, fraud, or suspected fraud cases, cases in which there are legally responsible relatives, and cases in which complaints, anonymous or otherwise, have been received to indicate client's ineligibility.

The investigations conducted by this group include verification of applicant's statements.

The two DAB groups perform similar income maintenance functions for the disabled, aged, and blind categories.

The services component of the operation within the center is composed of a general services group which handles referrals for casework

services from the income maintenance groups, such as child protection, homemaker services, consultant problems, group meetings with clients to explain designated services and any other problems on individual cases which indicate clients' need for special casework services.

The employment section handles all activities related to securing employment for employable recipients. Presently they are engaged in specific projects mandated by State legislation. These include the provision that employable clients receive their checks at NYSES offices and referrals to public works projects (work relief). They process referrals for the Federal work incentive programs (WIN).

The aid to the disabled (AD) section handles all activities necessary to establish clients in the AD category. This involves setting up appointments for clients with medical facilities for examinations, control as to whether these examinations have been kept, appointments with specialists, and periodic followup on the employability of these clients.

In addition to this, there are consultant services in the center, such as home economist, housing, medical social worker, resources, and fraud control.

The responsibility of the Department of Social Services for carrying out new legislation is transmitted to the centers by means of procedures which are written in central office. Thus, center directors are obliged to operate on the basis of these procedures, rather than directly from the legislation.

Central office also provides personnel, office equipment and supplies, training services, and consultant services. It exercises general supervision by means of field directors and field office supervisors. It becomes involved in specific decisions in client situations only when the levels of approval require it, or when other governmental agencies or community groups refer situations to it.

It also establishes procedures for the implementation of special projects, services, or studies mandated by other governmental levels. It occasionally establishes pilot projects in selected centers to test out methods of operation.

One of the functions of the director is to deal with community groups representing clients or agencies whose functions involve clients.

The most serious impediment to efficient operation is the necessity for establishing not only need for assistance but eligibility for the particular category.

Some of the requirements for these categories, such as aid to families with dependent children-unemployed fathers (AFDC-UF) are, it seems, unnecessarily detailed and temporary. This requires constant reclassification from one category to another. It also generates a large number of reports and statistics, both special and periodic.

The director must cope with staff vacancies imposed by budgetary consideration.

Currently, there is a freeze on new hiring in the city, making it necessary for the director to improvise, establish priorities and, in some instances, cut services to clients because of these shortages.

The sensitivity of the department to public criticism results in changes in policies, emphases, and priorities which create administrative difficulties, additional work, and burdensome reports.

At the present time, because of this public criticism, an Inspector General's Office was set up by the State of New York whose function it is to ferret out instances of fraud among clients. This is in addition to other already established groups set up by the State within the framework of the New York State Department of Social Service, such as the State review and audit section, the verification and review section, and the validation unit.

There is general recognition throughout the department of the need to operate within the framework of contractual agreements with unions. These agreements necessarily restrict the deployment and the use of staff. These arrangements with the unions are arrived at without consultation with center directors and, it seems, without sufficient consideration of their impact on the operations of the center.

It would seem advisable to have center directors involved prior to negotiation. Over and above these limitations there is a tendency of central office staff to write procedures, job specifications, report requirements, et cetera in such detail as to handicap the center director.

It would be preferable to write these procedures and specifications in more general terms so as to enable the director to carry out their intent and still have freedom to manipulate staff and to innovate.

Both the center directors and the department as a whole are dependent on other agencies, groups, or governmental units in carrying out their responsibilities. There is no control over such groups and this creates administrative burdens. Examples of these are as follows:

To establish eligibility for AD, it is necessary to depend on outside clinics, specialists and State review teams.

To complete referrals of clients to the work incentive program, it is necessary to depend on the State Department of Labor.

To give services or assistance to addicts, it is necessary to depend on treatment centers.

To service clients requiring housing because of fires or other disasters, it is necessary to depend on the Department of Relocation or the Department of Buildings.

To implement State legislation requiring clients to pick up checks at the NYSES offices, it is necessary to depend on NYSES.

To establish effective communication and liaison with these groups requires constant communication and reports.

A large gap in the ability of the center to deliver services to clients which the department does not provide lies in the fact that many of these services are administered through poverty agencies with which the center has no organizational attachments and very frequently no contact at all. Many of our clients do not have the perseverance, initiative, or inclination to avail themselves of these services. Liaison with these agencies, mandated by higher governmental authorities, such as Human Resources Administration (HRA), would result in making such services more available to clients.

Chairman GRIFFITHS. Thank you very much.

Is it Miss Poussaint?

Mrs. POUSSAINT. Mrs. Poussaint.

Chairman GRIFFITHS. Thank you.

Will you proceed?

STATEMENT OF BOBBIE POUSSAINT, DIRECTOR, COMMUNITY SOCIAL SERVICES PROGRAM, DEPARTMENT OF SOCIAL SERVICES, NEW YORK CITY HUMAN RESOURCES ADMINISTRATION

Mrs. POUSSAINT. Thank you.

First of all, I would like to apologize for some errors in the statement, essentially regarding my current assignment. If it is at all relevant, I would just like to point your attention to the fact that I am not called the district manager of social services, et cetera. Insead, I am currently working as a director in the prototype community social services program that is being initiated here.

In September 1968, I returned to the New York City Harlem Social Service Center as director. This is the fifth largest of the city's 43 centers in terms of caseloads, staff, and total grants administered.

At that time, persons eligible for financial public assistance could expect to receive their semimonthly allowances, periodic special grants for special needs such as transportation costs, furniture acquisition, clothing, et cetera; surplus foods issued at specific locations; necessary orthopedic appliances; shelter; help with a variety of personal and family problems; educational services; vocational training, when necessary; employment, if employable; home management training, as needed; medical and health care; necessary services of homemakers or housekeepers babysitters and day care facilities; nursing home care; foster care for children and adults; and a variety of other services.

The recipient's access to either or any mix of these services was through his caseworker, whose assigned caseloads averaged approximately 88 cases.

In practice, the caseworkers were required to give attention to more cases than those to which they were assigned. First of all, the system called for a worker having the responsibility for emergencies on specific days. In other words, if the regular worker assigned to a caseload was absent for any reason, or attending to certain families in the field, the emergency worker, theoretically, received any requests for budget adjustments, et cetera, and handled them, if possible, at that time.

Many such situations remained with that emergency worker for follow-up over lengthy periods of time.

Second, during my tenure at the center, there was never a time that we had sufficient staff to cover all caseloads and supportive positions. Consequently, those caseloads which were uncovered were handled on a piecemeal, emergency basis by workers assigned to other loads.

For the 3 years prior to my assignment at Harlem, I had been away from the Bureau of Public Assistance. During that period I had assisted in the development and management of a special program for ADC mothers within the Bureau of Special Services.

This, of course, was a turbulent period for the welfare centers. The caseloads had increased tremendously and at an overwhelming rate. The requests for special allowances to meet special needs had increased at the same pace. It was apparent that the centers were staggering under these pressures.

With this special program, one of our concerns was the paucity of referrals received from the centers for the services we were offering.

We had some understanding of the problem as articulated by the staff of various centers which we visited. They simply could not keep abreast of the financial demands and it was rare, indeed, that any caseworker could assess other related needs with his clients and effect an appropriate referral.

One of the goals which I had in mind initially as director of the Harlem center was the implementation of certain internal systems which could ameliorate this to some extent. As I became familiar with our system of accountability and our case recordkeeping which reflected the worker's activities, it became all the more apparent that the workers were limited in time and skills, that the individual worker's interests and activities could have little impact on the problem.

First of all, there was tremendous mobility of staff. New workers were constantly being hired, and while alternate employment opportunities existed for college graduates, there was a constant flowout of the agency into other jobs. The resignations of staff from the center were at a slower rate than new hires. However, there was constant attrition. This meant, of course, that a large number of workers' brief experience was insufficient to equip them for the breadth of responsibility inherent in their job description. They were introduced to certain essentials such as budgetary methods, categorical requirements, and eligibility factors.

Secondly, the avalanche of special needs requiring special financial grants being brought to the attention of the caseworker were for many reasons considered priorities. Under the circumstances, since the agency was not prepared to handle this volume of requests and since for years the practice of denial of such grants was an expected method of operation, the supervisory staff was limited in its capacity to assist the worker in this role.

Moreover, the rapid expansion of personnel precipitated and expanded promotional opportunities for each level of supervisory staff. Conditions were such that supervisory responsibilities were thrust upon people without rudimentary training and necessary principles and techniques.

Our operating procedures were constantly being modified. However, these modification procedures were, for the most part, done on an ad hoc, piecemeal basis instead of basic systematic revisions.

Despite attempts to provide training opportunities and the dedicated effort of the training consultants in the center, it was impossible for the staff to assimilate and integrate the constant flow of information in an effective practice method.

I have spoken about the variety of programs and benefits to which public assistance recipients are entitled. In order to obtain many of those benefits the caseworker was required to have a thorough knowledge of available resources such as programs within the Department of Social Services, services provided by constituent HRA agencies, and services provided by the private and public sector.

The caseworker was further required to have skill, interest and time sufficient to effect a meaningful and successful referral. I found the staff generally lacking in these areas. I recognized, however, that this lack had very little to do with their interest and potential under improved circumstances.

In May of 1969, the Harlem center implemented the first phase of separation of the income maintenance (IM) and social service functions. Income maintenance groups were established with the responsibility for processing applications, determining eligibility, determining the amount of the public assistance grant and delivering this grant to disabled, aged and blind recipients.

A service team was established to provide services as needed to the same population. The attempt to meet the needs of the ADC and home relief population continued to be handled in the traditional way. We made progress slowly but consistently for approximately 1 year.

In terms of understanding the concept of separation and the responsibilities of each component servicing the disabled, aged and blind, we continued to be handicapped by insufficient staff in all sections. Not only were there vacancies in staff positions, but the quota of staff allowed did not meet the need. This applied to clerical supportive staff as well as the staff assigned for direct contact with the recipients.

Requests for service were bottlenecked at various levels requiring constant modification of our system. Since the staff continued to feel pressure and because of their insufficient number, this led to feelings of hostility, finally resulting in resistance to involvement.

The separation did afford, however, an opportunity for the service staff to become better acquainted with various benefits and resources available to the clients. This staff, therefore, was better equipped to assist the client in obtaining and making use of such benefits.

Subsequently many special grants were discontinued, such as furniture replacement, clothing replacement, transportation costs, et cetera. Those remaining were issued, for the most part, on a vendor payment basis. This relieved the center staff in certain ways, but made their job more difficult in other ways.

With regard to the clients, it imposed additional hardships on many families. Specifically, individuals lacking clothing and household equipment who attempted to discuss this situation with a caseworker, only to be told categorically, "There is nothing to be done." were left with unmet needs and increased hostility against the staff, the bureaucracy, and the entire system.

We attempted to assist the client community and the staff by renewed training efforts and exposure to whatever resources there were in the community.

This had limited impact, again, for a variety of reasons:

(1) we were faced with reorganization plans for the agency; (2) the staff as well as the client community were in a state of anomie; (3) the hectic superficial activity which replaced real opportunities to learn and become involved, which had existed for several years, had served to immobilize, to some degree, center staff generally; (4) the attrition rate increased, therefore, workers' responsibilities were broadened but not deepened.

In August of 1971 the Harlem Center entered phase two of the separation process. The income maintenance function was completely separated from services as regards administration except at the level of center director. Several general service groups were established to provide services to home relief and family cases. The DAB (disabled, aged, and blind cases) service section was expanded.

The issuance of relief and eligibility certification, technically, was a clerical responsibility. The income maintenance specialists and their supervisors at each level were theoretically clerical personnel.

The social service staff, including each level of supervision, were caseworkers and other professional staff. Circumstances were such that only five of 16 income maintenance groups could be staffed with clerical personnel. A significant number had received only 2 to 3 weeks of training for their new positions.

Although their responsibilities were generally considered simple and routine, in fact, this is not so.

Therefore, continued learning, considerable support and encouragement was required on the part of all administrative staff as well as the income maintenance specialists themselves.

Caseworkers who were temporarily assigned to the position of income maintenance specialist and supervisors who were given assignments to income maintenance groups were uncomfortable to a marked degree in such assignments and, consequently, sought ways of escaping.

Those persons with sufficient seniority to be assigned to service positions were better able to learn new things about their job and the agency as a whole and began to affect meaningful referrals for other benefits and programs.

The client population, however, did not benefit optimally from this separation. Again, we were given an inadequate staff quota and the available staff was insufficient for the quota.

The agency's emphasis was on filling all income maintenance slots. Therefore, several service positions were left vacant. Despite our filling all income maintenance slots, the volume of work for that staff precluded recognition of certain needs and appropriate referrals to the service sections.

Reorganization efforts and staff attrition had serious impact on the Harlem Social Service Center staff. We accrued more vacancies daily. We accumulated backlogs in each section at a discouraging rate.

To the staff's credit, they tolerated frequent necessary changes of assignment with minimum protest. The client population developed a variety of methods in trying to have their needs met. The administrative staff was also generally flexible.

I left the center a little more than 4 months ago to direct a prototype community social service district. One of my finest responsibilities was to become involved in the assessment of needs in the east New York section of Brooklyn. This, naturally, involved gathering data of the effectiveness of benefits and programs for the residents of that district.

We found that it requires a high degree of sophistication and courage on the part of recipients and consumers to enable them to obtain benefits to which they are entitled.

Many such persons have difficulty in even obtaining information regarding which benefits are available and what they must do in order to obtain them. Many have extreme difficulty in negotiating the system after learning about available benefits.

In our current capacity we have conferred with elected city officials, social service center directors, administrators of other public and private agencies, action groups, ministers, bankers, public assistance recipients, and so forth, all of whom deplored the paucity of services and benefits and the inaccessibility of certain of those existing.

For example, many of the aged poor find it impossible to take advantage of the food stamp program because of the extensive and expensive traveling involved in order to become eligible for this program. Many persons have difficulty utilizing medical services under medicaid for a variety of reasons, primarily, due to the location of vendors and the difficulties encountered in getting to these vendors.

Many heads of households, particularly one-parent families, encounter a lack of synchronized effort between child care programs, vocational training programs, and the income maintenance programs. Frequently, they are interested in training and employment; however, they become discouraged when either of the aforementioned components becomes dysfunctional. The result is a loss of interest and increased hostility.

In conclusion, it seems to me that in order to administer a viable program which meaningfully addresses itself to the needs of the poor and desperate people, an adequate, well coordinated and intermeshed system of delivery, meaningful supportive services, and real employment opportunities are basic and essential.

Chairman GRIFFITHS. Thank you, Mrs. Poussaint.

Mrs. Ruscoll.

**STATEMENT OF JANET RUSCOLL, DIRECTOR, WYCKOFF CENTER,
DEPARTMENT OF SOCIAL SERVICES, NEW YORK CITY HUMAN
RESOURCES ADMINISTRATION**

Mrs. RUSCOLL. I am the director of Wyckoff Center, which is located in downtown Brooklyn at 213 Duffield Street.

The caseload of Wyckoff Center is about 10,500 cases. Staff numbers 255 persons.

Wyckoff Center opened March 1, 1967, with a client caseload of about 6,000 cases and a staff of 284 persons.

The territory covered by the center is Brooklyn Heights, a downtown area of Brooklyn which includes eight residential hotels, formerly rather elegant, but now rather rundown; the Fort Greene area which includes some of the largest housing projects in the city—Wyckoff Center covers seven housing projects—and the Williamsburg section of Brooklyn, an area in which live most of the Hasidic Jews of Brooklyn, some of whom are on public assistance.

The client caseload includes a cross section of population—white, black, Puerto Rican—of Protestant, Catholic, and Jewish faiths.

I became a caseworker with the department in 1935. I have been a center director since 1959.

The department has always been involved in crisis situations, affected as it was by political changes. There has been a pendulum effect upon the department in regard to stress on eligibility, a stress that apparently grew out of "tight money" governmental situations, rather than social policy determinations.

I recall as a caseworker in the 1930's sometimes being told, "We are short of money—close 10 of the least eligible cases in your caseload."

Other times, we were told, "There is extra money; give clothing allowances to your clients needing clothing," and the allowable amount would be stipulated.

In the 1940's, war factors which caused the country to move out of the low employment rates of the 1930's into the high employment rates of the 1940's brought about an attrition of the caseload. The staff became predominantly female. Some staff expressed concern that job security would fade away with the vanishing caseload. Staff was cut back on the juniority principle.

Post-World War II, the immigration of Puerto Ricans and black families from Southern States helped to swell the welfare rolls. The characteristics of the client caseload changed from individuals made needy by lack of employment to individuals with language problems and low employment skills and many families with no employable member.

Although there was an increasing number of out-of-wedlock situations in the overall caseload in the 1940's and 1950's, it was not until late in the 1960's that staff was permitted to discuss family planning. Before that, even if a client might plead with us for information, it was strictly prohibited that we provide any information, to make any referral to a family planning agency.

Early in the 1960's, the focus of the department changed from establishment of eligibility to provision of services. Increasingly, throughout the 1960's, there developed an attitude of indifference among staff in regard to eligibility encouraged by top administration.

In the 1970's the pendulum has begun to swing again toward more stress than previously upon eligibility. However, it is not a mere swing of the pendulum that is now involved in trying to bring about change.

The staffing of the department of the early years has departed. The new staff lacks the training and experience of the older staff in what is involved in establishment of eligibility.

The staff now utilized to handle new applications, budget changes—all money matters—is now the clerical, rather than the casework staff, under the separation system. It is a staff, for the most part, under-skilled and undertrained.

The declaration system which is an intrinsic part of the separation system has intensified ineligibility in the caseload. It is my opinion that the declaration system should be eliminated and that clients and applicants should be required to provide verification of their situations insofar as possible and that there should be correspondence initiated by staff to seek and obtain verification.

I believe the separation of discussion and work with the client in the two areas of income maintenance and services is artificial, pointless, and counterproductive. What a client needs in regard to income, how money is managed, are intrinsic parts of any individual's existence and any separation of this area from family problems is artificial and unreal.

The separation system has not improved the quality or quantity of services rendered to clients. It has brought about an unworkable system in the centers.

The system is unworkable for many reasons. One reason is that the director cannot deploy staff as needed. I may not move staff, even though all are caseworkers in the same civil service title, from the income maintenance (IM) section to the eligibility investigations section or to the general services section on an as-needed basis. A fourth section, the verification and review section, is completely separated from the center staff.

The system is unworkable because we have given up the caseload concept, whereby an individual worker had responsibility for a specific group of cases. Now, presumably, the group of five workers and IM supervisor has responsibility for a segment of the alphabetized caseload.

However, a budget change is not processed by a group but by an individual and the tendency for each worker is to postpone as many actions as possible for another day when hopefully some other worker will have to deal with the matter. Under the caseload system, the individual worker's responsibility could be highlighted and enforced.

Also, under the caseload system a client could communicate with "his" worker by telephone or mail, and expect an appropriate resolution. At present, the diffusion of responsibility among the group means that the client knows that to try to effect any attention to his situation, he must come into the center.

The delayed, or overlooked, or ignored followup case actions result in accumulations of backlogs in the groups. There presently are 1951 actions in backlog in Wyckoff Center. This is a current figure, still remaining after the special overtime project to reduce backlog.

These backlog actions include recommended changes or case closings by the verification and review section, actions to be taken as a result of check duplications, budget changes, changes of addresses to be processed, etc.

These backlogs represent delays in payments or services to clients and overpayments of public funds. (See the attachments dated March 24 and March 27, 1972.)

CURRENT BACKLOG, WEEK ENDING MAR. 24, 1972

Group	Applica- tions	Closing	Suspen- sions	Budget changes	Re- classes	Trans- fers	Other	Total
001.....	4			55	13	70	40 7	189
002.....		2		50	10	35	125 5	227
003.....				37	11	33	117 9	207
004.....	5			90	18	17	75 11	216
005.....				20	10	40	20 10	100
006.....				52	3	21	25 11	112
007.....		3		30	12	63	9 38	155
008.....						40	16	56
020.....	2	3		20	2	30	11	78
025.....			2	12		39	5 2	63
030.....		5			15			20
Total.....	11	11	2	366	94	388	443 93	1,423

¹ Grand total.

CONTROLLED BACKLOG, JAN. 29, 1972, WEEK ENDING MAR. 27, 1972

Group	Applica- tions	Closing	Suspen- sions	Budget changes	Re- classes	Transfers	Other	Total
001.....				54	6		28 25	113
002.....				60			20 5	85
003.....				10	4		78 8	100
004.....				15	8		35 23	81
005.....								
006.....				10		10	5 10	35
007.....						20		20
008.....								
020.....				19			3 9	31
025.....						39	4 16	59
030.....						4		4
Total.....				168	18	73	175 96	1,528

¹ Grand total.

This backlog is a major factor in creating the congestion and confusion taking place in the centers at this time. It also helps to create client resentment, due to feelings of frustration at needing to call at the center, often repeatedly, because the income maintenance specialist has not resolved the situation.

The separation system, as it functions currently, deals with the client's situation on a superficial, ad hoc basis. There is a lack of thorough discussion and evaluation of his needs as presented, a lack of planning with the client as to the best way to meet his needs. The task-oriented, time-limited concepts have brought about superficiality and absence of thoughtful consideration of basic problems of clients and preferential solutions. The dynamics of client development are not responsive to mechanical measurement devices.

The span of supervision of the IM group is too large in regard to size of group caseload. The average IM group caseload in Wyckoff Center is 1,200 cases.

The span of supervision of the assistant office managers is too large. In Wyckoff Center, two assistant office managers are responsible for the second level of supervision of eight family groups, one addicts group, and two DAB groups.

The eligibility investigations (EI) groups, two of them in Wyckoff Center, are understaffed. There should be 16 workers, but there are only 11, due to understaffing.

These groups are under the supervision, according to the organization chart, of the senior assistant office manager. I would like to cite here an example of the rigidity of staffing patterns.

Due to the poor functioning of the EI groups in Wyckoff Center, and due to the fact that the senior assistant office manager was newly appointed, overwhelmed by her various responsibilities, and unable to give adequate time to provide close supervision and training of the EI groups, I tried to place an administrative assistant to the director in charge of the EI groups on a special project basis to train and strengthen the section.

I was advised that this could not be done, although I had documented the poor supervision of the groups, because the union contracts stipulate that the senior assistant office manager must be the supervisory person.

So, although directors may be aware of underutilized supervisory case staff and overburdened supervisory clerical staff, we are unable to deploy staff to the greatest administrative advantage even in an area as important as the eligibility investigations section of the center.

It is my opinion that we should reestablish the caseload concept in the center—that income maintenance and services, as well as eligibility, should be regrouped and concentrated in the individual worker responsible for a caseload. We should retain the elimination of the mandatory field visits and make field visits only on an as-needed basis.

Services to the clients should be center based and under the aegis of center staff. Special group workers, working with groups of clients with special problems, could arrange to hold meetings, either in the centers or in a community location, such as a housing project.

The declaration system should be scrapped, and procedures instituted for a full investigation of need with verification required of size of family, relationship of family members, employment history, resources, previous maintenance explanation, income, et cetera.

The flat grant system should be instituted, including rentals, so that the department does not act in the role of a mother infantilizing clients as dependent children. The flat grant would correspond to income from wages, and help clients to learn to live on a fixed income as they do when they become employed. The flat grant would bring rentals in the city into a more reality-based orbit.

At this time, rentals are rising astronomically. For a large family, we are paying rentals up to \$500 a month. High rentals do not apply to large families only. For families of two persons, we approve rentals of \$200-\$235 a month. These rentals must necessarily place families in lifetime dependency patterns.

There should be only one category for all public assistance, with eligibility based upon need. This would immensely reduce nonproductive paperwork and staffing requirements. It would free staff to concentrate on basis for need in the individual, on social causes of need in the community.

Checks should be deposited in banks to clients' accounts wherever mail theft is a problem, and issuance of duplicate checks should be curtailed.

Some years ago, President Roosevelt referred to one-third of the Nation as being ill fed, ill housed, and ill clothed. We are all agreed that no one in this affluent country should be deprived of the essentials of life.

The quality of living should be improved so that young people may grow up prepared to deal with their reality situation, rather than seeking escape through neurosis, drugs, or violence. Adequate housing, well-equipped schools, increased recreational areas, clean environments should be provided. Welfare is only one component in meeting the needs of the financially deprived.

I hope the committee will develop some solutions that will help in providing employment, help in maintaining intact family groups, help in the providing of child care for working mothers, help in the provision of free material and child problem and adolescent behavior counseling for all who need this form of therapy. The improvement of the environment and of family life is the most constructive and effective way to reduce the welfare caseload.

Chairman GRIFFITHS. Thank you very much, Mrs. Ruscoll.

Mr. Slade, would you proceed, please?

**STATEMENT OF EUGENE SLADE, DIRECTOR, EAST END CENTER,
DEPARTMENT OF SOCIAL SERVICES, NEW YORK CITY HUMAN
RESOURCES ADMINISTRATION**

Mr. SLADE. I am Eugene Slade, director of East End Social Services Center. My center covers part of East Harlem. We have 7,300 cases, largely Puerto Rican. All the problems of poverty are present, including substandard housing, poor health, low educational achievement, broken homes, lack of work skills, and the high incidence of drug addiction.

I have been the director from 1966 to the present, covering the entire period of our experience with the declaration.

The declaration procedure as a method of determination of eligibility for public assistance, and for redetermination of continuing eli-

gibility, is integrally related to the separation of income maintenance and eligibility determination from social services. The general purpose of the declaration is to simplify and expedite eligibility determination and to promote a greater sense of dignity to applicants and recipients undergoing the regular cycle of eligibility review.

The declaration was introduced experimentally to two centers, Clinton and East End, on April 3, 1967 and was monitored to November 30, 1968, by a research team from the Center for Social Research of the City University of New York.

The findings of the researchers were that the declaration was an effective process for the determination of eligibility in all categories of assistance; assistance to those in need was given much more rapidly, clients had a positive reaction to the use of the declaration, and that simplification of the process of determining initial and continuing eligibility eliminated or substantially modified unnecessary and costly investigative procedures.

Additionally, the declaration findings had potential significance for a variety of programs being considered nationally in terms of welfare reform as such programs would require a simplified eligibility procedure to make them administratively feasible.

East End Center subsequently was selected as one of three pilot offices to commence full separation of income maintenance and social services. On March 23, 1969, clerical staff assumed responsibility for all income maintenance services being delivered by a sharply reduced staff of caseworkers.

Eligibility under full separation is measured by the procedures of quality control, which requires field investigation and necessary documentation and verification.

Quality control is implemented by a centrally administered staff and is not responsible to or supervised by the center director. Pending cases where there is a history of drugs, alcohol, fraud, previous failure to comply with agency policy, ineligibility complaints and where there is need for location of a missing parent, are referred before granting assistance to an eligibility investigations unit for a field investigation for eligibility determination. Provision is made for emergency payments when required.

Experience under separation has raised questions as to the adequacy of the quality control procedure since the small size of the sampling may not produce a statistically valid estimate of all eligibility, and does not serve as a deterrent to fraud.

The insufficient data do not effectively focus administrative attention on those areas of eligibility where further training of income maintenance staff would be productive.

The declaration system, which does not demand a field visit or documentation, to contain ineligibility within acceptable limits, requires judgment by the income maintenance specialist going beyond the insuring of the completion of a form. This suggests the need for continuous training in the legal and administrative aspects of eligibility; the development of skills in interviewing techniques and encouragement to be prudent in evaluating the need for assistance.

The New York State Legislature in 1971, recognizing that judgment must be used in the declaration process, specified that "* * * where inconsistencies and gaps in the information presented by the

applicant, or where other circumstances in the particular case would indicate to a prudent person, that further inquiry should be made, additional information is to be sought."

In practice, there are severe inequities in implementing the declaration process leaving the client open to subjective judgments by the income maintenance specialist. This is in contrast with the thrust in recent years to protect the rights of clients through a wide variety of safeguards, including the right of review at several administrative levels.

Most staff members, including social service and income maintenance personnel, have reservations in their acceptance of the basic premises of the declaration. This questioning ranges from cautious approval to complete rejection. The majority of staff does not agree that with the declaration there will be no more ineligibility than there is with the full documentation and field investigation.

Staff is openly skeptical of the efficiency of the several modalities that have been tried in an effort to assess the extent of ineligibility. All are in agreement that the present sampling under quality control is much too small to be statistically significant.

Few staff members have seen a sufficient number of cases included in the sampling to have an informed opinion as to the quality as distinct from the quantity of the reviews. The citywide results of the eligibility sampling which would include a larger number of cases have not been collated, analyzed, and shared with relevant personnel.

The attitudes of staff based on their own socioeconomic backgrounds are another variant in the use of the declaration. Some staff members are highly motivated by social and ideological considerations and are intensely sympathetic and uncritical in accepting the clients perception of his needs. Others, some of whose backgrounds are similar to the clients and who live in proximity to them, sometimes in the same building, are hostile to the clients and suspicious of the honesty of the statements on the declaration.

The concept of the prudent person does not recognize individual differences among staff, since no two people are equally prudent. Related to this is the pressure for productivity which eliminates the time available for the necessary indepth interviewing which would elicit the type of data required to serve as the basis for a prudent judgment.

Understaffing makes it virtually impossible for staff to spend sufficient time with each client to obtain a relatively complete understanding of his problems, both fiscal and social. Insufficient staffing with the consequent pressures presents a supervisory problem in detaching staff from their assignments for training purposes in the use of existing procedures and the continual introduction of revised operating practices. The training problem is compounded by the inadequate initial training of income maintenance staff, and by the complexity of the job.

A deficiency of the declaration under separation is the subordination of social services to the fiscal transaction taking place at the specialist's desk. There has been practically no training for the specialist in this area, so that the recognition of social problems and referrals to social services by the income maintenance specialist are minimal.

Experienced staff are in accord that the theory of voluntarism with

respect to the need for social services in order to intercept the cycle of poverty works to the disadvantage of those who would benefit by such services.

The above considerations suggest that if the declaration is to be retained there is urgent need for modification to insure even consideration of all applicants with services being identified and referrals made where required.

A step in this direction would be the requirement for all clients to furnish basic documentation of such significant aspects of eligibility as, date of birth, relationship, rental payments, places of previous employment, wages, school attendance, and indebtedness.

The counterproductive understaffing must be resolved to ease the pressures on the income maintenance specialist and permit him to do a more realistic job in terms of the interest of the client and the community.

The legal requirements, particularly the categorical system of public assistance, should be reconsidered if the complexity of the job is to be reduced to manageable levels. There must be an effective method of quality control to make any public assistance program acceptable to the public.

Thank you.

Chairman GRIFFITHS. Thank you very much, Mr. Slade.

Mr. Widnall, would you like to question?

Representative WIDNALL. No.

Chairman GRIFFITHS. I would like to ask you, how many housekeepers are authorized in your center? Would you care to say, Mr. Podell?

Mr. PODELL. I do not understand the question.

Chairman GRIFFITHS. Some welfare people are entitled to housekeepers; is that not true?

Mr. PODELL. The housekeepers are not based at the center.

Chairman GRIFFITHS. No, the person hires a housekeeper. How many housekeepers are authorized in your center?

Mr. PODELL. I do not have any figures on that.

Chairman GRIFFITHS. Well, wouldn't they be available within the center?

Mr. PODELL. The housekeepers themselves, no.

Chairman GRIFFITHS. The figures. Wouldn't you be able to check, if you checked through, so that you would know how many?

Mr. PODELL. Yes.

Chairman GRIFFITHS. Would you supply that for the record?

Mr. PODELL. I would have to get the figures.

Chairman GRIFFITHS. Yes. You will be sent a copy of this record, and when you correct that record, please send us a copy.

(The information referred to follows:)

For an average month, 101 homemakers and housekeepers are provided by the Fort Greene Center.

Chairman GRIFFITHS. Could you tell us offhand how many of those housekeepers would be paid?

Mr. PODELL. The amount of payment for the housekeeper is calculated on a regular basis by the home economist, specially assigned to each center. Each center has a home economist. She calculates the amount on an hourly basis. I do not know what the hourly basis is.

Chairman GRIFFITHS. I see. Under what circumstances is a person entitled to a housekeeper?

Mr. PODELL. In situations where the client cannot manage her household by herself because of illness, or because of other related factors.

Chairman GRIFFITHS. What other related factors?

Mr. PODELL. There may be situations where she cannot manage children; there may be situations which we refer to our general services section, and they determine that the children are such a problem that she cannot manage them, and she would have to hire a housekeeper in order to help with the children. That's separate from child care, which is furnished.

Chairman GRIFFITHS. Yes, I understand.

Mr. PODELL. But these are individual factors in each particular family which are evaluated.

Chairman GRIFFITHS. It seems to me that your records would show how many such people have been authorized.

Mr. PODELL. Oh, yes.

Chairman GRIFFITHS. Further, I would like to know, have any of these people ever paid social security on the housekeepers? They certainly are required to do so. Did you ever check?

Mr. PODELL. No; I could not answer that.

Chairman GRIFFITHS. Could you do that?

Mrs. RUSCOLL. I can say something.

Chairman GRIFFITHS. Sure.

Mrs. RUSCOLL. I had a situation where an interested person questioned me as the center director in regard to a housekeeper who was employed by one of our clients, and he wanted to know about the payment of social security. And I forwarded that for clearance to central office.

Subsequently, and I do not presume that mine was the only request for clearance, the housekeeper-vendor program was developed. Now, one of the desirable features of the housekeeper-vendor program is that through these agencies social security payments are made for these employees, persons employed as housekeepers. It was felt that when we were budgeting on the client's budget for payment to the housekeeper, that we, as a Government entity, could not include the payment for the social security coverage. I do not know what that was based on, but that was what I was told.

Chairman GRIFFITHS. Thank you.

Will each of you supply for me, if you can, the number of housekeepers that are authorized out of your center?

Mrs. POUSSAINT. Would you like some of that information now, if we have it?

Chairman GRIFFITHS. Yes.

Mrs. POUSSAINT. The information that I am offering is not related to a particular center, but speaks to a particular geographic district, a human resource district. It was, however, collected through other centers.

During the month of March there were 19 such persons giving that kind of service in that particular district, all of whom were provided through the vendor program.

Chairman GRIFFITHS. Yes. Well, I just happened to find in my district a woman who was getting \$600 a month on welfare. I discovered

that \$200 of this was for a housekeeper. But then I additionally discovered that the woman, for whom the house was being kept, was never available to come to my office. She would ask for an appointment but she would never come. And I always had a strong suspicion she was working someplace. So I wondered, really, why she had a housekeeper.

Now, if the reason was that she was taking care of her children, I understand that, but I also wondered if she had to pay social security on it, and I doubt it.

How much money is spent on babysitters in your center, in each of your centers?

What I would like to know, and I think maybe you can answer right now, is how do you check whether the babysitter money is used properly? Can anybody get a babysitter who says "I want a babysitter." Do they have to present receipts? Do you check on the receipts? Or, can anybody get a babysitter? Is this some additional money that is passed out?

Mrs. POUSSAINT. I would like to speak to that, if I may.

Chairman GRIFFITHS. Sure.

Mrs. POUSSAINT. First off, the way in which babysitters are provided, or the allowance to pay babysitters, is related to the information about need and verification that there is that need, such as involvement in a vocational training program or in work or in something of that sort.

Well, actually, those are the primary reasons. There may be occasional needs for child care provisions, for temporary illnesses, which is separate and apart from the housekeeper we were talking about.

In terms of verifying that the fees are paid, we do not do that. However, it has been my experience, without tabulating the number of times or anything, that where such allowances were not, in fact, paid to the babysitters they acted as their own control, because they saw the center, through which the allowance was sent, as the person to pay. So it was there they brought their complaint, and we had to resolve it and sometimes make different provisions.

Chairman GRIFFITHS. I realize that, that they, themselves, the babysitters, are doing the complaining when they are not paid. I am sure that is correct.

Mrs. POUSSAINT. That is correct.

Chairman GRIFFITHS. But when we originally passed this provision in the Social Security Act, we provided that there were to be centers, day care centers, and HEW Secretary Cohen changed that by regulation into babysitting services.

I checked through Michigan shortly after that, and they were dumbfounded at the number of requests for babysitters.

So that now they are spending more than \$20 million a year on babysitters. Of course, originally the Federal Government paid 85 cents on every dollar. I believe I was in New York at one time when the paper pointed out that New York had lost \$250 million that was available to build day care centers because they had been using the money, really, for babysitting.

Now, it is a lot of money and it seems to me that if you are going to spend that kind of money and not supply, really, first-class day care centers, that somebody ought to know whether competent babysitters are really hired.

Mrs. POUSSAINT. May I speak to that?

Chairman GRIFFITHS. Yes.

Mrs. POUSSAINT. I do not know what time you were referring to. I do know that for the past 3 years there has been a tremendous program of developing and establishing day care centers. We also have the family day care program, which is another purchased service, and which is one of the methods of serving working mothers and mothers requiring the service.

The two methods, however, are insufficient from my experience to provide adequate day care for the numbers of people that require it.

So I have nothing further to say except that any expansion of the day care program would certainly be in the interest, I think, of all working mothers and others who need that kind of care.

Meanwhile, in some instances there are no centers located within a reasonable distance to the mother, and we have had some problems with family day care programs for a variety of reasons. We have never been able not to entertain the use of babysitters or child care provisions in the home by other persons that the mother may secure, we just have not had enough of the others.

Mrs. RUSCOLL. I would like to comment on one aspect.

You mentioned that funds might have been used toward building day care centers. I had always had the understanding that the Federal Government's reimbursement rate was more favorable to the city in regard to day care centers or welfare centers if locations were rented rather than built—and I always thought that was most regrettable, that we would not build facilities for the purpose for which they were to be established; for instance, day care centers. We might, it would seem, be able to build much more satisfactory facilities than we would be able to rent and go through the expense of renovating.

Chairman GRIFFITHS. Under the 1967 provision—I think it was the 1967 provision—an unlimited quantity of money was made available through the Federal Government, and they paid 85 cents on every dollar for day care centers. And I happened to be making a speech, I believe, in Albany and there was a headline in the paper where New York had lost \$250 million that they could have got for the building of day care centers.

Now, I would like to ask you, how many narcotic addicts do you have in your centers?

Mr. PODELL. Well, that would depend upon the center and the location of the center.

Chairman GRIFFITHS. In yours.

Mr. PODELL. In my center there are about, I would say, 400 or 500 narcotic addicts.

Chairman GRIFFITHS. 4,500? What percentage of the entire caseload is that?

Mr. PODELL. Our caseload is about 8,000.

Chairman GRIFFITHS. 80,000?

Mr. PODELL. 8,000. I did not say 4,500; 400 or 500.

Chairman GRIFFITHS. Oh, 400 or 500.

Mr. PODELL. Yes; our caseload is about 7,500.

Chairman GRIFFITHS. I see.

Mrs. POUSSAINT. The Harlem Center, when I left there in November, had upward of 2,500 narcotics users, but our caseload at that time

was approaching 15,000, so it still is, I think, a high concentration, but that is a drug-ridden area.

Chairman GRIFFITHS. And you, Mrs. Ruscoll?

Mrs. RUSCOLL. My latest count, we had between 500 and 600 addict cases, and the caseload is now about 10,600 cases.

Chairman GRIFFITHS. And you, Mr. Slade?

Mr. SLADE. Our addict population seems to be declining. We had at one time, March a year ago, about 900. We only have about 500 to 550 now. And one of the reasons is that we are implementing existing procedures which require that addicts be in a treatment program. Once they are in the treatment program and stabilized, the question of their eligibility for the AD category is referred again to the State review team. The State review team has considered that an addict, who is stabilized under rehabilitation in a program, is available for work. So he is reclassified—it is very technical, of course, but this is the way it works in real life—he is reclassified from the AD program to the home relief category, where he falls under the employment procedures. That same addict, who is stabilized under methadone but is still an addict, is referred to New York State Employment Service where, being an addict, he does not report and his case is closed.

That does not solve the addiction problems; it does reduce in effect the number of addicts that we are servicing in our center.

Chairman GRIFFITHS. Did you hear the caseworker this morning point out that their biggest problem was with the addicts, and that if the law were set up so that before the person could get assistance they had to be in a program, it would reduce their problems tremendously?

Mr. SLADE. I heard that testimony.

Chairman GRIFFITHS. Well, in effect, what you are saying is that is what you have done, isn't it?

Mr. SLADE. In effect, that is precisely it.

Chairman GRIFFITHS. Why hasn't every other center done that?

Mr. SLADE. I cannot answer for them.

Chairman GRIFFITHS. Do the centers operate differently?

Mrs. POUSSAINT. No.

Mr. SLADE. I think we have touched on a very important point here; that is, the sharing of information. I think in my testimony I touched on that, that this type of information is not shared generally with the experience of one center, which may be productive; it is not brought into a point, analyzed, and shared with other centers. But this is the way we have been doing it.

And I think it is more important—than how we are handling the procedure for the addict—to come to some kind of an administrative decision that we are going to share experiences available to everybody, as an administrative matter.

Mrs. RUSCOLL. The procedure on handling narcotic cases requires that we give assistance only upon entry into a treatment program. Now, when a person is on a waiting list, we verify that the person is on a waiting list. That individual is also eligible. The procedure requires that we make periodic contact to see how his situation is in regard to the waiting list.

But assistance definitely, according to procedure, may be given only for an addict in treatment.

Mrs. POUSSAINT. I would like to comment on that, too, if I may.

As my colleagues have said, this is a general departmental procedure in which I do not believe there is very much variation in its application. There are, however, differences in areas in the number of people, in the complexion of supportive services within the area, in the numbers of treatment facilities that are within proximity, and with the relationships of many of those things with the center.

We cannot or have not yet been able to devise a way to provide the very basic things, which are only food and lodging, on a very time-limited basis to persons who are either adjudicated or acknowledged addicts when they are going through this revolving door system, in and out of institutions and jails, and what have you, back into the community, and where the facilities for treatment cannot accept them immediately.

As Mrs. RUSCOLL has said, once verified that that person has been referred and is on a waiting list and within a certain time frame is expected to be picked up, and if he is in fact in a detoxified condition when he applies, then he has eligibility for at least a week or two.

Is that correct?

Mrs. RUSCOLL. Yes.

Mrs. POUSSANT. Without continuing to check on that.

The difficulty in working with addicts is not only because of all of the things we have talked about, it is because of the very productive kind of situation the people who must work with them find themselves in. This is a very anxiety-ridden kind of problem, and the addict is certainly not an attractive person to be around. And our ideas and our fears and the whole fears of all society are dumped in on those of us who work in public assistance when we are trying to keep them at least fed.

Chairman GRIFFITHS. How do you get around the fact that he may be going from one line to another in your center and getting moneys? Could he do it?

Mrs. RUSCOLL. I do not think he could do it easily in my center because the way we have the services to the addicts grouped, we have, fortunately, been able to retain the same specialist in what we call group 030, which handles the AD addict cases, and they have learned to recognize most of the clients.

The caseload there is now 257, and they know these men because they are in the center constantly receiving the assistance. Most of the assistance to addicts is delivered to them in the center.

Chairman GRIFFITHS. Could he duplicate his claim?

Mr. SLADE. There are other safeguards, too, procedural ones.

For example, the addict, according to the separation procedure, has to be referred to the eligibility investigation section, and in our section he is in every instance. He is also handled in our center by our DAB service section, with the same group of people handling the addicts as a group. So that he is recognized both in the DAB service section, and he is recognized in the eligibility investigation section.

That does not mean that there should not be some better method of identification of addicts as a part of our structure. This is a must, because nothing that we do prevents the addict from going from our center, often on the same day, to another center, a third or fourth center. This happens all the time.

We recently had one of our staff members, the supervisor of the DAB section, assigned to a research project downtown on how better

to deal with addicts. In that capacity she floated around the various centers and she recognized them, people who we were servicing in our center, being serviced elsewhere.

Chairman GRIFFITHS. So then, in reality, if they had a social security number that positively identified them, it would be a help?

Mr. SLADE. It would help.

Chairman GRIFFITHS. If you could run the thing through a computer system just like the social security does now, there would be no problem?

Mr. SLADE. Yes.

Mrs. POUSSAINT: I disagree, because we know of clients who obtain and use several social security numbers.

Chairman GRIFFITHS. In the system I am thinking of, you are only going to get one, you are going to be positively identified. You are going to put your thumbprint right on it.

Mrs. POUSSAINT. We have other clients as well as addicts who have managed to get assistance in more than one center.

Chairman GRIFFITHS. Obviously. One of the real problems is that there is no identification, and the Federal Government has, in actuality, through a social security number, offered a real way to cheat the whole system, to defeat the whole system. If all you have to do is write in and get a social security number, then you can get as many as you want.

I believe a documented case in France found a family living in Switzerland or Spain or someplace, that was taking \$600,000 a year out of the social security system.

Mrs. POUSSAINT. That was quite a feat.

Chairman GRIFFITHS. Mr. Podell?

Mr. PODELL. The procedural safeguards, as far as the addicts are concerned, are pretty effective if you have the staff which can implement them.

For example, before he gets on assistance, an addict is referred to the eligibility investigation unit, and it is required that he be visited at home. We must verify that he is in a treatment center or awaiting treatment. We must verify periodically that he is continuing to receive treatment.

The differences in level of implementation is what enables the addict to manipulate the system. If he goes to a center where the procedures are very carefully administered, he will avoid that center, because it is a floating population, and he will drift to a center where the staff situation is such that they cannot administer that rigidly.

So that the differences in the number of addicts in each center reflects not the number of addicts so much in the population or the area of the center, but the manner in which that procedure is implemented in that particular center.

Chairman GRIFFITHS. I would like to get into a question on how you check on any of these things. For instance, Mrs. Ruscoll has told us that she has 10,500 cases in her center, and 11 eligibility investigators. That would make a thousand cases, which would be—

Mrs. RUSCOLL. Eleven groups.

Chairman GRIFFITHS. Eleven groups. I see.

How many would that be? For each group, then, that would be a thousand cases, or approximately 35,000 to 40,000 people. How can you check on it? How do they make sure of the eligibility?

Mrs. RUSCOLL. Well, they are not involved with a constant check on eligibility with every case assigned. This assignment of cases is in accordance with the segment of the alphabet for which they are theoretically responsible. But they are actually responsible only for those clients who come in on that particular day and in regard to whom some action is taken.

Now, I do not know if I am answering your question.

Chairman GRIFFITHS. What do they do? How do they check to make sure these people are eligible?

Mrs. RUSCOLL. Well, I think I mentioned in my statement that I am not in agreement—

Chairman GRIFFITHS. Yes. But what do you do to try to make sure they are eligible?

Mrs. RUSCOLL. Well, what we do is, we have an eligibility investigation section, and cases are supposed to be reviewed by that section.

I also described the problem I had with the functioning of that center, because the center director is so hamstrung by this inability to move staff about; and also, the initial assignment of staff to the eligibility investigation section, according to agreements with the union, was done on a seniority principle. We were not allowed to select the staff we thought would be best qualified for this type of assignment.

Chairman GRIFFITHS. OK. We will go with that.

Now, just to take any one case about which you have done something and tell me what you have done to determine that the case was eligible.

Mrs. RUSCOLL. Well, I would have to know what stage in that case you are referring to. Is this a new application?

Chairman GRIFFITHS. Anything. Just pick any case and tell me how you determine that that person is eligible to get some welfare or assistance.

Mrs. RUSCOLL. Because we have a verification and review section which is located in the center, but which operates somewhat apart from the center, and they do a **sampling of the cases for eligibility**.

Chairman GRIFFITHS. How large a sample?

Mrs. RUSCOLL. The percentage of that is—there is a citywide figure. I am sure whether that is 5 or 10 percent at this time.

Mr. SLADE. Half of 1 percent.

Chairman GRIFFITHS. Half of 1 percent?

Mrs. RUSCOLL. The percentage of that is—there is a citywide figure,

Chairman GRIFFITHS. A federally accepted figure.

Mr. SLADE. Yes.

Chairman GRIFFITHS. So if you had 10,000 cases, you have a review of half of 1 percent; is that right?

Mr. SLADE. That is correct. I know the actual figures in my center.

Chairman GRIFFITHS. OK, give us yours.

Mr. SLADE. During a 6-month period last year, when I was looking at the effectiveness of quality control, something I commented upon in my presentation, talking about the quality of quality control itself, I looked at those cases, and we had then about 7,600 cases.

Chairman GRIFFITHS. 7,600 cases?

Mr. SLADE. They have done about 48 cases.

Chairman GRIFFITHS. Out of 7,600?

Mr. SLADE. That is correct.

Chairman GRIFFITHS. So that no matter what you originally had with that declaration, no matter what the original thing showed, that if this is going to work out all right—it seems to me that it only makes human, commonsense—that if, after a practice, people in general knew that their chances of being caught, even if they had lied, were practically nil, you are going to have a much larger group of people lying, wouldn't you? At least I think so.

Mr. SLADE. You are quite right. I mentioned something pertinent in quality control. One is, they are measuring the extent of ineligibility, and another one is identifying those areas where further staff training would be needed. I mentioned a third one, which was just as important, having visible presence in the area to serve as a deterrent to fraud, and that is what we are all talking about here today.

Chairman GRIFFITHS. I am going to yield to Mr. Widnall, who is going to leave, and we then will return to you, Mr. Podell.

Representative WIDNALL. Thank you, Madam Chairman.

Mrs. Ruscoll, on page 2 of your testimony, you said :

Early in the 1960's, the focus of the department changed from establishment of eligibility to provision of services. Increasingly, throughout the 1960's, there developed an attitude of indifference among staff in regard to eligibility.

These are the important words—"encouraged by top administration."

How is that evidenced?

Mrs. RUSCOLL. Well, that came about because there were Federal and State programs and, therefore, our top administration was following through on Federal and State programs which were stressing the provision of services to a greater extent than had been done previously. There was a commission investigation—I think it was State Senator Morehead—

Mr. SLADE. Moreland Commission of New York State.

Mrs. RUSCOLL. (continuing). Moreland, and the findings of that committee were that the New York City Department of Welfare was doing a great job on establishing eligibility, but a poor job in providing services, and it seemed that it was ascribed to this inadequacy in the provision of services—that generations of families, this repeated pattern of dependency on public assistance had grown up.

Now, in looking back, that seems an oversimplification of the complexity of problems that are confined not only to welfare assistance, but the whole orbit of social problems. But it was out of that kind of thinking that these other programs were developed.

I do not mean by what I said to have it appear that our top administration developed this attitude on their own. It was what came down to us from Federal and State in the services amendments.

Representative WIDNALL. Mr. Slade, in your testimony you said :

The majority of staff does not agree that with the declaration there will be no more ineligibility than there is with the full documentation and field investigation

Then these words are added :

Staff is openly skeptical of the efficiency of the several modalities that have been tried in an effort to assess the extent of ineligibility. All are in agreement that the present sampling under quality control is much too small to be statistically significant.

Does that mean that you believe that there is more ineligibility than the city estimates?

Mr. SLADE. That means pretty much what I said there, that the various methods we have tried to insure eligibility or to measure it have not been effective in terms of the quality of the method that we used. We began the declaration in 1967, a big experimental program. There was a lot of publicity. And at that time it was estimated that to keep the public happy, after we had thrown away the field investigation, it would be necessary to have at least a 10-percent sampling of eligibility, and we began it that way, with two units of eligibility investigators, who are not the same as the present eligibility investigations unit, and they did attempt to send sampling of both newly accepted and recertified case; that is, the active load. Again, the question was the effectiveness of their field investigations.

These staff members, and here we get another one of the administrative problems; bitterly resented being assigned to investigative work, since everybody was service-oriented. And the very word "eligibility" seldom was used at the upper echelons within the center Mrs. Ruscoll has referred to.

So that these people were assigned by juniority over their dead bodies to the investigating units. They had little or no background in eligibility, since the concept of eligibility had fallen into disuse about 1962 on. So having little or no training in eligibility, they were put into an eligibility-oriented role, which they rejected, and then expected to make an eligibility investigation.

So the results were not as conclusive in terms of eligibility as you might expect. In fact, their findings, which were loudly heralded by the department after only 1 month of experiment with this kind of a thing, or 2 months, was that there was only 1.9 percent of ineligibility, which is an absurd figure from any common sense point of view. Then, following that, there was an experiment with verification and review.

Now, this was a centrally administered program, one like the two investigative units which were under my direction and again it was the quality of the product that remained in question. In fact, there was never any attempt with this centrally directed method of assuring eligibility to share the results with the center directors. So, to this day I do not know what they found.

Now, that was replaced with quality control, which I have already discussed. So the problem then is designing some kind of a method which will give a hard-nosed estimate of just how eligible the load is, because when it is not eligible, we are going to have legislative blow-back like we had in, let's say, the 1968 amendments in the New York State Legislature, because the general opinion is that the findings of ineligibility, where they talk about tenths of 1 percentage point, are ridiculous and that we have to talk in quantum percentages like 20 and 30 percent, which is the figure that most informed people use in the small change of conversation about eligibility within the centers.

Representative WIDNALL. In determining eligibility, your original poll or investigation embodied about 10 percent of the cases?

Mr. SLADE. That is correct.

Representative WIDNALL. And today that investigation applies to about one-half of 1 percent; is that right?

Mr. SLADE. I really do not know if anything is going on today at all. I could not tell you because I simply do not know. I do not know what is coming out of quality control.

Mr. PODELL. May I make a comment on this whole business of eligibility?

Representative WIDNALL. Yes, sir.

Mr. PODELL. I cannot be cynical about it as Mr. Slade seems to be.

Mr. SLADE. I am reporting, I am not being cynical.

Mr. PODELL. There are several units within the department which, on a regular basis, investigate eligibility. This is apart from the affidavit system. In the affidavit system there is no investigation and no verification. This is granted. There is the eligibility investigation group in the center which routinely investigates and verifies eligibility for certain kinds of cases. First narcotics addict cases, then cases in which there have been previous instances of fraud, cases in which there have been complaints about fraud, and cases in which there are legally responsible relatives.

Now, these investigations include verification, include getting in touch with a husband or the father of the children. This is a complete investigation and they include visits to the home. That is the first line of eligibility investigation.

Now, I cannot venture an estimate of what percentage of the cases are referred to this EI unit, but I would judge about 10 percent of the cases that come in to apply. Over and above that, there is the State review and audit section, which is a unit of the New York State Department of Social Services. They are mandated to review on a random basis about 7 percent of the caseload for eligibility, and they do a complete and thorough review.

On top of that, there is the Verification and Review Unit, which is a departmental unit which, in addition, takes a random sampling of cases, and I think that sampling is about 5 percent. And on top of that, there is the validation unit, which has recently been instituted to investigate the eligibility of cases.

Over and above all of this, there is now the Inspector General, who also undertakes to ferret out cases of ineligibility. I cannot venture a guess as to what percentage of the total case load is actually investigated, but I would certainly say it is over and above 10 or 15 percent, and I do not think the figure of one-quarter of 1 percent is at all valid.

Mr. SLADE. Wait a minute. Let us get things straightened out. I am talking about quality control.

Mr. PODELL. I am talking about the whole complex of investigation.

Mr. SLADE. The federally mandated figures are a half to 1 percent. Then we do have other programs which he has mentioned, broad-based programs which should have a bearing upon eligibility. Mr. Podell underestimates, I think, the number of cases which are referred to the eligibility investigation section, since every case which comes in on the agency caseload with a missing parent is referred there, and it is a lot bigger than 12 percent.

Again, the problem which comes up is an administrative one, how good is the investigation by the eligibility investigation section? What are the administrative linkages between the eligibility investigation section and the director's office? This is something that Mrs. Ruscoll

had talked about. And what administrative mechanism do we have to determine how effective the investigations are? Has there been a centrally directed effort to evaluate just how good the eligibility investigation is? These are the kind of administrative mechanisms we have to have.

The other programs do exist that Mr. Podell mentioned. The question is, how good are they and how much of that gets down to the local center director?

Mrs. POUSSAINT. Could I please say something to this? Because I am very troubled since we seem to be speaking to the effectiveness or lack of effectiveness of eligibility investigations vis-a-vis the affidavit.

I would like to say that it has been our experience, upon review of cases under the caseload system in the various levels of responsibility that we have had, that we saw no better evidence of eligibility being certified and no better investigations under that old caseload system.

There it was able to be masked because of a variety of responsibilities that people had to do. You could review case after case, and in many instances there was absolutely nothing to review. And in other instances it was obvious that what you were reviewing amounted to nothing. Neither needs, nor eligibility, nor anything else was that better off.

This is not to support this particular system, which I certainly feel has a great deal of problems and requires a lot of modification, but I do not think that we can put the lack of investigation or the lack of certification of eligibility or mismanagement or anything directly attributed to either the separation or the introduction of the affidavit, because in fact that's practically all we had in many instances for a long time.

While I have your attention, I would also like to say that I think all of us in responsible positions are responsible for the kind of dichotomy that we introduced with our plan between service and eligibility and financial grants and the adequacy of those, because nowhere in those 1962 amendments, nor anything else that we were mandated by or from, did anybody say you must either service or certify. We had the dual responsibility and we were never relieved of that.

We did in fact watch it fade with people becoming less and less interested because there were many other conditions that mitigated against our doing a really qualitative and fine job. But I am no more willing to say that top administrators fanned this than I am to say that the union's involvement fanned this, or that an individual supervisor somewhere who could not grasp the total concept and the total approach fanned it. It was for many reasons that we fell into this kind of thing.

But I certainly would not like to see us polarized between the lack of doing a good, credible investigation job and linking that to the introduction of the social security amendments. From 1962 on, I think there were many, many reasons and we really are not prepared as directors to sit here and give you that kind of information.

Representative WIDNALL. Let me ask you one more question.

Just a little over 2 hours ago the Department of Social Services director, Mr. Sugarman, announced a major shakeup in the city's 44 welfare centers with new directors being appointed for 18 of them.

One aspect of the shakeup was an emphasis on managerial talent,

which is a departure from the past emphasis on social workers for welfare center directors.

Do you believe that the use of managers rather than former social workers as welfare center directors will result in a more effective or a less effective delivery of welfare service?

Mr. SLADE. Maybe we had better turn in our portfolios before we leave here. We did not know about this shakeup, and when we get back we may be misrepresenting ourselves in the Senate records if the shakeup catches us.

Mrs. POUSSAINT. Mr. Widnall, I do not think that we can say either or. I could not. I do not think that one's effectiveness really depends upon their civil service classification. I do think it depends upon one's talent, interest, energy, and intellect and opportunities to learn a job, and supportive services from the agency itself.

Based on the experience of the office managers up to this point, I think that they begin with certain handicaps. Based on the experience of myself as a worker in a center, when I was not a director, I certainly recognized the difference in caliber of directors. So as to who could do a better job, I think that has to be proven.

Mr. SLADE. I think we are making an assumption that the managerial talent being brought in will be from our own staff. It could well be brought in from elsewhere, as it has been in the department in very recent times. So that the assumption it will be an office manager moving up in the hierarchy is a little shaky.

Mrs. POUSSAINT. Touché.

Representative WIDNALL. I think through the testimony of the witnesses thus far there has been a thread of ideas much along the same line. They had been restricted in their ability to run the establishment from the area where their post directs their energies, and that in many instances they would like to be able to do things and they are restricted by protocol or regulations or something like that from doing it. Maybe I listened wrong, but I just detect that thread all the way through.

Mrs. POUSSAINT. You are quite right. Some of us learn to be more devious than others.

Mr. SLADE. I think I have an instance, though, to show that the other is quite possible, that it is possible to operate within a highly centralized organization and formulate your own methods.

Some of the testimony given this morning about how the declaration is being implemented by the income maintenance specialist departs widely from the theory of the declaration itself where you are not supposed to ask for identification or a documentation of every kind in practice. This kind of an approach is rejected by most staff.

So that the declaration in its pure form I do not think is being implemented anyway, and that locally variations have been made in terms of, I think, just ordinary commonsense to try to find out whom you are dealing with in terms of his identity, and how much he is making, if he had a job, where he was working last, and maybe the relationship between him and his children and how many children he has. Some of these are pretty basic questions, in basic areas of eligibility which are not supposed to be documented, according to the declaration, but which, in practice, are being documented.

So that there are variations and you will find, I think, that one of the problems is that there is a variation not only between adjoining income maintenance sections within one's center, but probably wider variations between two or more different centers. This is the kind of thing that requires structuring so that there is some kind of an equitable approach to the client, whether he goes from one desk to the other, so that he will be treated in the same kind of a way.

Representative WIDNALL. Thank you.

Mrs. RUSCOLL. I would like to bring out that the physical structure of the centers since separation took place is most undesirable and most inadequate to the present method of operation. Some of the IM specialists this morning referred to the fact that clients other than the individuals being interviewed listen in and contribute directing comments. They also contribute to an atmosphere of fear to a great extent, because the interviewer isn't in a 1 to 1 relationship with the interviewee, but is subjected to the feeling that he must deal with a group of persons. And the fact that there may be hostility from an observer who doesn't fully understand what the situation is actually of the individual client—that is a tremendous problem.

I referred to the fact that clients come into the centers now more than they did previously when they have a request, or an inquiry, because they don't have the individual caseworker that they can write to or telephone and expect a response from. And there is a tremendous amount of activity in the centers because clients are coming in to such a vast extent.

In regard to the reorganization, I am getting back to your question, Mr. Widnall, just replacing the director with another individual is not going to begin to solve those problems. You probably have read in the papers about the fact that on check days, which come about twice a month, check days are considered about a 3-day period following the day the check is delivered, the centers are overcrowded, many of the centers must close.

The problems that are creating this chaotic condition need to be dealt with by the management of the department, not by the individual person in the center who is heading up the center.

Representative WIDNALL. Thank you.

Chairman GRIFFITHS. Well, I would like to say that I have been told at some point or other that the real truth is that it is the clients who really are running the whole system. So that when I listened to these people this morning I felt that surely we ought to amend these laws to determine that there is privacy for the individual worker with the individual client.

I had sympathy also for the person whose total life is being exposed to the general public. I think that is very unfortunate.

I would like to say also that the very purpose of this investigation is certainly not to do anything about any individual's job, but to attempt to find out whether the law as it is written is absolutely unworkable, or whether a better system really can be evolved.

Now I understood from the people who testified this morning that their problems were compounded by dealing first with the client and by the multiplicity of orders, and by the lack of privacy and the lack of time. To all of this you have added a new dimension—that you have

in addition to this a few union problems that are common to management that add to it.

Now, I personally feel that if we are to know anything about the welfare system then we need to know if it really works in practice.

Are people given money who shouldn't be given money, and are people not being given money who should be given money. And we attempt to find out that also.

For instance, a woman and man living together who have never married, who have four, five children together, and the father never admits the paternity of the children and he has a very good job, that woman can be on ADC and there isn't anything in the world that can stop it. Isn't that right? That is completely within the law.

Mrs. RUSCOLL. You mean if he never accepts adjudication of paternity?

Chairman GRIFFITHS. If he never accepts paternity, he never acknowledges her as his wife, she is completely within the law when she gets aid to dependent children; isn't she? There isn't anything wrong with that. If you had 25 Sherlock Holmeses go out and investigate, she is completely within the rules, isn't she?

Mrs. RUSCOLL. I believe so.

Chairman GRIFFITHS. I think she is, too.

Mr. SLADE. She is.

Chairman GRIFFITHS. Yes, sir?

Mr. PODELL. I am not sure—

Mr. SLADE. Yes, she is.

Mr. PODELL. I am not so sure that it operates in the way you project it. If we have a client who has children, and we know, she is obliged to tell the caseworker or the Department who the father of each of those children are, the eligibility investigation section investigates—

Chairman GRIFFITHS. She is obliged to tell the caseworker? She isn't obliged to tell the caseworker anything. If she says, I don't know who the father is, or I won't tell you, she is completely within her rights. You are still going to take care of that child; isn't that right?

Mr. POUSSAINT. Right.

Mrs. RUSCOLL. Yes, that's right.

Chairman GRIFFITHS. Absolutely.

Mrs. POUSSAINT. But we have a further step to do. If she says, I will not tell you—

Chairman GRIFFITHS. Do you?

Mrs. POUSSAINT. Yes. We have a further thing to do which is to then move it into the adjudication area, by referring it to the family court system. If she does tell us and misleads us, gives us the wrong information, there is nothing we can do. The only thing that man is obliged to do is to take care of his share of the expenses in that household, and he may or may not elect to do any more.

Chairman GRIFFITHS. How much money do you recover from any missing fathers in any of these centers? Is it any appreciable amount? Now, in some places it is. I happen to have been a judge in a court where we really were recovering money. Something like \$20 million yearly. But I understand that is not necessarily true in other areas.

Mrs. RUSCOLL. Most of that money is now paid directly to the court so that we don't have fluctuating budgets.

Chairman GRIFFITHS. I see.

Mrs. RUSCOLL. So we wouldn't have direct contact with that figure, but it must be obtainable from the court.

Chairman GRIFFITHS. Now I would like to ask you, each of you has told me that you think the declaration is not necessarily a good system. Has everybody brought this to the attention of not only the chief administrator within the State but to HEW? Have any of you ever mentioned it? Have you ever put it in writing? Have you ever told anybody that you thought it wasn't a good system?

Mrs. RUSCOLL. We don't have direct contact for the most part with either the State or HEW. Our direct contact is with our—

Chairman GRIFFITHS. With the New York City—

Mrs. RUSCOLL. Within New York City.

Chairman GRIFFITHS. Did you ever tell anybody?

Mrs. RUSCOLL. Yes; I have made the statement.

Chairman GRIFFITHS. Have all of you told the director—well, since this came out of HEW, didn't it—

Mrs. RUSCOLL. Yes.

Chairman GRIFFITHS. Why don't you tell HEW?

Mrs. RUSCOLL. Directly.

Chairman GRIFFITHS. Directly.

Mr. PODELL. We have no such mechanism.

Mrs. POUSSAINT. You can always write to HEW.

Mr. PODELL. We have no structural, organizational mechanism to communicate directly with HEW. The other comment I would like to make is that I don't think there is a unanimity of opinion on whether the declaration system is better or worse—

Chairman GRIFFITHS. I can understand that. But for those of you who think it is not it seems to me that it would be a very good thing to bring it not only to the attention of the supervisory authorities in New York City, but of HEW itself. You know, they make mistakes. They have sat before the Ways and Means in executive session, in public session, and there has never been one single one of them ever admit that anybody moved from one area to another to get better welfare benefits. And you heard people this morning, and you know, my inclination is to go with them.

Mr. SLADE. I believe that as an experimental center with the declaration and with separation, we have had numerous visits from people highly placed in HEW, the latest of whom was an undersecretary, I believe his name was Nathan. And he met with my staff, and we told him exactly what we tell you here in no uncertain terms.

Chairman GRIFFITHS. Good.

Mr. SLADE. We have also had delegates from the Senate Finance Committee. I believe it was a subcommittee which had two men detailed to it from the General Accounting Office. They are hard-nosed operators, and they met with my staff and they were told precisely what we are telling you here.

So that there is no attempt to hold anything back.

Mrs. RUSCOLL. Could I suggest to you that perhaps HEW should request a survey of some of us in regard to how we feel about the declaration system rather than get just a sporadic few comments? This way they would get an across-the-board interpretation.

Chairman GRIFFITHS. Maybe I will do that.

When a woman comes in with three children and asks for aid to dependent children and makes a declaration as to her circumstances and her need, what do you do to check on the eligibility, if anything? Or do you just pass out the money? What do you do?

Mr. PODELL. If she has children and the father of the children is not living with her, then that case is referred to the eligibility investigation unit, and the eligibility investigation unit checks.

Chairman GRIFFITHS. What do they check and how?

Mr. PODELL. They check on the father of the children. They check to make sure that the father of the children is in a position to support the children. They verify his employment. In the event he doesn't cooperate they ask the woman to go to the family court to seek support through the court.

Chairman GRIFFITHS. How long does this take, all of this?

Mr. PODELL. It depends on exactly what is involved.

Chairman GRIFFITHS. In the meantime do they give her money?

Mr. PODELL. In the meantime she gets assistance; yes.

Chairman GRIFFITHS. I see.

Mr. PODELL. Now the court may have a waiting period before they can process her, but in the meantime she does get assistance.

Chairman GRIFFITHS. Some of the supervisory clerks testified this morning that the separation of services from the payment has been implemented differently in every center and that the separation has worked well in some centers and badly in another.

Would you agree that that is true or not?

Mrs. POUSSAINT. I would.

Mr. SLADE. I don't think we have any yardstick by which we could tell whether it works well or it doesn't work well. If you measure success by keeping the client population pacified and quiet, keeping your doors open, keeping your caseload under control, maybe it does work well, but this is the circumstance in my center and I am not prepared to say how well it works because I simply have no way of knowing how effectively we are doing whatever it is we are doing there.

Chairman GRIFFITHS. Do the centers work under different guidelines, or does everybody have the same guidelines?

Mr. SLADE. No; there are several different formulations for the declaration. The six centers which went in first, we have one way of doing it, and then the centers that went in subsequently have another way, but basically it's all the same thing, operating pretty much on the same procedures.

Chairman GRIFFITHS. Do you handle the food stamps and medicare? Is that right?

Mrs. POUSSAINT. No, we give authorizations and identification cards so the people can then avail themselves.

Chairman GRIFFITHS. They go someplace else?

Mrs. POUSSAINT. Yes.

Chairman GRIFFITHS. Do they have to go through another procedure, or do they get it automatically once you give them a card?

Mrs. POUSSAINT. Well, their basic problem is met once they have gotten a card from the public assistance center.

Chairman GRIFFITHS. Then there they automatically apply for medicaid and food stamps?

Mrs. POUSSAINT. Yes.

Chairman GRIFFITHS. I see. Do you have one record or separate records kept for all these? Do you keep a record on the cash grants, somebody else keeps a record on medicaid, and somebody else keeps a record on food stamps? Is that right?

Mrs. RUSCOLL. Separate bureaus.

Chairman GRIFFITHS. Separate bureaus.

Mr. SLADE. There are other, different records, too. I mean, this is one of the different problems in servicing clients—the documentation, whatever there is of it, on the client. Eligibility investigation sections have one case folder, income maintenance section has another one, the social service component has another one. There is a separate record in medicaid. There may be others.

Chairman GRIFFITHS. Do they all check on whether these people are eligible or do they—

Mr. SLADE. No; they take our word.

Chairman GRIFFITHS. They take your word for it?

Mr. SLADE. Yes.

Chairman GRIFFITHS. Since you have so many people who are Puerto Ricans do you have Spanish-speaking people dealing with these Puerto Ricans in large part or not?

Mrs. RUSCOLL. We have sufficient Spanish-speaking staff to provide interpreters wherever necessary.

Chairman GRIFFITHS. I see. Do you have the forms in different languages?

Mrs. RUSCOLL. Yes.

Chairman GRIFFITHS. English, Spanish, and other languages?

Mrs. RUSCOLL. Yes, and when we post directive signs in the center we post them in both languages usually. The central office is really bilingual in regard to notices. Notices that go out in the mail are invariably in both English and Spanish.

Chairman GRIFFITHS. Do you subscribe to the belief that a large part of the tension in the centers is caused by the addicts, or do you feel that there are other reasons?

Mrs. RUSCOLL. I think it is a composite. I think the addicts are a problem not only to us, but to themselves because addicts are victims as well as preying upon the community because of their needs.

I have been told that in my center pushers come to the center and wait about. And I have tried taking up the matter of whether security officers can't ask them to leave. But that becomes an open question because some people feel, well, it's a public building. And also I am told that individuals wait outside for the addicts who have received their checks so as to waylay and molest them when they come outside. They live very hazardous lives and some of that, of course, falls over and affects the center. But they don't represent—let me rephrase that—not all our problems in the centers are concentrated in the addict group.

Chairman GRIFFITHS. What do you think should be done additionally to protect workers and the clients? The workers themselves pointed out this morning that some of their clients are really in danger in the center. What do you think should be done?

Mr. PODELL. Well, I think a large part of this security problem depends on the physical setup of the center. And each center varies physically. In my particular center, for example, we are so situated that we can isolate the addicts on one floor and service them on one floor. So that by and large they do not come up to the second floor where the income maintenance groups and the group service workers are.

So they don't constitute a hazard up there. We isolate them in that area. We also have various other devices to isolate addicts. For example, we don't issue checks to addicts on check days, but we issue them on the 5th of the month and the 20th of the month because on check days, and the 3 days thereafter, it's very busy with clients coming in.

So we isolate them that way.

Some other centers are not physically set up where they can implement that kind of a system. So that there is a lot of danger there. And then, of course, the accumulation of backlog and the accumulation of work brought on by the inadequate staffing and by the constant movement of clients in the centers creates a kind of frustration with a client who can't get a service so that she comes in full of hostility. If we did have adequate staff and we were able to service the clients, if the clients could telephone the center and say, this is what I need, and we can make certain that the client gets what she needs, it would not be necessary for her to come into the center so that the center wouldn't be clogged up with clients.

But, because you can't handle clients, the problem gets worse and worse and it keeps piling on, one problem keeps piling on another. Because when a client can't get a service by mail and a client can't get service by a telephone and a client can't get a check because of the breakdown of the EDP (electronic data processing) system, or something like that, she has no recourse but to come in. And if she comes in, and it happens in many centers, and there is such a crush of clients there, she can't even get in because the doors are closed.

So by the time she does get to see a worker she can be so frustrated and so full of hostility that a spark will set her off.

The more efficient operation of a center and more adequate staffing will in large measure eliminate part of that tension.

Chairman GRIFFITHS. It seems to me that all of you have made a real pitch for caseworkers that had assigned to them a certain group of people and they took care of those people. It seems to me that that would work better if you could call up and find out—what?

Mr. PODELL. I am not sure I made that kind of a pitch.

Mrs. POUSSAINT. I'm not making that pitch, either.

Mr. PODELL. I certainly haven't—

Chairman GRIFFITHS. You want the present system, only you want more people; is that it?

Mr. PODELL. Well, I haven't made up my mind which system is better, but I certainly have not foreclosed the possibility that the system that we are working on is not workable.

Chairman GRIFFITHS. I see. What about this business of training your workers? You heard the testimony this morning of the people who said they felt they didn't get adequate training, they didn't get all the notices all the time on what should be done. Could something be done about that?

Mr. PODELL. Well, under separation, since the separation thing started, the training section has been so overwhelmed with demands for training that they had to curtail a large part of the session. Then there is a real question as to how effective the training is.

The feedback that we get from income maintenance specialists, or workers who go for training, is that it's not as relevant as they would like it to be and that most of the training that they actually get is on-the-job training, where they can really practice what they have been trained to do.

But a new worker, or a new specialist coming into the training session, is so overwhelmed with forms and concepts which bear no relation to his past experience that it's largely wasted and it gives them just a broad overview, which is not especially applicable when they come into the center to actually do the job.

Chairman GRIFFITHS. Mrs. Ruscoll, you stated that a flat grant would be easier to administer. Would you elaborate why you think that is true as well as more equitable?

Mrs. RUSCOLL. Well, I think it is most like a wage income, and people do learn to adjust to a wage income, and I think clients in the same way would be helped to develop their own resourcefulness in management by knowing that they needed to budget themselves with a fixed regular amount rather than now feeling that if they don't manage in regard to a particular need they can come in and ask for additional assistance.

Also the rent in New York City which is rising so, I thought might be subject to some limitation and control by a flat grant because then it would seem to me the rent levels would have to conform to the amount of money that is available to the client, and we have such a large client population in this city. Because what is happening now is that the clients outprice in what we approve in rentals for the self-maintaining groups.

Chairman GRIFFITHS. You also pointed out that even after overtime work to catch up you have a backlog of case actions of 1,951 involving cases which should be closed, grants which should be increased, and so forth.

What happens to these cases? Do they seem to be getting the same amount of money they always do?

Mrs. RUSCOLL. Yes, well, of course we are always trying to deal with it, but it is a finger in the dike type of thing under the present system, because as we take care of some of the situations, we are constantly building up new cases that haven't been completely processed, so they go into what we call current backlog.

I would, if I may, like to bring something up that hasn't been mentioned. As we went into automated budgeting, what we call the ABC system, we had eliminated a control card that previously had existed and would exist in a nonautomated office. It was a 655 card, I believe that number is, and by having this control card in the the control section on each case anybody concerned about what was being issued to the case could look at that card and see what the regular allowance was and what any special grants might be. That is eliminated under the ABC, or EDP system and that's something we have repeatedly asked for and recommended to the central office, as something that would be helpful if it could be reinstated, but we have been told right along that under the centralization of budgeting

and check issuance under electronic data processing that is not possible. The absence of that card makes it difficult for staff in the center to understand what is going on in regard to what is issued to clients.

Chairman GRIFFITHS. Well, I am for a central card. I mean, I think that all of this information should be available within your center, as I think it is nonsense that the food programs are being passed out by some other group, medicaid by somebody else. I think that you should have this information available in every instance to you so that you know exactly what the people are getting, and hopefully if they are not getting what they should get, that they are given that. But if they are getting too much, you will know that, too.

I want to thank all of you for being here. It was very kind of you, and I would like to say to you that as far as we have been able to ascertain you are going to be working in the same place in the morning. And if you don't, I am going to scream that your free speech has been interfered with, and we will see what we can do about it.

(Whereupon, at 4:10 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Wednesday, April 12, 1972.)

PROBLEMS IN ADMINISTRATION OF PUBLIC WELFARE PROGRAMS

WEDNESDAY, APRIL 12, 1972

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON FISCAL POLICY
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 110, U.S. District Courthouse, New York, N.Y., Hon. Martha W. Griffiths (chairman of the subcommittee) presiding.

Present: Representative Griffiths.

Also present: James W. Knowles, director of research; Alair A. Townsend, technical director; James R. Storey, staff economist; George D. Krumbhaar, Jr., minority counsel; and Trina Capobianco, administrative secretary.

Chairman GRIFFITHS. Our first witness this morning is Mr. Seymour Budoff. Would you begin please, Mr. Budoff?

STATEMENT OF SEYMOUR BUDOFF, DIRECTOR, BUREAU OF MEDICAL ASSISTANCE, DEPARTMENT OF SOCIAL SERVICES, NEW YORK CITY HUMAN RESOURCES ADMINISTRATION

Mr. BUDOFF. Madam Chairman, members of the committee, ladies and gentlemen, my name is Seymour Budoff. I am the director of the medical assistance program for the New York City Department of Social Services. In that capacity I supervise the bureau of medical assistance which has the responsibility for the determination of everyone's eligibility for medical assistance only, and which has the responsibility for making payments to hospitals for inpatient care.

I also supervise the division of medical payments which has the responsibility for paying all other providers of medical care, except for inpatient hospital care.

The directors of those two bureaus are with me today and will be available to answer any questions that the subcommittee may have.

In New York State the single agency responsible for the administration of title 19 programs is the State department of social services. The programs themselves are administered at the local level by either the counties or some cities which have local departments.

In New York City the agency which is responsible for the administration and which actually administers the program is the New York City Department of Social Services. We are directly supervised by the New York State Department of Social Services which is the single responsible agency in the State.

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The history of the medicaid program in New York State has been one of annual cutback. At the inception of the program the eligibility level for a family of four was \$6,000, and people were eligible for medical assistance regardless of whether or not they were placeable in a Federal category of assistance.

The first major cutback came about as a result of the Social Security Amendments of 1967, in which the Congress passed legislation which denied medicaid reimbursement to States for those persons who were not in Federal categories of assistance. That was followed up by a cutback in New York State to eliminate these people from medicaid coverage, and there have been successive cutbacks annually since then.

We have a great many administrative problems which deeply concern the city in the administration of this particular program. There are problems in implementing eligibility criteria, which really defy the comprehension of most people. They are extremely complicated eligibility criteria which must be applied before making a decision of eligibility.

We also are trying to maintain provider participation in a program which has unrealistic and irrational fee schedules. The administrative problems with regard to eligibility are caused primarily by the patchwork system of reimbursement which can vary from person to person, from category to category and from service to service with regard to any individual.

Part of this is due to the history of the legislative action by Congress in 1967, which eliminated non-Federal category people from the program, and the subsequent legislation which the State of New York passed.

The Federal Government now only reimburses in title 19 programs for persons eligible for the Federal categories of assistance, and there is no reimbursement for what in New York State is the home relief category and which in other states are family assistance (general assistance) categories.

An illustration of the complexities to both the administration and to the recipient of such a system is the case of a person undergoing hemodialysis in New York City. If he is working productively, earning money, he is not eligible for the Federal category of aid to the disabled. As such he gets his treatment in New York under the home relief category.

There are different financial criteria for the home relief category in medicaid than there are for the Federal category. If the person is in a Federal category and has an income of \$8,000 and a family of four, he would have an out-of-pocket expense for hemodialysis care of \$3,000 per annum. He has been found eligible by Federal criteria for aid to the disabled. With that income and family composition, his out-of-pocket expense is \$3,000.

If, on the other hand, he is not found eligible for the Federal category, his out-of-pocket expenses would only be \$2,000 due to an anomaly in the reimbursement rates for the two different categories.

Now, the recipient doesn't understand why that distinction exists. The institution providing the care doesn't understand why, given two people in similar circumstances, they must collect \$3,000 from one and they must only collect \$2,000 from another, and in either event neither

one of them can really afford to pay that kind of money for that care given that family size.

We have had very severe administrative problems due to the absolutely unrealistic leadtimes which have been allowed to us to make major programmatic changes. Each one of these cutbacks necessitated administratively a great deal of case evaluation, reprogramming of our computer systems, and a number of other actions which we had to take in order to bring the program into compliance with the new regulations.

The medicaid program in New York City is a very large program. I think we represent about 20 percent of the Federal expenditure in title 19 here in the city. We have about a million and a half people currently eligible, and I think our last year's expenditure will approximate about \$1 billion for title 19.

It's a huge program. The administration of this program is intimately wedded to the use of computers to actually do data processing. The computer programs are extremely complex programs. Changes require a great deal of time in order to reprogram the computers in defining new systems to accomplish these things. The leadtimes we have been permitted have ranged from 1 month to 3 months.

The lack of a sufficient leadtime, coupled with the threat of withheld reimbursement if we are not "on the air," have repeatedly caused us to implement new programs with hastily designed, untested, "quick, and dirty" programs.

The predictable result of this has been chaos among the providers and the recipients, and that chaos has taken us months to alleviate after each one of these actions.

These successive cutbacks, legislated in the name of economy, have proven to be exceedingly expensive ways to save money. It's axiomatic in public health that the only real chance to get a "bang for the buck" is in preventive care. The cost of treating disease is astronomically higher than the cost of preventing disease. Yet in New York State we have told persons eligible for medical assistance, who are between the ages of 21 and 64, and who are not eligible for cash assistance, that we will no longer pay for their ambulatory care under the medicaid program. However, when they get sick enough to require hospitalization, they will be covered under medicaid.

Essentially we are saying that we will not pay \$3 for antibiotics to treat an upper respiratory infection, but when pneumonia develops we will pay for 2 weeks of hospitalization at a cost of \$150 a day.

In 1969 one of the cutbacks that the State legislature made was reduction in fees to noninstitutional providers of care. A physician receives \$4 for an office call, and if the patient is subject to copayment, the physician will receive \$3.20. Given the costs today of conducting a medical practice the \$3.20 creates an economically nonviable position for that provider who is in a high medicaid area. The cost of filling out numerous forms is as much as that. And this is one of the reasons that we have a severe amount of difficulty in maintaining a very broad provider spectrum within the program.

I have a study that was done in 1970 by the city health department for example, which shows that at that time, in the practice of medicine among physicians, 17.3 percent of the practicing physicians received 77.1 percent of the medicaid money, which would indicate that a broad range of providers are not participating in the medicaid program.

There are providers who are specializing in medicaid practices who have set up what we call group medicos where they have a number of physicians coming in on a rotating basis and providing care, all of the billing being accomplished through this group to one provider, and there have been repeated stories about million-dollar medical practices in medicaid in New York City. And they exist.

Chairman GRIFFITHS. May I ask you, isn't that really true because those people live in an area where the people surrounding that area are entitled to medicaid?

Mr. BUDOFF. Yes.

Chairman GRIFFITHS. Maybe they moved into it and they started practicing there for that purpose, or maybe they were there originally. But the truth is that the million-dollar providers, and we have them, are people who live in an area or practice in an area where everybody in the area is entitled to medicaid.

Mr. BUDOFF. Yes; that is true.

Chairman GRIFFITHS. Or a large percentage of the people.

Mr. BUDOFF. Right. What we have attempted to do is to encourage other providers to come into these areas. We had a program, in the beginning of medicaid when the fees were 20 percent higher than they currently are, and when eligibility was a little more liberal than it is now, of encouraging the development of practices in the impacted areas financially.

We sought to do this through the Health Department by making use of OEO funds and other funds to encourage the development of practices among recent graduates from medical schools and from dental schools.

The philosophy at that time was that since these fellows are going to have to open a practice somewhere, we would like to encourage them to open a practice in an area where there is the greatest need for their services.

If one looks at the demography of New York City with relation to the physician's availability, it immediately becomes apparent that where the high concentrations of medicaid-eligible and public-assistance-people reside, there is the lowest concentration of physician participation. And conversely, where the concentration of medicaid-eligible people and public assistance people is the lowest, there is the highest concentration of medical talent.

We are trying, and we did try to turn that around. At that point we were able to offer a practicing physician a situation which was economically viable. We were able to provide some seed money for the establishment of an office, and we were making progress toward bringing professional people into these areas to practice.

Chairman GRIFFITHS. Where did you get the funds to start the physician in practice? Is that welfare money, or—

Mr. BUDOFF. No; that was not welfare money, either. It was done through a number of modalities. They ranged from the arrangement of loans from banks to the acquisition of equipment through long-lease arrangements for the provider.

This was an assisting function that the city health department provided for the location of providers and professionals in areas where the need for their service was the greatest. That effort was greatly thwarted and is nonexistent now because of the reduction in

fees which make it just a nonviable situation to induct anyone to set up a practice in an area such as that.

The people who live in these areas where there is low provider participation are now more or less forced to go to a hospital clinic to receive their care, because it's the only care available.

The irrationality of the situation now is that we reduced the fee to a private provider by 20 percent in order to save money which has discouraged providers from going into these areas and which now causes the patients they might normally have serviced to go to a clinic where we pay on the average of \$45 a visit for routine care.

That again is a very expensive way to try to save money.

Chairman GRIFFITHS. You also pay their way to the clinic; don't you?

Mr. BUDOFF. Yes. Yes. Transportation is available.

Chairman GRIFFITHS. By taxi?

Mr. BUDOFF. Depending. Normally we disperse subway tokens through the clinic; but if someone is unable to travel by public transportation, taxi funds are made available.

Chairman GRIFFITHS. Or doesn't choose to travel by public transportation. Suppose they are ill and they just came by taxi, do you pay it?

Mr. BUDOFF. I believe that is up to the discretion of the public. They are the people on the scene, they have the medical input there and they are best able to make that judgment as to whether or not taxi or subway fare should be reimbursed.

Chairman GRIFFITHS. Well, it is not really that question. They are have arrived by taxi, they have no money——

Mr. BUDOFF. They would be reimbursed.

Chairman GRIFFITHS. Of course the taxi is reimbursed, so everybody who wants it gets a free ride to the clinic by taxi. Is that right?

Mr. BUDOFF. I don't know if I would say it in those terms.

Chairman GRIFFITHS. Of course, they do. The moment they know that you can go there by taxi, they got by taxi. Why take the subway?

Mr. BUDOFF. Well, one of the reasons for taking the subway would be the fact that we do not reimburse the taxi company. The taxi company must be paid in cash. We would reimburse the client. And in this particular economic group I doubt that these people really have the money to travel by taxi.

Chairman GRIFFITHS. They don't have to have the cash. When they arrived by taxi, the driver parks and goes in and collects the money for bringing the person by taxi. You check and see if that isn't true.

Mr. BUDOFF. I certainly will.

Chairman GRIFFITHS. Because I am sure it is true.

Mr. BUDOFF. I just can't conceive of New York City taxi drivers waiting while the——

Chairman GRIFFITHS. I can. I rode with one this morning.

Mr. BUDOFF. OK.

During the same time period when the provider fees were reduced, institutional rates have increased dramatically. This again is a function of the different reimbursement systems which exist for making payments to different types of providers.

Institutional rates are determined on the basis of cost formula. Payments to individual providers are made on the basis of a fee schedule.

The city has no voice at all in decisions with regard to policies, procedures, and regulations to be followed in the administration of the program, nor do we have any voice in the establishment of any fees. We must pay the city's share for whatever the fee schedule is. We must pay the city's share for whatever the hospital, nursing home, or other provider reimbursement rate established by the State is.

We have no voice in the determination of that rate. We have no voice in the auditing of that rate. We just must pay by law without having any input into the establishment of either rates or fees.

The State is the supervising agency, is the single agency which is responsible for the administration of the program. It has no direct administrative functions in the program. The city, on the other hand, has the responsibility of implementing a patchwork of regulations, fee schedules, and programs which are often irrational.

The traditional partnership with the city and Federal Government, often espoused as a matter in which these programs are administered, may look good on paper, but in actuality it doesn't exist. The city's partners make all of the business decisions, and accept none of the business risks. Because the conditions of eligibility are at best an abstraction and are incomprehensible and fluctuate for any given family from day to day, it often happens that at any given point in time, a family which was eligible suddenly is not eligible, although it may be eligible again next week.

When a State or Federal audit finds someone to be ineligible at such a point in time, the care which has been rendered is disallowed for reimbursement and must be borne 100 percent by the local agency.

That also applies to conditions of provider reimbursement. There are regulations around the amount of time that a provider may submit his bill; there are regulations around all sorts of things. And if something slips through, even though the service was provided and the client was eligible, because we bumped up against one of these regulations which we had nothing to do with the promulgation of, we will have to bear the charge of that particular service also 100 percent.

The regulations promulgated by supervisory agencies are so restrictive that local administrators have no latitude whatsoever.

In New York City, we recognize many serious problems with the health care system. Among these is the problem that I indicated before of the demographic distribution of both the clients and the providers of medical care in New York City. An inadequate medicaid fee has a much different impact on providers in areas where there are few medicaid patients within their practices, than on providers in other areas with patients who are predominantly medicaid recipients.

A provider in a rural area where he has a small percentage of medicaid patients in his practice can accept a \$3.20 fee because it really doesn't affect his annual income that greatly. A provider in a financially impacted area in New York City where 99 percent of his practice is going to be medicaid, that \$3.20 fee has an entirely different impact on him. He has got to make a living on a \$3.20 fee.

Something is sacrificed by that. Quality, time, records. He has to sacrifice something in order to provide care at that rate. The other problem around the person with a very large medicaid practice is that his office costs go up. Just the filling out of forms for the different third-party payers is a significant problem in those practices. It's an

acute problem in the medicaid practice. Because medicaid is the payer of last resort.

He must first bill medicare, we will pay whatever they disallow, or whatever the copayment or coinsurance under medicare is. So that's double billing to pick up 20 percent of the medicare fee.

If there is another third-party payer, Travelers or anyone else, Major Medical, he has to bill them on their form, get their answer, attach that to our form, and bill us.

The paperwork involved in this is fantastic. Absolutely fantastic. If we are to bring administrative order to programs, it is imperative that we simplify conditions of eligibility. It is important both in terms of simplified administration, but it is more important in terms of the community that they really understand that they are eligible for a program and what the program offers them and that they can apply for the program.

The conditions of eligibility in the medicaid program are so complex that people in the community have no way of gaging whether or not they might possibly be eligible for this program.

The condition of a person medically in need but unable to purchase medical care does not change because he becomes 21 years of age or because he becomes 65 years of age. This again relates to the Federal categories of assistance.

People between the ages of 21 and 64 are not eligible for the entire program in New York State. You can be eligible up until the age of 21, and then, although your financial circumstances don't change, you become ineligible.

When you turn 65, if your financial conditions have not changed, you will again become eligible on your 65th birthday. There is something terribly irrational about that kind of an approach to provide medical care to a group of people who can't afford to buy it themselves.

As government we are probably becoming the largest consumer of health care. We must be concerned with the value of the services we purchase. We dare not assume that by paying reasonable costs to institutions we are receiving value.

As an example of that, a physician who works on a fee schedule who makes a house call will receive \$6.40, I believe—as the medicaid fee for making a house call. If while he is in that house he decides that this patient needs vitamin B-12 injections, he may order that a visiting nursing service will send a nurse in once or twice a week to give that injection. The visiting nurse service, which is reimbursed on the basis of cost, will be reimbursed in New York City \$19 or \$20 for the nurse to come in and give the vitamin B-12 shot.

Now, there is a question here of where does the value lie. We are paying \$20 for a nurse to give the shot, but we are only paying \$6 or \$8 for a physician to go in there and do a complete diagnosis and start treatment for that patient and prescribe treatment for that patient. There is not much question in my mind of which has the greater value.

The reimbursement does not tend to agree with where the greater value is. Funding for programs must be put on a rational basis. Varying reimbursement rates for different people receiving the same service, or for the same people receiving different services, just don't make sense. We must also begin to define the health goals we are looking for and design programs to attain these goals.

I want to thank you for this opportunity of testifying.

Chairman GRIFFITHS. Thank you very much, Mr. Budoff.

Let me say to you my heart is not bleeding for the American Medical Association. I know some of the doctors who have made a million dollars and I know that even at \$3 fees they have lined their patients up at 400 and 500 per day and made the money.

Now, my heart may bleed for the patient, but it is bleeding chiefly for the taxpayer who is paying that bill and who is not getting anything himself, and may be making \$20 less than the person who is getting it all. That is the person I am really bleeding for.

I would like to point out, also, besides the people who have made the million dollars, I happen to know a young woman who went in as a nurse at 1 o'clock one afternoon in a doctor's office for the first time. She was a nurse, and there was a doctor and a receptionist. That doctor made, between 1 o'clock and 8, \$1,900. So I am really not worried over a single doctor. They are doing all right.

Mr. BUDOFF. If I may respond to that, we are not bleeding for the medical association either, but we are very concerned about the quality of the care that the recipient receives.

One of the problems about an inadequate fee is that we tend to attract the marginal provider who is motivated by remuneration, who sets up the type of medicaid practice that I have described, who is really not terribly concerned about providing good health care, and who really is not the person we ought to be seeking to get into our program. The provider who is the mainstream provider of medical care, who is the fellow that we ought to be attracting to this program, who is the physician who is providing decent care, is the person we are not attracting. The reason we are not attracting him is that he will not practice medicine according to the way that the fee schedule in effect in New York City dictates that providers must provide care.

I also feel that if one looks at the reimbursement—the annual expenditures for providers of all types—as a comparison of what went out to institutions, I think in New York City the total expenditure for physicians was something like \$40 million, whereas the total expenditure for institutions was up at the magnitude of around \$700 million.

The unavailability of the good provider, the one that everyone wants to see in this program, causes patients to go to clinics, where the costs are far more to the taxpayer than they would be if we could get that provider into the program.

Chairman GRIFFITHS. This is absolutely true, but I would like to tell you that in 1967, when these amendments went into this bill, the AMA and Blue Shield and Blue Cross appeared before the Ways and Means Committee and swore that they had an absolute record of the standard fees charged by doctors in every community in America. They did not. The whole thing was a lie. That is really what stuck them with it; that is why it went into the bill.

The second thing that happened to the bill was that once the Federal Government had agreed to take over a large part of the medicaid costs in every State and in every city, we suddenly discovered that New York City was going to save more than \$200 million on this, but no other State was. You already were providing the case.

So we decided that we would say that everybody had to spend the same amount of money they were now spending, and the result of it was that a family of four in New York with \$7,000 would have been getting medicaid; whereas, in other parts of the country, a family of four with maybe \$2,400 or \$3,000 would have been getting medicaid. And we assumed right there that this would be an additional incentive for people to move to the city of New York. Therefore, finally, we started cutting back on what eligibility levels could be set.

I will admit with you, I think it is an absolute mess, and the only way out of it, that is a fairer way, is to supply medical care to everybody—everybody.

Mr. BUDOFF. I would subscribe to that.

Chairman GRIFFITHS. That is the only way out. Anything else is going to compound the problems in the future.

Mrs. Hollyer, would you care to proceed, please?

STATEMENT OF HILDA HOLLYER, DEPUTY DIRECTOR, INCOME MAINTENANCE PROGRAMS, DEPARTMENT OF SOCIAL SERVICES, NEW YORK CITY HUMAN RESOURCES ADMINISTRATION

Mrs. HOLLYER. Madam Chairman and members of the subcommittee, my name is Hilda Hollyer and I am deputy director in the newly reorganized income maintenance programs in the Department of Social Services, New York City, which is part of New York City's umbrella agency designated as the human resources administration.

I am pleased to be called upon to testify before the Subcommittee on Fiscal Policy in its hearings on administrative aspects of welfare programs. I have been involved in an administrative process as the result of which the New York City Department of Social Services reorganized its delivery of assistance and decisively separated the granting of income maintenance from the granting of social services in all of its social service centers. Simultaneously, this department installed a declaration system for the establishment and maintenance of eligibility for financial assistance.

The magnitude of this reorganization can hardly be overstated. It altered the job functions of 14,000 staff members and changed the system of delivery of financial assistance as well as of services for 519,225 cases and a population of about a million and one-half individuals. Of this number, over 34,000 individuals are in narcotic addict cases; about 10,000 individuals are in homes for the aged; about 15,000 are in nursing homes; about 14,000 are cases of veterans and their families.

This caseload receives its assistance and care through 44 social service centers scattered throughout the city of New York, each under the management of a center director. The centers vary in size, they average 10,000 cases, but some officers carry as many as 15,000 to 17,000 cases and one has over 27,000 cases.

Three of our centers were reorganized in March of 1970, three in February of 1971 and then in very rapid succession reorganization was completed in the remainder of the centers during August, September and October, with a final date of October 26, 1971. Many of our operational and procedural difficulties result from foregoing a more sequen-

tial and more carefully structured phasing-in of the new operation, working as we were under intense budgetary and legislative pressures.

Conclusions drawn from our present operations can only reflect a transitional state of affairs in which the Department is operating with staff which is almost entirely inexperienced or half-trained and which, in any case, due to budget freezes, is severely short of the minimum number required for adequate operation of the system.

The same budgetary constraints have prevented us from expanding the number of our centers which are now overcrowded beyond endurance. We were further crippled by the telephone strike which has prevented us from making internal physical arrangements which are absolutely vital for the new work patterns. New or drastically changed job definitions have generated a spate of work actions and arbitrations with five major unions with whom the Department has contractual arrangements.

In the midst of reorganization, also we continue to be plagued by the stream of State and Federal regulations issued as usual for the differentiated categories of cases and which have subjected our operations to never ending changes and interpretations, some large, some small, but all affecting the handling of enormous blocks of cases.

Basically, the reorganization of the Department of Social Services in the City of New York does the following:

1. Separates the delivery of income maintenance financial grants from the delivery of social services.

2. Establishes the "declaration system" for the determination of initial and continuing eligibility for the financial grant.

3. Eliminates the "caseload" per social worker as traditionally known in public welfare departments.

4. Establishes a specific goal-oriented, time-limited task performance for the social service worker. When the task is completed the case does not remain with the worker.

5. Offers social services on a voluntary basis only as the client requests them except for certain "mandated" services.

6. Enables the client to exercise his option to accept, reject or curtail services except for the mandated services.

7. Defines mandated services as those required in situations which involve children subjected to neglect or abuse; employment; missing husbands, or putative fathers for whom search is necessary; information on family planning; narcotic addicts; alcoholics; recipients so handicapped physically or mentally that their behavior may be harmful to themselves or others.

8. Adds group work and community organization methods and stresses situational rather than personal or intrapsychic change.

9. Transfers from social service staff to clerical staff the responsibility for determining eligibility, establishing the budget, receiving complaints about financial assistance, receiving information about families which may affect eligibility, and for making referrals to social service.

In operational terms this means that previous case units have been replaced by service sections in which those services that are appropriate to the particular case situation are performed. A general service section provides voluntary services to all undercare recipients except those in the Federal categories of disabled, aged or blind (DAB) who receive their services from a similar DAB service section.

A specialist service section is established which comprises the following specialists:

Aid to the disabled, employment, home economist, homemaker/housekeeper, housing, medical social worker, and their related staff. They provide consultation and staff training in the area of their competence, group meetings with clients, and direct service to clients in certain situations.

There is a reception section which is now part of the income maintenance operation and channels all persons who come to the center, sifting to various parts of the office those who come to make application for assistance, for information, for service, to make complaints or for any other reason.

There is an eligibility investigation section which is also part of the income maintenance operation. This section investigates for eligibility those applicants or reapplicants who present a history of previous fraud. It follows up on all ineligibility complaints and other complaints on undercare cases requiring field work, except cases of probable maltreatment of children. The applications of narcotic addicts and alcoholics are referred for investigation to the section which also initiates the AD (aid to the disabled) process for these applicants.

This section also has the responsibility for all activity and controls related to the search for and referral for support from all legally responsible relatives.

The mainstay of the income maintenance operation are the income maintenance groups which are responsible for the establishment of eligibility for public assistance at the time of the application based on the applicant's declaration of his situation and for periodic review of eligibility on the basis of a completed and signed form submitted by the recipient indicating his current situation. The income maintenance groups process the financial and statistical action to establish the budget and to make budgetary changes as necessary.

To sum up, the reorganization is intended to streamline, modernize and simplify the delivery of financial assistance and the delivery of services. At this point we can only say that the potential for this exists but that the difficulties of the transitional period have by no means been transcended and we have still a great deal to learn about how the new system can function.

For example: 1. Are the tasks we have defined for our clerical staff actually clerical in nature? We think they are. We are convinced however that the system requires intensive training in the techniques of short contact interviewing, in the recognition of behavior problems, in perception of social problems which require referral elsewhere, in recognition of a request for social service which may be masked by some other kind of question or demand.

2. Are the clerical tasks of accepting applications, determining initial eligibility and later eligibility, differentiating categorical requirements, et cetera, too complicated for the quick, easy processing and delivery of assistance we had envisioned? Should we break out certain specialized areas such as applications, the handling of narcotic addicts, and so forth, or do we require changes in our clerical staff quotas, that is, the proportion of work tasks to available personnel?

3. What is really a sound "declaration system"? What does the application of the "prudent person principle" mean?

4. What practical communication systems must now substitute for the interaction between the client and his specific caseworker in the field? The newness of the reorganization, the elimination of the field visits and the exigencies of the telephone strike have brought masses of bewildered clients physically into our centers. We are considering a variety of up to date telephone service systems through which clients can secure information and receive adjustments without physically appearing in the centers.

5. If we achieve rapid and efficient granting of assistance in the local centers, we put a tremendous pressure for rapid response on our central EDP (electronic data processing) machinery. What temporary and permanent measures must we take to deal with such distortions in the system?

6. Our headlong reorganization shortcutted the usual recruitment process for hiring and promoting clerks for the new system. We have been using social service workers temporarily earmarked as clerks in this phase of our reorganization. Our difficulties have been compounded by the need for absorbing a displaced element.

7. We have recognized the need to deal with loopholes and ambiguities in our income maintenance procedures, particularly for applicants. We are working on a refinement and a specific definition of the "prudent person principle," requiring minimum documentation, basic identification, and desk verification of certain eligibility factors.

8. We are reexamining our method of periodic recertification to insure a higher level of continuing eligibility for public assistance.

9. We are studying the location of our centers in relation to their neighborhoods and attempting to identify those variables which determine the best size of a center in relation to its most efficient and humane operation.

10. The new emphasis on clerical/administrative/income maintenance operations requires complete overhaul of our present procedural system with manuals, guidelines, and instructive material specially designed for the clerical operations.

11. It is becoming clear to us that there is a need for immediate availability of social services at crisis points in the center. We are in the midst of preparing a social service program related to this on-site need, different from the former field operation and different again from the community services system.

12. The helplessness, isolation, and handicaps of the aged and disabled have been dramatized by the new system and make urgent an outreach program for these particular groups.

13. The reorganization has brought into the limelight the elements of error created in preparing individual budgets based on complicated and differentiated categorical elements and we are researching at this point the possibilities of, at least, the flat grant for rent.

These are some of the problems on which we are working and which we must resolve within the next few months. Our commissioner has received permission from the budget director to hire essential staff. We have brought in highly trained management, engineering, project management, and administrative staff in an effort to put the best possible management brains on producing the best potential from our reorganization.

Nonetheless, we believe it would be cheaper, better for the dignity of the persons in the system, more humane, and more efficient to have instead a federally administered flat grant assistance system with well-understood, well-publicized, rational Federal standards.

Despite the declaration system, the speedier and simpler process of granting cash assistance, and even if our social services system was working at optimal potential, our system does not really remove the stigma of welfare. It will remain a more frustrating, time-consuming, and denigrating experience for clients than need be. Our department procedures, which are based on a crazy quilt of Federal and State regulations, are very difficult to administer with uniformity, and their complexity leaves room for subjective pressures to operate. We need a basic level of support with clear entitlement to benefits, clear uniform nationwide eligibility standards, and national policies which prevent family disintegration. Thank you.

Chairman GRIFFITHS. Thank you, Mrs. Hollyer.

Mr. Spiegel, if it is all right with you, we would like to hear your statement at this point, and then I would like to ask some questions of all of you.

**STATEMENT OF ARTHUR H. SPIEGEL, DEPUTY ADMINISTRATOR
AND EXECUTIVE DIRECTOR, DEPARTMENT OF SOCIAL SERVICES,
NEW YORK CITY HUMAN RESOURCES ADMINISTRATION**

Mr. SPIEGEL. Madam Chairman, distinguished committee members, I am pleased to have the opportunity to talk to you this morning about welfare administration in this city—the problems I have encountered, the solutions I have found, the recommendations I have considered.

New York City's per capita expenditures for welfare increased 424 percent over the past 10 years. There are now 1.3 million people receiving public assistance in this town, and nearly 70 percent of them are kids.

Long ago, there may have been a few souls who thought we could operate with "down-home" commonsense and a couple of adding machines. They are no longer heard from. We have a budget of over \$2.3 billion annually. We will never be able to dispense it wisely unless we develop the administrative machinery necessary to carve off every bit of waste and misdirection we can possibly define.

The effect of a business approach on our operations has been instantly apparent. Today, I want to discuss a number of these operations and indicate to you our efforts toward controlling and improving them.

1. For the past several years, taxpayers in the city have been concerned about rising welfare costs—particularly about duplicate check cases and their cost to the city. The problem has been emphasized by the press, usually as a result of periodic State audit reports citing dissatisfaction with duplicate check identification and recoupment procedures. Currently, welfare check duplications run the city \$5.21 million in losses every year.

On October 22, 1971, the newly created fraud control unit initiated emergency measures to identify multiple offenders who have cashed three or more duplicate checks, and to refer them to the D.A.'s office

for prosecution. At least, we are making referrals at a rate of 50 per week, and will continue to do so until the entire backlog of 1,500 cases is eliminated.

A prime objective of the fraud control program is to design and implement a duplicate check control system that will reduce check duplication cases, hasten recovery of duplicate payments, and insure that appropriate sanctions are rapidly applied.

2. Another problem area—one exploding into crisis proportions in this city—is addicts. Currently there are 32,000 addicts on public assistance. The total cost of their support is approximately \$70 million a year, and escalating at the rate of \$300,000 per month. While addicts constitute only 2.5 percent of the total welfare population, they account for more than 12.5 percent of all transactions in welfare centers. Consequently, welfare centers are jammed with thousands of desperately sick people who face long waits before they can be accommodated in treatment programs.

In the past 4 months, this agency has taken major steps to deal with the welfare addicts problem.

1. The Addiction Services Agency has established a central referral system at the Waverly Center in mid-Manhattan to provide specialized counseling, referral, and followup to insure that addicts receiving welfare actually get treatment.

2. This month, the Department of Social Services installed a control system that will maintain a computerized list of all addicts on city welfare rolls. The computerized system, together with new I.D. requirements now being tested, will provide the city with controls necessary to eliminate duplicate registration of addicts on welfare rolls.

3. Special addict control and treatment units have been set up on the first floor of all welfare centers to provide for one-step processing of addicts.

However important these measures will be toward reducing the addict problem in this city, additional Federal and State resources must be provided swiftly. The city must be allowed to test new programs designed to prevent addicts from using their welfare grants to buy drugs. I am thinking now of the possibility of giving addicts scrip—nonnegotiable checks—and food stamps, instead of their regular grant. The scrip program is still in the discussion stages, since its implementation will require a change in the current welfare regulations.

Moreover, Federal and State governmental assistance is required if the city is to find the resources necessary to place an additional 15,000 persons in methadone maintenance and drug free treatment programs in the next 18 months.

3. A third problem area, toward which we have directed our efforts, is that of ineligibles. Studies conducted by project management at the Department of Social Services have shown that over 3.8 percent of all welfare cases are ineligible for public assistance. Eligibility and payment errors are costing taxpayers between \$63 million and \$94 million annually. More than half of the total cost of all eligibility and payment errors is the result of operating problems in the welfare centers. These problems include severe understaffing, the impact of

rapid reorganization (separation) of the Department in November, 1971; limited experience and training of personnel; poor working conditions; exceptionally heavy client traffic; rapid growth of the addict caseload; and management accountability problems.

Since the present eligibility determination systems are administratively unfeasible, the eligibility task force has been developing plans and programs to combat each of the problems impacting ineligibility.

The application process, responsible for many of the eligibility errors at the initial eligibility determination point, has been completely revised. A one-time recertification of the entire public assistance rolls is required to correct past eligibility errors. Under this program, all clients will be required to "reapply for welfare" under the guidelines established for new applicants. Elements of the recertification program are now being pilot-tested in three welfare centers (Borough Hall, Kingsbridge and East End), and will be formalized and expanded as staff becomes available and procedures are ironed out.

To correct the deficiencies of the Federal quality control program, a study is under way to alter the documentation requirements and speed up the dissemination of results. In addition, discussions will be organized with several private certified public accounting (CPA) firms to develop a pilot whereby the validation would be conducted by outside independent auditors.

An error accountability program—to identify errors by type and operating unit within each welfare center—will be implemented at four welfare centers (Clinton, Fort Greene, Gramercy and Fulton) on April 17. The program will be extended to other centers, as more staff becomes available. This error accountability program will determine what kind of errors are being made, their cause, cost, and who is responsible (that is, by welfare center and income maintenance group). The five centers in which the greatest number of errors occur will receive an intensive review to take corrective action. A computer system will monitor progress.

A comprehensive analysis of medicaid ineligibility is now underway. When completed, the study will indicate what actions are required to curb current abuses. The long-range objective of the study is the design and implementation of an integrated eligibility determination system for all persons receiving public assistance.

4. A fourth problem area in which immediate corrective action has been taken is that of center operations. Center layout has not only impeded client service, but has led to security problems. Clients have been free to wander from one floor to another for service and assistance without full supervision or direction. This has occurred especially in centers where the workload and number of clients have grown tremendously over the past few years.

This has led to incidents of clients getting lost or straying into areas where they were not supposed to be. In some cases, clients have assaulted personnel at various centers. A greater degree of protection was obviously needed to insure the safety of workers and clients alike.

To eliminate those problems which have been hampering center operations and threatening security, a number of emergency measures have been taken :

1. A crash program to renovate the centers, improve layout, and alleviate security problems is being implemented. Construction crews are working nights and weekends to achieve this objective. Eighteen centers have been renovated so far.

2. A special high priority program to hire cerks and income maintenance specialists for the understaffed welfare centers is now in operation. As of April, over 500 new staff members have been added.

3. The training program will be overhauled to provide adequate training for current staff, and effective training for new staff. Special emphasis is being placed upon supervisory training and eligibility determination training.

4. The income maintenance operation is being reorganized and restructured to provide an organization capable of administering the new programs.

5. In early December, 1971, the Bureau of Public Assistance reported a backlog of 161,724 income maintenance transactions. An overtime program was implemented to reduce the backlog to "acceptable" levels.

As of March 10, 1972, the original backlog had been reduced by 78 percent, leaving a balance of 35,506 transactions. This reduction required the expenditure of 18,739 hours of paid overtime and additional hours of compensatory time.

5. Employment constitutes a fifth major problem area. The current work relief program—instituted 8 months ago—was planned in haste and exhibits a number of severe drawbacks. The decreasing demand for labor renders impossible the operation of any program which relies heavily on private sector demand, and renders unjustifiable a continued focus on efforts to adapt the individual to a labor market that does not exist.

The effects of this declining labor demand are evidenced in the following areas:

1. *Job placements.*—Despite biweekly reporting to NYSES, only 13.9 percent or 15,310—of the 109,968 welfare recipients who applied for manpower services (July 1, 1971–December 31, 1971) were placed in jobs. This represents an increase of only 3.2 percent in the number of recipients placed during the same period in 1970. Of these jobs, 3.6 percent lasted 3 days or less, and 2.2 percent were in seasonal agricultural work.

2. *Training placements.*—Despite a 96-percent increase in welfare registrants at NYSES over the same period during 1970, there was a 14-percent decrease in training placements during the program period. The decrease in available jobs (160,000 in the State and 94,000 in the city) and the fall in total employment (505,000 in the State, resulting in an unemployment rate of 6.6 percent in December 1971) are responsible for these discouraging figures on job training placements.

The current work relief program is administratively impracticable. For one thing, it relies too heavily on negative incentives—that is, denial of assistance established to encourage work relief program participation. These negative incentives contribute to the difficulties localities face in administering the program.

All actions resulting from failure to comply—regardless of cause—require the initiation of a complex administrative review and reporting process—all of which must be completed before a refusal or failure

to comply on the part of the individual affects his eligibility for assistance.

Second, the current work relief program results in duplication of effort. While the option for the State industrial commissioner to assign recipients to public works projects was clearly provided for in the work relief program legislation, that option has not been implemented. Consequently, recipients, although reporting the NYSES semimonthly must be called into social service departments and undergo another assessment process in order to be referred to public works assignments. This situation necessitates another system of control, reporting and review, and another complex referral process. The structure of the work relief program gives the assignee the feeling that he is still a welfare recipient rather than a wage earner.

(1) Although he is employed in a public works job, the assignee must still report biweekly to NYSES to pick up his welfare check.

(2) Whatever the number of hours he works, whatever the job he performs, the amount of his check is always the same.

(3) The number of hours he is required to work is generally less than half that required by a full-time position in the real job market.

The current program makes no adequate provision for job-creation. In New York City, 5,500 persons are at work in public work assignments. Thousands of employable home relief recipients are jobless. The capacity of sponsoring agencies to employ public works program participants is limited by the availability of supervisory personnel, facilities, and equipment. People are often required to work as little as 1 day in 2 weeks.

The drawbacks of the present system necessitate its substantial revision. A new work relief employment program has been designed by the DSS employment services program to replace the current system and eliminate its many disadvantages. The primary intent of this new program is, in the words of the Governor's welfare message, to achieve "the maximum feasible transfer of the able-bodied from welfare rolls to payrolls" and to engage all employable but needy persons in socially productive work.

The proposed work relief employment program includes the following elements:

1. *Guaranteed employment.*—A minimum of half-time employment at conventional rates of pay will be guaranteed to all employables receiving home relief. Additional work hours will be required of those employables whose half-time pay is less than what they were receiving on home relief, so that their net earnings are equal to their former home relief payments.

2. *Elimination of cash grants.*—Home relief will be eliminated for all employable people. Where full-time pay is not enough to cover home relief payments, the individual involved will receive a subsidy. Where vocational training is necessary, the trainee will continue to receive home relief payments.

3. *Quarterly recertification.*—Individuals employed in the program must report quarterly to both NYSES for an assessment of progress and possible referral to a regular job, and to the Department of Social Services for certification as to continued eligibility for work relief payment.

4. *Sanction.*—Public assistance will be denied an employable person who does not comply with the provisions of the program.

The new work relief employment program has the following outstanding advantages over the current program :

The work relief employment program provides for the absorption by the employers of the half-time jobs the program guarantees. It expands the pool of job creation opportunities by authorizing government-financed employment in private, nonprofit agencies. Moreover, it provides 50 percent reimbursement of expenditures made by sponsoring agencies for supervision and materials necessary for the employment of assignees.

The work relief employment program is administratively feasible. Rather than a system under which denial of assistance requires the initiation of a specific administrative action by the Social Service Departments, the work relief employment program makes both the level of subsidy and its continued payment, contingent on the individual's attendance and performance on a job.

The 60-day limitation on payment of home relief to work relief employment eligibles will ensure prompt referral for employment, and make continued subsidization dependent on the acceptance and performance of work.

The relating of payment to work performed, will eliminate the complex and costly controls and reporting required under the present system.

Funds appropriated under the work relief employment program will be administered by the State Department of Labor. Social Services Departments will identify eligibles, certify as to need and employability, and, refer to NYSES, which will provide manpower, and employment services required; and when appropriate, within 60 days, refer eligibles to work relief employment program projects. The sponsoring agency will hire, define, and establish standards for work performed, and then pay wages.

The work relief employment program will result in substantial savings to both State and city governments. There will be 75,000 employable people reporting to NYSES in February 1973; 35,000 will be placed in work relief employment jobs. NYSES will save over \$6 million under the new program because of the provision that individuals report only four times a year for counseling services. The savings to the Department of Social Services, which services each of these visits, will amount to \$12 million. The remaining amount the Department will save will result from the lesser costs of servicing the needs of people who have moved from welfare rolls to the payrolls of sponsoring agencies.

The additional funds needed for the creation of jobs under the work relief employment program are \$28.3 million. However, the substantial savings realized in other areas of the program are \$8.5 million.

In summary, the thrust of all our new business procedures is to develop and amass the kinds of stable information and maintenance of verifying procedures which will keep us constantly aware of shifts in welfare needs and misdirection in welfare responses.

I feel we must be committed to wholesale campaigns of administrative reform of our present system. For the present system is what we

must live with, until we are given the wherewithal and the imagination to move our economy out of the clutches of large-scale poverty.

What we need from the government of the State and the Nation is the resolve to put our welfare program into the even greater plans of the Nation as a whole, to let us back out of the narrow, confining, and superimposed atmosphere of poverty, and to take our place in a nation that shares our needs.

Chairman GRIFFITHS. Thank you, Mr. Spiegel. I will start the discussion with Mr. Budoff.

Last week in Detroit a woman and her daughter appeared in my office. The daughter was 29 years old and worked. They were complaining of the fact that the twin of the daughter had died. She had been ill over a period of about 3 years, and although her sister paid Blue Cross for her, and the mother evidently fed her, there was still a large medical bill that was not covered by the Blue Cross. I think the mother had about \$3,000 in debts still owed.

Now, they had taken this daughter at one time bleeding from the eyes down to the welfare department and asked for a medicaid card. They were told that they could not get it. And the person who told them this suggested that the thing for her to do would be to have some children, which she said she could not do immediately!

What would have happened to that girl in medicaid in New York? How long would it have taken her to get a card?

Mr. BUDOFF. If she was 29 years of age?

Chairman GRIFFITHS. Yes; unemployed.

Mr. BUDOFF. Not working? She would have been eligible for medical assistance in New York State.

Chairman GRIFFITHS. Immediately?

Mr. BUDOFF. As soon as the determination was made, and that could be made immediately. If she had applied for public assistance—

Chairman GRIFFITHS. She did not apply for public assistance, that is the whole thing. She did not ask for anything else. All she wanted was a medicaid card.

Mr. BUDOFF. Had she presented herself at one of our medical eligibility determination centers, we would have done a determination, and she could have had an emergency letter, which would have allowed her to get care in the city within 24 hours.

Chairman GRIFFITHS. I see. Tell me, I read in the paper about Mason Lustig, and I know there are horror stories like this all over. Obviously, in this case there was no investigation, no personal interview.

How do the procedures permit this?

Mr. BUDOFF. That particular case raises a great many questions with us as well, not so much over the fact that Mason Lustig happens to be a dog. He could just as easily have been a person, a nonexistent person.

Chairman GRIFFITHS. True.

Mr. BUDOFF. Our analysis of the case indicates a couple of things.

The first thing it indicates is that a sophisticated person, who sets out to rip off the system, can rip off the system. The application that was made on behalf of Mason Lustig was made by such a sophisticated person. The application which was submitted to our bureau was at

first denied. It was sent back for more information. More information was forthcoming from this person. The application was still denied, sent back for additional information, at which point, a letter, I believe, purporting to be from the mother-in-law or the aunt of Mason Lustig was received by the department, in which was given a completely adequate maintenance story for this father and his two children.

One of the questions that this affair raises is the system that exists, which is in full conformity with both Federal and State guidelines around the use of the declaration application, around the application of "prudence" by the person reviewing the application. All of these things happened with this application. The reviewers were prudent, they did not accept the initial application. There was a dialog that was carried on with someone. We doubt that the dog was carrying on the dialog with us.

The questions that are raised in this particular situation, I feel, are the same questions that are raised when someone falsifies an IRS income tax report, when someone falsely claims unemployment benefits, or anything else in a system which is designed to be humane and to cause the least amount of discomfort for the person seeking assistance. And the questions are very real questions. These are questions which we thought had been answered quite a while ago when we decided to make the system more humane, to try to make use of declaration applications.

Chairman GRIFFITHS. Did Mason proclaim that he was on welfare, or did he just get the medicaid card?

Mr. BUDOFF. No; he was applying solely for medical assistance.

Chairman GRIFFITHS. Only for medical assistance?

Mr. BUDOFF. Yes.

Chairman GRIFFITHS. Do you then pass out medical assistance without ever seeing the person personally?

Mr. BUDOFF. At the time this application was made, that was the situation. Currently, we require a face-to-face interview on all applicants seeking medical assistance.

Chairman GRIFFITHS. Did you do that after Mason got his card and because Mason got his card?

Mr. BUDOFF. Not because Mason got his card. It was something that was in the works, and it became a reality in New York, I believe, in November, and Mason got his card in September.

Chairman GRIFFITHS. Does it seem reasonable that at least the person should have appeared at a doctor's office or a hospital or some place so that you really knew there was such a person and that that person did need medical care? Wouldn't that have been reasonable?

I mean, I have a similar incident involving Bob Ball, the Commissioner of Social Security. The Ways and Means Committee at one time tried a little trick on him. They made up a make believe name and an address, and they got back a social security number in 3 days. And when Commissioner Ball was questioned on this, he said, "Well, that's good service."

But, you know, that did not set very well with me. I do not think you ought to be able to get these things just by asking for them.

But you now have a face-to-face interview with these people; is that right?

Mr. BUDOFF. That is correct.

Chairman GRIFFITHS. A face-to-face interview.

Do you now have home visits?

Mr. BUDOFF. We do validation samples of the applications. A certain percentage is selected and a complete investigation—

Chairman GRIFFITHS. How large a percentage?

Mr. BUDOFF. I believe currently we are doing a 10-percent validation of the people who have been subjected to face-to-face interviews, so that in addition to the face-to-face interview—and again, the face-to-face interview is not a 100-percent investigation into all of the resources of the applicant.

Chairman GRIFFITHS. In the face-to-face interview, if they presented evidence to you that they were getting a cash grant from welfare, that would be all that would be necessary, wouldn't it?

Mr. BUDOFF. If they were receiving a cash grant from welfare, there would be no reason for them to apply for medical assistance.

Chairman GRIFFITHS. Because they already had it?

Mr. BUDOFF. They would receive it as an entitlement.

Chairman GRIFFITHS. Do you ever check from your office to make a determination as to how many of those people that are getting welfare are fraudulently getting welfare? Because if they are fraudulently getting welfare, they are fraudulently getting medical aid.

Mr. BUDOFF. Both programs, public assistance and medical assistance, are administered by the same agency, the Department of Social Services.

Chairman GRIFFITHS. I see.

Mr. BUDOFF. And as such there is an office of verification and review which does the medicaid validations, and also does the public assistance validations. So that they are tied together.

Chairman GRIFFITHS. In your estimation, how many people are fraudulently getting medical aid at the present time because they are fraudulently getting welfare first?

Mr. BUDOFF. I really can't give you a figure on that. One of the problems—

Chairman GRIFFITHS. Have you every really thought about it?

Mr. BUDOFF. Yes, we have thought a great deal about that. One of the real problems is that we have identified in the medicaid validations, for example, that most of the people who we find ineligible are ineligible because of the client's misinformation.

Now, client misinformation breaks itself into two categories: a fraudulent statement that was made in order to get assistance, and that person who because of the complexities of the application may have given false information unknowingly.

For example, if you were to apply for medical assistance one of the questions is, How much money do you have in the bank? If you say \$2,000, you may be found eligible. On validation we may go to your house and find that you have \$2,160 in the bank.

Chairman GRIFFITHS. Or \$2,020.

Mr. BUDOFF. Or, you know, some figure higher than that which you rounded off not realizing that it made a difference which makes you ineligible. That now becomes client misinformation. But is it really fraud?

Chairman GRIFFITHS. No.

Mr. BUDOFF. So that to talk in terms of real fraud I often think that we are finding under validation the person who is really fraudulent either because of a consistent fraud or someone who is sophisticated enough to be a good fraud is going to defraud us on validation also.

So that it's rather difficult to come up with any meaningful gut feeling on what we are talking about. We can talk about the figures we have on client misinformation, how much of that is really fraud, how much of that is an intent to defraud, and how much of that is the sort of thing I have just described, the little difference in money making the difference.

Chairman GRIFFITHS. If you are giving medicaid to people who are not eligible for welfare, how often do you check up on whether they are still eligible for medicaid?

Mr. BUDOFF. There is an annual recertification for medical assistance.

Chairman GRIFFITHS. How do you do it?

Mr. BUDOFF. They must reapply annually. It's a new application annually. It's a new determination made annually.

Chairman GRIFFITHS. Are they advised that they must apply, or do they just apply?

Mr. BUDOFF. They are advised. As a matter of fact, our computer programs mail them a reapplication kit approximately 3 months before their current eligibility expires.

Chairman GRIFFITHS. Well now, if you have the same trouble with your computer program that the average department store is having with theirs—how long do people stay on medicaid that you have notified your computer are no longer eligible?

Mr. BUDOFF. It doesn't quite work that way. The computer is programmed so that when we make a determination of eligibility, eligibility ceases 1 year from that date unless there is a new action, a new application to extend it for an additional year. So they automatically expire in the machine, unless there is a reapplication.

Chairman GRIFFITHS. All right. Supposing they are eligible this month, and next month they are to get a substantial raise or they get a job and they are no longer eligible; how many of these people report that voluntarily?

Mr. BUDOFF. Very, very few. There is a requirement that changes of circumstances must be reported, but it is honored more in the breach than in the practice.

Chairman GRIFFITHS. How much money do you estimate you are paying out annually because you have not checked except annually on the recertification and the people have not reported?

Mr. BUDOFF. I can try to develop a figure for that particular problem and submit it to you later. I just wouldn't want to make a stab at the thing.

Chairman GRIFFITHS. What do you pay out annually in medicaid?

Mr. BUDOFF. Approximately \$1 billion. But the trouble I have with your question is that a great deal of this is for nursing home care. A great deal of it goes for institutional care. In nursing homes and hospitals there are different conditions of eligibility, and there are different checks made before we pay for that kind of care, so what we are really talking about is outpatient care and what proportion of the outpatient care may we be expending on behalf of people whose

eligibility terminated at one point during that year, except we were not notified of a change in circumstances.

That is a difficult one to play with, but I can get some —

Chairman GRIFFITHS. Yes; I would be interested in knowing that. And when you look over the record as you have an opportunity to do will you please supply that figure?

Mr. BUDOFF. All right. It will not be a "hard" figure. It will be an estimate.

(The information referred to was not available at time of printing.)

Chairman GRIFFITHS. How many people do you think are eligible that are unaware that they are eligible, or have never applied?

Mr. BUDOFF. In New York City?

Chairman GRIFFITHS. Yes.

Mr. BUDOFF. We think there is a substantial population in New York City which would be eligible if they applied.

Chairman GRIFFITHS. About how many?

Mr. BUDOFF. Well, I have heard various estimates. I have heard estimates that among the aged there are approximately 600,000 elderly people over age 65 in New York City who would be eligible if they chose to apply. That is an estimate which is made by the city's office of the aging.

We currently only have about 80,000 medicaid only cases in the OAA (old age assistance) group. So —

Chairman GRIFFITHS. 80,000? Is that all you have?

Mr. BUDOFF. Well, that is medicaid only. We have an additional population that is receiving cash assistance and receive medicaid as an adjunct to that.

Chairman GRIFFITHS. I see.

Mr. BUDOFF. Now, just in that group alone if the office of the aging estimate is an accurate figure, there would appear to be some 520,000 additional people just in that group who might be eligible.

Chairman GRIFFITHS. Would it surprise you if I said we had GAO do a check on a very modest scale and found out that some people eligible for medicaid had never applied?

Mr. BUDOFF. No, that would not surprise me.

Chairman GRIFFITHS. So that actually the cost of medicaid would be enormously larger if everybody who were really eligible applied. What kind of a followup would you do on the medicaid patient as to whether they do what the doctor tells them to do?

Mr. BUDOFF. We don't do such a followup.

Chairman GRIFFITHS. Do you know how many people have ever been prescribed drugs who never appeared to get them?

Mr. BUDOFF. No, we do not.

Chairman GRIFFITHS. Why don't you know? Why don't you try finding out?

Mr. BUDOFF. We are developing new computer programs and systems which are just in the planning stage at this point in time to try to develop that kind of data, to develop model treatment plans to compare services that people are getting under medicaid against the model treatment plans and to try to establish what the sequelae of the physicians' visit are. At the present time we don't have the technical capacity to do that, but we are planning to be able to do it.

Chairman GRIFFITHS. You spoke highly of the value of preventive care, and I agree with you on it. But, if the people who are already eligible for medicaid and who have gone to a doctor and the doctor made some recommendation and prescribed some drugs, and those people never went over to get them, then we are not only missing on preventive care, we are missing on restorative care. So that you ought to know what they are doing. And I have been told by hospitals that a very high percentage of people do not follow up on what the doctor tells them to do.

Mr. BUDOFF. Is that a very high percentage of medicaid people, or—

Chairman GRIFFITHS. Medicaid people. There is a hospital in Detroit that is now checking on this.

Mr. BUDOFF. Are drugs included in the medicaid program in Detroit?

Chairman GRIFFITHS. Yes.

Mr. BUDOFF. All right. In New York City the drugs are included in the program, so that the medicaid recipient who gets his physician's visit paid for on medicaid will also have his drug bill paid for by medicaid, and I would presently be at a loss for any reason why he would not go and get his drugs.

Chairman GRIFFITHS. But they don't. So check it. Find out how many aren't doing it, because they aren't.

Mr. BUDOFF. We will attempt to do a sample on it.

(The following information was subsequently supplied for the record:)

As of the date of testimony, the Department had not followed up on drug prescriptions written in physicians' offices to see whether the patients were getting them filled. Subsequently, we mailed a questionnaire to 48 families known to have recently visited a physician, asking: "A. The Dr. gave me a prescription () yes, or () no; B. I had this prescription filled () yes, or () no." Signatures were not required. Of the 18 responses, 17 were given prescriptions, 16 had their prescriptions filled, one did not have the prescription filled, and one left the response card blank.

Chairman GRIFFITHS. How do you assure that the cards for people who are no longer eligible are not used? Do you require that they be returned?

Mr. BUDOFF. We attempt to retrieve the card at the time that the eligibility is terminated.

Chairman GRIFFITHS. How do you do it?

Mr. BUDOFF. Are you talking now about public assistance people whose cases stopped, or—

Chairman GRIFFITHS. The medicaid card and the person is no longer eligible for medicaid, they have a card that shows eligibility. Now they are no longer eligible. How do you get that card back, or do you?

Mr. BUDOFF. The only circumstance under which that could happen would be the situation of someone who was found eligible but whose eligibility was stopped, it did not terminate. This would be someone on validation who we found to be ineligible.

In that situation the validator who tells him that he is no longer eligible seeks to recover the card. In any event we do have a computer program so that when the stop action comes in, in the event we haven't been able to get the card, there is what we call a bill recipient indicator

which is set and all of the services purchased against that card after the date of the stop are collectable and printed out and we seek to collect those from the recipient.

Chairman GRIFFITHS. Do you pay the hospital? Do you pay the provider if the provider has provided services to people who are ineligible or who have had a card? Do you pay the provider?

Mr. BUDOFF. If the provider gave services based on a valid card we will make payment to the provider. If the patient was no longer eligible at the time he required those services, we will seek restitution.

Chairman GRIFFITHS. How do you go about that?

Mr. BUDOFF. I would have to check with the legal department. They do that. I don't have the figures on that.

Chairman GRIFFITHS. Will you supply it?

Mr. BUDOFF. Yes.

Chairman GRIFFITHS. How many people have you prosecuted? You know, this is plain stealing. And you are stealing from the taxpayers of the United States. And you are not only stealing. In many instances the people who are getting more money or service than the people who are paying the taxes. Quit looking at it as a nice thing to do. Why aren't these people prosecuted?

Mr. BUDOFF. The department doesn't actually do a prosecution.

Chairman GRIFFITHS. Do you refer it?

Mr. BUDOFF. I believe these are referred.

Chairman GRIFFITHS. How many do you refer?

Mr. BUDOFF. I can get all the—

Chairman GRIFFITHS. Please supply the figure, and I would like to know how many have been prosecuted.

Mr. BUDOFF. I will supply the referral figures for prosecution.

Chairman GRIFFITHS. Find out, if possible, how many were prosecuted and if anybody has ever been jailed. This is larceny.

(The information referred to follows:)

Our Legal Services inform us that no cases of Medical Assistance fraud referred to them have been referred to the District Attorneys. The following represents the disposition of each case referred to our Legal Services since 1970:

Of the 49 cases referred during the year 1970, full payment of our claim was made in 27 cases, judgments were entered in six cases, agreements to pay on a monthly basis were made in three cases, no court action was taken in eight cases, and court action is pending in five cases. Of the eight cases closed with no court action taken, three were closed because the amount of our claim was less than \$100.00, three were closed because the patient had no surplus, and two were closed because the patient could not be located.

Of the 23 cases referred during the year 1971, full payment of our claim was made in six cases, agreement to pay on a monthly basis was made in one case, no court action was taken in one case, court action is pending in four cases, and eight cases are pending. One recipient was deceased and one was unlocatable. One case is under review.

Of the 24 cases referred thus far during this year, 1972, full payment of our claim was made in two cases, eighteen cases are pending and court action is pending in three cases. No court action was taken in one case.

Mr. BUDOFF. I am aware that there is a problem with the district attorneys not wishing to prosecute on the amount of money involved in these things.

Chairman GRIFFITHS. Why?

Mr. BUDOFF. That would be something the district attorney would have to answer.

Chairman GRIFFITHS. Do they think they can't convict them? Is it like drunk driving? You know, there but for the grace of God—

Mr. BUDOFF. I can't speculate on what the reasoning is. All I can say is that we have a great deal of trouble getting the district attorneys to prosecute on these cases.

Chairman GRIFFITHS. Well, the district attorneys ought to be replaced.

Do you have investigators in your department?

Mr. BUDOFF. We have—

Chairman GRIFFITHS. Who are just responsible on medicaid?

Mr. BUDOFF. We have an office of verification review which is organized within the department of social services which has an investigatory staff which is used for both medicaid and for followup assistance.

Chairman GRIFFITHS. Do you do sample audits?

Mr. BUDOFF. Yes; that's the validation we were talking about before.

Chairman GRIFFITHS. All right. What number of people do you audit? Now, I listened yesterday while the center directors pointed out that for 7,600 public assistance cases the number audited was 48. Is that about what you are doing?

Mr. BUDOFF. What we are doing is a federally prescribed sample.

Chairman GRIFFITHS. How big is the sample?

Mr. BUDOFF. I really would like to supply that information later.

Chairman GRIFFITHS. All right. Supply that for the record.

Mr. BUDOFF. Right.

Chairman GRIFFITHS. Let me ask you another question: The gentleman who testified yesterday said that the people who were doing the investigating are the people with the least knowledge, and they don't even want to investigate.

Are the people who are doing the investigating competent, qualified people?

Mr. BUDOFF. The investigations to my knowledge are done by people with experience in the department, who have been prepared both by experience and intensive training before they go into the validation unit.

Chairman GRIFFITHS. When you look this over in the record, could you supply the average length of time that any investigator has worked, and what his training has been?

Mr. BUDOFF. OK.

(The following information was subsequently supplied for the record:)

Of the 19 investigators in the Office of Verification and Review (OVR doing Quality Control reviews of Medicaid cases, 18 have had prior experience as Hospital Care Investigators in the Bureau of Medical Assistance. These workers had been employed as reviewers in the internal audit program previously conducted by that Bureau. One investigator had been a caseworker prior to assignment to Verification and Review. Average time for this staff in the agency, prior to employment in OVR, ranges one to five years. Training for the specific investigatory role consists of five days orientation and on the job, ongoing training.

In December, 1971, OVR reviewed 228 positive cases and 185 negative cases.

In January, 1972, 236 positive cases, and 249 negative cases.

In February, 1972, 235 positive cases, and 194 negative cases.

Chairman GRIFFITHS. What are the results of the reviews?

Mr. BUDOFF. The results of the reviews with regard to medicaid today have indicated that the ineligibility in the medical assistance pro-

gram has not hit the Federal action level of 3 percent. Three percent ineligibility has not been hit in the medicaid program.

Chairman GRIFFITHS. Three percent—

Mr. BUDOFF. But that's the tolerance level of 3 percent.

Chairman GRIFFITHS. But, of course, one of the reasons is the fact that you have such a high income level. What is the income level now in New York City for medicaid?

Mr. BUDOFF. The income level in medical assistance for a family of four is \$5,000. For a single individual—

Chairman GRIFFITHS. Does it also have an amount that you can disregard for the expense of getting to work and back?

Mr. BUDOFF. No; there are no income disregards.

Chairman GRIFFITHS. No income disregards. There was originally. A family of four originally could have \$7,000 and you disregarded \$1,000.

Mr. BUDOFF. No.

Chairman GRIFFITHS. On getting to work and back?

Mr. BUDOFF. No.

Chairman GRIFFITHS. Then the Ways and Means Committee was misinformed, because that is what we understood it to be—that you could have had income as high as \$7,000 and still have gotten medicaid in New York City.

Mr. BUDOFF. No. The only income disregards that exist in the medicaid program are income tax, the cost of health insurance, and court-ordered payments for the support of minor children.

Chairman GRIFFITHS. That is a whale of a disregard. And I am sure that it's not true in every other city.

Mr. BUDOFF. That is statewide.

Chairman GRIFFITHS. Well, I mean every other city in America. I think in Detroit you can make only \$3,400 and still get medicaid.

Are medicaid recipients here free to go to any doctor?

Mr. BUDOFF. Yes.

Chairman GRIFFITHS. But not every doctor participates, you said.

Mr. BUDOFF. That's true.

Chairman GRIFFITHS. I presume that they refuse to participate because of the forms and so forth, or they don't want the fees; is that it?

Mr. BUDOFF. The major problem is the inadequate fee.

Chairman GRIFFITHS. What is the qualifying income level for a family of four who doesn't get a cash welfare grant? Is that \$5,000?

Mr. BUDOFF. That is \$5,000.

Chairman GRIFFITHS. That is \$5,000. How many families are eligible under this?

Mr. BUDOFF. Medicaid only, and that would include single individuals; families of two, three, four; I believe they are around 135,000 to 150,000.

Chairman GRIFFITHS. And you estimate that there are still large numbers who are eligible but have never applied; is that right?

Mr. BUDOFF. I believe that that's probably true.

Chairman GRIFFITHS. I wonder if you have ever considered the problem of equity in medicaid. This is a thing that bothers me the most. There are people paying taxes in this country to supply medicaid to other people who themselves don't get care that's as good as medicaid provides.

Mr. BUDOFF. That is probably one of the most basic irrationalities in the program.

Chairman GRIFFITHS. In my opinion, that's true, too.

Do you have any suggestions for improving it besides adopting my health bill?

Mr. BUDOFF. Well, let me respond by saying that recently the Congress put itself on record as indicating that health care was the right of all citizens. We have slowly seen the evolution of a delivery system which guarantees that the very poor can get good care, and the very wealthy can get good care, but the middle classes can't get it—could get good care if they could afford to pay for it, but they can't afford to pay for it.

I think that the problem lies not with who is going to finance the poor, but lies with how do we finance a health delivery system which guarantees entry to every citizen.

Chairman GRIFFITHS. Of course. I agree with you. That is the way it should be done.

Am I correct in concluding from your statement that it is Federal regulations that make your job practically impossible?

Mr. BUDOFF. To some extent. I put the major emphasis on the State regulations which interpret the Federal regulations for us, and also add State concerns to those regulations.

Chairman GRIFFITHS. You know, when you get these interpretations from State to State, county to county, and city to city, it's quite amazing to Congressmen to look at the law they originally passed. It doesn't even sound like the same law.

Mr. BUDOFF. I get those phone calls daily. I know.

Chairman GRIFFITHS. Do you think that most people who are eligible for the medically needed program under the spend-down provisions know about their eligibility?

Mr. BUDOFF. The spend-down provisions of the law is something that happens after you have been found eligible. That family of four with a \$5,000 income is found eligible for medical assistance. They then have a spend-down applied to their eligibility. The spend-down in New York State exists between the medicaid eligibility level and the public assistance level for a family of the same size.

So that you must first meet the financial upper limit eligibility level for the family of that size. If you hit that criteria, you then have a spend-down applied against your income until your income drops to the public assistance eligibility criteria.

In other words, that amount of money which would qualify you to receive cash assistance. You spend down the difference between the two.

Chairman GRIFFITHS. Mrs. Hollyer, yesterday we were given hints that some, perhaps many, one-parent families for welfare purposes are in the two-parent families who are maximizing their income by playing the system. Personally, I don't think you can police this kind of thing. The problem it creates for legislators is how to develop a program that does not contain features which reward this kind of behavior.

Do you have any comments? Either on the magnitude of the possible two-parent families on AFDC, or how or whether this type of behavior can be controlled.

Mrs. HOLLYER. It's a problem which does plague us. It's a very serious one; and particularly when we are obligated to investigate the situation and find it very difficult, almost impossible to do so. We have had to think about the fact that our families probably reflect a kind of disintegration which is common to many families in our society.

Chairman GRIFFITHS. But the truth is that we are writing these disintegrations into law.

Mrs. HOLLYER. Yes; we have written some of them into law. I think that perhaps there should be a simple requirement that for so many people in a family there would be a flat grant, and not have the distinctions between the fatherless family and the family with—

Chairman GRIFFITHS. Well, now, we don't have that great a distinction anymore. Under the AFDC-unemployed father program you can pay to a family where the father is in the home, but you can't pay that family if the father is working full time. And in New York, you can pay home relief if he is working full time at low wages. But the simple way to beat the system is simply to say either, "he is not here," when in fact he is here, or, "he is not the father," or then just don't marry. So that in reality, we are rewarding you not to marry.

How do we get around it?

Mrs. HOLLYER. Congresswoman, I don't know. But I think that is one of the—

Chairman GRIFFITHS. That is really the problem; isn't it?

Mrs. HOLLYER. We will have to bite the bullet on that problem. We have to recognize it is a problem.

Chairman GRIFFITHS. It is obvious that many families in America are getting a much larger income by simply refusing to marry or refusing to acknowledge it.

Mr. Spiegel, what is your suggestion?

Mr. SPIEGEL. I think that's a tough question. I hope we will have some concrete suggestions soon.

I suspect that one of the key ingredients is going to fall in the area of job creation.

According to what we have heard, the factor that drives the man away from home is his inability to carry the load. The only way to ease his burden is to make a job available to that man when he is ready and able to work.

A second issue concerns the adequacy of the basic grants under the present law, whether those grants be provided in the form of guaranteed jobs or in the form of guaranteed income. It is very clear that some of the income levels provided under the welfare laws do not allow for any degree of decency.

And I suspect, in the long haul, that we will have to face the question of what makes for a decent standard of living, to alleviate the pressures which are, in fact, based on very severe economic need.

Finally, there apparently has been a lot of discussion about the regulations which the system itself enforces in order to control family life and life in general under welfare system. The system is based on certain assumptions about the competence—or lack of it—of people on welfare. I don't think those assumptions are valid.

The move away from the special grants, I think, represents a move away from those kinds of assumptions about people. But, more things will have to happen before the total issue is confronted.

Chairman GRIFFITHS. In your judgment, do you have people in New York who have come here specifically to get on the welfare program?

Mr. SPIEGEL. Congresswoman Griffiths, I am new to this world. It is my understanding that the extremely large scale in migration that has occurred in recent years has eased off considerably in New York City. The best evidence I have seen to date, indicates that only a small percentage of welfare recipients are very, very recent arrivals.

Chairman GRIFFITHS. Mrs. Hollyer, what do you think about it?

Mrs. HOLLYER. I don't know how one can tell in terms of figures. I would say that I would like it better, and I think everyone would, if standards of assistance were uniform enough so that people wouldn't even think that others would be tempted to come.

In other words, a person that comes here for a job and then is stranded and goes on assistance might, under other circumstances, return to his former place of residence.

I think that there should be some uniformity of assistance in other communities, or, at least, relative to the standard of living.

Chairman GRIFFITHS. When you seek a job in this world, don't you really know where you can find a job?

Mrs. HOLLYER. Yes, I think so.

Chairman GRIFFITHS. But aren't we saying in the law on welfare, "You select the place where you want to live and the rest of us will support you there?" Isn't that what we are saying?

Mrs. HOLLYER. We are giving that choice, yes.

Chairman GRIFFITHS. Don't you think we are saying that, Mr. Spiegel?

Mr. SPIEGEL. Yes, I think we are.

Chairman GRIFFITHS. Of course, we are saying that. "If you want to live in New York, go to New York, we will be glad to take care of you there. Or you can live in Atlanta, and we will support you there."

Aren't we saying that?

Mr. SPIEGEL. I would agree.

Chairman GRIFFITHS. Do we say that to anybody that seeks a job?

Mrs. HOLLYER. Congressman Griffiths, you know that there was a State or residency law here which was cut down by a Supreme Court decision.

Chairman GRIFFITHS. Sure; I am well aware of that.

Now, isn't the next thing that we are saying now, to any woman, any young girl, "If you want to have a baby, you have it, and if you want to marry the father, why, it's all right with us; but if you don't want to, why, don't marry him and the rest of us will take care of you."

Aren't we saying that? Doesn't the law really say that?

Don't you think so, Mr. Spiegel?

Mr. SPIEGEL. Yes.

Chairman GRIFFITHS. Of course, it says that.

Mr. SPIEGEL. I think a lot of very fundamental work has to be done to build into the law the kind of incentives that can reintegrate family life.

Chairman GRIFFITHS. Aren't we also saying to a wife and a mother of several children, "If you want to live with this man, your husband and the father of these children, why, do so; but if you would rather leave him, why, leave him; the rest of us will take care of you"?

We are saying that, aren't we? The law says that in so many words, really: "You don't have to put up with anything; the rest of us are going to take care of you."

Now we have gone a step further. When you have no investigation and no authority to investigate and you cannot compel the woman to admit where the father is, or that he is the father, we are then saying, "Why, you can continue to have the father live right in the house, just don't marry him, and we will support you. And he can have a job that pays \$25,000 a year." Aren't we saying that?

This is in reality what this welfare law is; is it not?

I haven't heard your answer.

Mr. SPIEGEL. No, I think it's a very chaotic law. It does have the one advantage of providing some money to people who don't have it. But, when one begins to look at the incentives it creates in life, in society, and in people, it is absolutely crazy.

Chairman GRIFFITHS. But you pointed out just a few minutes ago that they are getting so little, that this is one of the reasons they are moved to do these things.

Mr. SPIEGEL. No, I am really making two points. You have an amount-of-money question, but you also have a structural question. You have a welfare law which treats poverty as an isolated phenomenon, instead of a welfare job strategy which treats the welfare population within the context of the rest of society.

To pay money to people who can work when there is so much public work that needs to be accomplished, when there are so many people who want to work, to spend that money on nonworking is not effective in terms of this country's overall objectives. To build incentives which reward families doesn't really look at the fundamental objectives in the context of the total society.

Chairman GRIFFITHS. All right. What do you suggest that we do?

Mr. SPIEGEL. I would love to be asked a question like that a little while from now. It seems that a major thing we have got to do is create jobs for everyone who wants to work.

Now, I am not personally clear on how one defines who can and should work. There is an enormous amount going on in the way of legislation, in the way of discussion, highlighting real uncertainties about who can work productively and who cannot, and who should work productively and who should not.

Chairman GRIFFITHS. Are you one of those who is willing that every woman with a child under 6 remain at home?

Mr. SPIEGEL. That is my instinct, yes.

Chairman GRIFFITHS. Well, I hope you don't stay long in the job.

Let me say to you right now that the thing for you to do is to look at the women in this country with children under 6 who are in the middle class who are working and who are paying taxes to support the woman who doesn't. That is an immoral choice to give anybody. We are giving immoral choices in welfare when we say to a woman, "You don't have to live with your husband, the rest of us will take care of you."

You are asking every woman in the United States to pay. Only 1 percent of the women in this country make more than \$10,000 a year. Right today, a career choice in the city of New York for a woman with three children on welfare is better than most of the jobs that are being offered to women.

So that these people are making career choices. Before you get too sad over how badly we are doing there, you ought to look at how badly we are doing jobwise for the rest of the women who are supporting it. And we are doing very, very badly indeed.

Now I would like to ask you about the WIN (work incentive) program.

In your opinion, is the WIN program in New York successful in training recipients and placing them in employment?

Mrs. HOLLYER. Only partially so, I would say. We have considerable training—or what passes for training—but then we have several thousand people who remain in a holding position, not being placed in jobs. I don't recall the figures, exactly.

Chairman GRIFFITHS. What are you training for in New York City?

Mrs. HOLLYER. Typing, just low skills.

Chairman GRIFFITHS. Pardon?

Mrs. HOLLYER. Low skills. I don't have the skills in front of me, but relatively low skill jobs; clerical jobs; beginning jobs of that kind.

Chairman GRIFFITHS. How many of the people have been placed that have been trained?

Mrs. HOLLYER. From when?

Chairman GRIFFITHS. Since 1969.

Mrs. HOLLYER. I can supply those figures for you later.

Chairman GRIFFITHS. Please do. I would be interested in knowing them.

I understand that workers are supposed to review the caseload and refer appropriate persons to WIN. To what extent has this been done?

Mr. SPIEGEL. We can give you the precise breakdown, but we have had something like 50,000 people referred to the New York State Employment Service this year as part of this new work relief legislation.

There are now 22,000 reporting regularly to the New York State Employment Service. The others were reclassified, and some of the others went into WIN.

There are, I think, 3,000.

Mrs. HOLLYER. I think we have more. We have a great many. We have had a good referral to WIN. I will give you the figures.

(The following information was subsequently supplied for the record:)

Clients, male and female, enrolled since Jan. 1, 1969.....	23, 600
Clients now in WIN.....	9, 768
In training.....	6, 817
In holding status between training phases.....	2, 951
Clients placed in jobs since Jan. 1, 1969.....	4, 137
Clients failing to complete training for various reasons: health, other employment, breakdown of child care arrangements, case closings, etc. since Jan. 1, 1969.....	9, 695
Total	23, 600
Clients referred to NYSES but <i>not</i> yet enrolled by NYSES.....	2, 703

Mrs. HOLLYER. I think our problem with WIN has been what I said, that once trained they have not all been placed. They are kind of in a holding action that I think we have to resolve with our NYSES counterpart.

Chairman GRIFFITHS. Are mothers referred who meet the WIN requirements, or only volunteers?

Mrs. HOLLYER. No, they are referred if they meet the WIN requirements.

Chairman GRIFFITHS. Is day care available for mothers?

Mrs. HOLLYER. I don't think we have adequate day care for mothers.

Chairman GRIFFITHS. What are you paying out in babysitting fees?

Mrs. HOLLYER. Before WIN?

Chairman GRIFFITHS. Or anything else. What is the total amount of money paid out for babysitting in New York City?

Mrs. HOLLYER. The total amount is about \$350,000 annually.

Chairman GRIFFITHS. Annually?

Mrs. HOLLYER. Yes, annually.

Chairman GRIFFITHS. How much is paid out in day care?

Mrs. HOLLYER. I don't know the day care figures.

Chairman GRIFFITHS. Well, if you are only paying out \$350,000 for babysitting annually in the city of New York, then you aren't requiring that mothers go to work. Or they have never heard about the fact that you can get babysitters.

Mrs. HOLLYER. Well, the requirement is that you must have an adequate babysitting arrangement—

Chairman GRIFFITHS. That means then that people, that the case-worker or whoever it is, are not OK'ing it.

Let me give you an example:

I was told that in the city of Detroit, where both the mother and the daughter with her child were living in the same public housing project but not on the same floor, the social worker did not regard the mother as an adequate babysitter because she was on a different floor.

Mrs. HOLLYER. I would consider that a poor judgment, on the face of it. I don't know the kind of mother it was, whether there were other problems. If the mother was an alcoholic, you know—

Chairman GRIFFITHS. Do you think that the earnings disregard of the first \$30 and one-third of the remainder of the monthly earnings, plus work expenses is effective in getting people to work?

Mrs. HOLLYER. I really am not in a position to answer that question totally. The disregard is an inducement, yes. I can't give you a value judgment as to the size of it.

Chairman GRIFFITHS. How many mothers do you have working who are on welfare and what would be the highest amount that any of them would get?

I believe the GAO found a case in California where the mother had not gone off welfare completely, though her salary was more than \$12,000.

Mrs. HOLLYER. It would depend greatly on the size of the family.

Chairman GRIFFITHS. Well, I would be interested in knowing the highest amount that a woman would have to earn before she went off completely. You can supply it for the record.

Mrs. HOLLYER. Yes, I will try. There are some variables which relate to the average, and so forth, but we can try to supply that.

Chairman GRIFFITHS. But suppose you find a mother who is working and tell me how much she would have to make before she went off welfare.

Mrs. HOLLYER. Yes, I will try.

(The following information was subsequently supplied for the record:)

It is difficult to specify the exact amount that an ADC recipient, who is entitled to the earnings disregard, would have to earn in order to be self-maintaining. There are a number of variables, connected with employment, such as lunch, transportation, Federal, State and City income taxes, FICA tax, disability tax, union dues, purchase and maintenance of special clothing, if required, health insurance, pension and other deductions. This is in conformance with State regulations.

The following are several examples which indicate that the recipient would have to earn approximately 60% more than her public assistance grant, prior to employment, plus the cost of the expenses incident to employment mentioned above.

Public Assistance—Examples

	<i>Per month</i>
Grant prior to employment :	
Recipient would have to earn \$480 a month. The disregard of \$30 plus $\frac{1}{3}$ of \$450 equals \$180. The remainder of \$300 equals the public assistance grant prior to employment.....	\$300
Recipient would have to earn \$635 a month.....	400
Recipient would have to earn \$930 a month.....	600

Chairman GRIFFITHS. Because we also have built into this system a real reason for a woman who is working to give up her job, go on welfare and then go to work, haven't we? Doesn't she do better?

Mrs. HOLLYER. She does perhaps in some cases, but nonetheless getting welfare is not easy or as pleasant in the city as to be an inducement to many mothers. I should think it would not really be a pleasant experience in our city.

But as for the figures, I cannot tell until I look at the figures again.

Chairman GRIFFITHS. When I explained the GAO figures to the Ways and Means Committee, one of the members said: "I don't agree with these horror stories. I employed a woman on welfare and paid her \$5,000, and before she loses all welfare, I will have to pay her \$8,000."

I consider that a horror story. The real truth is that the average woman is not making \$8,000.

So that in fact the system permits you, if you work it properly, to get a much higher return by giving up your job, going on welfare, and then going back to work.

I would like to ask you some further questions, Mr. Spiegel.

I want to ask you, Mr. Spiegel, specifically on this checking in detail for verification of the eligibility of welfare, people who are eligible. Yesterday there were some real problems on this. Can you clear up this situation for us?

What percent of the caseload is checked for accuracy on a timely, routine basis?

Mr. SPIEGEL. Well, you are talking about two different things, I think. One is the mechanism for quality control, for determining overall statistical control. We want to know what percentage of the caseload is ineligible, what percentage is misclassified, what percentage is receiving the wrong payments.

That is a system which the Federal Government designed, and which the city has practiced for the past several years. The sample size is, I believe, less than 1 percent of the total caseload. Statistically—in terms of overall control of the eligibility rates—that would be fine if there were effective implementation. But, there is no pro-

vision for a manager, and, therefore, no one is held responsible or accountable for the result.

One gets an overall rate, but one does not know who is responsible for mistakes, who is not doing his job, who is not supervising, who is not making field visits. And so, while that system may be helpful in terms of newspaper figures, it does not help tighten things structurally, nor does it help pinpoint responsibility. Therefore, it does not help the system to work efficiently.

We suspect that it is also weak in terms of its actual objectives. We are in the process of completing a study of it, and we suspect it to culminate in some major overhauls.

For example, in New York City, it can take as long as 2 years to get specific cases in the sample completed. A certain percentage of the caseload every month, or of the sample, is incomplete because of a category called failed to comply, and another category where there are unknowns. We have assigned a crack squad to review some of those cases, and we find that, when the work is aggressively done, that failed to comply and the whereabouts unknown category shrinks very dramatically.

I would like to note that we have similar concerns over the application of that Federal quality control system in the medicaid process, but we have not yet begun that study.

Now, the second thing that you may be talking about is the issue of processing applications. What percentage of the cases includes a field visit? Is there some kind of routine, followup investigation?

We have come from a very rigid, very costly system of determining eligibility via full field investigation, to the other extreme of significantly reduced field investigations and the elimination of very basic kinds of documentation and followup. We intend to revamp the applications process. We intend to have a fuller application form, we intend to inquire into your documentation, and we intend to put some controls in to make certain that the field investigations, when necessary, take place.

We have evidence now that—this has not always been the case.

Chairman GRIFFITHS. So that the verifications have never really occurred; is that what you are saying?

Mr. SPIEGEL. No; I am not saying it flatly.

Chairman GRIFFITHS. All right. That has not occurred in the quantity or the quality, or both?

Mr. SPIEGEL. Both.

Chairman GRIFFITHS. Both?

Mr. SPIEGEL. Yes.

Chairman GRIFFITHS. Yesterday, there was mention of some problem on declaration, that, in fact, while assistance was meant to be given based only on a declaration of need, and people are supposed to just be handed money, the truth was that some of the supervisory clerks were making further little checks on their own, trying to make sure that people were properly entitled to get it.

Well, my sympathy was all with the supervisory clerks because it seems to me that those people are being criticized because people get money that should not be getting it.

Therefore, they asked the questions, and I do not think there is any-

thing wrong with that. If I were a supervisory clerk, I would be worried myself.

Mr. SPIEGEL. You will find there are some offices—and the quality of the offices vary tremendously—where there is a very, very responsible and very, very careful effort to use prudence in the declaration process. In those offices you may find center directors and supervisors reviewing all the acceptances, and reviewing all the research themselves. When they find mistakes, or when they find people working for them who are not being careful or are not applying practices prudently, they will conduct training, on-the-spot training. Or they will redo the case themselves. Those are people who, in fact, are making this thing work, and it is on those people that this system has got to be built.

There are other offices, of course, where that kind of care and attention is not applied, and that is where our real problems lie.

Chairman GRIFFITHS. One of the center directors said that, of course, supervisory clerks should not be asking any of those questions. That is not what the Federal law requires. The Federal law says you hand in your declaration and you get your money; is that right?

Mrs. HOLLYER. Yes and no. The Federal Government, HEW, from whom we received our original instructions, came to talk to us, and they, themselves, changed a great deal as they went along. When we went in on the declaration, it was quite obvious to us that the original guidelines were too pure in design, they were too rigid in what they did not allow us, so to speak; and we had several conversations with HEW, and for a considerable period we were asked not to go into further questions. And then the pendulum began to swing, because the term "prudent person principle" is a very ambiguous term.

At this point, having completely gone into separation last October, we have taken a very hard look at the declaration process and we feel that if it is going to work, in other words, to work efficiently and humanely but give the assistance to the people who should get it and not give it to the people who should not get it, there will have to be—there just has to be—a range of questions, a kind of desk verification, a kind of identification, which will keep a balance, keep the process moving and, yet, have enough safeguard in it to safeguard the granting of assistance.

Now, the clerks who have been taking these steps have been absolutely right, but it has been a problem to us to retrain, because this is what we must do, our directors, our supervisors.

Chairman GRIFFITHS. Aren't you having to retrain about 50 percent of the entire personnel every year?

Mrs. HOLLYER. No; since October most of the people doing this work are new.

Chairman GRIFFITHS. Are new?

Mrs. HOLLYER. Are new to this particular kind of work; yes.

Chairman GRIFFITHS. I see.

Mrs. HOLLYER. And in the kind of training we are going to do now, I think we are going to have to take quite a number of improved positions on items in the declaration. There is no question about it.

Chairman GRIFFITHS. Mr. Spiegel, it is my understanding that the New York State Comptroller has pointed out that in 1970, there were 44,000 welfare checks which were reported lost or stolen, and they

were cashed by the recipients even though the recipients had received duplicate checks to cover the lost or stolen checks.

The cost of this fraud in the city of New York was \$4½ million. The comptroller noted there were lax procedures all along the line that allowed this to happen. The workers do not report the losses or stolen checks to the banks promptly enough. Often the legal division does not take any action on repeated offenders. The check release center is supposed to require repeated offenders to pick up their check in person. They do not often do it.

Can you tell us if this situation still persists?

Mr. SPIEGEL. No; we have set up a new fraud control unit to eliminate just that problem. The cost, incidentally, was not \$4½ million but \$5½ million a year. What we have done, really, is institute a multi-phase approach.

(a) We have initiated a program of referral of multiple offenders to district attorneys. We have found a backlog of approximately 7,000 cases for which no action had been taken. These consist of people who had received more than three sets of duplicate checks in a period of, I think, 9 months.

Those people are now referred according to new procedures, and, with the assistance of handwriting analysts from the police department and the district attorneys, are handled at the rate of 50 per week. Burton Roberts, the district attorney in the Bronx, had an announcement of 50 indictments a couple of weeks ago, and we think that is good progress. Not enough, but a beginning.

Chairman GRIFFITHS. At 50 a week on 7,000, how many years will it take?

Mr. SPIEGEL. We intend to increase this ratio. We started at 50 per week because we had several new mechanisms to work out with the district attorney in order to present information to him to expedite indictments, to get the handwriting analyst, and so forth. We are going to speed this up and we expect to have the whole referral completed by autumn.

We have also initiated a recovery procedure of the one and two sets of duplicate checks, to recover the money lost to people who cashed one or two of the checks. We have instituted recovery on something like two-thirds of the backlog of unrecovered checks, and we expect to complete that by autumn.

Chairman GRIFFITHS. Is that the same 7,000?

Mr. SPIEGEL. No.

Chairman GRIFFITHS. This second backlog is those who took only two duplicate checks?

Mr. SPIEGEL. Only two.

Chairman GRIFFITHS. How many of those were there?

Mr. SPIEGEL. There was a backlog of 30,000.

Chairman GRIFFITHS. Thirty thousand who had gotten two checks?

Mr. SPIEGEL. That is right. On the multiple offenders we need some legal action, some effective action on the part of the district attorneys. We hope this will have some deterrent effect. The recovery procedure is at least going to guarantee that in the 3 or 4 percent of the cases among those who have not gone off assistance, the public will not lose money.

Chairman GRIFFITHS. Why don't you get some money back?

Mr. SPIEGEL. We have referred those cases to the appropriate district attorneys, and now the ball is in their court.

The real issue is to cut off the opportunity to cash the checks. We are developing some mechanized systems to enable us to handle multi-offenders in centers and to spot them immediately. In addition, we are in the process of developing a system that we hope will serve to put an end to duplicate checks very quickly. This is a system we are developing jointly with several New York banks.

Thus, we hope we are going to have these mechanized systems in for early warning and for early check stopping, to get at the root of the problem: inadequate procedures and poor controls.

Chairman GRIFFITHS. How many of these fraudulent duplicate checks are issued to people on AFDC?

Mr. SPIEGEL. We have some material on that which I can give you. I do not recall what the distribution of funding source is for those checks. I do know, however, that addicts represented disproportionate numbers of cashiers of duplicate checks. That is why we have been particularly anxious to segregate addicts from other parts of the welfare population, and why we have gone ahead very quickly and put in control procedures for addicts and new identification requirements. Unfortunately, we have only just begun to analyze the addict population, and still have not compiled the appropriate statistics.

(The information referred to follows:)

These are the people whom we have found to be offenders of duplicate check cashing.

About 59% of all offenders and 62% of all multiple offenders are in the Aid to Dependent Children (ADC/ADCU) category

About 59% of the persons with one or more offense and 62% of all multiple offenders (i.e., three or more offenses) are in the ADC/ADCU category. The ADC/ADCU category represents about 51% of the total caseload. The only other significant deviation from the caseload representation is in the Old Age Assistance (OAA) category. While the OAA category represents 16.2% of the total caseload, it represents only 3.2% of all cases with one or more offenses and 0.9% of multiple offenders.

Thus, the data indicates that, except for the OAA category, both offenders in general and multiple offenders are represented with a frequency relatively proportionate to the category's representation in the total caseload.

Chairman GRIFFITHS. How much publicity have you given to the fact that you are investigating, that you are going to prosecute, and that people will go to jail for cashing the duplicate checks?

Mr. SPIEGEL. I think the administrator has made this overwhelmingly clear.

Chairman GRIFFITHS. The State auditor general started investigating in Michigan, I think about a year ago when there was a great rash of duplicate checks. It fell to a handful of duplicate checks in one month the moment it became known that he was actually investigating and that people were going to be prosecuted.

You were not very successful in prosecution. In 1970, 1,150 clients were reported to the central office in New York City for having had four fraudulent duplicate checks. Only 793 of these cases were referred to the department's legal division. Only 79 of them were convicted, although the majority of them were put on probation or discharged.

How can you account for this? Why is this true?

Mr. SPIEGEL. I do not intend to account for that. I think you are seeing the record change very substantially in terms of the attitude of the district attorneys. We are receiving real cooperation from them.

We have also taken some rather emphatic steps to make sure that the department acts quickly and expeditiously on these cases, and the old sluggishness is gone.

Chairman GRIFFITHS. In place of looking at the fact that it is only \$100 or \$75 or \$200, what the prosecutor ought to be looking at is the fact that it is a \$5 $\frac{1}{2}$ million theft from the taxpayers of the city and this county and the Federal Government and the State of New York. And if you can stop it, if you could put a few in jail, then it is possible that you would slow down that theft in a real way.

Mr. Spiegel, in 1969 the Federal General Accounting Office conducted a special review of the AFDC program in New York City. GAO estimated at the time that 10 $\frac{7}{10}$ percent of AFDC families were ineligible, 34 percent of the AFDC families were overpaid, and 15 percent of the families were underpaid. The GAO estimated that the net loss due to overpayment and payments to ineligible families was nearly \$5 million a month.

They also determined that the State and City did not have an effective quality control system to alert officials to the high rate of ineligibility and recommended changes.

In 1971, GAO reviewed the quality control systems in New York and several other States and these were their findings:

"The city had an insufficient number of reviewers, completed only 634 of the 2,400 required interviews, and was late in reporting the results of these reviews to HEW."

In addition, they said, "Our tests of the completed reviews showed that, for the majority of the reviews, verification of eligibility and payment factors had not been adequate."

It is my understanding that no one really knows what the rates of ineligible payments and overpayments and underpayments in New York City are today, yet you announce that the department's project management study shows that 3.8 percent of all welfare cases are ineligible and that all error and ineligibility costs between \$63 and \$94 million annually.

Could you tell us how you did your study?

Mr. SPIEGEL. I think that the GAO study has been of great help to me and the staff. I think it points out something that we agree with.

The Federal quality control sample, from which all public data is derived on eligibility and mistakes in the caseload, is simply not good enough. According to what that data reports, the minimum cost to the public in terms of loss is \$63 million. It may be much higher than that, because we feel that system just does not hold up.

I think I mentioned earlier several criticisms of the system in addition to the ones the GAO made. We have to tighten up the whole eligibility system, pull together a quality control system that provides management accountability, hire better managers to administer that quality control so that you complete cases, you get the information in on time, and you have a reduced category of "unknowns."

The error accountability program we intend to implement will also measure individual performance, and hold people responsible for it. In terms of revamping the full quality control system, we are, among

other things, exploring the possibility of arranging for some kind of a contract or private independent auditor to perform that function. This is still in an exploratory stage.

But I think GAO is really hitting the nail on the head there. And I do not think that the game today is one in which anyone can pin down numbers precisely. A loss of \$63 million is the rock bottom. It may be much higher.

Chairman GRIFFITHS. We are having the GAO do a little work for this committee in which they are taking a sample of people in poverty areas, and checking the records of Federal, State, and local programs to see if the sample people are getting benefits. They have discovered already one family in one small sample in nine different programs.

So that as you begin to worry over how little money is paid out on these programs, you, Mr. Spiegel, are just looking at one program or two or three. But what you need to look at is the whole thing. Even to the fact, for instance—I believe somebody said something about this yesterday—that there are special scholarships given to dental students coming up in a poverty area, agreeing to return to that poverty area to practice, and none of that money, of course, can be counted in the welfare grants, although it is a very high sum of money, and the average kid might be able to send some of it home.

Mrs. HOLLYER, could you explain how changes in the welfare grants get posted in the central office so that checks get issued in the right amount to the right addresses, and so forth?

Mrs. HOLLYER. Well, it is a fairly detailed process. I am not conversant with all of it, but I do know that it starts with the person who interviews a client. He makes out a handwritten authorization form, gives it to a control person in the center, and it is then sent by messenger to the central office. There the information is put on machines and on cards which will send the check automatically, if it is a case on which it is decided that eligibility will not change for some time—at least until the next certification, which might be either 3 months or 6 months. In the case of a drug addict, for example, it would only go for 1 week.

Chairman GRIFFITHS. Are there separate records kept for clients according to the services received? For instance, food stamps, medic-aid, housing, income maintenance? Mr. Spiegel, do you know?

Mr. SPIEGEL. Yes. Can I take your question from another direction?

Chairman GRIFFITHS. Sure.

Mr. SPIEGEL. First of all, I want to say that what we are doing, under the existing law, is to try to make things work so that the right people get the right kind of money, and the people who should not be getting it do not get it. You have asked some very tough policy questions which I would like to respond to directly.

You have pointed out that things are set up so that you have information on a client in one program. That client may be in another program. Now, I think our basic problem is that there is so little comprehensive information.

Chairman GRIFFITHS. You are absolutely right.

Mr. SPIEGEL. So, you cannot possibly have a full picture of what is going on.

Chairman GRIFFITHS. That is right.

Mr. SPIEGEL. We are really making a bilateral attack on that problem, and I think that a lot of the policy questions can be handled by that.

We are, in fact, making an investment in research which we think is critical. The Rand Corp., for example, for the first time in my memory, is developing files for us—very simple, little files from which we can compare information we have accumulated on welfare, for a sample of clients—welfare, food stamps, and medicaid services.

Now, we cannot do that comprehensively, and soon I will get to the systems approach that we are also applying to this. We are trying to begin to develop very simple information about the rate of benefits that a profile of our clients are receiving from the maintenance side and service side. That is the kind of information that one simply cannot get, and that is something I find tremendously frustrating.

We are also trying to approach this from a systems point of view. Right now, I think it is very clear to everyone that the systems have been patched together. They have been patched together for each small program, so that, internally, for food stamps, for medicaid, there are lots of difficulties in finding things out. It is very difficult to compare case records from one center to another.

Chairman GRIFFITHS. Yes. If you find John Smith at 1600 Asbury Park is getting cash assistance, and you go into the food stamp program and you find Joe Smith at 1600 Asbury Park is getting food stamps, the real problem is to try to find out whether John Smith and Joe Smith are the same person, in spite of the fact that they are living at the same address. Right?

Mr. SPIEGEL. Yes. That is part of the problem.

Chairman GRIFFITHS. Wouldn't your problem be simplified incredibly if every person had a social security number from birth with a fingerprint on it so that you can positively identify him? Don't get all emotionally involved in privacy. Just, wouldn't it be easier?

Mr. SPIEGEL. Yes.

Chairman GRIFFITHS. Did you come to this job from a business background?

Mr. SPIEGEL. Yes; I did.

Chairman GRIFFITHS. Have you ever heard of any business organization that paid out over \$85 billion a year and did not know who they were paying it to?

Mr. SPIEGEL. I am the first to say that part of what I see is incredible, indeed.

Chairman GRIFFITHS. This year, Mr. Spiegel, we are paying out over \$85 billion and next year it is going to be \$95 billion and nobody knows who is getting it. There is no way to check it. This is really what the main problem is. It is going to be one of the main problems that you are going to face.

Mr. SPIEGEL. I think it is a very, very key problem. I think that the means of positive identification is critical.

Chairman GRIFFITHS. Of course it is critical.

Mr. SPIEGEL. I think it is imperative to have the technological ability to integrate the information from various kinds of programs, so that we know who is getting what.

Chairman GRIFFITHS. As a matter of fact, about the only people that do not have to have social security numbers, at least, are those

to whom the Government pays something. If you are paid interest or you are paid a dividend on a stock, you have got to have a social security number on it.

Mr. SPIEGEL. I have not quite figured out why the social security number does not work. We have some people working on that now.

Chairman GRIFFITHS. Because anybody can get a social security number by writing in to the social security office. Just like Mr. Mason Lustig got the medicaid card. You can get social security almost easier. You do not have to prove anything. Just write in and you can get one. They will give it to you.

We have heard of one man with 27 numbers. Imagine what it would be if when he starts drawing social security he draws 27 minimums. He is going to live off the system, too.

If I seem a little tough, I apologize to all three of you. I really do not mean that I think you are doing it improperly. I think the system is unworkable. You may be doing the greatest job in the world, but you cannot do it this way. It is inequitable, it is unfair, it does not work properly.

Thank you all for appearing here.

(Whereupon the subcommittee recessed, to reconvene at 2 p.m. the same day.)

AFTERNOON SESSION

Chairman GRIFFITHS. Mr. Sugarman, will you please come forward and begin in your own manner.

STATEMENT OF JULE M. SUGARMAN, ADMINISTRATOR, NEW YORK CITY HUMAN RESOURCES ADMINISTRATION

Mr. SUGARMAN. Madam Chairman and members of the committee, by now, you have heard a great deal about the complexities and difficulties of administering the Nation's largest municipal welfare system. I suspect you may have some sense of being overwhelmed by the vastness of the system and by its many troubles. Rather than elaborate on these difficulties, however, I would like to do three things today.

First, to provide some additional perspective on the problems of administering the welfare system and some suggestions with respect to the ways in which Congress can be helpful. Second, to discuss with you my strong conviction that the welfare problem cannot be solved through the existing welfare system, but only through a strong program of job creation in tandem with substantial improvements in our education and health systems. Third, I would like to focus attention on the provision of social services, a question which has been largely neglected in the debates about welfare reform.

With respect to the present welfare system and other such systems which may replace it, I think the committee should understand that there is always going to be a continuing dilemma in the need for a speedy, dignified, and sympathetic system and at the same time, one which offers maximum protection against abuse. Several years ago, David Lilienthal wrote about public administration in India. He pointed out that the Indian Government had devised a highly effective system of checks and balances which constituted almost perfect protection against graft and corruption. The only trouble was that nothing could happen. Divisions could not be made; the country was at a standstill.

As the administrator of the human resources administration, I, like my colleagues throughout the country, constantly have to balance the need for protection against the need for something to happen. We might reduce welfare and fraud errors to near zero, but I suspect we could only do that if we were willing to allow children to go hungry, and families to go homeless. There simply has to be an element of risk in this type of business.

I would like to suggest certain principles which I think the Congress needs to follow as it considers welfare legislation.

1. There are entirely too many changes made in the legislation every year. The Congress' propensity to change legislation whenever some small problem or abuse arises, makes for an extremely complicated system, and often leads to agencies simply ignoring the law. Even the most innocuous and logical of legislative changes may have far-reaching implications that the legislative body does not foresee. For example, last year the New York State Legislature mandated the use of photographic identification cards for welfare recipients. That sounds both simple and logical. However, in New York City, it means that an additional 500,000 people will have to go to our drastically overcrowded welfare centers each year. Furthermore, the basic problem which this program was designed to solve—namely, to check forgeries—has already been reduced to a negligible level by the initiation of another type of card in New York City. Nevertheless, the will of the legislature must be honored, and we are proceeding with a program which will probably mean an additional net cost of over \$2½ million.

2. When the Congress desires new legislation, it must allow adequate time for implementation. Any complex piece of legislation should have at least 1 year of leadtime before it goes into effect. Furthermore, the Congress must be firm with the executive branch, in insisting that regulations be promptly developed, and appropriations be provided on a timely basis. Last December, Congress passed an amendment to the welfare program which we call the Talmadge amendment. The amendment is scheduled to take effect on July 1st. It is now April and no regulations have been published by HEW nor have any appropriations been requested of the Congress. Yet, I can predict for you that 18 months from now someone will write a report criticizing welfare officials for having failed to carry out the Talmadge amendment.

3. Congress should refrain from specifying the form of organizations and specific organizational units in legislation. For example, Congress has required, in the Talmadge amendment, that there be a single organizational unit dealing only with the employment and services relating to work incentive participants. This may make sense in some communities, but does not make good sense in New York City, where we are nevertheless equally constrained by the provisions of that law.

4. Congress should limit the number of priorities which are stated within a particular piece of legislation, for these are often contradictory and, therefore, impossible to administer. For example, in the Emergency Employment Act, mention is made of "special consideration" for welfare recipients; the act also demands priority for the needs of veterans and other categories of persons. This places an administrator in the impossible position of trying to determine which group the Congress really intended to have priority, and of defending

his choice to the particular Congressman who sponsored a different priority.

5. Congress should insist that HEW provide adequate technical assistance and training to help State and local governments carry out their responsibilities.

6. Congresses should forbear making changes in legislation until the legislation has had a real chance to work. As a rule of thumb, I believe that it takes at least 1 year to develop policies and regulations for a major program and to plan for it, and 1 year to staff, train, and debug the program. Thus, it is not until the third year that it is possible to get a real sense of the value and success of a program.

JOB CREATION

Now I should like to turn from the discussion of administering public assistance to some comments on the limitations of any welfare system. To put it directly, the cure for the welfare problem does not lie in the welfare system. It is my view that no amount of tinkering with the present system is going to either eliminate welfare or substantially reduce it. I do not see any measures for change, such as the negative income tax or the children's allowance, which will fundamentally improve the status of welfare recipients. I say that because I believe the public will not, and, in fact, may not be able to support the level of funding necessary to adequately improve the financial situation of welfare families. Certainly H.R. 1 will not do so as it now stands.

I think there are important reasons why the public will not support adequate benefit levels at this time: (1) Adverse economic pressures of unemployment and inflation have sorely affected the middle class in recent years; and (2) the public feels a general lack of confidence in the administration of the welfare system, and concern about the numbers of people on welfare. I see no prospect for a change in public support until these factors are somehow altered.

Furthermore, it is my view that, even if higher levels of needed public support for welfare were available, we would still be faced with a continuing welfare crisis, unless we address three fundamental problems: (1) The creation of an adequate number of jobs with accompanying manpower training; (2) substantial improvements in our educational system so that a greater proportion of students will have adequate schooling, both quantitatively and qualitatively; and (3) substantial improvements in health systems for all ages.

I would like to speak, in some detail, to the question of job creation. Several weeks ago, I testified before a subcommittee of the House Education and Labor Committee and pointed out that the unemployment situation in this Nation is far worse than is generally understood. Our national statistics on unemployment are gross understatements. They do not include hundreds of thousands of young people who have never entered the labor market, but who are not in school. They do not include many women who need, but do not seek, employment, because they believe there is none available. Similarly, the statistics ignore millions of welfare recipients, including many receiving aid to dependent children, who would gladly work if adequately paid jobs and quality child care were available to them.

Finally, the figures do not include our senior citizens who find it impossible to live decently on the pensions or social security benefits

available to them. In this city alone, with an official unemployment figure of over 250,000, there are more than 200,000 additional young people whom the Bureau of Labor Statistics has identified as unemployed, but has not counted.

I think the Congress must deal forcefully with this situation. I proposed to the Education and Labor Committee, and I would hope this committee would also consider legislation to:

Establish a National Job Creation Commission;

Set specific goals as to the types and numbers of jobs to be created each year to meet our deficits; and

Provide funding in the public and private sectors for the creation of such jobs.

I am submitting for the record a copy of my testimony which details these recommendations.

With respect to the employment of welfare recipients, I believe there should be a national policy of converting welfare dollars into employment dollars. There is at least one encouraging proposal to do this through the merger of Emergency Employment Act money and welfare benefits in order to create employment opportunities. This program is expected to get underway for a very small group of people in New York, and in several other cities.

We have proposed to the New York State Legislature a series of bills which would, in effect, abolish the State and local home relief program for employable persons and replace it with the guarantee of an available job in a public or private nonprofit agency. We are hopeful that this proposal will be acted upon before the legislature adjourns.

There is no question that creating jobs would require more money than giving out welfare payments. But, if this Nation is serious about its desire to reduce welfare to give people the opportunity for a decent income, there can be no holding back from the task of job creation.

SOCIAL SERVICES

Now I want to turn to a largely neglected question; the provision of social services under titles IV and XVI of the Social Security Act. The former title deals with services to low income families, and the latter with services to disabled, aged, and blind persons. The existing provisions of Federal law have, in my judgment, been substantially underutilized by State welfare agencies. The law itself, and HEW's regulations thereunder, provide all sorts of opportunities to assist people in improving their situations.

Recently, many States have begun to understand the advantages of these provisions, and to utilize them more heavily—and I find that quite encouraging. It is important that the Congress not, in any way, diminish the capacity of State and local governments to provide these services and that the open-ended funding authorizations which are now available, be retained.

The possibility of the federalization of income maintenance will force many State and local governments to rethink their social services program. The most fundamental question which they and the Federal Government must address is whether services should be confined to a narrow, specifically welfare-related purpose, or whether they should not, sometimes, become a broad public utility system.

The classic case, at the moment, is what should happen in the field of day care. Most States now confine their day care programs to situa-

tions in which welfare recipients are being placed in jobs or in training. Unfortunately, however, in far too many cases, as individuals progress in jobs and earn higher incomes, their children may become ineligible for day care and then mothers face the dismal choice of returning to welfare or placing their children in substandard care. This fact which we call the notch effect, occurs in many other services. It is a very real problem, and I think that the direction clearly needs to be toward the concept of social services on a public utility basis. We cannot do that overnight because there are neither adequate funds nor resources, but we should be going in that direction.

I think it is also important that this committee understand that the social service system under titles IV and XVI is probably the only vehicle that we now have with sufficient flexibility and capacity to hold society together in our urban communities. The breadth of programs available under it, and the ability to tailor those programs to the needs of specific individuals or particular communities is an enormous advantage. Unlike OEO and model cities programs, there is provision for a more influential role for Government officials and civil service employees. This will, I believe, avert some of the difficulties with those other programs.

On the other hand, I would strongly defend the need for and desirability of community participation in making decisions about these programs.

In New York City, we are developing an approach to the provision of social services which we call community social services. While the program is not fully developed or approved, I can tell you about the goals we are trying to achieve. We are:

Decentralizing the staff and services to the neighborhood level so that there can be direct contact with and outreach to community residents;

Working directly with community organizations in setting priorities for each area, so that the plan of social services may vary significantly among areas. For example, in one area the need may be much greater for attention to youth problems, and in another area, to the problems of senior citizens;

Developing a judicious blend of specific hard services, general family support, and community organization. Our premise is that there are certain things that we or other agencies can do to meet specific needs of individuals, but there are many other things only the community itself can deal with. For example, we can provide treatment for drug addiction or finance narcotics addiction prevention. However, only the community itself can really create the climate in which addiction will not be tolerated. We ought to be helping the community to do that;

Planning to utilize our staff in ways which will help individuals and neighborhoods to improve themselves and to deal with their own problems. If there is a problem of consumer education, we will help to set up training sessions or to organize cooperative buying arrangements, but we will expect neighborhood leadership to assume the ongoing responsibilities;

Hiring residents of the community as part of the staff in order to increase our capacity to reach those people who might otherwise be inaccessible;

Utilizing voluntary and community-based organizations on a purchase-of-service basis, integrating our services with those available

under other public and private programs. Often, our staff will be used to complement the efforts of voluntary agencies and community organizations. Sometimes, our staff will be outstationed in public schools, hospitals, and other facilities where services can best be provided;

Placing great emphasis on training and technical assistance, so that our staff or other agencies will be able to use dollars to the best advantage;

Developing systems for accountability to assure that the expenditure of funds is producing results.

Let me close by suggesting a number of steps which the Congress ought to consider with respect to social services:

1. Congress ought to maintain the flexibility inherent in the current laws and avoid circumscribing that flexibility with more detailed provisions;

2. Congress ought to keep funding open ended and increase the Federal share from 75 to 90 percent in all categories of service;

3. Congress ought to add authorization for general support of the costs of adoption and foster care. It ought to eliminate the requirement of a court commitment in order for foster care costs to be paid;

4. Congress ought to encourage the use of services under these titles or upwardly mobile families, so that they would not be forced to return to welfare status;

5. Congress ought to increase the local role in making decisions and developing programs in the major cities;

6. Congress ought to encourage the coordination and joint operation of day care programs under the Social Security Act and other Federal authorizations.

Today I have tried to concentrate on some of the major ways to deal with the welfare problem. I close with the reminder that tinkering with the welfare system cannot in and of itself solve the welfare problem.

Our objectives and our programs must be designed to guarantee all Americans the opportunity for a decent life.

PREPARED STATEMENT OF JULE M. SUGARMAN, ADMINISTRATOR, HUMAN RESOURCES ADMINISTRATION, CITY OF NEW YORK, BEFORE THE SELECT SUBCOMMITTEE ON LABOR, HOUSE EDUCATION AND LABOR COMMITTEE, FEBRUARY 9, 1972

Mr. Chairman and members of the subcommittee, as representatives of the city of New York, we are pleased to have the opportunity to appear before you today and to present testimony on the proposed "Employment and Manpower Act of 1972," H.R. 11167.

The appearance of a bill at this time, which will increase the authority and flexibility major urban centers must have, in dealing with the massive problems of unemployment and underemployment, is a welcome breakthrough for those of us who face those problems on a day-to-day basis. It is also a reaffirmation of this committee's longstanding concern for the employment problems of the nation. We recognize the work which has gone into the bill's preparation, and view it as the strongest and most workable piece of manpower reform legislation yet to be proposed.

Unfortunately, however, we are of the opinion that the program proposed is doomed to failure in its present form.—We can predict that the bill should substantially improve the quality and effectiveness of manpower training. But, far too many of the people benefiting from that training will find that there are no jobs at the end of the process. We strongly feel that the bill falls far short of dealing with the real issue, namely, our economy simply does not provide enough jobs for all of those who want and need to work. Furthermore, we have no mechanism or conscious program that can even begin to deal with the scope and magnitude of the problem. While H.R. 11167 does contain provisions for job creation, we think that these need to be expanded in quantity, and integrated with other job-creation proposals.

Many of our cities are faced not only with a cyclical rise in unemployment, but also with a continued downward trend in the level of employment itself. In this past year, we are informed, New York City suffered a net loss of more than 40,000 jobs, and we lost those jobs in precisely those occupations which have, in the past, offered employment to relatively low skilled workers. At the same time, as the base of employment is declining in our cities, we are witnessing a continuing growth in the numbers of the undereducated, the unskilled, and those groups that have borne the brunt of past discrimination in this country. Even with the finest and most efficient network of manpower and employment services possible, the problem still would not be adequately addressed, because the missing element critical to solving the problem is jobs.

We need the plan for a locally controlled comprehensive manpower services program set forth in Title I of the proposed bill. It will allow us to cement together the diverse and fragmented manpower training and employment programs currently operating in our cities, and to turn them into a single program which can effectively prepare people for existing jobs. *But, even more than this: we need a program which will allow us to guarantee that there is a job at the end of training and, that we can find decent work for those who come to us seeking work.*

In addition to a comprehensive manpower and employment services program, we need an equally comprehensive job creation program. *We must face the fact that neither the private sector nor the conventional public sector of employment has provided enough jobs. If we are at all serious about insuring jobs for people who want to work, then we need to establish a permanent job creation mechanism. We need a mechanism which responds to fluctuations in the level of employment-demand—nationally and in specific labor markets—and which channels and creates employment in areas of limited employment opportunity.* Even as we currently maintain subsidy and stabilization programs in fields such as agriculture, *we need to establish and maintain a permanent national policy of Federal funding for a third sector of employment—one which can directly create jobs in areas which will take the nation closer to its social goals.*

PROPOSAL FOR A NATIONAL JOB CREATION COMMISSION

Accordingly, we propose that a National Job Creation Commission be established. The Commission would have status equivalent to that of the Council of Economic Advisors, and would have a permanent staff. *Its primary functions would be:*

To perform long range manpower planning and conduct research, special studies, etc. needed to formulate annual and long-term employment goals by sector; to identify specific geographic areas, industries, and occupations as targets for job creation programs.

To recommend annually to the President and the Congress the number of jobs which must be created to meet the goals set forth in this Act.

To review all Government and private employment-related decisions which would substantially reduce the number of jobs in the national or local labor markets, so that the government may either (a) seek to reverse such decisions or (b) develop job creation plans which would be designed to offset the dislocation of job opportunities;

To develop guidelines for the use of public funds in job creation programs;
To evaluate the administration, operation, and impact of the national job creation program.

Even as the Council of Economic Advisors monitors the economy as a whole, the new National Commission would monitor employment supply and demand in the economy. It would, through its plans and recommendations, act to: (a) minimize the effects of changes in the labor market; (b) anticipate such changes; and (c) use various job creation programs for desired expansion.

We (and here we are sure we speak for a much larger constituency than just New York City), have become a little weary of the endless and empty exhortations on the values of work, without seeing any concrete proposals for making sure that there is work available for those who seek it. We are more than a little weary of the constant verbal attacks on the welfare population and its asserted shortcomings when the nation has shown little willingness to create the jobs which they could fill. We should not deceive ourselves or the public into believing that welfare programs are going to be solved by such ersatz programs as compelling people to work off a welfare check.

They neither meet the financial needs of welfare recipients nor significantly reduce the welfare caseload. They are inherently inefficient methods of employing people. We should be acutely conscious that simply because we place thousands of people in training programs with stipends; does not mean we have achieved a real solution to their financial needs. In fact, we have set the stage for another personal failure for those individuals, unless real jobs will be available at the end of the process. No wonder that bitterness and disillusionment, rather than satisfaction and a feeling of achievement, characterize so many of our manpower programs.

There are, of course, much broader effects of these failures in public policy. Neither welfare payments nor manpower training stipends provide sufficient funds on which people can live decently. Consequently, there is continuing deterioration in the stability of family life as more and more men give up hope that they will be able to support their families properly. Both the enormous crime rate—reported and unreported—and the tragic level of drug addiction, are directly related to the failure to create viable employment opportunities. Finally, the level of ethnic and racial polarization has deep roots in the fear of competition for a limited number of available jobs.

We delude ourselves if we think the problem of inadequate job availability will somehow magically disappear when the unemployment rate declines. The fact is that a great many persons are not counted in our present unemployment statistics. It is time to stop using a system of counting which does not begin to indicate the scope or nature of real unemployment as the basis for social policy. *In December 1972, the Bureau of Labor Statistics reported that 4.7 million people were officially unemployed and seeking work. We believe, as the table on the following page shows, that actually there are over 7.5 million people who need fulltime employment and nearly 1 million more who need part-time employment.* This is because our current measuring system does not include:

578,000 youth who are out of school and in need of full-time work, and who do not believe they can find it, or 1,145,000 who are in school and who need part-time work to help support themselves and their families;

1,500,000 employable welfare recipients who, with access to decent day care and adequate wages, would be willing and able to work;

500,000 senior citizens who need at least part-time work to supplement their fixed incomes, and who either believe they cannot get work, or who, unfortunately, are penalized for working by having their benefits reduced;

Substantial numbers of women who have been discouraged from entering or reentering the labor force because of the current level of unemployment; and

Substantial numbers of single adults who are not eligible for public assistance benefits and who eke out their living in marginal, non-registered or illegal work (see table 1).

Table 1.—*Estimate of the real level of unemployment*

A. Needing full-time jobs:

	<i>Number</i>
1. Unemployment as currently measured, persons unemployed and seeking work in December 1971.....	¹ 4, 695, 000
20 and over.....	3, 528, 000
Youth 16-19.....	1, 187, 000
2. Employable out-of-school 16-19 cannot find full-time or part-time work.....	¹ 578, 000
3. Employable welfare recipients.....	² 1, 500, 000
4. Single adults and married women who are not seeking work actively because of prior failures in finding employment....	750, 000
Total full-time unemployment.....	³ 7, 523, 000

B. Needing part-time jobs:

1. Youth in-school who need part-time jobs.....	1, 144, 700
2. Senior citizens who need part-time work to supplement pensions and social security.....	⁴ 500, 000
Total part-time unemployment.....	1, 644, 700

¹ "Employment and Earnings," US/DOL/BLS, December 1971.

² "Public Assistance Statistics, August 1971." Pub. No. (srs) 72-03100, NCSS Report A-2, November 1971. (Estimated 50 percent of the ADC and ADC-U cases.)

³ Total does not include estimate of other groups described in text.

⁴ Office of Assistant to Commissioner on Aging for Statistics and Analysis, Administration on Aging, HEW. (Estimated from data supplied by the foregoing.)

Amazingly enough, the unemployment figure for New York City does not include some 70,000 persons receiving home relief assistance from the city and the state. Many of these are now being forced to work in nonsalaried public work projects under a new state law, and others will be brought under the law shortly. Public officials have their own set of myths about the welfare population too, and they are deluded by these myths. Although the public work program is, in many ways, a repressive measure, we have found from our experience with the program thus far, that the people required to participate are willing to work. They, however, are somewhat bewildered that anyone ever perceived their attitudes toward work differently. Isn't it plausible that they wonder why all the resources being expended to force them into public work are not used to create real jobs for them? This brings us back to the real issue.

Rather than dissipate our resources on nonwork income maintenance programs and forced work projects, and the support of layers upon layers of government employees needed to administer such programs, we need to devote our resources to productive use. We need to create genuine jobs for people which meet the real needs of the nation.

We envision the third sector job creation program as a kind of safety valve used to expand or contract employment nationally, or in specific geographic areas, in specific industries, or occupations as the need arises. Commitments to the funding of these third sector jobs should be sufficiently long range, so that the program is attractive to both public and private employers. Such financing should be short enough so that the program will not be considered permanent. Thus, funding can be developed in the private sector and the conventional public sector, as they become able to provide healthy employment levels. This ideal is approached in the funding plan for the Public Service Employment provisions recently added to the WIN Section of the Social Security Act.

Jobs would thus be created in priority service areas to offset unemployment. Such areas might include health services, education, environmental protection and pollution control, land reclamation, and urban renewal. Jobs would be distributed over the entire spectrum of public and private employment, including public agencies delivering vital services for which there is a growing need (e.g. addiction services and rehabilitation), private non-profit organizations performing work for public benefit, and private corporations working in areas which serve public purposes.

Jobs would be created for specific groups within the population: the unemployed in general, the unemployed who have been displaced by changes in national priorities (e.g. in the aero-space industry); persons over the retirement age who are in need of part-time work to supplement fixed incomes and who cannot gain entry into the labor force; persons now receiving welfare who are employable, but for whom no work can be secured; veterans, and other specific groups who are over-represented in the ranks of the unemployed as the result of past or continuing discrimination.

MINIMUM GOALS FOR JOB CREATION

We propose that the Congress set annual minimum job creation goals as a guide to the National Job Creation Commission. Specifically we suggest the following goals for full-time jobs:

Reduction of general unemployment by at least 300,000 jobs each year so long as reported unemployment exceeds 4% ;

Creation of jobs for 15% of employable welfare recipients, a goal which Congress recently set in amending the Social Security Act ;

Creation of jobs of 20% of those out-of-school youths who are not presently tabulated in the labor market ;

Creation of jobs of 10% of those single and married adults who needs jobs, but have dropped out of the employment market. In addition, we suggest that *part-time* jobs be created for :

Ten percent of those senior citizens who need to supplement their pensions, or Social Security, or other income ;

One hundred percent of those youths who need additional income to remain in school.

We emphasize that these are minimum annual goals. The National Job Creation Commission should recommend even higher proportions if feasible.

JOB CREATION GOALS FOR FISCAL YEAR 1973

We currently have the capacity to create approximately 327,000 full-time jobs under the Emergency Employment Act, the Neighborhood Youth Corps out-of-school program, Operation Mainstream and Public Service Careers. There are also over 680,000 part-time jobs provided under the Neighborhood Youth Corps summer and in-school programs.

Applying the minimum goals outlined in the preceding section would require the creation of 716,000 full-time and 1,195,000 part-time jobs in fiscal year 1973. The details for this proposal are set forth in table 2.

TABLE 2.—PROPOSED JOB CREATION PROGRAM, FISCAL YEAR 1973

	Jobs currently funded, fiscal year 1972	Jobs proposed, fiscal year 1973	Increased
I. Full-time jobs:			
Emergency Employment Act.....	150,000	491,000	164,000
Public service careers.....	59,600		
NYC out-of-school.....	82,700		
Other job creation (including Operation Mainstream).....	34,700		
Welfare recipient employment.....		225,000	225,000
Total.....	327,000	716,000	389,000
II. Part-time work:			
NYC summer and in-school.....	682,700	1,144,700	462,000
Senior citizen employment.....		50,000	50,000
Total.....	682,700	1,194,700	512,000
Total jobs.....	1,009,700	1,910,700	901,000

† Funding for 225,000 jobs in this category would be provided through the Social Security Act.

In terms of some of the specific target groups, we would propose that:

491,000 of the full-time jobs to be created go to the unemployed, with a priority given to veterans;

225,000 of the full-time jobs to be created be specifically earmarked for employable public assistance recipients (in line with welfare legislation approved in December by the Congress);

50,000 of the part-time jobs to be created go entirely to workers either approaching or beyond the retirement age.

1,145,000 of the part-time jobs go to disadvantaged youths in school.

This level of program is an increase of 389,000 full-time and 512,000 part-time jobs over the levels authorized in FY 1972.

The distribution of the newly created jobs among the aforementioned employment sectors should be determined by the National Commission. At least 15% of the new appropriations for a comprehensive job creation program should be withheld in a discretionary fund. This fund should be used to deal with specific unemployment situations identified by the National Commission in reviewing actions which may reduce employment.

NEW COST OF JOB CREATION IS ESTIMATED AT \$2 BILLION

The cost of our proposed program to create jobs is not unreasonable, and, in part, is already mandated by the new provisions of the WIN program. Our proposal would increase outlays for job creation in the coming year by a gross of \$3.0 billion. Unlike other manpower programs, however, job creation has a direct and immediate return to the public in the form of: (a) tax revenues; (b) cost savings from unemployment insurance benefits; and (c) welfare payments.

Against the \$3.0 billion increase for job creation we are proposing that the public receive savings and returns totaling \$1.1 billion in the first year alone, making the net cost in the first year of the expanded job creation effort \$1.9 billion (see table 3).

TABLE 3.—ANALYSIS PROPOSED ADDITIONAL COSTS OF JOB CREATION PROGRAM FOR FISCAL YEAR 1973

Target population (1)	Estimated number of jobs (2)	Unit cost salaries and benefits (3)	Total cost of salaries and benefits (4)	Offsets to public costs			Total offsets (5) plus (6) plus (7) (8)	Net costs to public (4) minus (8) (9)
				Welfare costs (5)	Unemployment insurance ¹ (6)	Tax revenue ² (7)		
1. Unemployed in labor market, 20 and over.....	100,000	\$8,000	\$8,000,000	\$15,000,000	\$72,800,000	\$68,640,000	\$156,440,000	\$643,560,000
2. Unemployed in labor market 16 to, 19.....	32,000	5,000	160,000,000	2,080,000	23,296,000	17,963,000	43,339,000	116,661,000
3. Employable welfare recipients ³	225,000	6,000	1,350,000,000	775,000,000	-----	77,000,000	852,000,000	498,000,000
4. Part time for senior citizens.....	50,000	2,000	100,000,000	-----	-----	-----	-----	100,000,000
Youth employment (16 to 19) not now in labor force:								
5. Part time.....	462,000	1,000	462,000,000	30,030,000	-----	-----	30,030,000	431,970,000
6. Full time.....	32,000	5,000	160,000,000	2,080,000	-----	17,963,000	20,043,000	139,957,000
Total.....	901,000	-----	3,032,000,000	824,190,000	96,096,000	181,566,000	1,101,852,000	1,930,148,000

¹ Figure based on average of \$56 per week for 13 weeks (\$728).

² Figure based on tax tables.

³ Welfare costs based on average of \$3,000 per ADC family per year—6 months in case of category 1, 10 percent of people, 12 months and 100 percent of people in category 3.

⁴ Welfare cost based on average of \$750 annually for single individuals, 6 months in case of categories 2, 5, 6, 20 percent only.

⁵ Based on 15 percent of ADC employable cases.

ADMINISTRATION OF THE JOB CREATION PROGRAM

The Comprehensive National Job Creation Program should be administered by the Secretary of Labor under the following provisions :

Existing job creation programs would be integrated under a single authority. This would include Emergency Employment Act programs, Neighborhood Youth Corps, Operation Mainstream, and the Public Service Employment provisions of the WIN program ;

The Secretary would be given the authority to implement a national job creation program, to be administered along lines similar to the prime sponsorship provisions of H.R. 11167, and within the limits of the national plan developed by the National Commission for the Annual expenditure of public funds for job creation programs in a given year ;

The Secretary should have authority to create jobs in the public, private non-profit, and the private-for-public-purpose sectors.

We recognize that these proposals require considerable thought and debate. We are also convinced that, in outline, they point the way in which we should be moving, if we are serious about solving the nation's employment and manpower problems. If we fail to take steps now toward building a comprehensive job creation program, five years from now we will find ourselves dealing with the same problems of program fragmentation and resource wastage to which the proposed "Employment and Manpower Act of 1972" is addressed.

To recapitulate, it is my belief that this Committee must turn its focus from job training to job creation. The need is enormous. In New York City and throughout the country, there are far too many manpower training programs producing no results, because there are no jobs at the end of the training period. The intense desire for real jobs is demonstrated constantly in the ranks of the poor, the underemployed, the unemployed, and the welfare population. The time has come when the creation of jobs must be as much a part of public policy as the building of highways, the provision of public assistance, or the defense of the nation. In the absence of a job creation policy, we can expect a growth in tensions between those who have jobs and those who do not—often accompanied by racial and ethnic polarization, further breakdown in family life, and extensive deterioration in our great cities and public agencies.

In our present disjointed planning for job creation, we are constantly trying to solve the problems of one type of unemployment at the expense of another type of unemployment. For example, we give job priority to welfare recipients and thereby lose opportunities for returning Vietnam veterans. Or we give priority to young people and thereby limit opportunities for the middle-aged man who is losing his job.

To remedy these defects we need :

1. A permanent policy of job creation.
2. A national commission on job creation.
3. Minimum annual goals for job creation spelled out in legislation.
4. Creation of 716,000 full time and 1,200,000 part time jobs in FY 1973.

We will now direct the remainder of our testimony to the contents of that bill as proposed.

While Title I of the proposed bill provides for an excellent mechanism (local prime sponsorship) for establishing comprehensive manpower services programs, we feel that much stronger language is needed in Section 103 to mandate the participation in locally sponsored delivery of manpower, and manpower-related services. Such language might make both state and local plan approval contingent upon effective agreements between states and prime sponsors as to the role, level of effort, and specific services to be provided by state agencies, within locally sponsored comprehensive services programs. We understand the complexity of the legal, institutional, jurisdictional, and political factors involved in such agreements. However, we also understand, from our past experience, that unless a specific mandate for this level of cooperation is included in the legislation, we will continue to have the various agencies and institutions duplicating one another's services and competing for the same population groups. Without a specific mandate for the integration of all services into the comprehensive services program, the program is doomed to failure from the start.

This point cannot be overemphasized, and becomes particularly clear when we recognize that the nation's labor market services program is administered almost entirely by State employment service agencies operating under the authority of legislation not affected by the proposed bill.

Without the full cooperation and participation of State employment service agencies in locally sponsored comprehensive service programs, prime sponsors would be left with the options of duplicating the services provided by the State, or of not providing the services at all. Also, provisions of the Social Security Act now mandate that the State employment service agencies play a central role in the provision of manpower and employment services to employable welfare recipients. Without the specific mandate for service integration, we run the risk of creating a separate and parallel services track for public assistance recipients.

Chairman GRIFFITHS. Mr. Sugarman, I would like to ask you, first, about the new reorganization. What is the plan and how is it going to work?

Mr. SUGARMAN. Well, there are several parts to the plan. The first is the mandated separation of services from income maintenance. I am talking now about the income maintenance.

Chairman GRIFFITHS. I was thinking about your own reorganization plan.

Mr. SUGARMAN. Within the income maintenance orbit, we will have a director of income maintenance, who will have below him 10 field managers, each of whom will be responsible for four or five income maintenance centers. And that is a line responsibility, with complete authority over those centers.

Each center will then, in turn, be managed by a center director, and the thing that we announced yesterday was a number of reassignments of these center directors and the appointment of the 10 field managers.

In addition to that structural change and the personality changes, we are introducing a whole series of, what I would call, management control systems and quality control systems, designed to try to get the work done efficiently, correctly, and promptly.

One of the problems that the city has had, is that a great deal of work has been allowed to back up. Actions that should have been taken promptly were not taken promptly.

We have also had a great many problems with the work that was done. So, as I said yesterday or the day before, a large proportion of the errors in the system have to be attributed to our own operations, rather than to any fraud or misinformation on the part of the client.

Chairman GRIFFITHS. How is the efficiency going to be brought about? And how are you going to get rid of the backup of cases?

Mr. SUGARMAN. Well, the backlog of cases has been significantly reduced by the use of overtime. We had 165,000 backlogged items. Some of those were case closings, some of them were nothing more than a change of address, but nevertheless, they were items that had to be dealt with. We have reduced that by about one-third, and we are continuing that overtime program.

The real answer, though, on the efficiency side, I think, is to have a clear, quantitative measure of what's going on; to know what pieces of paper have to be accounted for and whether they have been accounted for, to have the kind of quality control system that tells us not that we have got an ineligibility rate or an error rate on a system-wide basis, but that we have got a problem with center 32 and group C within center 32. That's the kind of system that we are now installing, and that will give us a very specific focus on where the problem is occurring. Once we know that, then we can deal with it.

It may be a question of poor supervision, or it may be a question of poor training, but it can be dealt with quite specifically.

Chairman GRIFFITHS. With whom did you go over this reorganization plan before you put it into effect?

Mr. SUGARMAN. Well, we have a whole series of staff people involved. I think some of them you heard earlier this morning. We have project management staff, industrial engineering staff, and the new director of the bureau of public assistance, of course.

We also went over it with a number of the senior people from the department who have had long-term experience: the first deputy commissioner, Mr. Waldgeir, Mr. Portius, and Miss Hollyer, all of whom are well experienced in the department's programs.

We did not have in any level of detail, but, we did have in general terms, a discussion with the State Department of Social Services, as well.

Chairman GRIFFITHS. Did you ask anybody who is out on that daily firing line?

Mr. SUGARMAN. Yes. Since I have been the commissioner in the last 12 months, there have been meetings with center directors, with staff, with representatives of the union as we evolved our ideas.

The specific package, the specific personnel changes that were made, were not discussed with those individuals because I think that's management kind of decision.

Chairman GRIFFITHS. The objections that we have been hearing, the kinds of corrections that we have been making, and the suggestions made to us, are not things that could be put into effect, really, by changing the top manager. Rather, it seems to me that one of the necessary things, for instance, would be a private little booth in which the client could be asked questions.

What are you going to do about that?

Mr. SUGARMAN. We have started a center redesign program. We have done it in two phases: First, taking care of some of the emergency problems by having a reception area where people could be carefully channeled into the appropriate areas. For example, separating those on the drug addict rolls and sending them to a separate section of the offices. And, we have erected temporary partitions, railings to guide people—things of that sort.

There is now an architectural team in, I believe, three of the centers, trying to make a really ideal design for the optimal flow of people. That will include some way of partially screening one client and one income maintenance worker from the others.

However, we have to balance that against our security problem.

Chairman GRIFFITHS. Yes.

How are you going to reduce the terror and the tension in the center?

Mr. SUGARMAN. I think it is a series of things.

No. 1, I would put first and foremost, the diversion of the addict population into a separate flow, so that they are not part of the general center population.

Second, I hope we can find, and we expect to find, ways to reduce the number of people that have to come into the centers. We have got far too many people having to come in far too often to the centers.

Third, I think we can train and beef up our special patrolman force.

We have been discussing with the Police Commissioner in the city candidates for a supervisor of that force, somebody with a broader police background, who might be able to improve the training and the operation.

Fourth, we have now issued a firm policy on the relationships between the center directors and the special patrolmen, so that it's clear who is in charge, who gives the orders, and under what circumstances.

I think another thing that we need to do is to make sure that our patrolmen are out in the actual areas where operations are going on, rather than in the room where the headquarters are maintained.

Now, I think, another part of it is simply to have the staff handle people expeditiously, so that they don't have long waiting periods, and so that there isn't the tension which always builds up when you have long periods of waiting time.

That depends very heavily on our capacity to recruit additional staff. We were substantially understaffed for a period of time, as a result of the city's attrition policies last year and the new State law requirements.

We have hired approximately 1,000 people in the last 6 months or so, and we have another 1,000 people to go. Then we should be in much better shape.

That assumes, of course, that we are not going to have a spectacular growth in the number of cases which is, given the economic situation, always a possibility.

Chairman GRIFFITHS. As a matter of fact, hasn't the growth in all these cases been in AFDC, rather than in AFDC-UF (unemployed fathers)?

Mr. SUGARMAN. By all means, the most spectacular growth has been in ADC, yes.

Chairman GRIFFITHS. How do you account for it?

Mr. SUGARMAN. Well, again I account for it by, a series of things.

No. 1, I think, is the fact that we have been, for many years, and continuing to be in most places, driving families apart with the welfare policies.

I attribute it, also, to a very real decline in this city, and many other cities, in the number of jobs for low-skilled men.

New York City does not have a terrible problem, in the long term, with employment generally, but it has a very tough problem in terms of types of work that men usually do, particularly low-skilled men.

The Economic Development Council, which is a New York businessmen's organization, estimates very substantial losses. The figure that I recall is 90,000 jobs for this category of men.

Chairman GRIFFITHS. As a matter of fact, they can draw money if the family is living together?

Mr. SUGARMAN. Yes.

Chairman GRIFFITHS. But aren't we really rewarding them for splitting up?

Mr. SUGARMAN. I think the overall impact of the welfare system as we now operate it, is to make it easier if you split up. That's right.

Chairman GRIFFITHS. Now, do you have the kind of assistance available, investigator's assistance available, or do you contemplate creat-

ing such assistance, that will permit you to know whether or not they actually split up or just told you they did?

Mr. SUGARMAN. We do have eligibility investigators who are able to make home visits, and determine whether families are living together.

As a routine matter, we do not make that kind of check but rely on the sworn statement or the firm statement of the individual.

If there is a report made to us or any evidence which comes to us which would indicate otherwise, we do, in fact, investigate and take action if that action is merited.

Chairman GRIFFITHS. Did you add 56,000 cases of AFDC last year to your rolls?

Mr. SUGARMAN. That's approximately correct; yes.

Chairman GRIFFITHS. And how many cases of AFDC-UF, where the father is unemployed?

Mr. SUGARMAN. Well, the gross—

Chairman GRIFFITHS. It was very small, wasn't it?

Mr. SUGARMAN. The gross total would be very small. Of course, there would always be movement on and off the rolls. It is simply the net additions one has to examine, but how many new people come on?

Chairman GRIFFITHS. You have to examine, in my judgment, the effect of unemployment or low employment and the effect, really, of the law, and the law is really rewarding those people who say they are not living together, and you do not have the kind of investigative power, and really you couldn't check it, anyhow, as to whether they are living together.

When a man and woman come in and say they are married and they want to go on welfare, do they have to produce a marriage certificate?

Mr. SUGARMAN. They are asked to produce marriage and birth certificates.

Chairman GRIFFITHS. Are they?

Mr. SUGARMAN. If they are available; yes.

Chairman GRIFFITHS. If, afterward, she comes in and says, "Well, he has left and I want aid to dependent children," then what do you do to find the father?

Mr. SUGARMAN. We pursue the matter, in some cases.

Chairman GRIFFITHS. How many?

Mr. SUGARMAN. I'd say a small proportion, because our general experience has been that it's not a very fruitful process. Even if the father is located, the amount of funds which can be obtained from him are very minimal, and probably do not even justify the cost of the investigation.

If, on the other hand, we have some indication that the father is, indeed, able to support the family and that a court payment is likely to be available, then we pursue it.

I would, if I may, Chairman Griffiths, like to give you one more part of your analysis. I think, and it is something that is very hard to deal with explicitly because we can't prove it, but it is my belief that what happens in terms of our general welfare policies and our general economic situation is that we create the situation in which men are not willing to enter into, or remain in, a marriage contract.

Chairman GRIFFITHS. Or women? Why blame men?

Mr. SUGARMAN. I say men because they do not see the potential of carrying out their roles as fathers and husbands.

Chairman GRIFFITHS. But the woman doesn't see his potential. Why should she waste time with him?

Mr. SUGARMAN. Yes, I suppose that's the adverse side of the coin. But it doesn't have to be that way, and it wouldn't be that way if we could create the kind of employment situation in the country, if there really were jobs available for them.

Chairman GRIFFITHS. I wonder if that is really the situation.

As a matter of fact, last year you had a 14,500 decline in AFDC-UF, but you had a 56,000 increase in AFDC. There is either something wrong with the law—and I think that is it—or there is something wrong with the way welfare is run.

Mr. SUGARMAN. Or there is something wrong with our general conditions of life, something wrong with the way in which we fail to really provide full employment in this country.

Chairman GRIFFITHS. It could be, but the real truth is that the law is helping people to maximize their incomes by not marrying.

You know, we are doing this on a lot of levels. We have just concluded a nice little conference committee on taxation, and when we wound up, a working couple, both of them making a pretty good sum, are penalized more than if they weren't married at all.

A Washington couple pointed out that they might as well spend the weekend in Haiti, get a divorce, and come back and continue living together; they would be doing better.

This is really what the law is doing in welfare, isn't it?

Mr. SUGARMAN. First of all, let me say that I think that the facts show that those families do not exist on any continuing basis. There may be, and probably are, occasional contacts, but there is a great deal of nonfamily life going on in the welfare population.

Chairman GRIFFITHS. What happened on the housing?

In New York City, several of your public assistance application clerks testified that they received notices of rent increases from the housing authority for assistance recipients living in public housing. Many families were listed by the housing authority as Mr. and Mrs., but on the welfare rolls the family is listed as female headed.

Mr. SUGARMAN. Let me simply say that the great variety, the great majority of complaints that we get of that sort, do not turn out to be the case when they are checked out.

Chairman GRIFFITHS. How many of them are you checking, Mr. Sugarman?

Mr. SUGARMAN. Well, we check several thousand cases every year.

Chairman GRIFFITHS. We had one of your center directors in here yesterday who told us that out of 7,600 cases, 48 were checked under quality control. That is an entirely inappropriate sample. You can't really get reliable results on a check of 48.

He also told us that the people doing eligibility investigations really didn't want to check on the people, and that they were the most junior of all people in the department. If you are going to check eligibility, you have to have it checked by people who know how to check; isn't that correct?

Mr. SUGARMAN. Of course. Those people are supposed to have the qualifications to do that.

I think there is a real problem and real danger involved for many of the staff, going into certain areas of the city. I don't deny that.

Chairman GRIFFITHS. There is fear?

Mr. SUGARMAN. Yes.

Chairman GRIFFITHS. They are afraid to check; and you can't blame them.

Mr. SUGARMAN. That's correct.

Chairman GRIFFITHS. The real truth is, nobody knows what these figures are. You don't know how much fraud there is, do you?

Mr. SUGARMAN. The real problem is not what the figures are, but what to do about it, what corrective measures can be undertaken that will change the situation.

The point that my written testimony tries to make is that we are not basically going to improve that situation substantially until we stop tinkering with the welfare system and start dealing with real causes of poverty.

Chairman GRIFFITHS. Are you one of those who feel that the women on welfare shouldn't work?

Mr. SUGARMAN. Which women?

Chairman GRIFFITHS. With children.

Mr. SUGARMAN. Which women with which children?

Chairman GRIFFITHS. Suppose we start out with those under 6.

Do you feel that women shouldn't be working?

Mr. SUGARMAN. I don't like to generalize, and my answer to that is that there are some women and some children for whom work is a fine and appropriate solution. In fact, that is true of 40 percent of the women in the United States who are working mothers of preschool children.

Chairman GRIFFITHS. Of course.

Mr. SUGARMAN. So there is nothing unusual or evil or wrong about it. There are some children, however, for whom that is not a good solution.

Chairman GRIFFITHS. But who is going to make this decision, Mr. Sugarman?

Mr. SUGARMAN. Well, I usually prefer to let the mother make that decision.

Chairman GRIFFITHS. Of course, the mother isn't making it. The way the welfare department is run, either the welfare department makes the decision or the Labor Department makes the decision.

Over in the Labor Department, you have a lot of men working who are determined that women are not going to offer any competition to men in jobs. So that it is very simple to say, "No woman works; let her stay home and we will give men the jobs."

Mr. SUGARMAN. Well, I can't speak for the Labor Department.

Chairman GRIFFITHS. I am speaking of my long observation of what they are doing. This is exactly what they are doing.

Mr. SUGARMAN. But the fact of it is that despite all of that, there are an awful lot of working women, and a growing number of working women in the country.

Chairman GRIFFITHS. That is right. Many of those working women are working at sums less than women are getting on welfare, and

those working women have to provide their own day care for their children.

You mentioned child care. As a matter of fact, the State of New York did not take advantage of the amendments in the social security amendments, I believe in 1967, that would have paid 85 cents on the dollar for any child care centers that were put up. New York, I think I saw one time, lost \$250 million on this.

You suggested that the Federal Government should pay 90 percent on services. How can you guarantee that any State government is going to take advantage of any of this?

Mr. SUGARMAN. I can't guarantee it.

Chairman GRIFFITHS. Of course.

Mr. SUGARMAN. I have been one of the most persistent critics of the State for failing to use title IV and title XVI authority. I can only say that in the last year and a half, and in the year ahead, the city will have gone from using roughly \$15 million of Federal money for day care to using over \$100 million.

Chairman GRIFFITHS. Is the day care for baby sitters?

Mr. SUGARMAN. It is day care.

Chairman GRIFFITHS. How much are you spending in babysitters?

Mr. SUGARMAN. In baby sitters, we don't have accurate figures, because that's done by an income exclusion system. The amount the individual pays to a baby sitter is excluded from his income.

My guess, or my estimate is, that there are somewhere between 15,000 and 20,000 people using that form of care. We will have, at the end of this year, about 42,000 people who are in either organized group care or organized family day care.

Chairman GRIFFITHS. What do they have to produce to prove that they hired a baby sitter so that the money is excluded?

Mr. SUGARMAN. It's taken on the basis of a declaration, and evidence that they are working.

Chairman GRIFFITHS. Do you have any check on the adequacy of the day care?

Mr. SUGARMAN. In that situation, we don't have a check. That's why I prefer the organized care.

Chairman GRIFFITHS. I believe that one of the problems in day care is how you can get women to use it. It's not just a phenomenon of this country, it's a worldwide phenomenon, that women of low income are not interested in day care.

I was in a day-care center in Singapore. This country doesn't have any day-care center that is as good as that one; and yet, you couldn't get mothers to place their kids in there.

The women who are running it told us that was the biggest problem.

Mr. SUGARMAN. That is not a problem in New York City. Our problem is that we have two people waiting in line for every child that is in day care, and we are moving and mobilizing as fast as we can.

Since we are on this topic, let me harp on a favorite theme of mine; child development programs in general, and the vast need for the Ways and Means Committee and the Education and Labor Committee to get together on a good single system for child care.

Chairman GRIFFITHS. I am trying to get together on a single identification number for everybody, so that we understand how all these programs work.

We are paying out \$85 billion every year, and nobody knows who gets what.

If there were a central clearing house so you knew who was getting what and who didn't get anything, it would be a great help.

The current structure of public assistance has been criticized as offering too few work incentives.

Leaving aside for a moment the issue of whether or not there should be a work requirement, are there any other structural features of aid to families with dependent children, aid to families with dependent children for unemployed fathers, or home relief that you believe may not be conducive to maximum work effort?

Mr. SUGARMAN. The principal barrier that I see is not structural at all, but the availability of employment—employment which people are prepared to handle.

We have in the ADC, of course, a more generous economic incentive than we have in home relief. We have a more stringent work relief or public works project, as it is called, in New York City and State than we do in the ADC.

Chairman GRIFFITHS. You know, one of the problems we always have in the Ways and Means Committee when we talk about this is that somebody comes in with the daily paper with 26 pages of ads for employment.

Mr. SUGARMAN. Yes.

Chairman GRIFFITHS. There are ads for all kinds of employment. What would you do about that?

If you can give me an answer, I will be glad to use it.

Mr. SUGARMAN. I had a little analysis of that done with the New York Times sections. First of all, we found, at least in terms of the New York Times and the Daily News advertising, that 90 percent of the jobs require rather significant skills, skills which are above those that welfare recipients generally have.

Then we got into things like domestic employment or employment in restaurants, and so forth, and we found there that a significant number of those jobs were not available to people with records of drug addiction, a criminal record, lack of prior experience, lack of adequate references, and other similar disqualifying factors.

So that 26 pages, if that was the figure—

Chairman GRIFFITHS. That is correct.

Mr. SUGARMAN. Reduces to perhaps half a column of jobs that are actually available.

We do send a very substantial number of people to the employment service in New York State.

Chairman GRIFFITHS. What does the employment service do with them?

Mr. SUGARMAN. They, presumably, refer them to jobs.

Chairman GRIFFITHS. But do they, really?

Mr. SUGARMAN. They refer about 8 percent of them for jobs. The other 92 percent are told by the employment service—not the welfare Department—that suitable jobs are not available to them.

Furthermore, of the 8 percent that are referred, we find that a great many of those jobs last a couple of days or a few weeks, and then they are back on the rolls.

Chairman GRIFFITHS. Have you ever asked the employment service what "suitable" means?

Mr. SUGARMAN. Yes; we have.

They have taken the view, which is, as I understand it, a general policy of the Labor Department, that a suitable job is one which is appropriate in terms of background and experience for the qualifications of the individual.

The problem is that a great many of the people we send to them have very little in the way of background, qualifications, and experience. It's not the problem of somebody who won't take a job because the job is too low in relationship to his high skills. The problem is that he has very low skills, and there are very few jobs of that sort available.

Chairman GRIFFITHS. A priest in one of the poorest parishes in the city of Detroit told me that he told his parish that there were two jobs available for taking care of people in their own homes, large owned homes, which paid \$125 a week. There were no takers.

Mr. SUGARMAN. How many hours a week?

Chairman GRIFFITHS. I presume that they would have lived there. They would have had some time off. They would have had a very fine housing provided.

I tried it in my own district. Again, no takers. There were women that were on welfare.

Why are these jobs so unattractive, I wonder?

Mr. SUGARMAN. Well, I can't speak to those particular jobs.

Chairman GRIFFITHS. Other people have told me about calling the employment service in Detroit offering jobs paying \$2 an hour for domestic workers, and the employment service has simply said: "We don't send people out on these jobs."

Is that true here, or is it not?

Mr. SUGARMAN. Not to my knowledge. There is a domestic division. It's part of the employment service here.

Chairman GRIFFITHS. Do you have any comments about the level of AFDC in New York and its effect on workers?

Mr. SUGARMAN. Well, the State conducts surveys of the standard of need, and arrives at a figure. The amount that is now being compared to that standard of need is about 75 percent. Essentially, that means that a welfare family is getting only three-quarters of what it needs to live at a very minimum standard, which is below the Labor Department minimum standard. I don't think it is a joy to be on welfare. I don't think a family can survive adequately on welfare unless they cheat in one way or another, or deprive themselves in one way or another.

Chairman GRIFFITHS. How much does the Department of Social Services in New York City pay for taxi fares for people on welfare?

Mr. SUGARMAN. Unless they are medically in need of such taxi fares, we don't pay any transportation for families involved. We are now going through a massive process of photographic identification cards. In this case, the city has elected to pay two tokens to every person who comes to get his picture taken. If an individual is required to come in for some service, we can pay his actual carfare, but not taxi fare. We can pay subway fare or bus fare.

Chairman GRIFFITHS. Would it surprise you if I told you that the man who brought me here this morning in a taxi told me about a par-

ticular woman and child whom he took to a welfare center and she said, "Just park the cab a minute while I go get the fare for you," and he got it?

Mr. SUGARMAN. I suppose such things happen, and I suppose as long as people have some freedom of choice about how they spend their money, they make decisions.

Chairman GRIFFITHS. How do you do that?

Mr. SUGARMAN. Did you ask, however, if the woman was ill?

Chairman GRIFFITHS. No, she wasn't ill. She just applied for welfare.

How do you do it? Do you do it by removing the amount of money from her grant, or do you pay the taxi fare and then give her the grant?

Mr. SUGARMAN. We don't pay taxi fare to the individual.

Chairman GRIFFITHS. You did in this case.

Mr. SUGARMAN. We have a flat sum grant from New York City.

Chairman GRIFFITHS. I see. I can assume that the money was then removed from her grant, so she is operating on it?

Mr. SUGARMAN. Are you saying that the center paid her taxi fare?

Chairman GRIFFITHS. Yes. The fare was \$4.50 and they gave her \$5.

Mr. SUGARMAN. That would have to be some special circumstance. I would have to know about it. Generally speaking, there is no provision for that, except in medical cases. Some of our centers have dental treatment, and certain kinds of medical treatment.

Chairman GRIFFITHS. You pointed out that one of the problems is credibility of welfare, and I think this really is one of the problems.

Mr. SUGARMAN. That is correct.

Chairman GRIFFITHS. Because I have had this situation 20 years ago. I sat as a judge in a criminal court in Detroit. Across the street was the receiving hospital. One of the objections of every police officer that ever came into that court was the fact that people came to avail themselves of free services in that hospital and drove up in taxis.

Detroit has a lousy public transportation system and if they were sick they needed a taxi.

In New York you have the world's best transportation system.

Mr. SUGARMAN. Unless you happen to be in Far Rockaway.

Chairman GRIFFITHS. All right.

Do you feel that there is a limit in the short run to the level to which AFDC benefit levels grants should be raised in New York City?

Mr. SUGARMAN. Well, I feel that we should be giving whatever is determined to be the standard of need. That standard of need provides for an absolutely bare essential standard of living. I think we should be meeting that.

Chairman GRIFFITHS. How do you think we should meet it?

This is one of the problems that this committee is studying. Everything that is welfare or that is an attempt to meet the standard of need is not part of the cash grant.

You say your allowance meets 75 percent of the need. Do you also consider the food stamps, the free lunches for the children, free milk, Medicaid, and public housing?

Mr. SUGARMAN. The food stamps and the free milk and things like that are above the 75 percent, and, in some small measure, do reduce the gap.

Chairman GRIFFITHS. What about the public housing?

Mr. SUGARMAN. We say public housing on the basis of the actual rent.

Chairman GRIFFITHS. I see.

Once upon a time, all anybody got was a cash grant, but that isn't true any more. You have 19 different committees of Congress that are giving some type of assistance. Eleven Federal agencies are administering it. So that what we need to do is to add it all together, wouldn't you think?

Mr. SUGARMAN. I think that would be excellent, providing that once we have added it all together, and once we have agreed on the person's needs, that we are willing to pay that amount.

In my judgment, the reason all these special programs have evolved—particularly in food stamps, school lunch subsidies, and so forth—is that no State has really been willing to pay what it takes to keep a family in decent condition.

Chairman GRIFFITHS. Of course, I think the Federal Government should pay it all.

Mr. SUGARMAN. I agree.

Chairman GRIFFITHS. I don't think that being poor in Mississippi should be any different than being poor in New York. I think we ought to take care of needy people. I think we make a mistake when we underestimate the value of all the programs. In truth, today in this city, when you add all the programs together, many women on welfare are doing far better than they would if they were working full-time. One-third of all the men who head poor families are working full-time year-round.

Mr. SUGARMAN. That's right. That is another kind of problem that must be dealt with.

Chairman GRIFFITHS. That is right.

Mr. SUGARMAN. I think the minimum wage in this city is not adequate to maintain a family decently. I think we do have what is called the notch effect: if you happen to work a little harder or get a better job, you lose certain benefits.

We have been having a big battle over day care in New York City, because we want to keep people in day care so that they won't have to go back to the welfare rolls. With the kind of fee structure and the admission limitations that the State originally proposed, we would have had to send many hundreds of thousands of women right back on welfare.

Chairman GRIFFITHS. The real truth is that on some work efforts, people face a 100 percent or more than 100 percent "tax." Their total income and benefits are reduced by more than their earnings increase.

Mr. SUGARMAN. That's correct.

Chairman GRIFFITHS. Do you have any evidence that this policy affects work efforts?

Mr. SUGARMAN. Well, I think, myself, that very few people deliberately choose to go on welfare.

Chairman GRIFFITHS. I agree with you.

Mr. SUGARMAN. Because, as I have said before, I simply don't think one can survive well. But, I know many, lower income people who are working, and who are terribly discouraged because they can't afford basic medical care, or good quality day care for their children

and they don't have access to some of the special benefits of welfare recipients. I sense discrimination against "the working poor."

Chairman GRIFFITHS. If you can bring yourself to do it, then isn't it better to quit the job, go on welfare and then go back to work?

Mr. SUGARMAN. Well, no, because you do get more disposable income when you are working than when you are on welfare.

Chairman GRIFFITHS. Do you?

Mr. SUGARMAN. Yes, I think so.

Chairman GRIFFITHS. I would like to see it all written out, because what we have discovered is that the system works very improperly. The woman who is working for a fairly low income can't get on welfare. If she will stop working, get on welfare, she can then go back to work and get \$30 and one-third of the remaining income disregarded, she can disregard anything any child makes as well as a few other things, and she can get welfare and medicaid, even though she is earning exactly what she was earning before.

We are really putting the incentives in the wrong direction.

Mr. SUGARMAN. It is not my experience that people stop working in order to gain that kind of benefit. On the other hand, I do acknowledge that a person on welfare has a lot of benefits that are not available to many low-income people.

Chairman GRIFFITHS. Absolutely; it is totally unfair to other low-income people.

Mr. SUGARMAN. What we ought to be doing is dealing with the needs of both groups of people.

Chairman GRIFFITHS. That is right. One of the things wrong with the whole program is the terrible inequities in it.

Mr. SUGARMAN. Yes, but the solution to it, in my view, is not to do away with the program, but to develop a program which meets everybody's needs.

Chairman GRIFFITHS. In the other situations.

Mr. SUGARMAN. That's right.

Chairman GRIFFITHS. That is one of the things that should be done.

Mr. SUGARMAN. New York State and New York City suffered from increased unemployment, and you answered that you don't think that there is any pretended abandonment of the families of these 56,000 women who have been added to the rolls this past year.

Mr. SUGARMAN. By women?

Chairman GRIFFITHS. Yes.

Mr. SUGARMAN. No; I think there is abandonment. I have, after all, some 28,000 children committed to my custody in New York City. But, I don't think that is directly related to the welfare program.

Chairman GRIFFITHS. Do you have any comments on the advisability of providing cash assistance to narcotics addicts?

Mr. SUGARMAN. I must say that I am very, very ambivalent about that program. If there were a way to do it without providing cash, I would like to do it. But, I have not yet found a way that is satisfactory.

Chairman GRIFFITHS. Why don't we provide the heroin?

Mr. SUGARMAN. I think that is a very dangerous thing to do. I have no confidence that it can be administered so as to prevent black-marketing, and that would ultimately lead to a growth in the use of heroin among more people than now use it.

Chairman GRIFFITHS. Of course it didn't do that in England. England didn't develop a black market.

Mr. SUGARMAN. Well, there are differences of opinion on that. The people that I have talked to who have visited England, including our own commissioner of addiction services, are not so sure that England doesn't have a black market that just isn't discussed. Furthermore, the English experience is now beginning to show that drugs other than heroin are addictive on top of it. The answer, it seems to me, has to be something more fundamental, but I confess to you that I don't know how to deal with the problem of narcotics.

Chairman GRIFFITHS. How do you check these people out when they come in and say they are addicts? What kind of test do you give to determine if they are in fact addicts? For instance, one young man died, I understand, because he was given methadone and he really wasn't an addict. Do you have some way of checking them?

Mr. SUGARMAN. Well, there is a prescribed medical examination which includes a urinalysis.

Chairman GRIFFITHS. Is that done every time?

Mr. SUGARMAN. It is not done every time.

Chairman GRIFFITHS. Why not?

Mr. SUGARMAN. Because it's not well administered, and we are making a change in our system. We probably will move to a system of municipally run clinics, rather than relying on the consultants we use at the present time.

Chairman GRIFFITHS. Mr. Sugarman, as you know, many of our Federal programs are categorical. Only certain groups of the population are eligible. This is true of public assistance and medicaid, among others. New York State is one of the few States that uses its own funds, along with funds from its localities, to provide cash and medical benefits to many groups not covered by Federal programs.

In February 1971, for example, New York City spent \$11 million of its own funds on cash home relief benefits for people who did not qualify for federally assisted payments because they did not fall into the eligible categories.

Would you care to comment on the fiscal and administrative burdens these categories create for you?

Mr. SUGARMAN. Well, it is very difficult for us to operate in a category system. But, administrative inconvenience should not be used as an excuse for avoiding the real need. I think if we can get a Federal welfare reform through Congress and signed by the President which recognizes all categories of need and treats them uniformly, we will be well ahead of the game. But, I am not sure that's going to happen this year.

Chairman GRIFFITHS. Could you describe the work relief program of this State and who is affected by it?

Mr. SUGARMAN. All right. At the present time, there are two parts to what people call work relief. One applies to both home relief and aid to dependent children, and the other applies to aid to dependent children of unemployed parents. The latter requires reporting to the employment service at least twice a month, and picking up a public assistance check there.

Now, for home relief only, if the employment service cannot place you in a regular job or in a full-time training program, the work-relief program requires that you work for a city agency for the number of hours equivalent to the value of your welfare check.

We now have a little more than 6,000 people who, on the average, work about 4 out of every 10 working days. We are not happy with that system, because it is inefficient. And, in lieu of it, we have proposed to the State legislature a plan to abolish home relief for employable people, and substitute guaranteed availability of the job for at least half-time.

This principle is one that I would like to see extended to many of the Federal programs. In fact, we have an example of this coming up now, in which the Emergency Employment Act money is going to be merged with welfare payments to create actual jobs for people, in place of work relief.

Chairman GRIFFITHS. I read something on income maintenance in which various people propose job programs at a certain amount, and I remember one criticism of it which I thought had some validity. The man said, "I am opposed to it, this is really the reinstatement of slavery."

Mr. SUGARMAN. I don't think so.

Chairman GRIFFITHS. Well, I think you might come pretty close.

Mr. SUGARMAN. It depends.

Chairman GRIFFITHS. Because if people can get the work done cheaply enough, they may wonder why they should pay more.

Mr. SUGARMAN. Because we don't determine wages that way here. We pay them as we pay regular city employees. If a man is working on a job that pays, for example, \$3 an hour, he is a regular city employee, and that's how we value his labor.

Chairman GRIFFITHS. You have been with the Federal Government a long time, do you think you can pass something like that through the Congress?

Mr. SUGARMAN. Well, you have already done so in the form of the Talmadge amendment which Congress passed last December, and you have, in effect, created this kind of program with your availability of money in public service jobs.

Chairman GRIFFITHS. Well, how much will these jobs be paid?

Mr. SUGARMAN. That is the question.

Chairman GRIFFITHS. Then you will have a different situation.

Mr. SUGARMAN. Sure.

Chairman GRIFFITHS. By what criteria do you determine whether a person is employable?

Mr. SUGARMAN. The law in New York State delineates the standards of employability. It states that a person over 65 years of age is not employable, a person whose presence is required at home to care for another adult for some medical reason is not employable, a person who has a physical or mental impairment which prohibits them from working is not employable.

A lot of people are unemployable for certain kinds of jobs, but employable for others. There is, for instance the one-armed person, who is not suited for all kinds of employment, but that doesn't mean he can't work. We do consider him employable for certain kinds of jobs.

Now, the big question concerns mothers. Here the State law says you are employable, unless you can prove that you have made a

reasonable effort to obtain day care and have found none available. So, the presumption is that you are employable as long as day care is available. The Talmadge amendment, however, limits this law to mothers with children over 6 years old.

Chairman GRIFFITHS. I think you will find the acid test of your law will be when some man quits a \$30,000 a year job to take care of his wife at home. I have no doubt that then they will discover he is employable.

Mr. SUGARMAN. I would think so.

Chairman GRIFFITHS. So the law won't work. It is within the prejudices of the people who operate the law, and I have found that men are convinced that every man should be working, regardless of what their excuses are.

Mr. SUGARMAN. Well, I suppose you know there are different environments.

Chairman GRIFFITHS. That is one of the real things wrong with the welfare law. That is one of the real difficulties. You give women certain amounts that are really not available to a man with children. He doesn't have the same rights.

Mr. SUGARMAN. That is correct.

Chairman GRIFFITHS. Well, it's quite unfair in my opinion. Who decides whether someone is employable?

Mr. SUGARMAN. One of the employment specialists at our social service centers.

Chairman GRIFFITHS. With all of his own built-in prejudices. How many hours and days do people have to work?

Mr. SUGARMAN. It depends on the value of their welfare benefit. If you are talking about the work relief program, we value work at either \$2, \$3, or \$4 an hour.

Chairman GRIFFITHS. What percentage of people receiving assistance do you believe could be placed in jobs?

Mr. SUGARMAN. We don't know. We never really tested it against the full availability of jobs, and the speculation ranges anywhere from half a percent to my own estimate of 50 percent of ADC recipients who could be employed if there were jobs and adequate child care.

Chairman GRIFFITHS. Do you have any of these people on work relief in your own employ?

Mr. SUGARMAN. Yes, we do.

Chairman GRIFFITHS. Right in your own office?

Mr. SUGARMAN. Yes.

Chairman GRIFFITHS. How is it working out?

Mr. SUGARMAN. Very well.

Chairman GRIFFITHS. Has there been some resistance from public offices to take on these workers because of the supervisory duties involved?

Mr. SUGARMAN. We have had extraordinary cooperation from agencies, considering the vast number of people we have placed so far which, as I have said, include about 6,000 on the citywide basis.

If, however, we have to place 35,000—and we do under the present State law—I think we are going to have real problems in terms of supervision and training and supplies and materials.

Chairman GRIFFITHS. Are people paid a wage or are they simply working off their welfare grants?

Mr. SUGARMAN. They are working off their welfare grant.

Chairman GRIFFITHS. Does this have some problem?

Mr. SUGARMAN. Yes, it does. I think it should be changed to a wage situation. That's what we proposed to the legislature.

Chairman GRIFFITHS. Are there any work incentives in here such as an allowance for work expenses, or application of the AFDC, "\$30 and one-third" provisions?

Mr. SUGARMAN. The only incentive is a \$3-a-day work expense benefit, which covers transportation, food, and clothing.

Chairman GRIFFITHS. To whom do the work incentive features apply? Everybody?

Mr. SUGARMAN. Everybody that works with this program.

Chairman GRIFFITHS. I understand that not all employable home relief recipients reported to the employment service to pick up their checks and to take possible jobs or training. Various statistics and opinions have been given out as to how many people did not pick up their check and why they didn't do so.

Could you give us the latest statistics on it and the reasons for it?

Mr. SUGARMAN. Well, the statistics, of course, change with each reporting period. A lot of the people we initially referred to the employment service as employable were actually improperly referred. That's because the program was launched in a very few days, and we made immediate referrals on the basis of the paper record. We sent a lot of people there who later, on the basis of medical examinations, were determined unemployable. We sent people there whose circumstances had changed somewhat since the paper record, and were no longer employable. Now we find that we have come fairly close to cleaning out the people who should not be in the system, and are now beginning to refer new people into the system. There was a hiatus there when we did not refer people.

Chairman GRIFFITHS. Why did they refer people that were not really employable? What was their error?

Mr. SUGARMAN. Well, the legislation was passed late in the spring. Regulations on it were not issued until June. And the program was to be implemented as of July 1. All the pressures, all of the concerns of the State officials were to get people to the employment service immediately. There was no way in which we could do that on an orderly basis by bringing each individual in, so we did it on the basis of paper records. And paper records are never adequate.

This is the general point that, I believe, I made in the written testimony. When Congress or State legislatures change laws, we must have time.

Chairman GRIFFITHS. Yes, I saw that. You know, one of the problems, though, of letting the law work without changing it is that sometimes, since the law applies universally, we discovered that we have made an error that would be a national catastrophe. And it would present real problems.

I pointed out to the gentlemen who were testifying this morning that the reason originally for the requirement in medicaid that any State spend the money that it was then spending, was that New York State was about to save \$250 million. And people thought that, oh, this would be terrible.

Then when they passed it, they suddenly found out that in New York State people were going to be eligible for medicaid with incomes as high as \$7,000 a year. Now, that was higher than the average income

in New York State, in the first place, and was far higher than any other State. So that then we corrected it, but you made 25 converts to the theory that there will never again be put into any law that a State has to continue to spend all the money on a program that they are currently spending. Because unless we can look in detail at every State's laws, what we are afraid of is that we will somehow or other affect those States very adversely.

Mr. SUGARMAN. Well, it is virtually impossible to write legislation that doesn't have quirks in it.

Chairman GRIFFITHS. Of course.

Mr. SUGARMAN. But, on the other hand, the work incentive program is a classic example of the Congress changing the law at least four times in 5 years, as I recall, and drastically altering the law itself. And, the effect of it, in my judgment, is that nothing is ever going to work because nothing sits still for any length of time.

Chairman GRIFFITHS. How many cases have been closed because of employment service.

Mr. SUGARMAN. Quite a few, but not through the work relief program particularly. I think that the totals in terms of any ongoing employment, are less than 1 percent of those we have sent to the employment service.

Chairman GRIFFITHS. Really?

Mr. SUGARMAN. Yes.

Chairman GRIFFITHS. Well, then, in your judgment do the savings pay for the cost of administering the program?

Mr. SUGARMAN. No; not as it presently stands.

Chairman GRIFFITHS. I understand further that the success rate in terms of keeping people in their public employment has not been very high. Mayor Lindsay was reported as having said that there was a 40-percent dropout rate of individuals assigned to public works projects, and that it is difficult to control their work patterns.

Would you comment?

Mr. SUGARMAN. There is a high dropout rate. Some of that is due to the fact that people get employment on their own initiative. Some of it, I suppose, is due to the fact that people simply don't want to. And, a lot of it is due to early confusion about work expenses; that is, travel and food.

I think any system, though, that has people working 2, 3, 4 days out of 10 is not going to be very effective, and is going to lead to dropouts.

Chairman GRIFFITHS. Can you estimate the administrative costs involved in work-relief program?

Mr. SUGARMAN. We can't do that because we don't have the Employment Service figures available. I can tell you that, in our Department, if you consider the work-relief program and the referral to the Employment Service which we are responsible for, we have had to add between 800 and a thousand people to our staff.

Chairman GRIFFITHS. Can you estimate the savings in cash welfare costs on the work produced—

Mr. SUGARMAN. I would estimate that the value of work produced is significantly below the welfare benefits. Not simply because it's an inefficient way to provide work, but also because a person working 2 days out of every 10 is not going to be an efficient employee. Nobody

will invest in his training. Nobody will invest much in supervision, because he is just not there enough.

Chairman GRIFFITHS. Do you feel that information on the net loss or gain is important in evaluating this policy?

Mr. SUGARMAN. I think that would be very useful.

Chairman GRIFFITHS. Do you plan to collect that information?

Mr. SUGARMAN. The State has some plans underway to collect data from selected demonstration projects, but at the moment, there is no organized plan of analysis.

Chairman GRIFFITHS. From your perspective as a local administrator what advantages other than fiscal do you see in Federal administration of welfare?

Mr. SUGARMAN. Well, from an administrative point of view, you will get a standardization of information and an exchange of information among sections of the country, that should prove useful in controlling the system. There are cases of people receiving duplicate assistance in different parts of the country, in different States in the country.

We had a case here recently of people simultaneously receiving assistance in New York State, Connecticut, and New Jersey. That kind of problem, although it is very rare, may be reduced. I think that it will lead to a more realistic consideration of benefit levels, and avert a situation in which some States pay so few welfare benefits that people cannot even afford to remain in the State.

Chairman GRIFFITHS. What are the disadvantages of Federal administration, in your opinion?

Mr. SUGARMAN. I don't find, except for the transitional problems involved in getting from one system to another, substantial disadvantages to Federal administration. Federal Government does, after all, have experience with income payment systems, such as the Veterans' Administration system and the Social Security Administration. While they are admittedly different than welfare, these national payment systems appear to work very well.

Federal Government also, by and large, pays staff as well as, if not better than, most State and local systems. Although this is not necessarily true in New York, it is true in other parts of the country. And that, presumably, should attract a good caliber of people to the program.

Chairman GRIFFITHS. You have announced that you are going to recertify all of your welfare cases.

Mr. SUGARMAN. Yes.

Chairman GRIFFITHS. You are going to do a face-to-face evaluation, and it will take a year. What will you really find out in a face-to-face evaluation?

Mr. SUGARMAN. Well, let me give you an example. We have just run through a little pilot program of face-to-face evaluation at a couple of our centers. We have picked up about 20 percent of cases which, on the basis of written information, might never have been judged accurately. Now, that doesn't mean ineligibility, but ineligibility and level of payment combined would have been about 20 percent in error if we had relied solely on the form.

So, we think that a well-trained interviewer in a very short time—on the average of 15 or 20 minutes—can provide that additional information, and facilitate the correct decision.

Chairman GRIFFITHS. Do you think it will increase the cost of welfare or decrease it?

Mr. SUGARMAN. I think the net effect will be to decrease the cost, but it will increase the staff cost.

Chairman GRIFFITHS. What about the people where the interviewer made a mistake and didn't let them have any benefits when they were entitled to grants?

Mr. SUGARMAN. That is an equally serious problem, and one we are equally interested in correcting, by having a better review of the initial determinations, one of our problems is that individual employees make the incorrect decision and, because the case is not reviewed, it goes unnoticed. Now, we are instituting in those centers where we see evidence of that problem, a more detailed supervisory review.

Chairman GRIFFITHS. If there is fraud in the applicant's original statement, how can an interview uncover this?

Mr. SUGARMAN. Well, sometimes because the information is internally contradictory. A man may say one thing in response to one question—

Chairman GRIFFITHS. And a year later he might not make that same statement.

Mr. SUGARMAN. That's right. Actually, in a great many cases, we will see people within a few months after their original application.

Chairman GRIFFITHS. Why don't you do it with field interviews?

Mr. SUGARMAN. My judgment, and all the evidence that I have seen, or experienced, indicates that it doesn't add that much in value compared to the cost of doing field interviews. The ineligibility rate with field investigations is not substantially different from a well-administered declaration system.

As you may know from our remarks a couple of days ago, we are not satisfied with a simple declaration system that doesn't have some corroborating information, and we do intend to require that corroborated information. But the field investigation, except in those cases where we have reason to believe there is a problem, doesn't seem to me to be a worthwhile investment.

Chairman GRIFFITHS. It seems to me that there was a difference of opinion among your center directors on whether those original clerks were entitled to ask for a few corroborating statements. Now, my sympathy was with that clerk making the first contact with the client, because it seemed to me like he is getting blamed for anything that goes wrong—or at least in his own mind he is blamed for it. Therefore, I thought you ought to make it absolutely, specifically clear what evidence that man is entitled to ask for.

Mr. SUGARMAN. I do.

Chairman GRIFFITHS. So that he is not hurt by uncertainty.

Now, I would like to ask you, really, the \$64 question:

Given all of the problems we have discussed this week, the inequities, the inefficiencies, the cheating, the undesirable incentives, which I cannot emphasize too strongly, do you think that you, as an administrator, can ever develop an administrative operation that will be

effective and fair within the present framework of laws and regulations?

Mr. SUGARMAN. The answer would be "No."

Chairman GRIFFITHS. No; I do not think you could.

Mr. SUGARMAN. But we can get closer to it, and that is what I see.

Chairman GRIFFITHS. What it would really need is a different law?

Mr. SUGARMAN. I think we need a different set of laws. I think we need to deal—as I said in the prepared testimony—with job creation. We also need to deal with education and with health.

Chairman GRIFFITHS. But if you are going to start giving away money, and we are giving away money, Mr. Sugarman, over \$85 billion this year on a variety of public welfare payments, we ought to do it equitably. We should not penalize some groups at the expense of the rest of them. And in my judgment, even the most modest kind of commonsense says that we ought to know to whom we are giving this aid.

Now, I agree with you absolutely, if I read the papers correctly, that if you are putting people's pictures on some kind of a card, it is not going to tell you anything. All it is going to tell you is that the person in front of you is the person whose picture is there and either he takes a good picture or a poor picture, but somehow or other there has got to be a real identifying process. Somehow or other, there ought to be a simple record system where all of these program records are maintained, where you can look and see who is getting what, and who is getting nothing and why not.

Now, we have sent the GAO into the low-income area of one city and they have checked program records found, in a most cursory preliminary examination, that everybody who is eligible for medicaid is not getting it at all; they have never even applied.

Mr. SUGARMAN. That is quite true.

Chairman GRIFFITHS. So that it would be a tremendously more expensive program if the people really applied, and if they actually did what the doctors told them to it would be even more expensive than that. But they are not now doing either.

Mr. SUGARMAN. This is quite true.

Chairman GRIFFITHS. So that it would be a tremendously more expensive program if the people really applied, and if they actually did what the doctors told them to it would be even more expensive than that. But they are not now doing either.

In my opinion, the laws we have are never going to work. Something else has to be done.

I thank you and I extend to you my sympathy for struggling with these laws. Thank you very much.

Mr. SUGARMAN. Thank you.

The gentleman from the New York Housing Commission, I believe? Will you kindly identify yourself?

Mr. FRIED. My name is Walter S. Fried.

Chairman GRIFFITHS. You are substituting for Mr. Golar?

Mr. FRIED. Yes. We have a statement and I am prepared to answer any questions which you may be interested in.

Chairman GRIFFITHS. Fine, you may proceed, if you will.

STATEMENT OF WALTER S. FRIED ON BEHALF OF THE NEW YORK CITY HOUSING AUTHORITY

Mr. FRIED. The New York City Housing Authority operates the largest public housing program of any locality in the Nation. We have built and now have tenanted more than 157,000 apartments. During 1971 we started construction of an additional 10,000 residential units. Public housing apartments in this city are regarded as desirable places to live and are in great demand. We have almost 150,000 families on our active waiting lists for admission to apartments as they become available.

The authority was invited by this committee to appear and to testify at today's hearing. I should like to explain that the Housing authority is a public corporation which has statutory powers to sell bonds to finance the construction of low-rent housing for the poorer families of New York City. It also has the power to receive cash subsidies, tax abatement or other aid from the various arms of government—Federal, State or city—to help operate its properties at rents within the reach of low-income tenants. We, thus, are not engaged in the administration of a welfare program, unless this committee defines "welfare" so broadly as to encompass all socially oriented programs which are assisted by public funds or special public benefits. More than 21,000 of the apartments operated by this authority are aided only by partial tax abatement. The balance of the authority's housing receives periodic cash subsidies as well as partial tax abatement.

The vast majority of our tenants are self-supporting, hard working people whose earnings unfortunately are too low to enable them to afford rents being charged in the private market for decent accommodations. Twenty-eight percent of our apartments, however, are occupied by families who are supported in part or in whole by public assistance. About 11,000 of these are elderly tenants who are receiving old age assistance. Another 12,000 are families who have income from employment or other sources and who require partial public assistance for their support. Twenty thousand of our tenants are entirely dependent upon public assistance to meet their living needs.

We, in the authority, serve only low-income families who need the assistance of governmentally aided housing. We, therefore, are acutely aware of the problems faced by low-income families, particularly in this period of recession and inflation. We are concerned about the special problems faced by the very lowest income families in our community, those who need public assistance in order to continue to exist.

In the selection of tenants for available apartments, this authority deals with public assistance families in precisely the same manner as the self-supporting families. From the waiting lists of eligible applicants, families are drawn for admission to apartments solely on the basis of their need for rehousing. Thus, those living under the worst housing conditions and those facing displacement from areas being cleared for renewal are at all times given priority for apartments without reference as to whether they are or are not public assistance recipients.

The authority is not in the business merely of providing shelter and seeing that its tenants have heat during cold weather. We are concerned with the maintenance of our developments as sound communities which provide a healthful environment for good family living. Low-

income families obviously face problems and require help more frequently than do the more affluent members of our society. To the extent that funds permit, the authority attempts provide such help to its families or to refer them to other organizations which can furnish the needed assistance.

It is our experience that public assistance families, at the very bottom of the economic ladder, encounter problems and require assistance more frequently than do our other tenants. We work very closely with the city Department of Social Service in an attempt to resolve these problems. We have established formal lines of communication with the Department of Social Services for this purpose. Thus, managers of our housing developments deal with directors of local social service centers regarding problems of their tenants. Any problems which cannot be resolved at the local level are referred to designated staff members at the central office of the authority who deal with similarly designated staff members at the central office of the Department of Social Services.

I believe that the members of this committee will be interested in some of the special programs which the housing authority has instituted for public assistance recipients:

1. The authority made space available to the city Department of Social Services for the distributions of surplus food, during the existence of that program, to eligible recipients. These food depots were established in selected housing developments that contain substantial numbers of public assistance recipients. The depots served not only the residents of the public housing developments but also eligible families from the surrounding neighborhoods. A total of 35 such depots were operated on authority properties from 1961 to 1970.

2. Early in 1971 in response to a serious crisis in "welfare hotels" the housing authority mounted a program to rehouse public assistance families residing in those hotels. These families had been placed in hotels by the Department of Social Service because they were in emergency need of shelter and no other housing could be located for them in the midst of the city's critical housing shortage. Some of these families had been residing in hotels for extended periods of time at great public cost.

Between March and December of last year more than 1,300 such families were relocated from hotels. In some instances, the Housing Authority managed to find private housing to which the families moved. Approximately 1,000 families were admitted to public housing apartments. The benefits to the families and the savings in public funds which resulted from this program were appreciable.

3. The Housing Authority is in the process of converting a city-owned residential property into a family residence for the emergency housing of public assistance families who otherwise will require placement in hotels. This program, conceived by the Authority, is being structured jointly with a well-known settlement house and with the city department of social services. Families placed in this residence will be offered social services in preparation for admission to public housing developments. Families having severe social disabilities will receive intense family rehabilitation and social services in the residence.

4. The Housing Authority is initiating a program to sell food stamps to its eligible tenants directly on the premises of certain devel-

opments. These are developments which have substantial numbers of public assistance recipients and other eligible families. At present these families are required to travel considerable distances to banks or other outlets which are participating in the food stamp program. These families will now be able to buy their stamps directly on the premises.

I should now like to turn to some of the rather serious problems which we face with respect to the public assistance recipients whom we house in our properties. I believe that all of you are acquainted with the extensive testimony which has been presented to Congress, and has been publicized in the press, concerning the severe fiscal crisis which practically all local housing authorities across the Nation are facing. This crisis stems from the fact that the earnings of the low-income residents of public housing have failed to increase in proportion to the inflated operating costs of housing authorities over the past several years. Rent revenues of public housing consequently have lagged and housing authorities, which are limited by law as to the maximum amount of subsidy which they can receive, have been operating at deficits.

Rents received by the Authority from public assistance recipients fail to cover the operating costs of the units which they occupy. The housing of public assistance recipients thus contributes to our fiscal problems. We call this problem to the attention of this committee in the hope that it will recommend remedial action. I strongly urge the promulgation of regulations, or the adoption of legislation if necessary, providing that Health, Education, and Welfare pay to housing authorities the difference between actual operating costs and the rents collected by authorities from their public assistance tenants. Some such provision must be instituted if authorities are not to be compelled to impose limits or quotas upon the numbers of public assistance recipients whom they house.

The problem of rents for public assistance recipients is as follows:

FEDERALLY ASSISTED PROGRAM

Legislation passed by Congress toward the close of last year (Public Law 92-213) provides that public assistance recipients residing in federally assisted public housing pay a maximum of 25 percent of the public assistance grant for rent. These families previously had paid rents agreed upon jointly between the Authority and the Department of Social Services which were roughly equal to the average rent paid by all other residents. The newly enacted requirement reduces by just about 50 percent the rents received by the Authority from public assistance recipients, a reduction now estimated to amount to \$8.5 million per year. This is a loss which the Authority cannot possibly absorb.

STATE-AIDED PROGRAM

The New York State Department of Social Services has promulgated a schedule of rents to be paid in all public housing developments throughout the State by public assistance recipients. In the case of New York City these rents are well below average rents approved for payment in private housing accommodations of much poorer quality. Rents received by the Authority for public assistance recipients in

State-aided developments, although higher than in federally assisted public housing pursuant to the new law described above, still fall short of meeting the Authority's operating costs by the sum of \$9.2 million per year.

A second problem area to which I should like to call the attention of this committee and request its assistance is the area of tenant services. Public assistance families are integrated with self-supporting families in our public housing developments. Experience has demonstrated, however, that the provision of decent housing and the presence as neighbors of self-supporting households are not sufficient to enable public assistance recipients to break out of the poverty cycle and to become full participants of society.

Public assistance families living under conditions of severe economic deprivation understandably have more problems than other families. They generally need more help and more services. As a socially oriented agency, the Authority attempts to provide such help and services or to obtain them for its tenants from other public and private agencies. The Authority, thus, spends more money in connection with the housing of public assistance families than for other tenants. But stringently limited housing subsidy funds very definitely prevent us from providing the help and services that the families clearly need.

The lack of funding to provide services to these families is a shameful and inexcusable situation. Having been given decent living quarters and a healthful environment, many of these families could, with a reasonable amount of helpful services, break the cycle of poverty and begin to live fruitful lives. So long as our society continues to neglect opportunities such as those that exist in public housing, so long as our society fails to take positive steps to restore dignity, identity and purpose, to its poor, no amount of hand wringing about the failures of our welfare programs will make one iota of difference.

Our day-to-day dealings with the thousands of public assistance families who live in our developments have identified the services and help which these families need and want. Pilot studies and demonstration projects conducted jointly with other professional organizations have determined the methods for effective delivery of the most sorely needed services, which are as follows:

1. Training to develop or upgrade employment skills of out-of-school youngsters and adults.
2. Motivation, including counseling and tutoring, of children to continue in school and complete training needed for employment.
3. Training in household management and budgeting.
4. Services for the elderly poor, including assistance in getting to doctors and clinics, shopping, and household help during periods of illness.
5. Provision of constructive recreational activities for children of the poor, who cannot afford commercial recreation, particularly during periods when children are on vacation from school.

I understand that HEW funds have been available during the past few years for the provision of services of the type enumerated above. These funds apparently are funneled through the individual States for distribution to local departments of social services. Whether or not I am correct in my understanding of the procedures which have been established for the dispensation of these funds, there is no question that the system, at least in the case of New York City, does not result

in the flow of any funds at the end of the pipeline. Detailed programs for the provision of services to public assistance families in our public housing developments have been developed jointly by the Authority and the city's department of social services, but have never been funded by the State.

In summary, a practical look at the special problem of public assistance families in public housing leads us to the following conclusions:

1. There is no doubt in our minds that public assistance recipients should share the resources of decent public housing with the self-supporting poor.

2. However, we in the field of public housing must be assured that the rents paid for public assistance recipients will cover the actual costs of operating their homes.

3. Further, many public assistance families require a multitude of social services for which no funds have been made available, raising serious questions as to our ability to help and sustain these families beyond the immediate problem of providing adequate shelter.

4. Should this lack of funding continue, we in public housing will face a serious dilemma as to whether we can continue to place meaningful numbers of public assistance recipients in our housing developments.

Chairman GRIFFITHS. Mr. Fried, about what proportion of your public housing units are occupied by welfare recipients?

Mr. FRIED. Well, out of approximately 157,000 apartments, about 43,000 are occupied by welfare recipients of different categories.

Chairman GRIFFITHS. Is there any procedure for exchange of information, or is there a centralized recordkeeping system so that the public housing and welfare authorities can reduce their separate administrative burdens for this overlapping group of recipients?

Mr. FRIED. Well, it might be helpful if we could receive one check from welfare for the rent.

Chairman GRIFFITHS. For all recipients?

Mr. FRIED. For all 43,000 tenants paying rent twice a month, that is 86,000 transactions.

Chairman GRIFFITHS. Well, that would be a great aid. I have never thought about it.

Doesn't the individual tenant pay the rent now?

Mr. FRIED. Yes.

Chairman GRIFFITHS. What happens if the individual tenant does not pay over a period of time, what do you do?

Mr. FRIED. We will notify the local welfare district office.

Chairman GRIFFITHS. What do they do?

Mr. FRIED. They will then pay it, and I believe they deduct it over a period of time from the subsequent welfare payments.

Chairman GRIFFITHS. How many of these tenants do not pay? What percentage do not pay?

Mr. FRIED. Let me see if I can get it for you. I have several assistants.

Chairman GRIFFITHS. Fine.

Mr. FRIED. This is Mr. Wise, our director of management.

He tells me the delinquency ratio is not more than 1 percent, but they do not break it down as between welfare and nonwelfare.

Chairman GRIFFITHS. The real truth is, of course, that in New York City most people are so much better off in public housing and you would have a disinclination for anybody to jeopardize this possibility of staying there, I would say; is that right?

Mr. FRIED. Very, very true.

Chairman GRIFFITHS. How do you operate this business of only being permitted to collect 25 percent of the net income for rent?

Mr. FRIED. We operate at about an eight and a half million dollar deficit.

Chairman GRIFFITHS. How do they calculate what the net income is?

Mr. FRIED. Well, we get an income statement from the tenants.

Chairman GRIFFITHS. What is 25 percent of the income, 25 percent of whatever they get besides housing?

Mr. FRIED. No, it is income as defined in the congressional act.

Chairman GRIFFITHS. Well, does this mean that the tenant got an increase or a decrease in his welfare grant?

Mr. FRIED. No, you mandated that we decrease the rent to 25 percent of the net income and that welfare could not decrease the person's grant.

Chairman GRIFFITHS. Then the tenant, in effect, got increases in income because because their public housing rent was reduced but their assistance grant was not reduced.

Mr. FRIED. I would like to point out that the difference between what it costs us to maintain that apartment and what that tenant pays is being taken from housing funds rather than from welfare funds.

Chairman GRIFFITHS. How do you get into public housing? Supposing a family with two children and a \$4,200 income appears, what kind of information do you require?

Mr. FRIED. Well, actually they fill out forms which are supposed to determine their eligibility. Because of the tremendous requirements of relocation from urban renewal action and other Government activities, because we must give a priority to such people, and because of emergency cases, very few other applicants, if any, get in.

Chairman GRIFFITHS. What information do applicants provide?

Mr. IRVING WISE. We require verification from their employers.

Chairman GRIFFITHS. Of income?

Mr. WISE. Yes.

Chairman GRIFFITHS. Let me ask you a question about this.

Since I know that it has happened in some areas—not in public housing, but 235 housing—what if the man is working two jobs and he shows you the stubs from one. Do you ask whether the man works more than one job, or whether the wife works? If she does work, you count her earnings?

Mr. WISE. Yes, we do. The application requires the applicant to list all sources of income, all people employed in the family.

Chairman GRIFFITHS. I see.

Mr. WISE. Including minors.

Chairman GRIFFITHS. And you do consider their income?

Mr. WISE. Yes; we do.

Chairman GRIFFITHS. You know the FHA does not.

Mr. WISE. Well, we do.

Chairman GRIFFITHS. In case she wants to buy a house, that is different. Where a family is buying a house, I believe in general the FHA considers only half her income, and quite frequently they won't count any income she may have anyhow.

Mr. WISE. I suppose the difference is that in the case of the FHA they are looking for long-term ability to meet the obligation of the mortgage, and the woman who is married, while she may be working now, may not be working several years from now; whereas, in public housing, we are concerned about eligibility at the moment and rent only for that year. We can adjust rent; if the woman stops working, the rent can be readjusted.

Chairman GRIFFITHS. Those people, outside banks, that make money on lending money tell me that a woman is the best risk in housing loans. So FHA really should use this available knowledge.

Once the family is admitted to public housing, what are the rules with respect to periodic checking on its income? What do you do then?

Mr. WISE. We require a reexamination of income once each year.

Chairman GRIFFITHS. Once a year.

So that if a family gets in public housing, and the father is immediately given a substantial raise, they get 11 months of pretty reasonable rent then, without having to get out or pay a higher rent—is that right?

Mr. WISE. That is true.

Chairman GRIFFITHS. How many of them actually tell you if they get a raise without checking?

Mr. WISE. They are not required to tell us.

Chairman GRIFFITHS. Arent' they?

Mr. WISE. We are on a yearly basis for income reviews.

Mr. FRIED. May I point out, if the family's income decreases, they continue to pay a higher rent for a period of time. It is very much like income tax. You report on a subsequent year. You may not be making as much money as you made the year you are reporting on, and still you have to pay tax on the higher income.

Chairman GRIFFITHS. Do you call or visit these people for the verification review, send them postcards, letters, or what?

Mr. WISE. We send them forms and they are required to fill out these forms, and return them to our office.

Chairman GRIFFITHS. Do you do any other type of investigations than that? Do you check in any other way than just by asking them or by the forms? Is that sufficient?

Mr. WISE. We check a certain proportion of them on a sampling basis. We seek verification of the information submitted by requiring the submission of employers' statements, social security returns, and similar data.

Chairman GRIFFITHS. How many people do you have in these hotels now?

Mr. FRIED. At the present time, I think there are only emergency cases. In our report we state we relocated about a thousand or a little over 1,000 families from hotels last year.

Chairman GRIFFITHS. But actually in numbers, how many?

Mr. FRIED. At the present I wouldn't know.

Chairman GRIFFITHS. When the record is written, we will send you a copy of the record. Could you supply that number?

Mr. FRIED. It is not done by our department.

Chairman GRIFFITHS. Isn't it? Who does it?

Mr. FRIED. The Department of Relocation of the City of New York.

Chairman GRIFFITHS. I see. I thought perhaps you did.

Public housing projects nationwide are having great difficulties in keeping up with higher operating costs. Yet I am not convinced that the local authorities in many cases collect the full rents which tenants would pay if there were more careful checking on incomes. Do you know, is your system of checking generally used?

Mr. FRIED. You mean throughout the country?

Chairman GRIFFITHS. Yes.

Mr. FRIED. I really couldn't say.

Chairman GRIFFITHS. Are there any changes you would like to see implemented in public housing?

Mr. FRIED. Yes. First, I would like to see the welfare recipients or the Department of Social Services in their behalf pay at least the cost of maintenance of the shelter. The way the law works out now, a tenant on welfare living outside of public housing can pay a much higher rent than a tenant within public housing. Under rent control, we can assume that the rent being paid outside of public housing is determined on the basis of the owner's taxes, his cost of maintenance and operation, and a reasonable return. That is not true within public housing. As stated before, the net effect is to use housing money to subsidize welfare recipients.

Secondly, because most of the public housing over a period of years was built in slum areas—as a matter of fact, one of the original concepts of the law was slum clearance—perforce this housing is in bad areas. You have a crime and you have a narcotics problem within the area in which the housing exists. I would think it would be very helpful if we could be financed for a greater police force.

Thirdly, I think it would be very helpful if whatever money is being used for casework, for families on welfare, could be administered through the housing authority rather than the Department of Social Services. We are working on something of that nature right now, but it has not really been implemented.

Probably most important, not only for this city but around the country, it would seem to me that the Federal Government, over a period of many, many years, has adopted fiscal policies and housing policies which have created a tremendous influx of low-income, undereducated, unskilled people into the central cities. If, as in some foreign countries, and I think particularly in England, there would be a national policy of population control, and also the control of where job opportunities are created, I do not know that we could reverse the flow, but I think we could certainly stop the flow, which is what is creating most of the problems in the larger urban communities today.

Chairman GRIFFITHS. Would you subscribe to the theory that all FHA-backed mortgages, for instance, for high-rise luxury apartments, should be compelled to have apartments in there for the poor, also?

Mr. FRIED. Well, we do something like it as a matter of policy in New York City. All middle-income projects created under the city have a provision for 20 or, in some instances, 30 percent low-income families. But I think it is more than that.

I think as a result of FHA's policies over the years it was very easy to purchase a house out in the suburbs or in the country and move out. On the other hand, cost of the construction of housing, cost of shelter, in New York City in particular, went very high.

To limit, for instance, section 236 subsidy to a family whose income is only 135 percent of that for public housing entry is no inducement for a family earning from \$15,000 to \$25,000 to stay in the city.

Now, if you want a middle-income group within the city, you should have an FHA policy which subsidizes middle-income families in the city. I see nothing wrong in providing some form of subsidy for those people gainfully employed for whom private enterprise cannot provide housing even if they are upper-middle-income families.

Chairman GRIFFITHS. Just before I left Washington there were headlines in the paper that new public housing in Washington, in the Shaw area, would cost \$52,000 per unit to build, and when you added the land cost and the cost of streets and curbs, it would add up to \$102,000 per unit for families.

In the city of St. Louis, with which I am sure you are familiar, the high-rise public housing there, which was really very fine high-rise housing, has been up only 15 years, and because of the lack of police protection in those units they have been literally demolished, so they are going to have to demolish the entire thing and they will be replaced with \$60,000 townhouses.

Mr. FRIED. I can't imagine how the Government spent \$52,000 a unit in Washington. It's absolutely incredible.

Chairman GRIFFITHS. It's expensive.

Mr. FRIED. I don't know what they are doing. We are running here about \$35,000, probably the highest cost.

Chairman GRIFFITHS. Is new public housing being scattered throughout the city, or is it only in the poor areas?

Mr. FRIED. On my bloody back we are trying as hard as possible. We are, in fact, and we have in the past, been building outside of the ghetto areas. I think everybody must realize that in order to acquire land and clear it in the nonghetto areas, it's very expensive, and you can't have an urban renewal area on Park Avenue, so that you are unable to have a write-down in the cost of the land.

So that only in the rare instance can you find a piece of land with a bottom so bad that private enterprise cannot build on it, or where you can work out a satisfactory economic and feasible deal to build over railroad tracks. In a better area, you won't find vacant land on which to build, and you cannot acquire it by condemnation. It's not a slum area.

So that the ability to build outside ghetto areas, practically, is extremely difficult.

If you are talking about going out into the suburbs, which is another jurisdiction, where there may be much vacant land, it may be much easier. Within the city of New York you don't find the vacant land.

Chairman GRIFFITHS. What you have really been saving here is that the housing policies of the Nation, as included in public housing and in FHA, work out real inequities not only among the poor, those who can't get into public housing, but it works a real inequity among the middle class.

Mr. FRIED. It dictates a wrong distribution of the population.

Chairman GRIFFITHS. Of course, it does.

Do you have any other suggestions you would like to make?

Mr. FRIED. I think I'm in enough trouble.

Chairman GRIFFITHS. We are very pleased to have had you here. I not only appreciate your statement, I think you are quite right. We are building some of our own problems and failing to build solutions. We have used the FHIA law really not as a homebuilding device, not as a device to build a city, but rather it has been used as a builder's law—we are rewarding builders.

Mr. FRIED. Two years ago, I made a visit abroad and I spent time with the London Council. I was very impressed with some of the national policies that England has developed for the control of population and also for the control of the creation of jobs. I understand you can't just go out and build a factory in England, you have to get permission. That is the way you can build it.

Chairman GRIFFITHS. Of course, part of the problem of all these people seeking jobs would be tremendously alleviated if you could get them closer to the job.

Part of the problem is that now they are too far away from it.

Mr. FRIED. We have that problem now. There are industries that are moving out into suburban areas of Jersey and in Connecticut where, because of local policies and zoning regulations, it is impossible to build houses for the people who work in those factories.

I was astounded the other day to find out that more people are commuting from New York City to Stamford than from Stamford to New York City. The people who are working in the factories up there cannot find housing.

Chairman GRIFFITHS. Do you shelter any of the people that are working in Stamford in public housing?

Mr. FRIED. I can't say at the present time. We have to make a study of where they are employed.

Chairman GRIFFITHS. But it also, then, has some effect upon the tax law and inequities for those people who are working in one area and living in another.

Mr. FRIED. It works the other way, too. We have a lot of people living in Connecticut who work here.

Chairman GRIFFITHS. Thank you very much. It has been a pleasure to have you.

This subcommittee will adjourn until tomorrow morning at 10 o'clock, in the same place.

(Whereupon, at 4 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Thursday, April 13, 1972.)

PROBLEMS IN ADMINISTRATION OF PUBLIC WELFARE PROGRAMS

THURSDAY, APRIL 13, 1972

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON FISCAL POLICY
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 110, U.S. District Courthouse, New York, N.Y., Hon. Martha W. Griffiths (chairman of the subcommittee) presiding.

Present: Representative Griffiths.

Also present: James W. Knowles, director of research; Alair A. Townsend, technical director; James R. Storey, staff economist; George D. Krumbhaar, Jr., minority counsel; and Trina Capobianco, administrative secretary.

Chairman GRIFFITHS. We begin this morning with Mr. Barry Van Lare, acting commissioner, New York State Department of Social Services.

STATEMENT OF BARRY L. VAN LARE, ACTING COMMISSIONER, NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES

Mr. VAN LARE. Welfare is one of the most complex and expensive programs administered by government today. It is also one of the major growth areas in terms of dollars expended.

In New York State in 1958 welfare expenditures were slightly over \$400 million. This year we estimate that they will exceed \$4 billion. For next year they may increase another \$250-\$350 million—with about \$100 million of that increase coming from the State treasury alone.

There can be no doubt that welfare is a large problem, but it is equally important to realize that it is a complex and changing issue as well.

In part, this complexity comes about because, in my view, when we talk about welfare, we are usually talking about two or more separate and distinct problems.

First, we are talking about the poor, or more accurately poverty, the social and economic problems of those at the lower income levels in our Nation.

Second, we are talking about the "welfare system," the methods we use to determine who is poor, what they are entitled to, and how they are to be treated.

To complicate it further, we also usually talk from two points of view. First, we talk about those things which we all know to be true—usually things relating to the character and behavior of poor people and, it is tragic, that all too often this category of knowledge cannot be altered or changed by the second, the things which we can actually prove to be true.

Under these circumstances we are often forced to try to solve problems relating to appearances, rather than to address the real causes of poverty or the real problems of welfare administration.

All too often, it is easier to accept the myths and half-truths about welfare, than it is to undertake the hard work necessary to actually determine what is happening.

Because of this climate we face a particularly difficult problem in seeing that the public fully understands what we are trying to do and why we are trying to do it.

However, in attempting to try and solve the problems of welfare, it appears to me to be most useful to approach them from three specific directions:

First, we must deal with the administrative systems, itself; the abuses and misuses;

Second, with the characteristics or activities of the poor which lead to dependency and which are subject to change—either through corrective programs and incentives, or through changes in the emphasis of the system itself.

Finally, with the root causes of poverty, such as poor housing and discrimination—problems which are not subject to the control of the welfare department, but which can only be solved on a broader social basis.

To date, we have often failed to differentiate among these factors in our own work and in our public relations. It has become a tragic truth that many—legislators, administrators, and the public alike—no longer believe that government can be made to work. As a result administrative or systems failures are often accepted as inevitable and little or no effort is made to correct them.

Frankly, I believe that many of the problems of welfare and other governmental responsibilities can be solved, but I also believe that they must be addressed in manageable units. We must not promise more than we can deliver.

It is, therefore, most encouraging that the Joint Economic Committee has decided to conduct public hearings in regard to the administrative aspects of the welfare program.

While changes in administration will not solve the problem of poverty, such changes can help restore the people's confidence in government's ability to do a job and do it well.

However, this emphasis on administration should not detract from current efforts in Congress both in regard to fiscal relief for the States and localities and in regard to a fundamental reform of the basic welfare programs.

Administration can be improved but our fundamental programs are also in need of major revisions.

I. LEGAL BACKGROUND

A. STATE LEGISLATION

Social welfare programs in New York State are specifically authorized by article 17 of the State Constitution which provides:

"Section 1. The aid, care and support of the needy are public concerns and shall be provided by the State and by such of its subdivisions, and in such manner and by such means, as the legislature may from time to time determine."

In carrying out its constitutional responsibilities the State legislature has enacted a substantial body of law enumerating both State policy regarding assistance and the specific administrative and program responsibilities of local government units. This legislation has been largely consolidated in the State social services law (McKinney's Book 52-A).

In recent years the social services law has been subject to substantial and rapid change. These changes have grown out of a combination of factors which include new Federal mandates, the economic climate and a changing public perception of public welfare. During the 1971 legislative session alone, the legislature enacted 52 different chapters of law amending the State social services law.

New York State is one of 22 States having a State-supervised locally administered public assistance program. The other 28 have direct State-administered programs.

B. LOCAL LEGISLATION

The legal basis for public social services is generally found in individual local laws. In New York City for example, it is found in chapter 24 of the New York City charter entitled "Department of Social Services." This chapter provides:

"601. There shall be a department of social services the head of which shall be the commissioner of social services.

"602. The commissioner may appoint three deputies.

"603. The commissioner shall have the powers and perform the duties of a commissioner of social services under the social services law, provided that no form of outdoor relief shall be dispensed by the city except under the provisions of a State or local law which shall specifically provide the method, manner, and conditions of dispensing the same."

C. FEDERAL PROGRAMS

The Federal Social Security Act has made available a substantial amount of Federal moneys to aid the States and localities in providing a wide range of public assistance programs. As a condition of eligibility for these funds the Congress and the Department of Health, Education, and Welfare have imposed numerous program and administrative requirements. These are largely contained in:

Titles IV, XVI, and XIX of the Social Security Act; and,
Title 45, "Public Welfare" of the Code of Federal Regulations.

Federal aid is currently available for programs providing aid to dependent children, aid to the aged, blind and disabled, and medical assistance. No Federal aid is provided for our home relief (general assistance) program.

D. STATE SUPERVISION

Under the Social Security Act and the Code of Federal Regulations, each State which wishes to receive Federal financial aid must submit and have approved a State plan for each of the Federal programs. Each such plan must provide for the establishment or designation of a single State agency to supervise the administration of the plan.

In New York, the State department of social services is the single State agency. As a result, local districts' dealings with the U.S. Department of Health, Education, and Welfare must flow through the State.

On the basis of "State Plans" and the social services law, the State department of social services issues rules and regulations which have the same weight as law and are enumerated in book 18 of the codes, rules, and regulations of the State of New York. These rules and regulations are binding on all social services districts, including New York City.

The State Department furthermore issues administrative letters and bulletins which include the rules and regulations and recommended procedural and interpretive material.

According to a 1964 Health, Education, and Welfare publication titled "The State Agency's Responsibility for Local Operations":

"State agencies responsible for public welfare services exercise the kind of authority and supervision defined as administrative supervision. Its purpose is to:

1. Provide leadership in the development of the program and policy designed to carry out the purpose of the public welfare laws of the State;

2. Insure that the laws are put into effect; and,

3. Provide the best level of continuing operation possible within the framework of the law and the resources available to the administrative agency."

Under this concept, four elements are basic to the process of State administrative supervision. They are:

Planning programs within the legal framework and providing organizational structure, staffing, and financial support for them.

Adopting, issuing, and interpreting to the local agencies the policies, standards, and methods that are to be in effect throughout the State.

Taking such measures as are necessary to insure that policies, standards, and methods are actually in operation in all local agencies.

Assisting the local agencies in improving the efficiency and affectiveness of their operations.

II. NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES

A. ORGANIZATION

In March of 1971, Governor Rockefeller announced a major welfare reform program. A key element of that program was the reorganization of the State department of social services so as to bring it

more directly under the administrative control of the Governor. The key elements of that reorganization were:

The board of social welfare, a citizen board appointed by the Governor, was restored to its primary constitutional function of supervising child care and other residential facilities and the policy-making function for public assistance was transferred to the commissioner of social services who became a direct appointee of the Governor.

The institutional programs of the department of social services were transferred to the department of health and the division for youth so as to allow a concentration on public assistance programs.

The restructuring and restaffing of the department of social services itself.

This last item, the restructuring of the State department of social services took place in September of 1971 when the department was reorganized into two major divisions reporting to the commissioner and his executive deputy commissioner:

A division of operations responsible for the development and implementation of administrative procedures, the supervision of local welfare districts and the direct services of the department such as the bureau of disability determination and the commission for the visually handicapped;

A division of program development and evaluation responsible for the preparation of new programs designed to reduce welfare dependency and for the evaluation of existing welfare programs on a strict cost-effectiveness basis.

The goal of this reorganization was to clearly establish, within the department, responsibility for welfare operations and to strengthen our ability to develop, implement, and audit local operating procedures.

At the same time, it strengthened our ability to evaluate, on a cost-effectiveness basis, social programs now in operation so that the public and the legislature could be made more fully aware of both the cost and the results of programs which range from employment and day care to family counseling and support services for the elderly. Based on such data it was hoped that we could begin to establish priorities and new approaches toward developing vitally needed social programs for all our citizens.

Unfortunately, we are now compelled to further restructure our organization as a result of new Federal mandates which require the creation of separate administrative units for social services and for income maintenance.

In order to assure that this further restructuring has some real value we have also created a special welfare administration task force to conduct an in-depth study of the State's role in the provision of services and in the supervision of local social services agencies. Public assistance, social services, and medicaid eligibility and payments are administered by 63 local city and county agencies under the direction of the State department of social services.

Since the reorganization of the State department of social services last July and September, we have, for the first time, been allowed to focus more exclusively on the problems of administering public assistance programs. As a result it has become increasingly clear that

the present supervisory system used by the Department of Social Services must be strengthened to meet the needs of today.

The need to develop a new supervisory, management and information system that will better allow the Department to assure high standards of local administration and program delivery without unnecessarily increasing local paper work or reducing local flexibility has been highlighted.

The welfare administration task force will carefully examine all aspects of local administration and State supervision in order to determine how the State may both assure the quality of local administration and provide greater assistance to local districts in doing their work.

In carrying out its functions, the welfare task force will consult closely with local administrators and other State and Federal officials who are concerned with welfare problems and administration.

Through the efforts of this task force we hope to be able to meet the July 1 Federal deadline for the submission of a plan for separation.

Pending this reorganization the department continues its efforts to supervise local welfare districts through six area offices spread throughout the State. These offices combine the monitoring of program effectiveness with an ongoing process of program consultation and advice to local welfare districts.

The quality control system is currently the major monitoring tool available to us. In New York this system is locally administered subject to State monitoring and subsampling. The report for the last half of 1971 was released earlier this week (April 12) and a copy will be submitted for the record. Aside from the findings as to eligibility, the major conclusions relate to improving the effectiveness of the system itself and to correcting some of the administrative errors which have been identified.

It is our hope in New York State that we can develop additional management audit tools similar to quality control since these seem to be the most effective ways of monitoring local agency performance. We would hope that the Federal Government would cooperate in these efforts.

B. FUNCTIONS

The primary functions of the State department of social services can be summarized as follows: The department—

- Develops policy, within the framework of the law, regarding social services programs, including public assistance, medicaid, and food stamps;

- Prepares detailed procedures to be followed by the social services districts in carrying out these policies;

- Maintains a flow of necessary information to the social services districts through bulletins, letters, manuals, and other communications;

- Provides assistance to local agencies (social services districts) in interpreting laws, regulations, bulletins, et cetera;

- Prepares and distributes forms needed by the local agencies in carrying out required procedures for the purpose of statistical reporting and claiming reimbursement;

Monitors and evaluates the operations of the local agencies;
and

Makes fiscal audits of the local agencies' records and reports.

Here again there is a need to update our approach to the management of public welfare programs. Due to Federal laws and regulations, expanded upon and further complicated by State law, the welfare program has grown without detailed planning. The result is a series of bulletins, manuals and the like which have outgrown a 48-inch bookshelf.

In New York we have reached the somewhat startling conclusion that you can't administer a requirement you can't find. As a result we are beginning a process of severe consolidation and simplification. We are also placing a greater reliance on local district efforts to simplify and make programs more flexible. We would urge the Federal Government to do the same.

C. LIAISON WITH FEDERAL AND STATE AGENCIES

The department's major contacts with other agencies include:

Interpretation of Federal laws and regulations; development of State policy and procedures in compliance with these laws and regulations; and communication of these policies and procedures to the local agencies.

Continuous communication with HEW regional office via telephone and correspondence in response to requests for data and information, for clarification of releases, program guidelines, and arranging meetings.

Submission of regular requests for State and Federal funds required for operation of the department's programs and the detailed justifications therefor.

Distributing State and Federal funds to local agencies.

Making of recommendations for State legislation needed to implement the Department's programs.

Maintaining contacts with Federal agencies with U.S. Department of Health, Education, and Welfare and U.S. Department of Agriculture (in connection with the food stamp program); Planning Task Force on Welfare Reform.

Maintaining contact with other State agencies, which include:

(a) State department of health; with which the department contracts for the medical aspects of the medical assistance program under title XIX;

(b) Division of the budget;

(c) Members of the State legislature and their staff; legislative committees;

(d) Department of labor in connection with the program under which employable welfare recipients are referred to the labor department's employment service to pick up their assistance checks;

(e) Agencies with which the department has agreements for the provision of services, such as, narcotics addiction control commission, department of mental hygiene, division for youth, department of correction;

(f) Office of planning services in the executive department on state-wide long-range planning and on special projects.

Unfortunately one of the weakest link in this chain also is its most important. Our major contact with the Federal Establishment is through HEW's regional office located in New York City. Unfortunately, though the staff of that office is most cooperative, HEW has not yet defined a clear role for its regional offices.

All too often policy questions cannot be answered at the regional level and the delays in securing action out of Washington are impossibly long. The problem is further complicated by HEW's refusal to clarify policy and to provide for an interchange of information among regions. The result is a hodge-podge of varying interpretation and inaction.

III. LOCAL SOCIAL SERVICES DISTRICTS

A. ORGANIZATION

Each local social services district is headed by a commissioner, who is appointed by the local legislative body or, in a few cases, by the chief executive officer of the jurisdiction. Under State law, no person can serve as commissioner unless he meets the minimum qualifications established by the State commissioner of social services. The State commissioner has, through regulation, established minimum qualifications for commissioners in each of the four categories into which all districts are divided. Minimum standards have also been established for other key staff members of local districts.

As I have mentioned, the State social services law provided that each local social services district shall be responsible for the assistance and care of needy persons within its jurisdiction.

The State law also requires that each local district must be organized in such a way as to effect a separation between social services on the one hand and eligibility determination and payments on the other.

B. FUNCTIONS

Under the supervision of the State department of social services and in accordance with State laws and department regulations, each local social services district receives applications for all of the public assistance programs, medicaid, food stamps and social services; determines eligibility for the type of assistance or service requested and provides the appropriate amount and type of assistance or service to those applicants found to be eligible.

Local districts maintain the individual case records on applicants and recipients, maintain the accounting and statistical systems for the administration of all programs, submit claims for both Federal and State reimbursement to the State department of social services. They submit regular reports to the State department on their operations, special reports as required and participate in special studies and demonstration projects.

In order to provide for the needs of the public which it serves, local districts must be aware of the resources of the community, work with community groups in the development of needed facilities (for example, day care, foster homes) and be alert to the prospective needs of needy persons.

IV. PROGRAM STRUCTURE

I am certain that your committee has already received much information as to the nature and content of State welfare programs. As a result, I will not provide an in-depth discussion here. Instead, I shall submit for the record the following materials:

"Helping People to Help Themselves," a booklet of information for applicants and recipients. "Medicaid, How New York State Helps When Illness Strikes." "How to get Help for Families With Children Who Need It." "Social Services in New York State," our Department's 1971 Annual Report.

These documents summarize both the programs which we administer and the recent accomplishment made under them. I call your particular attention to Governor Rockefeller's welfare reform program outlined in more detail in the Department's 1971 Annual Report. This program represents a significant effort to improve administration and restore the emphasis on work as an alternative to welfare.

V. CASELOAD AND EXPENDITURES

Again volumes of data on State caseload and expenditures have been made available to the Federal Government and the Congress. However, to establish the parameters of the program the following tables are also included:

Table 1—Comparative Expenditures in the State-Aided Public Assistance and Services Programs, New York State, 1970 and 1971.

Table 2—Monthly Average Number of Cases and Persons Receiving Public Assistance and Medical Assistance, and Annual Payments for Assistance by Source of Funds, New York State, Calendar year, 1970 and 1971.

VI. ADMINISTRATIVE AND OPERATIONAL PROBLEMS RESULTING FROM FEDERAL REGULATIONS AND STATUTES

This brings us then to some specific problem areas that have grown out of Federal regulations and statutes. While, the elimination of these problems would not, in and of itself, solve the problems of administration, it would allow us to be more rational in our approach to them.

Our specific concerns include:

A. SOCIAL SECURITY ACT—SECTION 1903(E)

This section requires States to broaden the scope of the care and services made available under title XIX and to liberalize the eligibility requirements for medical assistance with a view toward furnishing by July 1, 1977, comprehensive care and services to substantially all eligible individuals.

Despite spiraling cost of medical care, States are not permitted to cut back on services or eligibility. The result is that we are forced to commit ever increasing amounts of money to this program while other high priority needs go unmet.

This is particularly burdensome in a State such as New York where our medicaid program is already substantially more liberal than most.

B. 45CFR 205.10(A) (16)

This requires States to inform all local agencies of all fair hearing decisions, at least in summary form. No useful purpose is served by this regulation since changes in policy which grow out of fair hearings are regularly conveyed to local districts in other, more efficient ways.

C. 45CFR 233.20(11) DISREGARD OF INCOME APPLICABLE TO AFDC;
SSA SECTION 402(A)

This regulation provides for an exemption of earned income for a month of adult individuals whose needs are included in the family grant of the first \$30 of the total earned income plus one-third of the remainder.

This provision places no ceiling on the amount of exemption to which a recipient is entitled and results in public assistance cases being continued which ordinarily would become ineligible for cash assistance.

Again we are being forced to continue payments to the less needy with the result that less money is available to meet other priority needs.

While we favor provisions which encourage and reward work, they should be limited either as to duration or as to the income cutoff point.

We cannot afford the growing division between the poor and the lower middle class that grows out of the arbitrary application of earnings disregard such as this.

D. 45CFR 233.20(II) (D)

We are prohibited from reducing current payments of assistance because of prior overpayments unless the recipient has income or resources current available in the amount by which the agency proposes to reduce payment except in cases where there is evidence of fraud.

New York State provides a grant which includes shelter costs, heat, and utilities. If the recipient does not pay his rent, heat, or utility bill, in order to prevent eviction or shutoff, the agency has in the past paid the outstanding amounts.

State statutes prohibit the duplication of assistance and implementation of the regulation providing for recoupment of these amounts which appears likely to be stayed by the court on the basis of Federal requirements.

In this case it seems most likely that the recipient will be the one to suffer for, without the ability to recoup duplicate payments, it is unlikely that they will be made. The result may be additional evictions and loss of services.

E. 45CFR 234.60(B) (2) (III)

This regulation is based on a statute which establishes a limitation on the number of AFDC cases to which protective or vendor payments may be made.

It requires additional accounting activities and restricts the State's administration of AFDC.

Again, while the regulation was designed to prevent abuse of the client, it also severely limits the State's ability and flexibility to deal with emergency situations.

I suspect that there are many other items that could be added to this list. As I indicated earlier the problems grow not only out of the regulations themselves but the uneven way in which they are applied. A series of case studies in New York might well prove conclusively that State initiative is a luxury that can no longer be afforded. The rule seems to be "the less you do the less we will require" and "the more generous your programs are, the more stringent will be Federal controls on how they are administered."

Such unequal treatment cannot help but thwart effective administration and the accomplishment of the purposes of the Social Security Act.

VII. CONCLUSION

In the preceding material I have concentrated on the administration of welfare in New York State. The majority of problems which I have presented may grow out of the fact that we are a large State with a well developed program and a decentralized form of administration. However, my contacts with other States, both through the Governors' offices and State welfare departments, convince me that we are not unique in our problems. Other States now have, or anticipate, similar difficulties.

I have also concentrated on the administrative problems of welfare and have treated the program issues only in passing. Primarily I have done so in an attempt to be responsive to the invitation to testify sent by your chairman, Mrs. Griffiths. While I would in no way underestimate the importance of dealing with these administrative problems, it would be both unfair and misleading to give you the impression that administrative changes will lead to the reform of the welfare system or the elimination of poverty. Administrative improvements are, of necessity, largely cosmetic in nature. They are needed, but they do not change the face of the program underneath. Neither do they provide the fiscal relief so badly needed by State and local governments.

It is for this reason that basic welfare reform should remain a top priority item for action by Congress this year. We can little afford to continue programs which provide built-in incentives to family instability and continued dependence.

Governor Rockefeller has testified at length before both the Senate and House committees in regard to welfare reform and I would urge that you also review this testimony in reaching your own conclusions about the nature of the changes that must be made.

It is within this context, then, that I would like to summarize my comments and offer some specific recommendations for change. Of necessity these recommendations deal largely with activity and requirements on the part of the Federal Government and the States. However, by implication, they also have a substantial impact on the local governments which actually deliver services. The areas covered include:

Program configuration, need for stability, Federal regulations, Federal regional offices, quality control, staff and resources, and State supervision.

A. PROGRAM CONFIGURATION

The welfare administrator in New York State is expected to provide assistance and care to well over 1.5 million persons each year. In doing so he must make literally hundreds of decisions regarding each case. Unfortunately, many of these decisions have very little to do with the actual need for help.

For example, the administrator must make a decision as to which category the person belongs in so he will know what type of State or Federal reimbursement the locality is entitled to. He must review and disregard income and resources according to a number of formulas in order to determine categorical eligibility and the level of grant. He must assess social need and work potential and decide what employment or service program is appropriate for the individual and, if the case involves a deserted mother, he must attempt to locate and secure support from the father.

The not too surprising result is that our quality control studies show that more than half of the errors that result in ineligibility and incorrect payments grow, not out of fraud or mistakes on the part of the client but, instead represent mistakes in addition, transcription, and policy application on the part of the welfare worker.

It would appear that a system that cannot be understood by those who administer it has become much too complex and should be simplified.

To the extent possible, categories should be simplified or combined. At a minimum, efforts should be made to develop uniform tests of income, resources, employability, and moneys to be disregarded.

B. NEED FOR STABILITY

As a former staff member to a Governor I am firmly convinced of the need to develop new programs and new approaches to the problem of welfare. However, as a recently appointed State administrator I am also convinced that we do not have the luxury of continuing to tamper with the system on a piecemeal basis. We cannot afford movement and revision solely for its own sake.

During the past year I would estimate that over 25 percent of the staff time of State and local administrators in New York has been spent in implementing new programs or modifying old ones. Some of these, such as our own work reform program, have been well worth the effort. Many, however, have had little impact on welfare administration or poverty and seem designed solely to justify the existence of a large group of bureaucrats.

We cannot afford to devote time to the implementation of needless changes and modification. Except for basic program changes we need the luxury of a year or two of relative stability so as to iron out the problems that we know exist in the current system.

During this time, it might be well for the Federal administrator to consider whether any system can work when the central administration tries to develop procedure and reports that cover every eventuality. I doubt that it can be done, and the attempt to do so seems to involve an almost endless expense of valuable staff time.

C. FEDERAL REGULATIONS

A preceding section discusses in more detail some of the problems that we have encountered in regard to Federal regulations. A review of that material will show that our concerns fall largely into two categories. First, we are disturbed by regulations which seem to have little or no justification. One example of this is in regard to fair hearings where we are required to make copies or summaries of all decisions and to distribute them to each local administrator. Since such decisions do not make case law, and since policy changes are already incorporated in bulletins or administrative letters, there is little or nothing to be gained by such a distribution.

More of concern, however, are the regulations which tend to limit State flexibility in meeting the needs of the welfare client. While these regulations were supposedly designed to protect the client, they often have the opposite impact by making it impossible to make arrangements to see that the needs are met within the resources of the State.

One example of this relates to our inability to recoup duplicate payments. By prohibiting this action, the State is forced to choose between letting a real need go totally unmet or substantially increasing welfare costs. On the other hand, a recoupment procedure would both discourage the misuse of funds and allow for a gradual repayment of misused money at no interest cost to the recipient.

We recognize that many regulations were developed in an atmosphere where it was thought that the only defender of the welfare recipient was the welfare worker. As a result, regulations were designed by the professional social worker to protect the client against the prejudices of the professional administrator or the professional politician.

However, to a large extent the situation has changed. The welfare client has been extended substantial rights by the courts. He has new government-funded legal resources. Welfare rights organizations are available to him. In general he is protected as never before.

As a result, it seems that the time has come to give more attention to the development of administrative and program flexibility subject to the continuing review and monitoring of the Federal Government. The rights of the recipient can be protected without hamstringing program administration.

At the same time, the Federal Government must learn to deal with States as somewhat unique entities. In developing this flexibility and monitoring capability, they must remember that New York differs from Alabama and that California is not the same as Rhode Island. Otherwise their efforts are predestined to failure.

D. FEDERAL REGIONAL OFFICES

HEW has begun a widely publicized effort to decentralize its operations and decisionmaking to the regional offices. This is a good decision but, at the moment, it is having an adverse impact on State agencies.

From our dealings with the New York regional office it appears clear that no firm decision has been made as to what decisions can

be made at the regional level. As a result, too many items are being referred to Washington and too long is being taken to make decisions. In effect we are being cut off from the decisionmaking levels and are being given nothing in return.

Second, the regionalization of HEW also seems to be resulting in the regionalization of policy. Interpretation seems to depend upon the inclinations and desires of regional directors. While flexibility is necessary, the current situation appears to result in lost moneys and lost initiatives in States like New York. Regional offices are not fully aware of what other regional offices are doing and there seems to be a lack of agreement as to what is, or is not, permissible.

We favor the continuation of regionalization but, also we favor improved definitions of the region's responsibility, a clearer definition of policy, and an exchange of information among the various regions.

E. QUALITY CONTROL

The only regularly recurring monitoring device now in existence at the Federal level is the quality control system which monitors eligibility for the public assistance and medicaid program.

There is a clear need for additional monitoring tools at both the State and Federal levels which will allow an ongoing evaluation of a wide variety of activities.

We can no longer rely on the concept of spot audits and infrequent field studies. There must be a regular ongoing monitoring of the system if we are going to be able to spot problems and develop solutions to them.

Equally important, a monitoring and evaluation system is vital if we are to restore any degree of public confidence in the administration of welfare. Such a system should allow us to draw conclusions not only on a national basis but on a district-by-district basis as well. Such a system should be developed in close cooperation with the States and with other auditing bodies so that unnecessary duplication can be eliminated and the maximum coverage can be realized.

F. STAFF AND RESOURCES

Considering our own fiscal crisis in New York I would like to come here today and tell you that all of these corrective actions could take place using existing staff and existing resources. They cannot!

As we look ahead to management improvements we must also recognize that other needs, particularly in the services area, are going unmet. As a result, existing staff is stretched to the limit. While some improvement can be made by restructuring work and procedures, it is unlikely that substantial new workloads can be undertaken without major increases in staff.

State and local governments are reaching the end of their fiscal resources and if these new efforts are to be undertaken there must be a substantial influx of new Federal moneys. At the current time we attempt to encourage social services by 75 percent financing. We might well consider a similar premium for staff that would be used to improve the administration of State or local systems.

G. STATE SUPERVISION

I must be quick to admit that many of the criticisms that I have leveled at the Federal Government are also being leveled against the State as well. In this regard we enjoy a particularly fortunate position because we are also subject to the benefit of the criticisms that the Federal Government makes of the local districts. We are truly the "man-in-the-middle."

However, there are some advantages to such a position. If we are honest and effective we can help point out, and eliminate, the weaknesses at both levels of government. We can help see that the concerns of the localities are understood by the Federal Government and that the localities see the need for regulations or reports.

At the same time though, we have a responsibility to review our own requirements and methods of supervision so as to see that we too do not hamper the administration of good programs.

As a result we have already undertaken several steps to simplify procedures and reporting requirements. We recognize that other steps are needed and we are committed to making them. This effort, combined with our welfare administration task force which is looking at our method of supervising local districts, holds some real hope for the future. Still, to work, it will require similar steps on the part of the Federal Government.

To summarize then, my specific recommendations would include:

To the extent possible within current program limits, simplify and standardize requirements in relation to earnings, resources, income disregards, and employability.

Minimize further changes in Federal regulations in order to provide States and localities with the time needed to strengthen existing administrative systems and controls.

Eliminate existing regulations which impose unnecessary work on States and localities and modify other regulations to provide greater flexibility to States and localities in the administration of programs.

Strengthen the role of regional offices or reopen channels of communication with HEW in Washington; also, take steps to see that policy is uniformly applied throughout the country.

Develop new standardized monitoring devices, similar to quality control, so as to insure adequate information on the adequacy of administration of all aspects of welfare programs.

Provide additional Federal funding for monitoring and administrative staff so that management capacity at the State and local level can be improved.

There is much in the current welfare program that can in fact help those in need. However, unless public confidence can be restored in its administration, we run the risk of losing public support at a critical time.

(The information referred to in Mr. Van Lare's statement, follows:)

Public Assistance
and
Social Services
in
New York State



*Helping
People
To Help
Themselves*

*Information for
Applicants and Recipients
About:*

**Aid to the Aged,
Blind and Disabled
Aid to Families with
Dependent Children
Home Relief
(Veteran Assistance)**

HOW PUBLIC ASSISTANCE WORKSHelping people to help themselves!

In New York State, this is the goal of public assistance and social services.

This booklet describes the public assistance (welfare) system in New York State which is administered by local departments of social services and supervised by the State Department of Social Services.

It explains the kinds of assistance--both money and service--that are available to help people help themselves, in order to strengthen family life and the life of the whole community.

And it tells, too, what is expected from those receiving assistance.

The programs of assistance are paid for with funds provided through taxes.

All of these programs are designed and applied to provide assistance for the men, women and children, who are in need of help. However, money alone is rarely the whole answer. A wide range of social services including training and referrals for jobs and job opportunities are provided to help families and individuals to self-sufficiency. In addition to money help, those in need are given counseling and encouragement so that they can see that the future does offer hope of improvement.

Help is available under **several** programs.

They are:

Assistance to the Aged

Aid to the Blind

Assistance to the Disabled

Aid to Families with Dependent Children (ADC)

Home Relief (and Veteran Assistance)

Because the State Legislature has set up a table of grants for every person and family on the assistance rolls, it is possible for all recipients and families to know exactly what help is available to them under the law.

If money help is not needed, but services are--medical care, care for a child outside his own home, advice on handling a delinquent youngster, or other services--the last section of the pamphlet on Services will tell you what is offered and how to apply.

This booklet provides valuable information which can improve the health, education, and work ability of many people who need that help to put them, or their children, on the road to self-support and independence.

It offers the way and the means of helping people to help themselves--to the extent possible--the goal to which public assistance and social services are committed.

George K. Wyman
State Commissioner of
Social Services

December 1971

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SECTION I

TO APPLY

FOR

PUBLIC ASSISTANCE--

Contact the nearest office of your local department of social services and arrange for an interview. See Pages 19 and 20 for location.

This is the quickest, surest, and best way to learn if you are entitled to assistance under the law. The people there will help you.

You will be asked to fill out and certify a simple application form. Important facts, such as your income, resources, and other matters, must be considered. Where there are inconsistencies or gaps in information, or where other circumstances indicate the need for further inquiry, additional information will be sought. Applications are subject to verification.

Within 30 days a decision will be made about your eligibility.

Emergencies (eviction, home burned out, etc.) are taken care of by the local department the same day you apply for help.

If you are not eligible, you will be told so and why.

If you are employable, you will be required to report immediately to the State Employment Service for job counseling and placement. You will be certified as eligible for public assistance if the State Employment Service is unable to place you in a job right away. Your first assistance check will come from the local department of social services. After that, you must report twice a month to the local office of the State Employment Service for employment counseling, job placement service and to pick up your assistance check.

If you are found eligible for public assistance you will be provided with the following: 1) a photo identification card for use in claiming and cashing your public assistance check; 2) a Medicaid card, which will enable you and members of your family to obtain medical care when needed; and 3) an identification card for purchasing food stamps.

By reading this booklet carefully before you apply for assistance-- or at least the section Who Can Get Public Assistance? which follows immediately--you will get some idea of the requirements for getting assistance,

and what is meant by need, income, and resources. And you will be better prepared to give facts on these matters to the person at the local department who interviews you.

No booklet can answer every question about public assistance. But the people at your local department of social services can. Ask them for help.

WHO CAN GET PUBLIC ASSISTANCE?

Any needy person or family can get help from his local department of social services, if he meets the requirements of State law.

Who is needy? Anyone whose resources are depleted and who does not have enough income to support himself.

How much is enough?

The law fixes the minimum amount a family needs to live on and states the amount of public assistance a needy family or needy individual is entitled to.

The amount depends upon:

- (1) Whether the family or individual has any income or other resources that can be used for support.
- (2) The size of the family.
- (3) The type of public assistance program.

INCOME AND RESOURCES

What are income and resources?

Wages, earnings from business, farming, etc.

Social Security payments, unemployment insurance, workmen's compensation, disability benefits, pensions.

Real estate and rentals from real estate.

Payments from legally responsible relatives (husbands are responsible for wives, wives for husbands, parents and step-parents for children under 21).

Bank accounts, stocks, bonds, mortgages, other securities, and life insurance policies which have a face value of more than \$500 (other than group or term insurance, on which there is no restriction).

Personal property, such as automobiles, jewelry, business equipment and supplies, etc.

Income from all other sources.

SIZE OF FAMILY AND MONTHLY ALLOWANCE SCHEDULE

The other two things that determine the maximum amount of public assistance--size of family and type of public assistance program--are shown in the tables of allowances that follow.

The amounts shown in the tables below cover all needs except rent and heat, for persons without any income or other resources. An additional allowance is added for rent and heat. The amount allowed for rent is the actual rent, or the ceiling for rent set by the local social services department, whichever is less. When heat is not included in the rent, a heating allowance is granted. The amount for heating is based on a schedule of costs for a particular geographic area. Additional allowances for fuel are granted because of exceptionally severe weather, poor construction of a dwelling, or poor health.

Here are the schedules of monthly allowances (without the rent-heating allowance):

	Number of Persons in Household						For Each Additional Person
	1	2	3	4	5	6	
For Recipients of Aid to Dependent Children and Home Relief	\$76	\$121	\$161	\$208	\$256	\$296	\$41
For Recipients of Old-Age Assistance, Aid to the Disabled, and Assistance to the Blind	\$84	\$134	\$179	\$231	\$284	\$329	\$45

HOW ALLOWANCES ARE DETERMINED

Here's how to find a monthly allowance for any person or family.

For a family of four receiving Aid to Dependent Children or Home Relief, use the schedule for Aid to Dependent Children and Home Relief.

Under column 4 the amount is \$208. The family would get that amount, \$208, plus an allowance for rent and heat. If rent is \$80 and heat is \$16.60, the family would get \$208 plus \$96.60, or a total of \$304.60--if the family had no income or any other resources.

If an applicant or recipient of public assistance is receiving Old-Age Assistance (OAA), Aid to the Disabled (AD), or Aid to the Blind (AB), use the schedule that covers these programs. Suppose the needy person is single. Under 1 the amount is \$84. If the rent and heat cost is \$62, the person would get a total allowance of \$146--if he had no income or other resources.

SPECIAL ALLOWANCES FOR AGED,
BLIND OR DISABLED PERSONS

Aged, blind or disabled persons receiving public assistance are given a special allowance of \$10 monthly if living alone, and \$6.25 monthly if living with a family. Thus an aged couple would receive a combined special allowance of \$12.50. In addition, if the person is unable to prepare meals, he or she receives an additional monthly allowance to pay for meals in a restaurant, as follows: for breakfasts, luncheons, and dinners, \$64, and for luncheons and dinners only, \$47. In the case of a couple, both of whom are aged, blind or disabled, and both of whom are unable to prepare their meals, each receives the extra \$64 allowance for restaurant meals, or a total of \$128 monthly.

IDENTIFICATION CARDS

An identification card, with a photograph attached, is issued to all persons receiving any form of public assistance, provided payment is made to them. As a condition for receiving and cashing a public assistance check, presentation of this identification card may be required.

WHY APPLICATIONS ARE ACCEPTED OR REJECTED

Under the law, local departments of social services may check on income and other resources to learn the exact need--if any--of the public assistance applicant.

If investigation shows that an applicant has enough income or other resources to provide for himself, assistance cannot be granted. Assistance will not be granted if he refuses to accept employment in which he is able to engage, or if he quit his job in an attempt to qualify for public assistance.

If investigation shows an applicant hasn't enough money or other means to support himself, the assistance granted will be given to him as long as the need for it exists.

If the need of a person or family on assistance changes, the grant must be changed accordingly. It is the responsibility of a recipient to report such changes to his local department of social services. The department must check from time to time to be sure a recipient is still in need of the amount of assistance he is getting.

Applicants who willfully withhold, conceal or misstate information about income or resources are subject to penalties under the law.

REQUIREMENTS FOR EACH ASSISTANCE PROGRAM

In addition to financial need, there are other requirements an individual or family must meet to qualify for certain public assistance programs. Such requirements differ for each assistance program because

each program serves the needs of a special group, such as the aged, the blind, the disabled, and so on.

THE AGED: OLD-AGE ASSISTANCE is given only to needy persons who are 65 years of age and over.

THE BLIND: ASSISTANCE TO THE BLIND is provided only for needy persons who are totally blind or have so little vision that they meet the legal definition of blindness as determined by an eye examination.

THE DISABLED: AID TO THE DISABLED is available only to needy individuals, from 18 years of age to 65, who have chronic diseases or disabilities that prevent them from working, or prevent housewives from taking care of their homes. Disability is determined by a medical examination and how well an individual can perform activities required by employment or homemaking.

FAMILIES: AID TO FAMILIES WITH DEPENDENT CHILDREN (ADC) is financial assistance given to a family with minor children without sufficient means of support because of the absence, death, or incapacity of a parent, or the unemployment of the father.

This assistance is granted to keep the family together and preserve its home.

The ADC grant is made to the parent--or other relative with whom the children are living--for the benefit of the children.

The assistance covers the needs of the children and the parents, or other needy relatives, who are taking care of the children. (In some situations relatives who take care of the children are not in need themselves but cannot support the children. In such situations assistance is granted for the children only.)

Assistance is provided for children under 18, or up to age 21 if they are attending school or are enrolled in a course of vocational training.

Assistance is given to a needy pregnant woman to meet her own needs and those of the baby at birth. Necessary medical care is also provided under Medicaid.

In some localities there is a special employment program, WIN (Work Incentive Program), that helps recipients develop and improve their job skills and education through job training, job advice, and employment service for employable ADC recipients. Local departments of social services must send unemployed fathers to the WIN program within 30 days after they have begun to receive ADC grants. Mothers are referred to the training program if their children can be adequately cared for. Children 16 years

of age and older who are out of school may also be considered for WIN training. Persons in WIN training receive a special allowance of \$30 monthly. (A pamphlet, WIN, the Work Incentive Program, is available in local departments of social services in areas of the State where WIN is in operation.)

If a child in an ADC family is born out of wedlock, the local department of social services is required by law to get the mother's cooperation to:

- Legally establish who the father is.
- Locate him if he is missing.
- Check out his ability to support the child, and get that support if possible.

Failure to cooperate in locating the absent parent or securing support will result in the removal of the parent from the family grant.

When a child is in need because of desertion or abandonment, the local department of social services must report the desertion or abandonment to the proper law enforcement official. Efforts must then be made--local, statewide, and, if necessary, nationwide--to locate the missing parent and have him or her assume responsibility for the support of the child or children. The parent or relative with whom the child or children are living must cooperate in all such efforts to find the missing parent and in any legal action that might be taken.

OTHER NEEDY PERSONS AND FAMILIES: HOME RELIEF may be given to needy families and individuals who do not meet the requirements of the other programs. Home Relief would be given, for instance, to needy adults who are not 65 years of age, blind or disabled. For example: A family in which the father is working 100 hours a month or more is not eligible, under federal law, for ADC. If his earnings are not enough to support the family, the family would get Home Relief.

VETERAN ASSISTANCE, a form of HOME RELIEF, is administered in a few local departments in the State to needy war veterans and their families. The veteran must be honorably discharged or released. In communities where such assistance is not administered, needy war veterans, and their dependents, receive Home Relief.

WORK PROGRAMS

No employable person is eligible for public assistance unless he has first registered at the State Employment Service. All employable Home Relief and Aid to Families with Dependent Children recipients are required to report twice each month to their local State Employment

Service office for job counseling and placement in a job in which they are able to engage. They must pick up their public assistance checks there instead of getting them by mail--they are also required to accept referrals to job openings, and a specific job if it is offered, or to training.

No assistance or care is given for 75 days to a person who voluntarily gives up his job or reduces his earning capacity for the purpose of attempting to qualify for Home Relief.

Employable Home Relief recipients who have been on assistance for 30 days may be assigned to public service opportunity projects established by local social services districts in governmental agencies if there are no jobs for them in the local economy.

CLAIMS AGAINST PROPERTY

A local department of social services may require a deed, mortgage or lien on any real property owned by recipients in return for the assistance given, except in cases of short-term assistance.

However, a recipient of Old-Age Assistance, Aid to the Disabled or Assistance to the Blind is not required to transfer his property while he is obtaining higher education or training.

A local department of social services cannot enforce any claim against property on which it has a deed or mortgage, before the death of a recipient--unless the State Department of Social Services gives its approval in writing.

And no claim can be enforced against any property of a recipient while that property is occupied by a surviving widow, widower, or child.

Applicants or recipients may have up to \$500 face value life insurance (other than group or term insurance, on which there is no restriction). If an applicant or recipient has life insurance with a face value of more than \$500, the local department of social services may require that the amount of insurance be reduced or that the policy be assigned to the department. What action is taken depends upon the health, age, expected length of time the person might be on the assistance rolls, and other facts.

If an adult applicant or recipient does not have life insurance, but has cash, he may have a \$500 burial reserve set up under certain circumstances. If he has life insurance with a face value of less than \$500, he may have a burial reserve for the difference between the face value and \$500.

INCOME EXEMPTIONS FOR RECIPIENTS OF PUBLIC ASSISTANCE

Not all of the earnings of employed recipients is considered as available income. Work expenses are deducted from the total earnings and only what remains is considered as income.

For example, the worker might have such expenses as the cost of uniforms or special clothing required by the job; social security taxes; other federal, state and local taxes; lunches; transportation; union dues; etc. Usually these costs average out to about \$60 monthly.

All employed public assistance recipients are entitled to such work-expense exemptions from earned income.

Additional Exemptions: And there are other monthly exemptions employed recipients are entitled to:

For ADC recipients, the first \$30 of the total family earned income in a month plus one-third of the remainder of that income is exempt. In ADC families the earnings of children who are working part-time are totally exempt if these children are attending school full-time or part-time.

Some aged, disabled or blind recipients can and do work. In such cases, they receive special exemptions.

For Assistance to the Blind recipients, the first \$85 of earnings is exempt, plus one-half of the remainder of that income.

For Aid to the Disabled recipients, an exemption of \$40 is given for special work expenses.

For Home Relief recipients, homemakers who have outside jobs have an exemption of earned income for special work expenses of \$40. Children under 21 years of age not attending school are allowed a work expense exemption of \$40. The earnings of children who are working part-time are totally exempt if they are attending school. Other employed persons are allowed a \$20 monthly exemption for special work expenses.

For Home Relief recipients there is also a \$30 a month training allowance for persons in an approved training program and an exemption of the first \$30 each month of earned income.

For Old-Age Assistance recipients, an exemption of \$20 is given for special work expenses.

Income from a number of other sources is exempt and is not considered in determining eligibility for public assistance or the amount of assistance an individual or family receives. Among these are:

Old-Age Assistance, Aid to the Disabled and Assistance to the Blind: the first \$7.50 per month of any income of these recipients is disregarded in determining their public assistance allowances.

New York State Division of Vocational Rehabilitation: the first \$25 of the weekly training allowance.

Job Corps: \$50 a month received by a family through a supplemental allotment from a youth in the Corps.

Urban renewal or housing agency: a relocation adjustment payment made by the agency.

Economic Opportunity Act loans: proceeds of such a loan to a family or individual.

Veteran disability benefits: 15 percent of such an allowance is disregarded for Home Relief, Veteran Assistance, or public home care. Also exempt is that part of the disability benefits needed to attend local meetings of veterans' organizations and to pay annual membership dues.

More information about these programs and benefits can be obtained from local departments of social services.

(For examples of how all such exemptions are applied, see Section II, HOW ASSISTANCE GRANTS ARE DETERMINED.)

SECTION II

HOW ASSISTANCE GRANTS ARE DETERMINED

Here are some examples of how all this works out--income, resources, exemptions, etc.

An Aid to Dependent Children (ADC) family: A mother with four children is separated from her husband. He is under court order to pay her \$150 a month. The family has no other income or resources.

Say the total monthly ADC grant for all of the family's needs would be \$380 if the family had no other means of support. But it does have an income of \$150 monthly, so this is deducted from the \$380, leaving \$230. The family would get a monthly ADC grant of \$230.

A Home Relief family: A worker in a family of six is laid off and gets \$325 monthly in unemployment insurance benefits, the only income or resource his family has.

Say a monthly Home Relief grant of \$380 is necessary for the family for all of its needs. The unemployment insurance benefits of \$325 would be deducted from the \$380 and the family would get a monthly Home Relief grant of \$55.

An Old-Age Assistance couple: An aged couple cannot live on the only income and resource they have--social security benefits of \$160 monthly. They apply for Old-Age Assistance to give them the added funds they need.

If they had no income, their Old-Age Assistance grant would be, say, \$218 a month for all their needs. And they would also get an additional \$6.25 each monthly because of age. That would give them a total assistance grant of \$230.50 monthly.

However, they have \$160 in social security which has to be taken into account. But not all of it. The law exempts \$7.50 monthly of this income for each of them, or a total of \$15. Thus only \$145 of the \$160 is considered income. Deducting this \$145 from the \$230.50 leaves \$85.50, which would be the couple's Old-Age Assistance grant.

An Assistance to the Blind recipient: A blind recipient has been receiving a monthly grant of, let us say, \$152, for all of his needs. This includes a special allowance of \$10 for a blind person living alone. He gets a job that pays \$295 a month. Even though his wages are now almost double his assistance grant, he is still eligible for some assistance. This is how it works:

First, we have to add up all his exemptions:

The first \$85 of his monthly earnings is exempt, plus an additional \$7.50. So is half of the remaining \$202.50, or \$101.25. These exemptions total \$193.75.

Say he has an exemption of \$60 for work expenses. His total work exemptions then are \$60, \$85, \$7.50 and \$101.25, or \$253.75 in all. Deducting this \$253.75 from his wages of \$295 leaves \$41.25, the amount of his earnings regarded as income. This \$41.25 is deducted from his Assistance to the Blind grant of \$152, leaving \$110.75, the amount of assistance he is still entitled to receive.

Thus this blind recipient will have a total monthly income of \$405.75--\$295 in wages and \$110.75 in assistance.

Furthermore, additional amounts of his income and other resources might also be exempted if they should be necessary to help him carry out a plan to make himself self-supporting within a year. Such a plan must be approved by the State Commission for the Visually Handicapped.

An Aid to the Disabled recipient: A single man gets a job in a sheltered workshop that pays him \$300 a month. Suppose his public assistance allowance for everything is \$142 monthly, plus a special \$10 monthly allowance because he is disabled, or a total of \$152.

He is entitled to a monthly work-expense exemption of, let us assume, \$60. That reduces his income from wages of \$300 down to \$240. Because of his disability, he gets an additional, special work-expense exemption of \$40. So that reduces his income further, to \$200. But, this is more than his assistance grant of \$152, so he is not entitled to any assistance.

SECTION III

OTHER HELP AND SERVICES

Money is not the only kind of help a needy person or family can get through the 64 local departments of social services in New York State. Many valuable services are available, such as:

Medical care for the sick.

Additional food through food stamps.

Special services for children, families, and unmarried mothers,

Special care for the aged, blind or disabled.

Fair Hearings by the State to correct injustices and mistakes.

Protection against discrimination.

Other services are also available: job training; adult education; and advice and guidance on family problems, home management, budgeting, and other matters. The blind and the disabled are encouraged to undergo medical treatment and rehabilitation to assist them in securing employment, or to be able to take better care of themselves.

Here is information about some of these services. The local departments of social services can supply detailed information about them, and suggest other services to meet other needs. A pamphlet, "How to Get Help for Families Who Need It," is available at all local departments of social services.

MEDICAL ASSISTANCE (MEDICAID)

All persons who receive public assistance, or are eligible for it, can get any necessary medical care through MEDICAID. Other individuals and families not on public assistance or eligible for it, but with incomes below a prescribed amount, can also receive medical care. This care includes doctors' and hospital services, but not all of the services and supplies provided for public assistance recipients or those eligible for assistance.

The provider of medical services and supplies (hospitals, physicians, dentists, pharmacists, and so forth) is paid by the local department of social services.

Recipients of public assistance, those eligible for public assistance but who have not applied for it, and low-income individuals and families eligible for MEDICAID can receive the following services:

Necessary services provided by qualified physicians.

Care in hospitals, nursing homes, and other medical institutions.

Out-patient hospital or clinic services.

Family planning services provided by a physician, clinic, or Planned Parenthood center.

Laboratory and x-ray services.

Transportation to obtain medical services if approved in advance.

Home health care services, including home nursing services and services of home health aides.

In addition to the above services, public assistance recipients and those eligible for public assistance can also receive:

Necessary services provided by optometrists, podiatrists, chiropractors, and other professional personnel. Essential dental services, such as the extraction of teeth, filling of cavities and routine preventive dental care, are also covered.

Drugs, family planning medication and devices, sickroom supplies, eyeglasses, and prosthetic appliances except dental prosthetic (false teeth) appliances. However, false teeth and teeth-straightening (orthodontic) appliances can be paid for if needed for reasons of health or employment, and are approved in advance.

Complete information about MEDICAID is in the pamphlet, Medicaid, How New York State Helps When Illness Strikes. Copies are available at all local departments of social services.

FAMILY PLANNING

Where appropriate, all public assistance recipients are personally advised periodically of the availability at public expense of family planning services for the prevention of pregnancy. These services are made available to all who desire them. No recipient, however, is required to use these services.

ADDITIONAL FOOD THROUGH FOOD STAMPS

Additional wholesome, nutritious food is available to all individuals and families receiving public assistance and all other persons whose low income qualifies them.

This food is available through food stamp plans operated by all local departments of social services. Under the food stamp plan, an individual or family obtains extra food by buying food stamps, which can be used to purchase food worth much more than the cost of the stamps.

Through these food plans, a family can increase its food supply without spending any more money for food than it does now.

Advice on how to get the most benefit from foods is also available through local departments of social services.

SERVICES FOR CHILDREN, FAMILIES AND UNMARRIED MOTHERS

Services are available to all eligible children who need them, whether or not they are receiving public assistance. If the local department does not provide the needed service itself, it will help get it for the family or the child from another agency.

Day care: Day care is available for children of school age and preschool age when the mother is employed, receiving occupational training or is incapacitated.

This care is provided in day care centers, family day care homes, in the recipient's own home or in the home of friends, relatives or neighbors.

Day care centers give health care and offer educational opportunities for the children.

Protective services: Children who are seriously neglected, abused, or subjected to demoralizing home conditions and acts by their parents, when brought to the attention of the local department, are helped by these services. Child welfare experts work intensively with the families to correct these situations and protect the children.

Foster care: Children who need to be cared for outside their own homes are cared for in foster homes by foster parents who are selected because they can give the affection and individualized supervision that children need.

Group care for children is provided in child-caring institutions and group residences.

Adoption: Children who are without families or homes are placed for adoption with families that give them love, care, and the opportunity to grow to a healthy and happy adulthood in families of their own.

The State Department of Social Services maintains a statewide adoption exchange that serves all authorized adoption agencies in the State. The exchange broadens the opportunities for prospective adoptive parents to have children placed with them by making their homes known to agencies unable to place children in their own communities.

Adoption subsidy: Families that adopt children, but need some financial help to support these children, can receive funds for this purpose from the local department of social services to the extent needed and for the time necessary.

Adoption subsidy payments are made where a child has special, unusual, or significant physical or emotional handicaps which are an obstacle to his adoption. Subsidy payments are made for medical, surgical, psychiatric and other special costs, services and devices.

Services for unmarried mothers: Assistance is given to a needy unmarried mother during her pregnancy. Short-time foster care is provided for the out-of-wedlock child in cases where the mother needs time to make a sound, permanent plan for the baby and herself. During this time the mother gets public assistance if she needs it.

If the mother decides to place the child for adoption, this service is provided. If she decides to keep the child, she is helped to carry out such a plan.

Homemaker services: Homemaker help is provided for children when the mother in a needy family is physically or mentally ill, or otherwise unable to provide the care children need. The homemaker also helps the mother with home management problems.

Household furniture and equipment: Persons in need of public assistance who have lost necessary furniture and clothing in a fire, flood or other catastrophe can have these items replaced by the local department of social services if they cannot obtain replacements otherwise.

Also, individuals and families receiving public assistance who require furniture to establish a home but are unable to obtain such items can request funds for this purpose.

The local department will also provide funds for the essential repair of heating equipment, cooking stoves, and refrigerators if recipients are unable to get such items fixed.

Purchase of cooperatives: Public assistance recipients may be granted up to \$750 toward the purchase of a housing unit in a cooperative. The recipient's equity in such cooperative housing must be assigned to the local department of social services.

SPECIAL CARE FOR THE AGED, BLIND AND DISABLED

A needy aged, blind or disabled person may receive public assistance in his own home, some other family home, a private boarding home, a private convalescent home, a home for the aged, a residence for the mentally retarded, or other suitable institution or facility.

Allowances are also provided for needy persons living in the same household who are essential in providing care for the recipient.

A needy person who requires medical care in an institution can obtain it in a public home infirmary (operated by a local department of social services), an approved nursing home, or a public or voluntary hospital, through Medicaid. Persons 65 years of age or over can be cared for in a State institution for mentally disabled patients as Medicaid recipients.

Recipients in homes for the aged, nursing homes, or similar places receive a cash allowance for clothing and incidentals if these needs are not furnished by the institution.

Blind individuals are eligible to receive a wide variety of services from the State Commission for the Visually Handicapped, including comprehensive vocational training, help in adjusting to blindness, guidance in operating small businesses, and other services.

FAIR HEARINGS

If an applicant for, or recipient of, public assistance or Medicaid is not satisfied with a decision of his local department of social services and can't get the matter straightened out, he can appeal to the State Department of Social Services for a Fair Hearing--in any of the following situations:

The person applied for public assistance or Medicaid more than 30 days previously, but has heard nothing about his application and no action has been taken by the local department.

He was told more than 30 days ago that he would receive assistance or Medicaid, but has not received it.

He has applied for assistance or Medicaid and has been told he is not going to get it.

He is receiving assistance but thinks he is not getting all he is entitled to.

His assistance payments have been stopped or reduced.

Part of his assistance grant is not made payable solely to the recipient or to the recipient directly. For example, an assistance check is made out to the recipient and to the landlord, instead of to the recipient alone. Or the check is made out to the recipient and a gas or electric company, or made out to another person to handle for the recipient.

The person is dissatisfied with his work training assignment. Or he has been ordered to take work training but doesn't think he should. Or he wants such training but has been refused it.

The person has been denied needed day care for children, homemaker service, or other necessary social services, or these services have been discontinued.

In a Fair Hearing the facts, on both sides, are considered by a State Hearing Officer.

On the basis of this information, evidence, and testimony, the State Commissioner of Social Services will make a decision promptly. The person and the local department of social services will each receive a copy of the decision.

If the decision is in favor of the complainant, his local department will be directed to settle the complaint promptly and fully, and to provide the person with whatever he is entitled to under the law.

If the State's decision is against the person, he has the right to go to court and have the decision reviewed.

When the complaint concerns the stoppage of assistance, the Fair Hearing is generally held within two weeks and a prompt decision follows. Otherwise, hearings are usually held within a month and decisions given within two months. A request for a Fair Hearing must be made within 60 days of the contested decision.

New York City residents should apply for a Fair Hearing by telephone, in person or by mail to the State Department of Social Services, New York City Area Office, 270 Broadway, New York, N.Y. 10007, or by mail to the State Department of Social Services Fair Hearing Section, 95 Rockwell Place, Brooklyn, N.Y. 11217.

Residents who live outside New York City should apply by telephone, in person or by mail to the State Department of Social Services

Area Office that supervises their local department (see listing at the end of this pamphlet), or they can send their request by mail to the State Department of Social Services, Fair Hearing Section, 1450 Western Avenue, Albany, N.Y. 12203.

PROTECTION AGAINST DISCRIMINATION

Any of the following actions by a local department of social services, agency, institution, or other facility providing care or service under the public assistance, Medicaid, or child welfare programs is considered discriminatory treatment when based on religion, race, color, or national origin:

Denial of aid, care, or other benefits.

Segregation or separate treatment.

Restriction in any way in the enjoyment of any advantage or privilege enjoyed by others.

Treatment which is different from that afforded others in regard to determination of eligibility or other condition which must be met (including programs to provide employment or reduce unemployment).

If a person believes he is being discriminated against because of his religion, race, color, or national origin, he should complain to his local department of social services, to the State Department of Social Services, or to the Office of Civil Rights in the U.S. Department of Health, Education, and Welfare, 26 Federal Plaza, New York, N.Y. 10007. The complaint will be investigated and any discrimination ended. If necessary, a hearing will be held.

APPENDIX

Area Offices of the State Department of Social Services

- Area 1, 125 Main Street, State Office Building, Buffalo, N.Y. 14203
- Area 2, 119 Main Street East, Commerce Building, Rochester, N.Y. 14604
- Area 3, 333 East Washington Street, Syracuse, N.Y. 13202
- Area 4, 74 State Street, Albany, N.Y. 12201
- Area 5, 270 Broadway, New York, N.Y. 10007
- Area 6, 270 Broadway, New York, N.Y. 10007

Local Departments of Social Services
(and the State Area Offices that supervise them)

Following are the addresses of all local departments of social services in the State. The number in () in front of each listing shows the State Area Office that supervises that local department.

County Departments

- (4) ALBANY: 28 Howard St., Albany 12207
- (2) ALLEGANY: County Home, Angelica 14709
- (3) BROOME: 901 Upper Front St., Binghamton 13901
- (1) CATTARAUGUS: County Home, Machias 14101
- (3) CAYUGA: County Office Bldg., 160 Genesee St., Auburn 13021
- (1) CHAUTAUQUA: Mayville 14757
- (2) CHEMUNG: 203-209 William St., Elmira 14901
- (3) CHENANGO: County Office Bldg., Norwich 13815
- (4) CLINTON: 30 City Hall Place, Plattsburgh 12901
- (4) COLUMBIA: 610 State St., Hudson 12534
- (3) CORTLAND: Court House, Cortland 13045
- (4) DELAWARE: 126 Main St., Delhi 13753
- (5) DUTCHESS: County Office Bldg., 22 Market St., Poughkeepsie 12601
- (1) ERIE: 95 Franklin St., Buffalo 14202
- (4) ESSEX: Court House, Elizabethtown 12932
- (4) FRANKLIN: Court House, Malone 12953
- (4) FULTON: County Bldg., Johnstown 12095
- (1) GENESEE: 3837 West Main Rd., Batavia 1402C
- (4) GREENE: Court House, Catskill 12414
- (4) HAMILTON: Court House, Lake Pleasant 12108
- (3) HERKIMER: County Office Bldg., Herkimer 13350
- (3) JEFFERSON: 173 Arsenal St., Watertown 13601
- (3) LEWIS: County Home, Lowville 13367
- (2) LIVINGSTON: County Home, Genesee 14454
- (3) MADISON: Wampsville 13163
- (2) MONROE: 111 Westfall Road, Rochester 14620
- (4) MONTGOMERY: County Office Bldg., Fonda 12068
- (5) NASSAU: Administration Bldg., County Seat Drive, Mineola 11501
- (1) NIAGARA: 100 Davison Road, P.O. Box 506, Lockport 14094
- (3) ONEIDA: County Office Bldg., 800 Park Ave., Utica 13501

- (3) ONONDAGA: County Office Bldg., 600 S. State St., Syracuse 13202
- (2) ONTARIO: 15 Court St., Canandaigua 14424
- (5) ORANGE: Orange Farm Road, Box Z, Goshen 10924
- (1) ORLEANS: County Home, Albion 14411
- (3) OSWEGO: County Office Bldg., Mexico 13114
- (4) OTSEGO: County Office Bldg., 197 Main St., Cooperstown 13326
- (5) PUTNAM: County Bldg., 56 Gleneida Ave., Carmel 10512
- (4) RENSSELAER: 133 Bloomingrove Drive, Troy 12180
- (5) ROCKLAND: 61 South Main St., New City 10956
- (3) ST. LAWRENCE: County Home, Canton 13617
- (4) SARATOGA: Box 360, Ballston Spa 12020
- (4) SCHENECTADY: 487 Nott St., Schenectady 12308
- (4) SCHOHARIE: Professional Bldg., Schoharie 12157
- (2) SCHUYLER: County Office Bldg., Watkins Glen 14891
- (2) SENECA: County Road 118, Box 179, R.D. #3, Waterloo 13165
- (2) STEUBEN: County Home, Box 631, Bath 14810
- (5) SUFFOLK: 75 Fourth Ave., Bay Shore 11706
- (5) SULLIVAN: Box 231, Liberty 12754
- (3) TIOGA: County Home, R.D. #1, Owego 13827
- (3) TOMPKINS: 108 Green St., East, Ithaca 14850
- (5) ULSTER: County Office Bldg., 244 Fair St., Kingston 12401
- (4) WARREN: County Municipal Ctr., Lake George 12845
- (4) WASHINGTON: 15 Church St., Granville 12832
- (2) WAYNE: 16 William St., Lyons 14489
- (5) WESTCHESTER: 830 County Office Bldg., 148 Martine Ave., White Plains 10601
- (1) WYOMING: 400 North Main St., Warsaw 14569
- (2) YATES: County Office Bldg., Box 257, Penn Yan 14527

City and Town Departments

- (3) AUBURN: County Office Bldg., 160 Genesee St. 13021
- (3) BINGHAMTON: 119-125 Chenango St., 13901
- (1) JAMESTOWN: City Hall 14701
- (6) NEW YORK CITY: 250 Church St. 10013
- (3) OSWEGO: 153 West Second St. 13126
- (5) POUGHKEEPSIE: 20 Maple St. 12601
- (3) TOWN OF UNION: 2721 E. Main St., Endwell 13760



medicaid

HOW NEW YORK STATE HELPS
WHEN ILLNESS STRIKES

"Medical assistance for needy persons is a matter of public concern and a necessity in promoting the public health and welfare . . ."

Nelson A. Rockefeller, Governor

September 1970

medicaid

HOW IT HELPS

The cost of medical care is a serious problem for many individuals and families. More and more, as such costs rise, people cannot afford them:

Some risk serious and sometimes chronic illness or disability.

Children suffer health damage that may limit their adult work capacities.

This lack of needed health care, in time, builds a great burden of illness and disability, much or all of which eventually becomes a welfare burden. The largest part of public welfare expenditures stems from sickness.

To help these citizens, New York State has established a program to pay for the medical services they — and their dependents — need but cannot pay for.

The program — paid for with federal, State, and local tax funds — is Medical Assistance for Needy Persons, generally called Medicaid.

This help is available through 64 county and city departments of social services throughout the State to all who qualify.

Practical information about Medicaid is given in this handbook. It answers questions most frequently asked by most persons who apply for it; and it provides general information for others who want to know about the program and how it operates.

Anyone who wants an application blank or guidance on his own situation, or additional information, should ask his local social services department.

We all have a tremendous stake in this program. Medicaid protects and promotes the health of great numbers of children and adults who urgently need its help — and it curbs the dependency that stems from lack of medical care as it raises the health levels of all the people of the State.

GEORGE K. WYMAN
State Commissioner of Social Services

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WHAT MEDICAID DOES

Medicaid pays the medical bills, in whole or in part, of New York State residents who cannot pay the costs of medical care.

Applications for it are made at local departments of social services. These departments authorize this assistance for persons qualified under the law to receive it.

Below, in question-and-answer form, is other basic information on what Medicaid does.

BENEFITS

Q. Does Medicaid pay cash benefits to those who qualify?

A. No. It pays the provider of services or supplies (physician, surgeon, hospital, etc.).

Q. What services, care, and supplies will be paid for by Medicaid?

A. Necessary services provided by physicians, dentists, optometrists, podiatrists, chiropractors, and other professional personnel. The dental services paid for by Medicaid are ordinarily limited to essential treatment, such as extraction of teeth, filling of cavities and routine preventive dental care. However, dental prosthetic (false teeth) and orthodontic (teeth-straightening) appliances required to alleviate a serious health condition, including one which affects employability, will be paid for if prior approval has been obtained.

Care, treatment, maintenance and nursing services in hospitals, nursing homes, infirmaries or other medical institutions, including the hospital or nursing home sections of public institutions operated for the care of the mentally retarded.

Out-patient or clinic services.

Home health care services, including home nursing services and services of home health aides.

Drugs, sickroom supplies, eyeglasses and prosthetic appliances, except dental prosthetic appliances.

In catastrophic illness, in-hospital services are covered.

WHO IS ELIGIBLE?

Q. Who is eligible for Medicaid?

A. The following groups:

- (1) Persons on welfare
- (2) Medically needy persons who are:
 - (a) under 21 years or 65 and over
 - (b) blind or disabled
 - (c) members of families in which one or both parents are dead, absent from



the home, incapacitated, or the father is unemployed. Included among those considered incapacitated are pregnant women from the fourth month of pregnancy until 12 weeks after delivery.

- (3) Persons, other than those listed above, who are stricken with catastrophic illness can be helped with hospital bills and bills for physician services given in hospitals when those costs exceed 25 percent of their income. (See Catastrophic Illness, page 5.)

Q. What is a medically needy individual or family?

A. A person or family whose net annual income (total income less income taxes, cost of health insurance premiums, and payments for support of dependents made by court order) is no higher than the amounts shown in the table on page 4.

EXEMPTIONS
(Savings, Insurance Policies)

Q. If a family eligible for Medicaid has savings, what happens to them?

A. The first \$500 of savings, including cash value of life insurance, is exempt as a burial fund. This \$500 exemption applies to each member of a family, with a maximum of \$2,000 per family. Additional savings equal to one-half of the annual net income exemption are also allowed. Any savings in excess of this amount will have to be used for medical expenses.

Q. Is face value of life insurance computed in figuring eligibility for Medicaid?

A. No. But the cash value of any life insurance policy must be included in determining the burial reserve and the savings exemption.

Q. Must term insurance be considered when computing savings or burial reserve?

A. No. Term, group and other insurance that has no loan value is not considered an asset. Such insurance cannot be surrendered for cash nor borrowed against.

Q. How much can a person or family earn and how much money can they have in the bank and still be eligible for Medicaid?

A. The following table lists the amounts of earnings and allowable reserves, which includes the cash value of life insurance, that determine eligibility for Medicaid:

No. in Family	Annual Income	Allowable Reserves
1	\$2,200	\$1,600
2	\$3,100	\$2,550
3	\$4,000	\$3,500
4	\$5,000	\$4,500
5	\$5,700	\$4,850
6	\$6,400	\$5,200
7	\$7,200	\$5,600

For families larger than seven, the exemption is increased by \$600 for each additional person; for allowable reserves, the exemption is increased by \$300 for each additional person. The annual income exemption is increased by an additional \$90 for each person in the family household who has income and is blind, disabled or 65 years of age or over.

Homestead, Personal Property Exemptions

Q. Does a property owner have to give the social services department a lien or mortgage on his house if he gets Medicaid?

A. No. No lien or encumbrance of any kind can be imposed on the property of any recipient of Medicaid. A claim may be filed against the estate of a deceased recipient who was 65 years of age or older when he received such assistance, if the resources of the estate warrant it; but only after the death of the surviving

spouse, if any; and only if there is no surviving child under 21. Such a claim may not be filed if the surviving child is over 21, but is blind or permanently and totally disabled.

Q. Does a person who receives Medicaid have to pay it back if and when he is able to?

A. No, except as above, or where the recipient recovers against a third party for the injuries which necessitated the medical treatment covered by Medicaid.

Q. Does a person or family have to sell his automobile to qualify for Medicaid?

A. No. The following items of personal property are not considered assets: clothing, personal effects, furniture, appliances, equipment required for a trade, occupation or business, an automobile.

Q. Is it necessary to sell income-producing property (not used as a homestead) to qualify for Medicaid?

A. No, but any income it produces in excess of the income exemption must be used to pay for medical expenses. If such real property can be mortgaged, this must be done, and whatever proceeds are actually available in excess of the resource exemption must be utilized.

Q. Is a family with income, savings, or insurance above the exempt levels disqualified from Medicaid?

A. Not necessarily, for it depends upon the size of medical expenses involved. Where the costs of medical care exceed the family's excess income or resources, the family will be eligible after such excess has been paid toward the bill.

COST SHARING FOR OUT-PATIENT SERVICES

Q. Does a social services department pay in full for out-patient services provided to all recipients of Medicaid?

A. No. For those Medicaid recipients who are not receiving or who are not eligible for public assistance, only 80 percent of the cost of all medical services and supplies, other than in-patient services provided in a medical institution, are paid by the social services department.

Q. How does this work?

A. The identification card issued to eligible families shows the coverage for which the family members are eligible.

All persons — except those who are receiving or are eligible for cash public assistance — will have a card which shows "B" coverage; this coverage means the patient must be responsible for 20 percent of the cost of all services except for the cost of in-patient care in a medical institution.

When a recipient is eligible for this "B" coverage, the provider of services sends the bill to the social services department for 80 percent of the cost and looks to the recipient for the other 20 percent.

Q. When is a person eligible to have all medical care and services paid for by Medicaid without having to contribute toward the cost?

A. If a person or family household is obligated in an amount toward medical care and services — not including in-patient services in a medical institution — which reduces them to public assistance levels, that person or family household becomes eligible to have Medicaid pay for all medical care and services.

Q. What is meant by public assistance levels?

A. Annual income from public assistance allowances. The following table shows these levels on a yearly basis by family size:

One	Two	Three	Four	Five
\$1,910	\$2,630	\$3,170	\$4,030	\$4,670
Six	Seven	Eight	Nine	Ten
\$5,330	\$5,990	\$6,530	\$7,190	\$7,730

Add \$540 for each person in family in excess of 10.

Q. How much must a family spend or be obligated for medical care and services before it does not have to contribute toward medical care?

A. Cost sharing is figured out on a six-month basis.

Take a family of four with a \$4,200 annual net income, for example. It would be \$85, because only six months is considered. This is figured out as follows:

Six month net income	\$2,100.
Public assistance level	\$2,015. (½ of \$4,030).

Amount subject to cost sharing \$85.

Until this family has become obligated for this amount for out-patient services during the six-month period it would have an identification card showing "B" coverage for family members, subject to cost-sharing. After the \$85 was obligated, it would have a card showing "E" coverage, for full payment of these medical services.

**EXPENSIVE HOSPITAL CARE
(Catastrophic Illness, Chronic Illness, and
Other Expensive Care)**

Catastrophic Illness

Q. What is catastrophic illness?

A. Sickness whose hospital and other in-patient costs exceed 25 percent of annual net income, or the amount of such income in excess of public assistance levels, whichever sum is smaller.

Q. When catastrophic illness makes persons or families eligible for Medicaid, is the whole cost paid by the program?

A. No. Only that amount that exceeds the above formula, and only in-patient care is covered.

EXAMPLE — A person earning \$5,000 annual net income who incurs a bill of \$2,000 must pay \$1,250 (25 percent of \$5,000) and Medicaid will pay the remaining \$750.

Q. Is expensive hospital care covered for persons with incomes in excess of the income exemptions, providing they are otherwise eligible?

A. Yes. The following example shows how it works:

Assume, for example, that a family which has an incapacitated, blind, absent, deceased or unemployed parent, has annual income of \$1,200 more than the income exemption level. Since the excess for only a six-month period must be used, the family would be required to use only half of its annual excess, or \$600, toward the hospital bill.

Chronic Illness

A person who receives 60 or more consecutive days of care in a hospital or other medical institution is deemed to be in chronic care.

(1) If a chronically ill person has dependents:

He can keep \$17 a month out of his income to meet personal expenses. The remaining income is used for the support of his dependents and any excess is applied to the cost of the medical care the patient is receiving.

(2) If he is a single person:

His income, over and above \$17 a month for personal expenses, is applied to the cost of his medical care.

In both (1) and (2) if the person is blind, disabled or 65 years of age or over, the first \$7.50 of his monthly income is disregarded. There are also savings and burial reserve exemptions as there are for other Medicaid beneficiaries.

Other Expensive Care (non-hospital)

Q. Are other large medical bills paid by Medicaid?

A. Yes, if the monthly cost of care exceeds the income exemption determined on a monthly basis. For example, suppose physician, dentist, or other services cost \$300 in a month and the family's income exceeds the exemption by only \$50. The family would pay \$50 and the remaining \$250 would be paid by Medicaid, subject to the 20 percent cost-sharing formula.

Q. How are the costs of expensive prosthetic appliances and dentures covered?

A. The excess income in a six-month period is utilized as in hospital care.

A SPECIAL NOTE FOR THOSE 65 AND OVER

Persons 65 and over may be eligible for Medicaid benefits as well as Medicare benefits. Eligibility for Medicare is automatic when a person reaches 65. Eligibility for Medicaid is determined by a simple means test. For persons who qualify, Medicaid pays hospital, physician, drug, and other costs not provided by Medicare.

Medicaid is also available to persons 65 years of age and over who are patients in hospitals operated by the State Department of Mental Hygiene and who meet the financial eligibility requirements outlined in this brochure.

PRIVATE HEALTH INSURANCE

Q. Do private health insurance benefits have to be used?

A. Yes. If such insurance benefits do not meet the full medical expenses, and the family qualifies by income, savings, and life insurance exemptions, Medicaid will pay the portion of medical expenses not covered by private health insurance.

Also, a veteran entitled to hospitalization and other medical care in a veterans' facility must use such resources.

Q. If a family qualifies for Medicaid, should it drop any private health and accident insurance it has?

A. No. No one should cancel his private health insurance protection because he thinks he may not need it under Medicaid.

First, he had better make sure he is eligible for Medicaid before he takes any action. Second, his eligibility for Medicaid will probably vary from time to time, depending upon his income and other resources; consequently a person who drops his personal health insurance may be eliminating his only means of paying for medical care he needs. Third, in an effort to encourage people to maintain personal health insurance for their own protection, payment of insurance premiums is taken into account in determining eligibility for Medicaid.

MEDICAID IDENTIFICATION CARD

Q. What is a Medicaid identification card?

A. Identification of the individual or family as one that has qualified for Medicaid, and of the services for which the individual or family has qualified.

The cards show "A", "B", "C", "D", and "E" coverage.

Cards for individuals and families receiving or eligible for public assistance will show "A" coverage.

Cards for all others will show "B" coverage, except in some cases the parents of minor children who are fully employed will have "C" or "D" coverage.

Q. What are the care and the services provided under these different kinds of coverage?

A. Under "A" coverage, all Medicaid benefits. Under "B" coverage, also all Medicaid benefits, but the patient must pay 20 percent of all out-patient services. Under "C" and "D" coverage, in-patient services in a medical institution, such as a hospital, are available.

Under "E" coverage a family household receives all available benefits after cost-sharing is met.

Q. How is the card used?

A. Just like a Blue Shield card. It is shown to the physician, dentist, pharmacist or other provider of services, drugs, etc.

Q. How long is the card valid?

A. Cards for families in receipt of public assistance in some categories are issued monthly; in other cases the cards are issued for periods of time up to one year.

ALL ABOUT APPLICATIONS

Q. Where does one apply?

A. At the local social services department, or, if he lives in a town or city that has a social services officer, he may obtain an application blank from that officer.

Q. How does one apply?

A. In person, by writing for an application form, by telephoning for it, or by having another person make application to the local social services department. (See page 7 for address of your local department.)

Q. What information must the applicant provide?

A. In addition to name, address, social security number and age, the applicant must state his annual income and, if a family, the annual income of each person in the family, the amount of savings, and other liquid assets (stocks, bonds, cash value of insurance above certain levels; see Exemptions, page 4).

Q. What is considered income?

A. All earnings from employment, profits from business, interest from savings, dividends from stocks, social security payments, contributions from legally responsible relatives, etc.

Q. Is the applicant investigated?

A. At the time of application, the social services department will require proof of annual income by requesting wage stubs. Every 20th application a local social services department approves for Medicaid is subject to verification of the information given in the application. This investigation involves checking out the information on annual income, income taxes paid, payments made pursuant to court orders, savings, insurance, and other assets.

Q. How long does it take?

A. The social services department must make a decision on an application in 30 days, and send a letter to the applicant notifying him if his application has been accepted or rejected.

LEGALLY RESPONSIBLE RELATIVES

Legally responsible relatives are those who are required by statute to contribute, if able, to the support of any recipient of public assistance, including Medicaid.

Q. Who are legally responsible relatives?

A. Husband for wife, wife for husband, and parents for children under 21. Adult children are not legally responsible for parents.

WHERE TO APPLY

New York City

A resident of New York City should phone the Bureau of Medical Assistance, New York City Department of Social Services at 340 West 34th Street (Tel. 594-3050). On telephone request the Bureau will mail the applicant the necessary application form. If the applicant needs help in filling out the form, he will be directed to one of the Medicaid Registration Centers near his home where this assistance will be given.

Outside New York City

New York State residents outside New York City make application for Medicaid to the social services department of the county in which they reside. Residents of the cities of Auburn, Binghamton, Jamestown, Oswego, Poughkeepsie, and the Town of Union apply to the social services departments in those communities.

Addresses of All Local Departments of Social Services

(Addresses of Area Offices of State Department of Social Services on the next page)

Following are the locations of all local social services departments in the State. The number in () indicates the Area Office which serves it:

County Departments

- (4) ALBANY: 28 Howard St., Albany 12207
- (2) ALLEGANY: County Home, Angelica 14709
- (3) BROOME: 901 Upper Front St., Binghamton 13901
- (1) CATTARAUGUS: County Home, Machias 14101
- (3) CAYUGA: County Office Bldg., 160 Genesee St., Auburn 13021
- (1) CHAUTAQUA: Mayville 14757
- (2) CHEMUNG: 203-209 William St., Elmira 14901
- (3) CHENANGO: County Office Bldg., Norwich 13815
- (4) CLINTON: 30 City Hall Place, Plattsburgh 12901
- (4) COLUMBIA: 610 State St., Hudson 12534
- (3) CORTLAND: Court House, Cortland 13045
- (4) DELAWARE: 126 Main St., Delhi 13753
- (5) DUTCHESS: County Office Bldg., 22 Market St., Poughkeepsie 12601
- (1) ERIE: 210 Pearl St. Bldg., Buffalo 14202
- (4) ESSEX: Court House, Elizabethtown 12932
- (4) FRANKLIN: Court House, Malone 12953
- (4) FULTON: County Bldg., Johnstown 12095
- (1) GENESEE: 3837 West Main Rd., Batavia 14020
- (4) GREENE: Court House, Catskill 12414
- (4) HAMILTON: Court House, Lake Pleasant 12108
- (3) HERKIMER: County Office Bldg., Herkimer 13350
- (3) JEFFERSON: 173 Arsenal St., Watertown 13601
- (3) LEWIS: County Home, Lowville 13367
- (2) LIVINGSTON: County Home, Genesee 14454
- (3) MADISON: Wampsville 13163
- (2) MONROE: 111 Westfall Road, Rochester 14620
- (4) MONTGOMERY: County Office Bldg., Fonda 12068
- (5) NASSAU: Administrative Bldg., County Seat Drive, Mineola 11501
- (1) NIAGARA: 100 Davison Road, P.O. Box 506 Lockport 14094
- (3) ONEIDA: County Office Bldg., 800 Park Ave., Utica 13501
- (3) ONONDAGA: County Office Bldg., 600 S. State St., Syracuse 13202
- (2) ONTARIO: 15 Court St., Canandaigua 14424
- (5) ORANGE: Orange Farm Road, Box 7, Goshen 10924
- (1) ORLEANS: County Home, Albion 14411
- (3) OSWEGO: County Office Bldg., Mexico 13114
- (4) OTSEGO: County Office Bldg., 197 Main St., Cooperstown 13326
- (5) PUTNAM: County Bldg., 56 Glencida A.e., Carmel 10512
- (4) RENSSELAER: 133 Bloomingrove Drive, Troy 12180
- (5) ROCKLAND: 61 South Main Street, New City 10956
- (3) ST. LAWRENCE: County Home, Canton 13617
- (4) SARATOGA: Box 360, Ballston Spa 12020
- (4) SCHENECTADY: 487 Nott St., Schenectady 12308
- (4) SCHOHARIE: Professional Bldg., Schoharie 12157
- (2) SCHUYLER: County Office Bldg., Watkins Glen 14891
- (2) SENECA: County Home, Box 179, R.D. #3, Waterloo 13165
- (2) STEUBEN: County Home, Box 631, Bath 14810
- (5) SUFFOLK: 75 Fourth Ave., Bay Shore 11706
- (5) SULLIVAN: Box 231, Liberty 12754
- (3) TIOGA: County Home, R.D. #1, Owego 13827
- (3) TOMPKINS: 108 Green St., East, Ithaca 14850
- (5) ULSTER: County Office Bldg., 244 Fair St., Kingston 12401
- (4) WARREN: County Municipal Ctr., Lake George 12845
- (4) WASHINGTON: 15 Church St., Granville 12832
- (2) WAYNE: 16 William St., Lyons 14489
- (5) WESTCHESTER: 830 County Office Bldg., White Plains 10601
- (1) WYOMING: 400 North Main St., Warsaw 14569
- (2) YATES: P.O. Box 257, Penn Yan 14527

City and Town Departments

- (3) AUBURN: County Office Bldg., 160 Genesee St. 13021
- (3) BINGHAMTON: Prescott Bldg., 251 Water St. 13901
- (1) JAMESTOWN: 317 Cherry St. 14701
- (6) NEW YORK CITY: 250 Church St. 10013
- (3) OSWEGO: 153 West Second St. 13126
- (5) POUGHKEEPSIE: 20 Maple St. 12601
- (3) TOWN OF UNION: 2721 E. Main St., Endwell 13760

IF YOU WANT TO APPEAL A DECISION . . .

If an applicant or recipient of Medicaid is dissatisfied with a decision made by his local department of social services, he may appeal to the State Department of Social Services for a review of his case.

New York City residents should address such requests by telephone, in person, or by mail to the New York City Area Office of the State Department of Social Services, 270 Broadway, New York, N. Y. 10007, or by mail to the Department's Fair Hearing Section, 95 Rockwell Place, Brooklyn, N. Y. 11217.

Those who live outside New York City should apply by telephone, in person, or by mail to the Area Offices which supervise their local departments of social services, or by mail to the Bureau of Hearings, State Department of Social Services, 1450 Western Avenue, Albany, N. Y. 12203. The addresses of the Area Offices are:

Area 1, 125 Main Street, State Office Building, Buffalo, N. Y. 14203

Area 2, 119 Main Street East, Commerce Building, Rochester, N. Y. 14604

Area 3, 333 East Washington Street, Syracuse, N. Y. 13202

Area 4, 74 State Street, Albany, N. Y. 12201

Area 5, 270 Broadway, New York, N. Y. 10007

The list of local departments of social services on page 7 identifies the departments supervised by each of the Area Offices.

FEDERAL CIVIL RIGHTS LEGISLATION

Under this legislation, all persons applying for, receiving or participating in any federally assisted program; or activity are protected against discrimination on the ground of race, color or national origin.

Any of the following actions by a public agency or by an agency, institution, or facility providing care or service under the public assistance, child welfare or medical assistance programs is considered discriminatory treatment when based on race, color or national origin:

- a. Denial of aid, care, services or other benefits
- b. Segregation or separate treatment
- c. Restriction in any way in the enjoyment of any advantage or privilege enjoyed by others
- d. Treatment which is different from that afforded others in regard to determination of eligibility or other condition which must be met (including programs to provide employment or reduce unemployment)

Any individual who feels he has been discriminated against on the basis of race, color or national origin may make a complaint to the local public social services agency or to the State Department of Social Services.

**STATE OF NEW YORK**

NELSON A. ROCKEFELLER, *Governor*

STATE BOARD OF SOCIAL WELFARE

BALDWIN MAULL, *Chairman*

STATE DEPARTMENT OF SOCIAL SERVICES

GEORGE K. WYMAN, *Commissioner*

(Additional copies of this handbook are obtainable on request. Address: State Department of Social Services, 1450 Western Ave., Albany, New York 12203; Publication No. 1006, Revised September 1970)



how to get
**HELP FOR FAMILIES
WITH CHILDREN**
who need it!

NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES
1450 Western Avenue, Albany, New York 12203

HELP FOR FAMILIES WITH CHILDREN

This pamphlet describes briefly some of the help and services available from local departments of social services, designed to

- improve family living by helping parents to overcome homemaking and housing problems
- keep families together or reunite them
- assist parents in childrearing and
- help families to become self-supporting through employment and training.

These services are available at no cost to families with children receiving Aid to Dependent Children or Home Relief. They are also available under some circumstances to other families not receiving public assistance.

Most of those described are available now or will be available in your area in the near future.

However, some of the services are not yet available in every social services district.

Or, in some instances a particular service is available on a limited basis.

It is expected that all services will eventually become generally available.

HOW TO GET SERVICES

You may apply to your local Department of Social Services (see back cover for address and telephone number) in person, by telephone or by letter.

Or you may have a relative, friend, or other individual apply on your behalf.

Let your local Department of Social Services know your family's need and the reasons for that need.

After you apply, your circumstances will be reviewed to determine whether you are eligible for the services you need.

Your Department of Social Services will let you know promptly whether the needed services can be provided and, if not, why not.

SERVICES ARE AVAILABLE

If you need help in

- dealing with family problems,
- bringing up your children, or
- securing a job in order to support your family.

Your local Social Services Department may be able to assist you in getting such help as

- medical services
- family planning
- housing
- employment
- legal services
- education
- family counseling
- day care
- foster care
- homemaker or housekeeper services.

HOW SERVICES ARE PROVIDED

Your local Social Services Department will provide the service you need directly through special staff, such as trained social workers or homemakers;

or

It may arrange to pay another agency or individual to provide the service to you;

or

You may be referred to another community agency which will provide the needed services without charge to you.

EMPLOYMENT AND TRAINING

Employable recipients who are available for work will be assisted to find a job so that they may become self-supporting.

The State Employment Service has a special program to help you.

When necessary, you will be enrolled in a vocational training program. In large urban areas, the Work Incentive (WIN) Program is available for ADC recipients. These training programs will help you to acquire new skills and learn about the world of work.

If you are a mother, the cost of taking care of your child will be covered while you are employed or in training.

If you need assistance in making adequate plans for the care of your child while you are employed or in training, such help is available.

HOUSEKEEPER AND HOMEMAKER SERVICES

Do you need help because of illness or incapacity in running your home and keeping your family together?

Do you need someone to care for your children while you are hospitalized or recovering from severe illness?

If so, help is available for preparing meals, marketing, housecleaning and supervising your children until you are able to do so yourself. A trained housekeeper or homemaker will be provided.

HEALTH CARE

Your Medicaid card makes it possible for you to obtain

- the services of a doctor or dentist,
- clinic care,
- examination for prescription glasses,
- prescription drugs,
- vaccinations and booster shots for young children,
- prenatal and postnatal care,
- home health aide care when you are seriously ill in your home,
- hospital care for acute illness,
- medical appliances, such as crutches, canes, wheelchairs, and
- visiting nurse services.

Your local Department of Social Services can

- supply you with Medicaid information,
- tell you which doctors, dentists, and druggists in your area accept Medicaid patients, and
- contact your friends and relatives when you are seriously ill and help you with other problems connected with your illness.

A full description of available Medicaid benefits can be found in the pamphlet, "Medicaid, How New York State Helps When Illness Strikes." Ask your local Department of Social Services for a copy.

FAMILY PLANNING

If you want help to plan your family size, you will be able to receive assistance to decide

- when you don't want to have a child
- how many children you want
- when you want to have a child or
- not to have any more children.

Information, counseling, and medical care and supplies will be provided upon request.

This service is available to *all* members of your family.



CONSUMER AND NUTRITION EDUCATION

Would you like new ideas about preparing food or shopping for the best prices in food and other necessities?

Do you want advice on food stamps? Participation in the Food Stamp program means extra dollars and extra food.

Do you need help in following a diet prescribed by your doctor?

Your local Department of Social Services can give you such help through the home economist on its staff, or can arrange for you to receive help from other agencies in your community.

Complete information about nutrition education and other food help is contained in the pamphlet, "Nutrition Education — Food and What It Can Do for You." Copies are available at every local Department of Social Services.

CHILD WELFARE SERVICES

Do you have a special problem in regard to children? Services available include

- help to parents in their own home or by means of adequate care away from home to prevent, remedy or assist in dealing with problems which may result in the neglect or abuse of children
- help, when needed, in arranging for the full-time care of children outside their own homes or the homes of relatives, in foster family homes, institutions or other facilities on a temporary or long-range basis
- help in arranging for the care of children outside their own homes for a part of the day in day care centers or family day care homes
- help to the unmarried mother with living arrangements, care, and planning for herself and her baby
- help to provide a permanent home for children who are free for adoption as well as help to parents who wish to adopt or wish to place their children for adoption.

OTHER AVAILABLE SERVICES

Housing — To refer you to existing vacancies, fill out rental applications, apply for utility services from the electric, gas, and telephone companies.

Rehabilitation — To assist handicapped persons to become self-supporting or to take better care of themselves.

Counseling — To assist you in coping with problems that weaken the family by helping to sort out what you can do about the situation and reach decisions about taking appropriate action.

Location of missing parents — To assist you in locating a missing parent to assume responsibility for supporting and caring for you and your children.

If the service you need is not listed, ask your local Department of Social Services. It may be able to provide it or to refer you to another agency in the community which meets your need.

YOUR RIGHT TO A FAIR HEARING

Under certain circumstances you may have a Fair Hearing to review a complaint about services.

You may appeal

- a delay in acting on your request;
- a denial of your request;
- your exclusion from a service;
- the failure to take account of your choice of a service; or
- provision of a service without your consent, unless required by law.

For information on how to apply for a Fair Hearing, ask your Department of Social Services for a copy of a pamphlet entitled "About Fair Hearings."

SERVICES FOR OTHER NEEDY PERSONS

Some of the services available to Aid to Dependent Children and Home Relief recipients are also available to other persons of low income either free of charge or, in some instances, for a small fee. These include such services as foster care, day care, and homemaker and housekeeper services. For complete information consult your local Department of Social Services.

PROTECTION AGAINST DISCRIMINATION

If a person believes he is being discriminated against because of race, color, or national origin, he should complain to the local Department of Social Services or to the State Department of Social Services. The complaint will be investigated and the discrimination ended.

SOCIAL SERVICES IN NEW YORK STATE

THE 1971 ANNUAL REPORT OF THE NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES,
STATE OF NEW YORK, NELSON A. ROCKEFELLER, GOVERNOR, STATE DEPARTMENT OF
SOCIAL SERVICES, GEORGE K. WYMAN, COMMISSIONER

Albany, N.Y., March 25, 1972.

LETTER OF TRANSMITTAL

To: Governor Nelson A. Rockefeller and the Members of the Legislature of the State of New York.

GENTLEMEN: In accordance with the provisions of the Social Services Law of New York State, I herewith submit to you the 1971 Annual Report of the New York State Department of Social Services.

Respectfully yours,

GEORGE K. WYMAN, *Commissioner.*

PART I—SOCIAL SERVICES IN NEW YORK STATE

National and state developments as urgent and far-reaching as those now under way prompt one to look backward as well as forward if we are to put these developments in perspective.

It might be appropriate then for all of us to remember that New York State has pioneered in the development of: the public assistance system, medical care for the poor, institutional care for the aged, children, and the handicapped, work relief, social insurance for the injured, the blind, the unemployed, and voluntary health and welfare programs.

All of these programs were set up to meet the social and economic needs of various groups in the population as those needs grew beyond the control of the individuals involved, their families, and informal neighborhood help. With the growth of the population and the industrialization of our economy, the number of needy aged, sick, disabled, fatherless children, unemployed, and others increased beyond the resources of voluntary agencies and institutions. Local and State programs were set up to provide financial assistance, institutional care, and a wide range of rehabilitative, social and health services.

Thus, New York State has had a long, historic heritage of help, carried on by governors and legislatures, by both political parties, by State Board of Social Welfare—all have served the public interest through public service on behalf of the poor and the needy. However, developments at both State and national levels have demonstrated that public welfare must be recast to meet the needs of today in a way that recognizes and respects the tradition of hard work, creative initiative and personal responsibility. New York State is doing just that, as the Governor's welfare reform message, in the Appendix, indicates.

Some of the major thrusts are these:

To a substantial degree, public welfare must retain a major work-oriented program designed to move as many employable people as possible from welfare rolls to payrolls through work incentive payments, work training, work tests, work relief, and other programs of this kind.

The State is strengthening its ability to evaluate on a cost-effectiveness basis the social services programs now in operation as well as new programs, especially those which make it possible to restore welfare recipients to self-support.

Experimental projects seek to design and define a way to self-sufficiency, offering public assistance recipients the encouragement and means to become self-sufficient by providing the opportunity to work and the skills and motivation which make work acceptable and possible.

Meaningful work on public service projects will become a standard element in public welfare through a State program and through a proposed federal public service job program.

Reorganization of the State's social service structure and changes in State and local relationships are designed to make social services more responsive and accountable to the people of the State.

An internal reorganization of the State Department of Social Services, effected and shaped with the advice and counsel of the Executive Department to reflect

and respond to Legislative concern and priorities, has for its goal (1) to establish clearly, within the Department, responsibility for welfare operation, and to strengthen our ability to develop, implement and audit local operating procedures; and (2) to strengthen our ability to evaluate on a cost-effectiveness basis social programs now in operation.

A short experience with this new program should provide us with sound information and knowledge about what can be done to make millions of Americans employable; what should be done for those who cannot be made employable because of industry's requirements, due to their physical or mental problems, or other reasons. Also we should have data as to which individuals and which families should be transferred from welfare to Social Security rolls; and which individuals and which families should be eligible for welfare—and at what standards. Hopefully, this experience should give the American people the facts upon which to fashion a federally-funded public welfare program that is needed and that will earn the public support it must have to be successful.

Thus we have the opportunity to demonstrate for all to see the kind of public welfare program that is a national priority in this day and age—a program that serves not only the needy among us but the best interests of all the people. Certainly that would serve, in its widest and deepest sense, to promote the general welfare.

PART II—WELFARE—1971

No year before was like 1971 for public welfare.

It was twelve of the most significant months of the last decade in giving expression to society's concern for its needy and its determination to design new programs to alleviate and to eliminate their want.

It fixed self-sufficiency for the dependent as its primary goal and sought its accomplishment through development of work skills and work opportunities.

Significant developments in 1971 were an intensification of efforts to provide work and work opportunities for public assistance recipients by:

Requiring the employable able-bodied to report twice a month to the State Employment Service for an employment counselor interview through which the recipient would be directed to a private job opportunity, a training program, or a public works project, as well as to pick up his assistance check.

Requiring every local social service district to provide or contract for a public works program—including neighborhood environmental and day care center work—to which the Employment Service may assign appropriate employable recipients. Public works projects can be established only for agencies of the State or of a city, county, or town.

The design, development and approval of experimental demonstration projects that offer public assistance recipients the encouragement and the means to become self-sufficient by providing the opportunity to work and the skills and motivation which make work acceptable and possible. These demonstration projects are:

Incentives for independence, a multi-faceted work opportunities program for all employables in three welfare districts of the State, offering public service employment, training incentives, earning exemptions, and work motivation for youth;

Public Service Work Opportunities Project, which makes possible the assignment of 25 percent of the employable Aid to Dependent Children recipients to public service work projects;

State-wide extension of the new social services delivery system which separates the determination of eligibility and making assistance payments from the provision of needed social services for individuals and families;

Establishment, as the result of court actions, of a state-wide schedule of assistance payments for all recipients of public assistance;

Extensive litigation, some again carrying all the way to the United States Supreme Court, contesting the validity of statutes enacted by the 1971 Legislature, among them a temporary residency requirement, and adjustment in the eligibility standards for and services provided by the Medical Assistance program.

JOBS: A WAY TO SELF-SUFFICIENCY

Helping employables to find work

Jobs for the able-bodied—a way to self-sufficiency—were one of the objectives of a major element of the State's welfare reform program. It sought (1) to make available to public assistance recipients jobs or the training that would equip them with the skills needed to take and keep a job; and (2) to demonstrate both to the public and the recipient that welfare was not an alternative to work and

that all recipients who are deemed employable are expected to actively seek and accept employment or training designed to eliminate or reduce dependency.

Effective on July 1, 1971, all employable recipients of public assistance were required to report twice a month to State Employment Service offices to receive employment services, including referrals to job openings, employment counseling, and training, and at the same time to receive their public assistance checks.

Those who fail to report without good cause or fail to accept the employment services offered lose their public assistance grants.

In spite of generally unfavorable employment conditions, more than 15,000 job placements were made for public assistance recipients as a result of this program in the six months ending December 31, 1971.

In addition, 7,500, public assistance recipients were enrolled in training programs in the same period to make them able to accept employment.

Some 23,000 were dropped from the welfare rolls in these six months for failure to comply, by failing to report to the State Employment Service, accept job referrals or job placements, training referrals or training, or to remain in either.

By year's end, 53 social services districts had established or contracted for public service work opportunities programs as required by law enacted by the 1971 Legislature, and some 6,000 public assistance recipients had been placed.

This phase of the welfare reform program, seeking to make public welfare "a bridge to work for those able to work," developed a public works program to which employable Home Relief recipients were to be assigned if the State Employment Service was unable to place them in other jobs within 30 days after they began to receive public assistance. Persons who refuse assignment to public works project jobs without good cause are considered ineligible for public assistance and their grants terminated.

Recipients are credited for their work on these projects at the State minimum wage rate or at the rate paid to local government employees for comparable work. The number of hours they work is determined by the pay rate and the amount of the grant. An employable Home Relief recipient whose family grant is \$200 a month, for example, would work 100 hours a month if the pay rate is \$2 an hour.

These work projects serve the needs of local governments by enabling them to provide community services for which they would otherwise have no funds or to expand existing services, while at the same time providing work experience and training for employable Home Relief recipients. For the temporarily unemployed with work skills, the projects enable them to maintain skills and to be prepared to accept jobs in the private economy as quickly as the State Employment Service can find openings for them. In some instances, those employed in work projects have been able to transfer to permanent jobs in the same government agencies.

Recipients have been assigned to a variety of jobs, ranging from the unskilled to those needing a considered amount of specialized ability and training. Efforts are made to place the individual in a job most appropriate to his skills, taking into consideration the type of public works programs in operation in his social services district.

In many instances there is a real potential for developing or maintaining work skills which can be transferred to jobs in the private economy where there is room for growth and advancement to higher levels of employment. Some recipients, for example, have been placed as aides in hospitals, clinics and day care centers; as stockroom clerks; and as employment interviewers assigned to screen other Home Relief recipients for work relief projects. One man has been placed as a junior chemist—although this case was not typical.

The governmental activities for which public works programs have been established are equally varied and include environmental improvement, health care, public safety, education, recreation, maintenance of streets and parks, and transportation, among others.

All public works programs must meet certain criteria. Among them is a requirement that the services of Home Relief recipients must not be used to replace regular employees of any local governmental agency or to perform any work which would ordinarily be performed by workers in private employment.

INCENTIVES FOR INDEPENDENCE

The Incentives for Independence project offers public assistance recipients the encouragement and the means to become self-sufficient by providing the opportunity to work and the skills and motivation which make work acceptable and possible.

It is a demonstration project developed as part of Governor Rockefeller's welfare reform program. It was authorized by the 1971 State Legislature and has been approved by the United States Department of Health, Education, and Welfare.

It is anticipated that the demonstration will

1. Increase self-support or self-care by: discouraging dependency on public assistance, shortening the period of dependence on public assistance, fostering good work habits and developing skills, and increasing, securing, and/or maintaining employment.

2. Improve the attitude of the public toward public assistance and the people who are in need of it. The demonstration project includes: a program of public service employment for those able to work who are unable to find regular employment, a program of public service work opportunity projects for those able to work and for whom public service employment is not available, an experimental system of training incentives and earnings exemptions designed to foster good work habits and develop skills and the securing and holding of employment in the regular economy, resulting in self-sufficiency and family stability, work motivation for youths in school through participation in community services projects, and provision of counseling services to those recipients whose school-age children show truant behavior.

Incentives for Independence will be tested in three social services districts in the State: Bay Ridge Welfare Center in Brooklyn, for an urban evaluation; Rockland County, for a suburban assessment; and Franklin County, for a rural experience.

These goals include: employment for every employable person, after-school work and training programs for children 15 and over, and counseling for parents of children who have problems with school attendance.

Program operation

1. The project will test the impact on welfare dependency when work or training for employment is available to every employable recipient. All employable persons (all able-bodied persons 16 and over who are not attending school and who do not have children under six residing with them) will report twice a month to the New York State Employment Service for job placement or counseling.

All able-bodied persons over 16 who do not attend school or do not have children under six at home are considered able and available for work. No parent will be expected to work until child care is provided for all children in the family. This child care can be in a day care center or in an approved home of another adult. The social services department will help parents find day care for their children, but under no circumstances will a parent be expected to work until adequate care is found.

If a job cannot be located in private industry, then the recipient will be placed in a government job under the Emergency Employment Act and will receive a regular payroll check. If a government job is not available, the recipient will work for his grant at the prevailing wage or the minimum wage for a comparable job until a regular job in private industry or government can be found. If child care is available parents with children under six can volunteer to take a job.

2. All children 15 and over attending school who are eligible for work permits, not otherwise employed in part-time or summer work, and not required for family care or participation in remedial or supplementary educational programs will be registered with the New York State Employment Service and will be placed in a community service or neighborhood youth project. They will participate an average of three hours per week and receive \$1.60 per hour, plus money for lunches and transportation. This money will be considered as exempt and will not be taken into consideration in determining the grant for the family.

3. Counseling services will be offered to parents whose children have serious problems with school attendance.

4. The income exemption provided for in the proposed Federal Family Assistance Program will be used for all families receiving Aid to Families with Dependent Children and Home Relief. In addition, there will be a limit to the exemption: \$60.00 per month plus one-third of the balance up to 150 percent of the FAP allowance (\$200 per month) and 25 percent thereafter. For example, a family of four is not eligible for public assistance or Medicaid after its earned income reaches \$511 per month.

For families already receiving an exemption there will be no reduction.

What happens when recipients do not participate

1. Since a method of supplementing the proposed Federal Family Assistance Program is being tested, \$33 (the rate of deduction provided for in FAP) will be deducted twice a month from the family assistance check when an employable family member fails to report to the Employment Service or fails to take a job which is offered.

2. An amount of \$6.25 will be deducted twice a month from the family assistance check when a child refuses to participate in a community service or neighborhood youth program.

3. The family assistance check will be given to some designated interested person for use of the family or will be paid directly to providers of goods or services (such as a fuel dealer or landlord) when a parent refuses to accept counseling services.

Recipients who are dissatisfied with any decisions about the amount of money received, the services provided or the payment of the welfare check to another person on their behalf may ask the State Department of Social Services for a Fair Hearing. If a penalty is to be applied they will be notified and given a chance to explain. If they wish they are entitled to a Fair Hearing and the grant will be continued until a final decision has been reached.

PUBLIC SERVICE WORK OPPORTUNITIES PROJECT

The Public Service Work Opportunities project, like Incentives for Independence, is a demonstration project developed as part of Governor Rockefeller's welfare reform program; it has been authorized by the 1971 Legislature, and approved by the United States Department of Health, Education, and Welfare. It will be tested in 1972 in 27 specially picked areas throughout the State, 15 in New York City and the remainder outside the City to provide an effective representation of urban, suburban and rural experiences. These districts will encompass about 25 percent of the Aid to Dependent Children caseload.

The program was developed to give families on public assistance more help and a better chance to be on their own by increasing their opportunities for self-support; by helping to increase community participation; by helping people develop work habits and skills; and by helping people secure and/or maintain employment.

Under its provision members of an ADC family found to be employable by local social services officials in the demonstration districts and centers will be required to register for manpower services, training and employment and report twice a month to the State Employment Service for employment counseling to develop an employment plan and to be directed to a private job opportunity, a training program or a public work service opportunity position. Similar to the requirement of Home Relief recipients, they will have to work the number of hours at a pay rate needed to equal the assistance grant.

PUBLIC ASSISTANCE PAYMENTS

Adjustments were made in public assistance payments in the State; some recipients are getting more, some less, and others the same amount as they were prior to the establishment of the new statewide schedules which became effective May 1, 1971. The following information show these schedules:

FOR AID TO DEPENDENT CHILDREN AND HOME RELIEF RECIPIENTS

One person, \$76; two people, \$121; three, \$161; four, \$208; five, \$256; six, \$296; and for each additional person, \$41 (exclusive of rent and fuel for heating).

FOR OLD AGE ASSISTANCE, AID TO THE DISABLED, AND ASSISTANCE TO THE BLIND RECIPIENTS

One person, \$84; two people, \$134; three, \$179; four, \$231; five, \$284; six, \$329; and for each additional person, \$45 (exclusive of rent and fuel for heating).

Persons receiving Old Age Assistance, Aid to the Disabled, and Assistance to the Blind are also entitled to an extra allowance for extra needs of \$10 when living alone or \$6.25 when living with a family.

MEDICAID

The Legislature lowered the financial eligibility standards for Medical Assistance (Medicaid) and also limited the services provided under the program for

those not eligible for public assistance. Implementation, scheduled by law for May 15, 1971, has been restrained by court order which was still in effect at the end of the year. Here are the income eligibility standards fixed by the new law :

New annual income¹ standard

Number in family :

1	-----	\$2, 100
2	-----	2, 900
3	-----	3, 500
4	-----	4, 500
5	-----	5, 200
6	-----	5, 900
7	-----	(These income exemptions are increased by \$600 for each member of a family household in excess of seven) ----- 6, 600

¹ NOTE : Total income less income taxes, cost of health insurance premiums, and payments made to dependents by court order.

Medical assistance rendered to medically needy persons who are not eligible for public assistance was limited to the services of qualified physicians, in-hospital care, nursing home and infirmary care, out-patient hospital and clinic services, home health care, laboratory, and x-ray services, and transportation when essential for obtaining these services.

Nursing Homes

The cooperative agreement between this Department and the State Department of Health was updated in 1971, effective January 1, 1972, to require that the results of periodic review and evaluation of skilled nursing homes be forwarded by Health to this Department for analysis, recommendations for action, and followup on action recommended.

WELFARE AND THE COURTS

Court challenges were made again in an unprecedented number to the State's public and medical assistance laws, some of which reached the United States Supreme Court. (Because of the importance of many of these cases, actions which took place after December 31, 1971, are noted in brackets.)

The principal targets of this litigation have been :

1. *Temporary residency requirement.*—As part of the State's welfare reform program, the 1971 Legislature established a year's residence in the State as a condition of eligibility for public assistance for a five-year emergency period "as an essential step in protecting the State's economic and social viability." This law was challenged in the federal courts in *Lopez v. Wyman*, and was declared unconstitutional by a three-judge court. [The U.S. Supreme Court upheld this decision, January 24, 1972.]

2. *Reduction of medicaid eligibility standards and services.*—In *Bass v. Rockefeller and Wyman*, a May 12 court order restrained implementation of reductions enacted by the 1971 Legislature in Medicaid income eligibility standards and services scheduled for May 15. On September 21, the restraining order was lifted but on October 22, as a result of action brought against HEW Secretary Elliot Richardson the restraining order was reinstated and remained in effect at the end of the year.

3. *Job counseling and check-pick-up requirement.*—The validity of the requirement that employable recipients must report to the State Employment Service twice a month for job counseling and to pick up their assistance checks was challenged in *Dublino v. Wyman*. Temporary restraining orders applying solely to those named in the court orders were issued on behalf of some 50 recipients. [A three-judge federal court heard argument in the case February 24, 1972, but no decision has been rendered.]

4. *Payments pending Fair Hearing decisions.*—*Almenares v. Wyman* and *Diaz v. Wyman* sought to force the State to continue public assistance payments in cases where recipients had asked for Fair Hearings following termination, suspension, or reduction of payments by the local social services district until the Fair Hearing decisions are rendered. In the *Almenares* case, the Second Circuit Court of Appeals upheld a federal district court order requiring the State to comply with the federal regulation to continue payments pending Fair Hearing decisions. Parts of the order were stayed pending an appeal to the U.S. Supreme Court. [The Circuit Court denied a motion to have the Commissioner held in contempt for failure to comply with portions of the order which had not been stayed; plaintiffs made another motion to have him held in contempt, on which a hearing was held February 29, 1972. On February 22, 1972, the U.S. Supreme

Court decided not to hear an appeal in the Almenares case. Under the previous order of the Circuit Court of Appeals, the Commissioner has 60 days from that date in which to implement the federal regulation requiring continuation of assistance payments until Fair Hearing decisions are rendered, unless the District Court changes this period. Implementation of the decision in the Almenares case will result in a substantial increase in the number of requests for Fair Hearing.]

In the Diaz case, the State has appealed to the Appellate Division from the lower court's decision in favor of the plaintiffs. The order in this case is automatically stayed pending the determination of the appeal.

In *N.Y. State v. Richardson*, the State seeks to invalidate the federal regulations involved in *Almenares v. Wyman*. [The District Court decided February 14, 1972 to withhold action on the Federal Government's motion to dismiss the case until the U.S. Supreme Court acted on the State's application for a review of the Almenares case. (As noted above, the Supreme Court decided February 22, 1972 not to review that case.) A hearing was scheduled on the Federal Government's motion to dismiss.]

5. *Elective abortions*.—The Appellate Division affirmed a lower court ruling in *City of New York v. Wyman* that elective abortions must be considered items of medical care under the Medicaid program. [The Court of Appeals on February 10, 1972 reversed the Appellate Division, thus upholding the Department's position that Medicaid coverage of abortions is limited to those that are "medically indicated."]

6. *Strikers' assistance eligibility*.—The question whether strikers are eligible for public assistance has been raised in both the federal and State courts. In *Lascaris v. Wyman*, a State Supreme Court decision held that strikers are not eligible. This decision was reversed by the Appellate Division on January 20, 1972.

The federal case on this point, *Russo v. Kirby*, was initially decided in favor of the strikers; however, the Circuit Court of Appeals reversed the lower court and dismissed the complaint on the grounds of lack of jurisdiction.

7. *Home visits*.—At issue in *James v. Wyman* was the State's authority to deny eligibility or terminate assistance when an applicant or recipient of public assistance refuses to allow a caseworker to make a home visit. The U.S. Supreme Court decided the State has such authority and that home visits are not prohibited by the Fourth Amendment's mandate against unreasonable searches.

8. *Nursing homes*.—*Maxwell v. Wyman* is an action brought on behalf of proprietors of nursing homes to challenge federal regulations making compliance with skilled nursing home standards a condition of eligibility for Medicaid reimbursement for care of patients in these homes. The District Court denied plaintiffs' request for a temporary restraining order to bar the termination of Medicaid payments on January 1, 1972, and for a hearing by a three-judge court. (The Circuit Court of Appeals on January 10, 1972, issued an order requiring maintenance of the status quo pending decision on the plaintiffs' appeal, scheduled to be heard March 3, 1972.)

9. *Statewide standards*.—In *Boddie v. Wyman*, the U.S. Supreme Court upheld lower court decisions requiring the State to establish uniform statewide schedules of allowances for public assistance recipients.

REORGANIZATION

The New York State Board of Social Welfare was separated from the Department of Social Services, effective July 1, 1971. The Board became a division of the Executive Department and its policy functions for the administration of public assistance and care were transferred to the Commissioner and the Department.

Legislative action also effected the following changes:

The Commissioner of Social Services is now appointed by the Governor with the advice and consent of the Senate. Previously the Commissioner had been appointed by the State Board of Social Welfare with the consent of the Governor.

All training schools and other facilities operated by the Department for the reception and care of juvenile delinquents and persons in need of supervision were transferred to the State Division for Youth, effective July 1, 1971. These changes were followed by a reorganization of the Department designed to strengthen control over the administration of public welfare. The Department's five divisions and two offices were consolidated into two major units which report to the Commissioner and Executive Deputy Commissioners:

A Division of Operations responsible for the development and implementation of administrative procedures, the supervision of local welfare districts, and the direct services of the Department, such as the Bureau of Disability Determinations and the Commission for the Visually Handicapped. This division is headed by the Department's First Deputy Commissioner.

A Division of Program Development and Evaluation responsible for the preparation of new programs designed to reduce welfare dependency and for the evaluation of existing programs on a strict cost-effectiveness basis. This division is headed by the Department's Second Deputy Commissioner. With the clear separation of planning and administrative functions, increasingly effective operations and distinct lines of responsibility are expected to provide continuous improvement in the administration of welfare.

PUBLIC WELFARE SAFEGUARDS

The Legislature passed the following laws to discourage abuse of the public assistance laws:

An Office of the Welfare Inspector General has been established in the State Executive Department. Appointed by the Governor, the Welfare Inspector General will receive and investigate complaints of alleged welfare abuses, suspected frauds, and other violations of the welfare system.

Local social services officials, their deputies or their employees may now be removed from their positions upon charges presented by the State Social Services commissioner that such persons failed to properly perform their duties. These removals are by the appointing authority and will take place after a hearing and in the event that charges and specifications against them are substantiated.

The penalty provision for aiding a person to obtain public assistance to which he is not entitled has been made specifically applicable to social services officials and their employees who will also be liable for the value of the assistance improperly granted as a result of their willful and wrongful acts.

A person who has transferred property within one year of the date of his application for public assistance or medical assistance will be presumed to have made this transfer for the purpose of qualifying for this assistance. He will be ineligible for public assistance or medical assistance unless it is shown that the transfer was not made for such a purpose.

IDENTIFICATION CARDS

The 1971 Legislature required that photo-identification cards be issued to all persons on public assistance who receive cash payments. The purpose was to give recipients a uniform and effective method of identification and to prevent check thefts.

A major number of social services districts have issued these photo-identification cards; the remainder of the upstate districts are scheduled to have them in use early in 1972. New York City had issued tamper-proof identification cards before the legislative requirement was established, and will substitute photo-identification cards.

PURCHASE OF COOPERATIVES

By law, local departments of social services now may make grants, not exceeding \$750, to public assistance recipients to purchase a housing unit in a cooperative. The recipient's equity in housing purchased in this way must be assigned to the local department.

FAMILY PLANNING

Local social services commissioners are now required, under a 1971 State law, to notify eligible needy persons of the availability of family planning services at public expense, to inquire if the services are desired and to make them available upon request. A state-wide program was undertaken for training local agency staff members to carry out the legislative intent.

The law provides that no person shall be coerced into requesting or accepting family planning services.

CONSOLIDATION OF DISTRICTS

The 1971 Legislature consolidated the social services districts of the City and County of Oswego, effective January 1, 1972.

PART III—ABOUT PEOPLE AND PROGRAMS

ADMINISTRATION

Separation of services and assistance

A major step toward improvement of the administration of public assistance in New York State was completed in 1971 with the extension of the new delivery system to all social services districts. Each district now has three separate staffs of specially trained workers—one to provide social services to public assistance recipients and others who need them, one to determine eligibility and make payments, and one to conduct a validation review of the operation.

As a part of the new delivery system, the application procedure was simplified by the use of a "certified application" system which reduces the time needed to establish eligibility and places on the applicant the responsibility for accurately providing the necessary information.

The validation process includes a full field investigation of a reliable sample of all assistance programs—Aid to Dependent Children, Home Relief, Old Age Assistance, Aid to the Disabled, Assistance to the Blind, Medical Assistance, and Food Stamps. The investigation verifies the correctness of the eligibility determination and the amount of payment.

Other aspects of the validation process include investigations of presumptive fraud, hardship cases referred by Selective Services, and cases about which questions arise at the time the application is submitted.

WIN

Plans were made in 1971 to increase the capacity of the Work Incentive (WIN) Program which prepares recipients of Aid to Dependent Children for employment by increasing the number of training slots from 14,800 to 16,800, effective April 1, 1972. ADC recipients enrolled in this program are placed in jobs or assigned to training by the State Employment Service.

A total of 4,653 job placements and 13,002 training assignments were made under WIN in 1971. As of December 31, there were 13,581 ADC recipients enrolled in the program; of these 1,857 had already been placed in jobs but were still under the guidance of WIN counselors, pending completion of the job adjustment period which precedes formal termination of their participation in WIN.

Legislation signed by the President in December 1971 will result in increased federal financial participation in WIN and in program changes, effective July 1, 1972.

FOOD STAMP PROGRAM

Needy families continued to benefit in 1971 from the Food Stamp Program which became operational throughout the State in 1970. The program, which substantially increases the purchasing power of a family's food budget, was designed to provide public assistance households and low-income families with more food and better nutrition.

The monthly average number of persons participating in the Food Stamp Program in 1971 was 1,240,000—about two-thirds of them in New York City. About 995,000 were on public assistance; the remainder were members of low-income families not on public assistance.

Food stamps were sold at an average rate of \$30,155,000 a month. Purchasers paid \$20,210,000; the remainder of \$9,945,000 represented the "bonus," which was paid by the Federal Government.

Under the program in operation at the end of 1971, a public assistance family of four, for example, pays \$76 each month for \$106 worth of food stamps. Low-income families not on public assistance buy specified quantities of food stamps varying with the size of the family and its net income.

During 1971, the Federal Food Stamp Program was amended to raise stamp benefits for some 6 million program participants in the United States with the lowest income, at the same time reducing benefits for persons near the top of the stamp eligibility scale.

Strong objections were raised by the Governor and the Department to the reduction of the food stamp bonus and the complex administrative problems that would result from implementation of new federal regulations.

CHILDREN'S SERVICES

Adoption

The implementation of the Statewide Adoption Exchange Law on June 21, 1971 was a significant step toward helping hard-to-place children find adoptive homes. The Adoption Exchange had been in operation for many years, but participation had been optional on the part of child-placing agencies. The law now requires every agency to refer to the Exchange each child legally free for adoption who has been in a foster home or in institutional care for more than six months, and also to refer each approved family which has been waiting for more than six months for a child.

The Exchange, operated by the Department, makes it possible to match a child in one part of the State with a family in another part of the State looking to adopt a child. Operation of the Exchange thereby improves the likelihood of adoptive placement, especially for children disadvantaged by reasons of physical or mental handicaps, race, or age.

As a result of the implementation of the Adoption Exchange Law, the number of children registered with the Exchange jumped from 158 on June 30 to 458 on December 31.

The Legislature also broadened adoption subsidy payments in 1971. In the past they were authorized only in cases where children were adopted by their foster parents. Now local services districts can subsidize adoptions, to the extent necessary, by all adoptive parents, thus enhancing the likelihood of finding adoptive homes for "hard-to-place" children, especially non-white children and those who require special medical attention.

About 275 children were placed in adoptive homes in 1971 under the subsidy program.

Foster care

The Department in 1971 developed guidelines to assist local agencies in implementing the amendment to the Social Services Law which requires Family Court review of the status of children who have been in foster care for 24 months. Excluded from the provisions of the law are juvenile delinquents, persons in need of supervision, and children adjudicated neglected. The law provides that, after a hearing has been completed, the Family Court may order: Continuation of foster care; Return of the child to his parents, relatives, or guardian; Instituting of proceedings to free the child for adoption; or Whatever other action the Family Court decides would best serve the child's interests.

Review of the foster care status of children by Family Courts will make possible earlier achievement of permanent plans for the children.

In addition, in cases in which the court rules that the child should remain in foster care because it would be contrary to his best interests to return to his own home, the Department will claim federal reimbursement for those children eligible under the Aid to Dependent Children Foster Care program.

Child abuse

The State's program for the protection of children against abuse by their parents or guardians was strengthened in 1971 by two legislative measures:

1. Directors of day care centers were added to the groups of persons required by law to report cases of suspected child abuse to their local social services officials.

2. Physicians and hospitals were authorized to take photographs of areas of trauma on a child whose abuse they suspect.

The number of child abuse cases reported to the Statewide Child Abuse Register maintained by this Department rose from 3,027 in 1970 to 3,224 in 1971, an increase of about 6½ percent. The number of cases reported upstate showed an increase of 43 percent—from 484 in 1970 to 692 in 1971.

Assembly Speaker Perry B. Duryea, Jr. appointed a Select Committee on Child Abuse to study the problems arising out of the State's efforts to cope with child abuse. Representatives of this Department have participated in the committee's hearings and are cooperating in every way possible.

Deserting parents

The Department in 1971 located 2,300 parents who had abandoned their families and turned up other useful information in more than 2,600 additional cases.

The Department also moved to improve the efforts of local departments of social services in obtaining parental support for dependent children and in effecting family reconciliations whenever feasible. Cooperation among local agencies, Family Courts, and probation departments is strengthening procedures for establishment of paternity of children born out of wedlock and for enforcing compliance with court orders for support of children.

More than \$15 million was collected by local social services districts in 1971 through the Family Courts on behalf of children in receipt of public assistance.

Day care

Seven mortgage loans for day care centers under the Youth Facilities Improvement Act totaling \$7,615,000 were made in 1971. The projects for which these loans by the State Housing Finance Agency were made will provide day care in newly-constructed facilities for 1,262 children.

In addition, the Department obtained the approval of the Community Facilities Project Guarantee Fund for five loans by conventional lenders totaling \$443,900, for renovation of facilities for 329 children.

"Seed money" advances from the Youth Facilities Development Fund, administered by the Department, totaled \$1,172,066 in 1971. Of this, \$430,165 has been repaid to the revolving fund. This money is now being used by 37 community-based sponsors of day care centers to meet necessary developmental expenses, such as architects' fees, legal fees, cost of options on property, and, in some cases, purchase of property. Without the seed money loans, many sponsors would be unable to reach the point where they can qualify for mortgage loans. At the end of the year, the Department was working on 121 applications for State loans or for the guarantee of loans for day care centers.

In 1971, the Legislature authorized:

Day care for children of agricultural migrant workers receiving ADC, with 75 percent of costs reimbursed by the Federal Government and the State share met by Department of Agriculture and Markets appropriations. A total of 1,800 children received day care in 31 migrant centers in 1971 at a cost of \$305,000.

Day care for ADC children through pre-kindergarten programs operated by school districts with 75 percent of costs reimbursed by the Federal Government and the State share from experimental pre-kindergarten program funds. It is expected some 5,000 children will be served by this program under an agreement signed with the Education Department.

Purchase by local social services departments of day care services from private proprietary facilities, with the State approval, when accessible nonprofit facilities cannot meet the need.

Residential facilities

The Legislature in 1971 authorized the Community Facilities Project Guarantee Fund to guarantee loans to finance construction or rehabilitation of residential child care centers.

Training schools and centers

The State training schools and centers were transferred by the Legislature from the Department of Social Services to the Division for Youth, effective July 1, 1971. Following is a summary of developments at these facilities in the first half of 1971:

The Wynantskill Center for Girls and the New Hampton School for Boys were closed as a result of the reduction in appropriations for the training schools and centers. Those girls and boys who were not ready for return to the community were transferred in May and June to the Hudson School for Girls and Warwick and Otisville Schools for Boys.

A Department program survey team completed surveys at South Lansing and at New Hampton. Survey findings were reviewed with administrative staff of the institutions and plans were made for implementation of these findings.

Several of the schools and centers were involved in the training efforts of NEPIC (Nationwide Educational Programs for Institutionalized Children), under the sponsorship of the U.S. Department of Health, Education, and Welfare, to aid in the development of treatment programs for children's institutions.

The Department's Drug Abuse Unit presented several workshop programs to assist institution and community workers in understanding and working with the drug abusing child.

Juvenile detention

The Department continued in the first half of 1971 to prepare for implementation of legislation designed to establish a statewide program of juvenile detention services. Responsibility on the State level for juvenile detention was transferred by the Legislature to the Division for Youth, effective July 1, 1971.

Policies and procedures were developed to implement legislation which prohibits jail detention of children, effective September 1, 1971, except with State approval in each case.

Direct services were begun to all counties as they worked to establish mandated non-secure detention facilities. The Department also worked toward development of a regional approach for secure juvenile detention facilities to provide as economically as possible adequate care for the relatively small number of youngsters requiring such placement.

The Department coordinated judicial, probation, law enforcement, social, and youth services agency participation in the study conducted by the National Council on Crime and Delinquency to determine the location and size of regional secure facilities. This study, commissioned by the Department in 1970, is federally funded.

Planning was undertaken for the development of regulations to implement legislation requiring conformity with the rules of the State Board of Social Welfare dealing with juvenile detention facilities. The function of developing such regulations was assumed by the Division for Youth on July 1, 1971.

SERVICES FOR SENIOR CITIZENS

The Department issued regulations to implement legislation designed to improve the welfare of the State's growing population of persons over 65 years of age.

One of these legislative advances permitted local social services districts to provide services for senior citizens' centers at public expense, directly or through the purchase of services.

Others authorized the New York State Housing Finance Agency to grant mortgage loans to non-profit corporations for the purpose of developing and improving senior citizens' center facilities, and authorized the Community Facilities Project Guarantee Fund to guarantee such loans.

It should also be noted that the Legislature repealed the legal requirement that persons making use of senior citizens' centers and services pay fees for such use.

SERVICES FOR THE BLIND

By law, in 1971 the Commission for the Blind and Visually Handicapped was renamed the Commission for the Visually Handicapped, to overcome the reluctance of some persons to have doctors report their names to an agency for the "blind."

A training program for blind persons selected for placement as vending stand operators and for those already placed as operators whose skills need upgrading will be carried out under a contract between the Commission and the Jewish Guild for the Blind in New York City. The training program was developed by North American Rockwell Information Services Co. under contract with the Commission, which expects that new opportunities in the business field will be opened up for blind persons through this kind of training.

Present plans call for the training of 45 to 60 blind persons in 1972, including 30 who are already employed as vending stand operators. The total number of operators, as of the end of 1971, was 258.

Working with Lions Clubs in northeastern New York, the Commission extended to that area a training program for paraprofessionals to be teachers of homemaking skills for the blind. Lions Clubs funds are used to contract with private agencies for this training. Initiated experimentally in 1971 in the western part of the State, it will be extended to other upstate areas in 1972.

The U.S. Department of Health, Education, and Welfare noted the Commission had helped more blind persons to become self-sufficient in the 1971 federal fiscal year than any of the 33 other state agencies of its kind in the nation. HEW also reported New York led the nation in the percentage increase in the number of blind persons on public assistance who were rehabilitated to the point that they were able to go to work or maintain households.

Of the 863 blind persons rehabilitated in the 1971 federal fiscal year in the State, 276 entered competitive employment; 104 were placed in non-com-

petitive employment, such as jobs in sheltered workshops; and 483 became homemakers. Included among the 863 were 238 who had been on public assistance.

A mobile vision screening unit will serve a population of about 300,000 in the South Bronx poverty area, starting early in 1972, as a result of negotiations completed in 1971 with Montefiore Hospital, the Altro Rehabilitation Center, and the Jewish Guild for the Blind. A clinic to be established at the hospital will provide ophthalmological and optometric services to those who are found to need them. Where additional services are required, they will be provided by the Altro Rehabilitation Center or the Jewish Guild, under the auspices of the Commission. This project will bring eye care to an area where it has not been available to the low-income residents.

EXPERIMENTAL USE OF BANKS IN NASSAU COUNTY

The Department in 1971 approved an experimental proposal by Nassau County to deposit public assistance payments in bank accounts in the recipients' names instead of sending them checks through the mail. Scheduled to begin February 1, 1972, it will involve about 400 recipients of Aid to Dependent Children and Home Relief in Rockville Centre and Lynbrook.

Employable recipients in Nassau County will still be required to report twice a month to the State Employment Service for their checks. The proposal approved by the Department applies only to recipients who are considered not employable.

RECLASSIFICATION OF HOME RELIEF CASES

The Department accelerated review of Home Relief cases for possible reclassification into a federal category, particularly Aid to the Disabled, to qualify them for federal financial participation. To speed the screening of the HR caseload, the Department authorized social services districts to accept receipt of disability benefits from the Social Security Administration as evidence of AD eligibility. The number of Home Relief cases reclassified as Aid to the Disabled in 1971 was 26,172, a 60 percent increase over the number reclassified in 1970.

DISABILITY DETERMINATIONS

The Department in 1971 adjudicated 96,000 claims under the Social Security Disability Insurance Program. This function is performed as a service for the Federal Government.

Benefits totaling more than \$280 million a year are paid out under this program to more than 200,000 seriously disabled New York State workers and their dependents.

As a result of the installation in 1971 of new procedures for the processing of claims, benefit payments are now being made more promptly than was previously possible.

MODEL CITIES

The Department reviewed Model Cities project proposals forwarded by the Office of Planning Services and made recommendations to provide guidance which would help the projects attain their objectives, particularly in the field of social services.

WELFARE RIGHTS ORGANIZATIONS

Representatives of the Department met on a number of occasions with welfare rights organizations to discuss public assistance problems affecting recipients individually and collectively.

COMPUTERIZATION PROJECT

The Department's Nationwide Demonstration Project Team completed the system design for an interim method of preparing reports on Medicaid information. Systems projects aimed at developing a Model Medicaid Processing System and a Social Services Information System progressed substantially in 1971; these systems are scheduled to be implemented in model local agencies early in 1972.

VOLUNTEER SERVICES

The number of social services districts which have full-time or part-time coordinators of volunteer services on their staffs has risen sharply—from 7 at the end of 1970 to 21 at the end of 1971.

PART IV—EXPENDITURES

Statistics on the 1971 public assistance and services expenditures, together with comparable figures for 1970, are presented in this table:

	1971	1970	Change, 1970-71
Total expenditures.....	\$4, 146, 807, 000	\$3, 270, 349, 000	+\$876, 458, 000
State-administered programs.....	352, 939, 000	312, 121, 000	+40, 818, 000
Locally administered programs.....	3, 793, 868, 000	2, 958, 228, 000	+835, 640, 000
Public assistance.....	1, 650, 889, 000	1, 347, 511, 000	+303, 378, 000
Medical assistance.....	1, 503, 220, 000	1, 030, 761, 000	+472, 459, 000
Other programs.....	275, 838, 000	249, 178, 000	+26, 660, 000
Local administrative costs.....	363, 921, 000	330, 778, 000	+33, 143, 000

EXPENDITURES IN THE STATE-AIDED PUBLIC ASSISTANCE AND SERVICES PROGRAMS, NEW YORK STATE, 1971

[Dollar amounts in thousands]

Class of expenditure	New York State		New York City		Upstate	
	Amount	Per- cent	Amount	Per- cent	Amount	Per- cent
Total expenditures ¹	\$4, 146, 807	100. 0	\$2, 690, 227	100. 0	\$1, 103, 641	100. 0
Source of funds:						
Federal aid.....	1, 734, 633	41. 8	1, 096, 707	40. 8	472, 066	42. 8
State aid.....	1, 292, 692	31. 2	800, 480	29. 7	318, 012	28. 8
Local funds.....	1, 119, 482	27. 0	793, 040	29. 5	313, 563	28. 4
Expenditures in State-administered public assistance and services programs.....	352, 939	8. 5				
Program analysis:						
Medical assistance for aged in mental hospitals.....	141, 849	3. 4				
Mental hygiene family care.....	6, 041	. 1				
Medical assistance for retardates.....	90, 722	2. 2				
Mental hygiene intermediate care facilities.....	22, 947	. 6				
Residents in NACC-operated intermediate care facilities.....	26, 988	. 7				
Juvenile delinquents in State training schools ²	25, 757	. 6				
State office administrative costs.....	38, 635	. 9				
Expenditures in locally administered public assistance and services programs.....	3, 793, 868	91. 5	2, 690, 227	100. 0	1, 103, 641	100. 0
Object of expense:						
Assistance and services.....	3, 429, 947	82. 7	2, 438, 841	90. 7	991, 106	89. 8
Money payments and services.....	1, 926, 727	46. 5	1, 397, 892	52. 0	528, 835	47. 9
Medical assistance.....	1, 503, 220	36. 2	1, 040, 949	38. 7	462, 271	41. 9
Local administration.....	363, 921	8. 8	251, 386	9. 3	112, 535	10. 2
Program analysis:						
Assistance and services.....	3, 429, 947	82. 7	2, 438, 841	90. 7	991, 106	89. 8
Medical assistance.....	1, 503, 220	36. 2	1, 040, 949	38. 7	462, 271	41. 9
Old age assistance.....	127, 085	3. 1	87, 848	3. 3	39, 237	3. 6
Assistance to the blind.....	5, 797	. 1	4, 221	. 2	1, 576	. 1
Aid to the disabled.....	180, 438	4. 4	139, 826	5. 2	40, 612	3. 7
Aid to dependent children.....	1, 143, 135	27. 6	831, 083	30. 9	312, 052	28. 3
Emergency assistance.....	5, 619	. 1	5, 608	. 2	11	0
Home relief.....	188, 815	4. 6	125, 795	4. 7	63, 020	5. 7
Day care.....	50, 226	1. 2	40, 441	1. 5	9, 785	. 9
Purchase of services (exclusive of day care).....	23, 142	. 5	17, 834	. 7	5, 308	. 5
Intermediate care facilities.....	17, 141	. 4	7, 072	. 3	10, 069	. 9
Foster care of children.....	148, 550	3. 6	113, 893	4. 2	34, 657	3. 1
Work incentive program (exclusive of day care).....	6, 900	. 2	4, 786	. 2	2, 114	. 2
Care of adults in public homes and shelters.....	4, 346	. 1	3, 339	. 1	1, 007	. 1
Care of children in public shelters.....	6, 561	. 1	6, 561	. 2		
Juvenile delinquents in local facilities ³	16, 478	. 4	8, 256	. 3	8, 222	. 7
All other programs.....	2, 494	. 1	1, 329	. 1	1, 165	. 1
Local administration (including direct services).....	363, 921	8. 8	251, 386	9. 3	112, 535	10. 2

¹ Since costs for "State-administered public assistance and services programs" appear only in the New York State column, the sum of New York City and upstate does not yield the State total shown.

² Expenditures for 6 months only. Transferred to the New York State Division for Youth effective July 1, 1971.

³ Expenditures for 6 months only. Transferred to the New York State Division for Youth effective July 1, 1971.

MONTHLY AVERAGE NUMBER OF PERSONS IN SPECIFIED PROGRAMS

Program	New York State	New York City	Upstate
Medical assistance for the needy.....	992, 977	605, 804	387, 173
Also received money payments ¹	742, 095	531, 030	211, 065
Medical only.....	250, 882	74, 774	176, 108
Old age assistance.....	110, 404	77, 499	32, 905
Assistance to the blind.....	3, 929	2, 735	1, 194
Aid to the disabled.....	114, 381	86, 765	27, 616
Aid to dependent children.....	1, 266, 192	888, 169	378, 023
Home relief.....	229, 980	151, 000	78, 980
Children in foster care.....	50, 013	27, 242	22, 771

¹ Also included in aid to the aged, blind, and disabled, aid to families with dependent children, and home relief totals

APPENDIX—WELFARE REFORM: A BETTER WAY TO MEET HUMAN NEEDS

A SPECIAL MESSAGE BY GOVERNOR NELSON A. ROCKEFELLER TO THE NEW YORK STATE LEGISLATURE, MARCH 29, 1971

To the legislature.—One of the fundamental qualities that have given this nation its special character has been our concern as a people for the well-being and dignity of each and every individual.

The great progress toward this goal has been made possible by another fundamental quality of American life—namely, the tradition of hard work, creative initiative and personal responsibility.

Our concern for the individual is marked by a long history of privately sponsored and, in recent years, publicly supported programs of social services for the individual—education and training, health care, and special assistance to those in need.

The financing of these expanding services was made possible by the tremendous creativity and dynamism of our free society, operating throughout a vast geographic area rich in natural resources.

Unhappily, many states and local governments now face social and fiscal problems which have outrun their capacity—problems which increasingly baffle and disturb the American people.

Nowhere is this more starkly evident than in the welfare problems of New York State—a state with a great progressive tradition of human concern, dedication to hard work, and pride in our community.

The fact that we do not have a national welfare system, with uniform standards supported by uniform taxes, has resulted in a tremendous disparity among the states in benefit levels and supporting tax structures.

This is resulting in a flow of people from low-benefit to high-benefit states. In turn, this migration has overloaded the social system of the high-benefit states—schools, housing, transportation, welfare and health services, etc.—forcing constant state and local tax increases and threatening a serious movement of job and revenue-producing businesses and industries away from the high-benefit states.

In New York State, the net effect has been the serious deterioration of our services to the people.

The anticipated increase of \$1 billion, bringing the total to over \$4 billion for welfare expenditures during the coming year in New York State is a major factor in our fiscal crisis.

Clearly, since welfare is a national problem, it should be dealt with by the national government.

Obviously, the federal government is in the best position to solve both the human and the fiscal aspects of this problem by taking over the entire welfare responsibility on the basis of establishing national standards and paying the full costs.

At the very least, the federal government could help alleviate the critical fiscal problems of state and local governments through realistic federal revenue sharing.

However, it does not appear that there are immediate prospects that either of these will be adopted in the near future.

What appears more likely to happen is the adoption by the Congress of a nationwide minimum federal welfare program of approximately \$2,400 a year for a family of four.

While this program would help the individual in need in those states which up to now have failed to recognize the true needs of their people, it would further exacerbate the fiscal imbalance suffered by the more progressive states.

This would occur because those states whose standards are less than \$2,400 a year would be relieved of the cost of all state and local welfare expenditures, while on the other hand, the more progressive states and their local governments would continue to supplement the basic federal allowance with state and local tax funds.

Thus it would put the progressive states in an even more disadvantageous competitive position than at present.

I will continue my efforts to persuade the Congress to provide meaningful revenue sharing with the states and local governments, and also to take over the entire cost of welfare programs.

At the same time, I am recommending a complete reorganization, conceptually and structurally, of the welfare program for New York State in order to give greater opportunity and incentive to the individual to achieve independence, self-sufficiency, and human dignity.

Many aspects of the present welfare system actually undermine rather than strengthen the dignity and self-respect of the individual and discourage the desire and initiative to work, to achieve self-sufficiency and independence and to accept responsibility.

Certain aspects of the present welfare system also undermine family life and parental as well as family responsibility.

The result is that we are actually encouraging a larger and larger segment of our society, from the early years of childhood, to a permanent dependence on government and a failure to assume individual responsibility, or to develop a pride in their community.

My purpose in recommending far-reaching reorganizational proposals is to see to it that we not only continue to meet the basic needs of those who cannot do for themselves, but that we also encourage the young and able-bodied, temporarily in need of assistance through no fault of their own, to achieve the education and the skills, the motivation and the determination that will make it possible for them to become increasingly self-sufficient, independent citizens who can contribute to and share in the responsibility for their families and our society.

To accomplish this not only involves the reorganization of the administration of our social assistance program but also that the government provide useful work in community services, for the able-bodied receiving welfare benefits while they are seeking opportunity for regular employment. For these reasons, I recommend a program designed to:

- (1) Stop the overloading of our social system and the undermining of our economic structure;
- (2) Stop people from leaving jobs to go on welfare rolls but give supplemental help when needed;
- (3) Pioneer new concepts to relate welfare benefits to incentives for work, work training, and schooling;
- (4) Achieve the maximum feasible transfer of the able-bodied from welfare rolls to payrolls;
- (5) Reorganize New York's welfare system so it is managed more effectively and made accountable to the taxpayers; and,
- (6) Set up a permanent office of inspector General empowered to take whatever steps are necessary to stop abuses in the welfare system.

I am recommending specific legislation in the following categories:

1. TO STOP OVERLOADING OUR SOCIAL SYSTEM AND ECONOMIC STRUCTURE

A. Residency

I am proposing a temporary, emergency bill to require New York State residency of at least a year as a prerequisite to granting welfare payments.

New York State today has one and one-half times as many people on welfare per thousand of population as the rest of the country. Many of these people are living in seriously overcrowded housing and under substandard conditions. The housing shortage is acute and getting even worse.

Our major urban centers are experiencing an epidemic of narcotics addiction. In many of our urban areas, schools, social services and health resources are seriously overburdened. Crime, dirty streets and enormous pollution problems are a plague on our cities.

At the same time, inflation and the spiraling cost of providing basic government services have resulted in the highest state and local tax burden in the nation, which threatens to drive out the job-producing and income-producing elements of our community.

As a result, the continued influx of persons in need of public assistance threatens the capacity of state and local government to continue to provide and finance adequate levels of public services for those residents here as well as those coming into the state.

For persons unable to provide for themselves to come to New York State from throughout the nation is therefore unfair both to those who live here as well as to those who would seek to come here at this time and under these circumstances.

These conditions constitute a "compelling state interest" which the Supreme Court recognized in its 1969 decision as a prerequisite for a valid residency law.

To meet this interest, my proposed legislation establishes a five-year emergency period during which the state will require one-year residency. This step is essential to help protect the state's economic and social viability.

B. Housing

I am seeking authority for the State Health Department to declare a housing emergency in entire communities wherever the percentage of over crowded housing units exceeds a fixed percentage.

Under this legislation, it would be a violation to move into a housing emergency area without having first obtained adequate and sanitary dwelling facilities in the area, or without the clear and actual ability to do so. In addition, welfare officials would be authorized to make emergency grants including transportation back to the point of origin for dependent new arrivals who violate this law.

C. Relocation

I am seeking federal authority for a voluntary resettlement program by which persons already receiving public assistance in New York State could be assisted in relocating elsewhere in the nation where a job and housing are available. This assistance could include payments for transportation and adjustment allowances.

2. TO PROVIDE INCENTIVES TO STAY AT WORK, TO KEEP THE FAMILY TOGETHER, TO FOSTER A DECENT ENVIRONMENT FOR RAISING CHILDREN

In formulating our present plans for the reorganization of the New York State welfare system, we have tried to anticipate the impact of a federal \$2,400 a year national welfare standard which the Congress is expected to establish, and to design our system so that it will conform to and supplement the new federal approach.

The existing federal law allows the Secretary of Health, Education and Welfare to authorize an experimental program which would enable us to have a workable program in force when the new national standards take effect.

The experimental program which I am proposing would provide for:

(1) The establishment of a basic rate at \$2,400 per year, or whatever level the Congress ultimately fixes;

(2) Supplemental incentive benefits to permit recipients to bring their total benefits up to present state standards, adjusted appropriately for cost-of-living increases, through participation in work, work-training and school;

(3) The aged, the blind, the disabled, and mothers unable to work to automatically receive full benefits;

(4) Members of ADC families to have the opportunity to bring their payments to the full benefit level through supplemental incentive benefits for regular school attendance and participation in work and work-training programs, as well as other programs designed to promote social responsibility.

Young people 15 to 18 years of age who are eligible for work permits, not otherwise employed in part-time or summer work, and not required for family care or participation in remedial or supplementary educational programs would participate in environmental and community improvement projects or help to operate day care centers and other community services.

In performing this part-time and summer work for a total of 150 hours annually, these youngsters would help themselves by gaining work experience and a modest cash allowance if authorized by the Secretary of HEW:

- (1) They would be improving the communities in which they live; and,
- (2) They would be helping their families to obtain New York State's maximum supplemental public assistance benefits.

3. TO HELP PEOPLE MOVE FROM WELFARE ROLLS TO PAYROLLS

Work is essential to a healthy individual and a healthy society.

Welfare should be a bridge to work for those able to work, as well as a shield against want.

Welfare benefits should aid those who work and need supplemental help.

But welfare benefits will not be a substitute for work.

The welfare legislation I am submitting to your Honorable Bodies therefore:

- (1) Redefines employability and limits the discretion of local social services districts to declare an individual unable to work;
- (2) Requires every employable public assistance recipient to report to the State Employment Service every two weeks to pick up his assistance check instead of having it mailed by the welfare district as is presently done;
- (3) Requires a bi-weekly employment counselor interview through which an employable public assistance recipient would be directed to a private job opportunity, or a training program, or a public works project;
- (4) Requires every social service district to provide or contract for a public works program—including neighborhood environmental and day care center work—to which the Employment Service may assign appropriate employable recipients;
- (5) Directs the Employment Service to locate and develop employment opportunities for unskilled public assistance recipients, to maintain a special job register, and to provide job preparation and follow-up services;
- (6) Denies welfare to an employable individual who quits a job without good cause or refuses a job he or she is able to perform.

4. TO COMPLETELY REORGANIZE THE WELFARE STRUCTURE OF NEW YORK STATE

The welfare system has grown to the dimensions of a major consumer of public funds. Under the existing organization, neither the Board of Social Welfare nor the Commissioner of Social Services is directly responsible to the people through their elected officials.

In order to assure more effective management of the welfare system and to make it more directly accountable to the people, I propose the following:

A. Reorganization of State Structure

- (1) Restore the Social Welfare Board to its original function of setting policy and standards for private and public institutional care, and provide for inspection and visitation;
- (2) Provide direct appointment of the Commissioner of Social Services by the Governor;
- (3) Transfer to the Commissioner the rule-making powers of the Board of Social Welfare, so important to setting the tone, direction and character of the welfare system;
- (4) Permit the Department of Social Services to focus entirely on delivery of social services by relieving it of administrative responsibility for the State's training schools;
- (5) Merge these institutions into the State Division for Youth with its expertise in dealing with youth problems.

B. Improving Local Administration

Under the present welfare system in New York State, the delivery of public assistance and social services is carried out primarily through locally administered social services districts.

In order to provide more effective state control of local welfare administration and programs, I propose a series of measures to:

- (1) Give the State Commissioner authority to set minimum qualifications for local Commissioners of Social Services and power to remove local welfare employees from the Commissioner on down who fail to perform their duties properly;

- (2) Require that family-planning services be made available and that their availability be made known to all recipients ;
- (3) Repeal statutory mandates for minimum salaries and salary differentials for local welfare caseworkers to permit greater flexibility at the local level in hiring necessary personnel ; and
- (4) Strengthen penalties against any welfare official or employee who participates in defrauding the welfare system—including removal from office and personal liability for the amount of fraud.

5. ESTABLISH AN INSPECTOR GENERAL OF WELFARE ADMINISTRATION

The thrust of the foregoing recommendations is affirmative and looks to the achievement of our goals for the well-being and dignity of each and every citizen.

To achieve these goals, it is also essential to eliminate abuses and violations of the system.

I therefore am establishing a permanent position of Inspector General with a staff to investigate the operations of the state and all local welfare departments in order to insure proper expenditure of welfare funds.

The Inspector General would have the responsibility to investigate : (1) Abuses and violations of the welfare system ; (2) Failure to prosecute frauds against the welfare system ; (3) Failure to enforce the state's laws which require welfare recipients to accept available work ; and (4) Failure of local officials and employees to comply with state laws and regulations.

6. CONCLUSION

The foregoing is the broad outline of my administration's comprehensive welfare reform program.

It is designed to effect fundamental changes in the welfare system to improve its efficiency and to reduce the opportunity for abuse ; and, most importantly, to enable it to better serve those truly in need, and to help restore the self-sufficiency and independence, and well-being and human dignity of all.

The legislation necessary to implement these and related proposals will be submitted for consideration by your Honorable Bodies.

NELSON A. ROCKEFELLER.

TABLE 1.—COMPARATIVE EXPENDITURES IN THE STATE-AIDED PUBLIC ASSISTANCE AND SERVICES PROGRAMS, NEW YORK STATE, 1970 AND 1971

(Dollar amounts in thousands)

Class of expenditure	New York State					New York City					Upstate				
	Calendar 1971		Calendar 1970		Per- cent change over pre- vious year	Calendar 1971		Calendar 1970		Per- cent change over pre- vious year	Calendar 1971		Calendar 1970		Per- cent change over pre- vious year
	Amount	Per- cent	Amount	Per- cent		Amount	Per- cent	Amount	Per- cent		Amount	Per- cent	Amount	Per- cent	
Total expenditures ¹	\$4,146,807	100.0	\$3,269,693	100.0	+26.8	\$2,690,227	100.0	\$2,100,194	100.0	+28.1	\$1,103,641	100.0	\$880,790	100.0	+25.3
Source of funds:															
Federal aid.....	1,734,633	41.8	1,312,177	40.1	+32.2	1,096,707	40.8	814,504	38.8	+34.6	472,066	42.8	353,326	40.1	+33.6
State aid.....	1,292,692	31.2	1,055,483	32.3	+22.5	800,480	29.7	645,388	30.7	+24.0	318,012	28.3	265,733	30.2	+19.7
Local funds.....	1,119,482	27.0	902,033	27.6	+24.1	793,049	29.5	640,302	30.5	+23.9	313,563	28.4	261,731	29.7	+19.8
Expenditures in State-administered public assistance and services programs.....	352,939	8.5	311,532	9.5	+13.3			12,096	.6				10,727	1.2	
Program analysis:															
Medical assistance for aged in mental hospitals.....	141,849	3.4	146,505	4.5											
Medical assistance for retardates in infirmaries.....	90,722	2.2	81,951	2.5											
Mental hygiene retardates in school ICF.....	22,947	.6	15,960	.5											
Residents in NACC-operated ICF.....	26,988	.7													
Mental hygiene persons in family care.....	6,041	.1	4,855	.1											
Juvenile delinquents in State training schools ²	25,757	.6	22,823	.7				12,096	.6				10,727	1.2	
State office administrative costs.....	38,635	.9	39,438	1.2											
Expenditures in locally administered public assistance and services programs.....	3,793,868	91.5	2,958,161	90.5	+28.3	2,690,227	100.0	2,088,098	99.4	+28.8	1,103,641	100.0	870,063	98.8	+26.8
Object of expense:															
Assistance and services.....	3,429,947	82.7	2,627,383	80.4	+30.5	2,438,841	90.7	1,852,203	88.2	+31.7	991,106	89.8	775,180	88.0	+27.9
Money payments and services.....	1,926,727	46.5	1,596,622	48.9	+20.7	1,397,892	52.0	1,186,111	56.5	+17.9	528,835	47.9	410,511	46.6	+28.8
Medical assistance.....	1,503,220	36.2	1,030,761	31.5	+45.8	1,040,949	38.7	666,092	31.7	+56.3	462,271	41.9	364,669	41.4	+26.8
Local administration.....	363,921	8.8	330,778	10.1	+10.0	251,386	9.3	235,895	11.2	+6.6	112,535	10.2	94,883	10.8	+18.6

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See footnotes at end of table.

TABLE 1.—COMPARATIVE EXPENDITURES IN THE STATE-AIDED PUBLIC ASSISTANCE AND SERVICES PROGRAMS, NEW YORK STATE, 1970 AND 1971—Continued

(Dollar amounts in thousands)

Class of expenditure	New York State					New York City					Upstate					
	Calendar 1971		Calendar 1970		Per- cent change over pre- vious year	Calendar 1971		Calendar 1970		Per- cent change over pre- vious year	Calendar 1971		Calendar 1970		Per- cent change over pre- vious year	
	Amount	Per- cent	Amount	Per- cent		Amount	Per- cent	Amount	Per- cent		Amount	Per- cent	Amount	Per- cent		
Program analysis:																
Assistance and services.....	\$3,429,947	82.7	\$2,627,383	80.4	+30.5	\$2,438,841	90.7	\$1,852,203	88.2	+31.7	\$991,106	89.8	\$775,180	88.0	+27.9	
Medical assistance.....	1,503,220	36.2	1,030,761	31.5	+45.8	1,040,949	38.7	666,092	31.7	+56.3	462,271	41.9	364,669	41.4	+26.8	
Old-age assistance.....	127,085	3.1	118,128	3.6	+7.6	87,848	3.3	80,985	3.8	+8.5	39,237	3.6	28,277	3.8	+38.8	
Assistance to the blind.....	5,797	.1	5,113	.2	+13.4	4,221	.1	3,677	.2	+14.8	1,576	.1	1,436	.2	+9.7	
Aid to the disabled.....	180,438	4.4	113,810	3.5	+58.5	139,826	5.2	87,610	4.2	+59.6	40,612	3.7	26,200	3.0	+55.0	
Aid to dependent children.....	1,143,135	27.6	946,967	29.0	+20.7	831,083	30.9	705,308	33.6	+17.8	312,052	28.3	241,659	27.4	+29.1	
Emergency assistance.....	5,619	.1	3,905	.1	+43.9	5,608	.2	3,895	.2	+44.0	11	0	10	0	+10.0	
Home relief.....	188,815	4.6	163,493	5.0	+15.5	125,795	4.7	119,489	5.7	+5.3	63,020	5.7	44,004	5.0	+43.2	
Day care.....	50,226	1.2	31,086	1.0	+61.6	40,441	1.5	25,998	1.2	+55.6	9,785	.9	5,088	.5	+92.3	
Purchase of services (exclusive of day care).....	23,142	.5	28,498	.9	-18.8	17,834	.7	23,200	1.1	-23.1	5,308	.5	5,298	.6	+2	
Intermediate care facilities.....	17,141	.4				7,072	.3				10,069	.9				
Foster care of children.....	148,550	3.6	141,719	4.3	+4.8	113,893	4.2	106,732	5.1	+6.7	34,657	3.1	34,987	4.0	-1.0	
Work incentive program (exclu- sive of day care).....	6,900	.2	4,008	.1	+72.2	4,786	.2	2,432	.1	+96.8	2,114	.2	1,576	.2	+34.1	
Care of adults in public homes and shelters.....	4,346	.1	4,429	.1	-1.9	3,339	.1	2,809	.1	+18.9	1,007	.1	1,620	.2	-37.8	
Care of children in public shelters.....	6,561	.1	10,425	.3	-37.1	6,561	.2	10,425	.5	-37.1						
Juvenile delinquents in local facilities ¹	16,478	.4	22,485	.7	(³)	8,256	.3	12,494	.6	(³)	8,222	.7	9,991	1.1	(³)	
All other programs.....	2,494	.1	2,556	.1	-2.4	1,329	.1	1,057	.1	+25.7	1,165	.1	1,499	.2	-22.3	
Local administration (including direct services).....	363,921	8.8	330,778	10.1	+10.0	251,386	9.3	235,895	11.2	-6.6	112,535	10.2	94,883	10.8	+18.9	

¹ Since costs for "public assistance and services programs" appear only in the New York State column, the sum of New York City and upstate does not yield the State total shown.

² Expenditures for 6 months only. Transferred to the New York State Division for Youth effective July 1, 1972.

³ Not available.

TABLE 2.—MONTHLY AVERAGE NUMBER OF CASES AND PERSONS RECEIVING PUBLIC ASSISTANCE AND MEDICAL ASSISTANCE, AND ANNUAL PAYMENTS FOR ASSISTANCE BY SOURCE OF FUNDS, NEW YORK STATE, CALENDAR YEARS 1970 AND 1971

Program	Monthly average number of cases		Monthly average number of persons		Total assistance payments for the year (in thousands)		Federal share of payments for the year (in thousands)		State share of payments for the year (in thousands)		Local share of payments for the year (in thousands)	
	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970
New York State.....	717,857	624,719	2,022,758	1,848,787	\$3,297,040	\$2,519,991	\$1,330,518	\$995,821	\$989,036	\$766,523	\$977,486	\$757,647
Medical assistance.....			992,977	895,458	1,503,220	1,030,761	655,649	434,163	423,918	298,416	423,653	298,182
Also received money payments ¹			742,095	616,681	803,599	506,379	350,072	215,681	226,789	145,607	226,738	145,091
Medical assistance only.....			250,882	278,777	699,621	524,382	305,577	218,482	197,129	152,809	196,915	153,091
Adult programs ²	219,776	178,885	225,691	181,353	313,320	237,051	132,245	104,309	90,975	66,614	90,100	66,128
Old age assistance.....	105,184	96,999	107,987	98,273	127,085	118,129	60,702	58,602	33,399	29,903	32,984	29,624
Assistance to the blind.....	3,756	3,548	3,890	3,610	5,797	5,113	2,551	2,373	1,643	1,378	1,603	1,362
Aid to the disabled.....	110,836	78,339	113,814	79,470	180,438	113,809	68,992	43,334	55,933	35,333	55,513	35,142
Family program.....	448,068	395,236	1,496,172	1,338,059	1,331,950	1,110,460	542,624	457,349	397,859	328,610	391,467	324,501
Aid to dependent children.....	340,831	296,967	1,266,192	1,126,001	1,143,135	946,967	542,624	457,349	302,782	246,423	297,729	243,195
Home relief.....	107,237	98,269	229,980	212,058	188,815	163,493			95,077	82,187	93,738	81,306
Family cases.....	30,188	27,022	152,931	140,811	69,486	60,434			34,988	30,409	34,498	30,025
1-person cases.....	77,049	71,247	77,049	71,247	119,329	103,059			60,089	51,778	59,240	51,291
Foster care of children.....	50,013	50,598	50,013	50,598	148,550	141,719						
Additional State aid—"Save Harmless" ³									18	354,244	-18	-354,244
New York City.....	501,566	443,554	1,307,966	1,217,442	2,343,615	1,769,894	930,522	685,862	710,136	544,473	702,957	539,559
Medical assistance.....			605,804	546,158	1,040,949	666,092	444,131	267,906	298,409	199,093	298,409	199,093
Also received money payments ¹			531,030	450,416	642,266	383,746	279,195	160,851	181,535	111,347	181,536	111,548
Medical only.....			74,774	95,742	398,683	282,346	164,936	107,055	116,874	87,746	116,873	87,545
Adult programs.....	162,268	129,195	166,781	131,201	231,895	172,272	95,619	74,156	68,366	49,173	67,910	48,943
Old age assistance.....	75,022	67,562	77,281	68,647	87,848	80,985	41,463	40,280	23,275	20,409	23,110	20,296
Assistance to the blind.....	2,634	2,475	2,735	2,529	4,221	3,677	1,786	1,677	1,222	1,001	1,213	999
Aid to the disabled.....	84,612	59,158	86,765	60,025	139,826	87,610	52,370	32,199	43,869	27,763	43,587	27,648

See footnotes at end of table.

TABLE 2.—MONTHLY AVERAGE NUMBER OF CASES AND PERSONS RECEIVING PUBLIC ASSISTANCE AND MEDICAL ASSISTANCE, AND ANNUAL PAYMENTS FOR ASSISTANCE BY SOURCE OF FUNDS, NEW YORK STATE, CALENDAR YEARS 1970 AND 1971—Continued

Program	Monthly average number of cases		Monthly average number of persons		Total assistance payments for the year (in thousands)		Federal share of payments for the year (in thousands)		State share of payments for the year (in thousands)		Local share of payments for the year (in thousands)	
	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970
Family programs.....	312,056	287,690	1,039,169	963,830	\$956,878	\$824,798	\$390,772	\$343,800	\$284,801	\$241,563	\$281,305	\$239,435
Aid to dependent children.....	240,783	216,485	888,169	813,161	831,083	705,309	390,772	343,800	221,586	181,594	218,725	179,915
Home relief.....	71,273	71,205	151,000	150,669	125,795	119,489	.....	.....	63,215	59,969	62,580	59,520
Family cases.....	19,726	19,501	99,453	98,965	44,645	43,847	.....	.....	23,263	22,189	21,382	21,658
1-person cases.....	51,547	51,704	51,547	51,704	81,150	75,642	.....	.....	39,952	37,780	41,198	37,862
Foster care of children.....	27,242	26,669	27,242	26,669	113,893	106,732	.....	.....	58,560	54,644	55,333	52,088
Upstate.....	216,291	181,165	714,792	631,345	953,425	750,097	399,996	309,959	278,900	222,050	274,529	218,088
Medical assistance.....	.....	.....	387,173	349,300	462,271	364,669	211,518	166,257	125,509	99,323	125,244	99,089
Also received money payments ¹.....	.....	.....	211,065	166,265	161,333	122,633	70,877	54,830	45,254	34,260	45,202	33,543
Medical only.....	.....	.....	176,108	183,035	300,938	242,036	140,641	111,427	80,255	65,063	80,042	65,546
Adult programs.....	57,508	49,690	58,910	50,152	81,425	64,779	36,626	30,153	22,609	17,441	22,190	17,185
Old age assistance.....	30,162	29,437	30,706	29,626	39,237	37,144	19,239	18,322	10,124	9,494	9,874	9,328
Assistance to the blind.....	1,122	1,073	1,155	1,081	1,576	1,436	765	696	421	377	390	363
Aid to the disabled.....	26,244	19,180	27,049	19,445	40,612	26,199	16,622	11,135	12,064	7,570	11,926	7,494
Family programs.....	136,012	107,546	457,003	374,229	375,072	285,662	151,852	113,549	113,058	87,047	110,162	85,066
Aid to dependent children.....	100,048	80,482	378,023	312,840	312,052	241,658	151,852	113,549	81,196	64,829	79,004	63,280
Home relief.....	35,964	27,064	78,980	61,389	63,020	44,004	.....	.....	31,862	22,218	31,158	21,786
Family cases.....	10,462	7,521	53,478	41,846	24,841	16,587	.....	.....	11,725	8,220	13,116	8,367
1-person cases.....	25,502	19,543	25,502	19,543	38,179	27,417	.....	.....	20,137	13,998	18,042	13,419
Foster care of children.....	22,771	23,929	22,771	23,929	34,657	34,987	.....	.....	17,706	17,885	16,951	17,102
Additional State aid—"Save Harmless" ³.....	.....	.....	.....	.....	.....	.....	.....	.....	18	354,244	—18	—354,244

¹ Also included in the aid to aged, blind and disabled, aid to families with dependent children, and home relief programs.

² Excludes monthly average persons and cases in intermediate care facilities as follows: New York State, GAA, 2,417, AB, 39, AD, 567, New York City, OAA, 218; Upstate, OAA, 2,199, AB, 39, AD, 567.

³ Additional State reimbursement for agencies which incurred losses in Federal funds under the alternate formula for claiming Federal reimbursement for money payments.

STATE OF NEW YORK, DEPARTMENT OF SOCIAL SERVICES, QUALITY CONTROL REPORT,
PERIOD JULY 1-DECEMBER 31, 1971

BACKGROUND

The current quality control system employed in New York State was implemented in its present form within the past year. Prior to this there had been quality control activity only on a much more limited scale. Consequently, the current report, which covers the six-months' period from July 1 through December 31, 1971, is a more comprehensive analysis than has been available previously. It represents an important step in development of a system to evaluate better significant elements of social agency operations throughout the State.

The quality control system is designed to:

1. Test continuously and on a uniform predetermined basis the eligibility of recipients and applicants for AABD, ADC, Home Relief, and Medical Assistance.
2. Determine the correctness of money payments.
3. Identify specific errors for purposes of corrective action.
4. Identify policy issues which need clarification or simplification.
5. Identify weaknesses in the eligibility system or process with a view toward remedial action.
6. Identify weaknesses in the organization and operation of local agencies, with particular reference to the new system of separation as related to the eligibility process.

The current State system has two general components, a so-called Federal sample requirements and a local sample requirement. These are compatible in the sense of providing important data to evaluate performance related to the above purposes, but contain differences that are important to understand in using results obtained from each. Both elements, however, have the common characteristic of representing local social services districts' input and evaluation. In other words, the system is essentially a local system, using data obtained by local districts and producing results and conclusions drawn by local districts. State level activity, which will be described in more detail later in the report, consists of sampling to review and evaluate the local district effectiveness in administering the system and process, collection and review of data, and subsequently, work with local districts to obtain corrective actions.

The Federal sample component of the system is prescribed in general form and content by the Federal Government to be suitable for nationwide application for reporting to HEW. Federal direction includes defining the size of the sample, procedures for selecting cases, guidelines for field investigation, and standardizing reporting format. The complete system is complex and detailed and in this report there is a selection generally of the public assistance positive action cases for specific review, since this represents the most significant aspects of the overall system.

The Federal sample system for public assistance programs selects positive action cases from the AABD and ADC categories from monthly assistance pay-rolls. (Since Home Relief is not a federally aided program, this is not included in the Federal sample.) Therefore, cases selected are from among those that are active and receiving assistance. The purpose is to test the eligibility of the recipients and correctness of payment as of the time of the review. Cases have been selected and reviewed monthly during the six months of the reporting period in accordance with the sampling technique furnished by the Federal Government. The sample is designed statistically for application on a nationwide basis. In New York State, for the particular reporting period, the sample represents 4466 cases or approximately 1% of the AABD and ADC caseload.

The local sample system is mandated by the State under guidelines and instructions developed by the State. It produces findings, therefore, for principally State and local use. Conceptually, it is designed to be a companion system to the Federal system and to provide expansion of the total data available for evaluation of eligibility. In this connection, it is particularly important to note that the Federal sample is not designed to give sufficiently adequate information to produce evaluations on a district-by-district basis, and it is quite necessary therefore in an overall system to have something in addition.

Under the local sample, the eligibility requirements reviewed, forms, worksheets, review schedules, coding of results, and procedural arrangements utilized,

are all identical with those aspects of Federal sample. A significant difference is that the Home Relief category is included in the sampling. Also, cases are selected and reviewed in relation to eligibility at the time application is made as compared with the federal review of cases at a point in time when they are receiving assistance. Finally, there is a significant difference in the magnitude of the sample. The intent is to sample 50% of the monthly acceptances and redeterminations in Home Relief, which is not contained at all in the Federal sample. Additionally, in ADC the sample is also 50% of monthly acceptances and redeterminations, less the number of Federal sample cases selected. In AABD, the sample is an additional 2% of acceptances and redeterminations above the number of cases selected for the Federal sample.

At this point, it is important to note that the overall quality control system, including both samples, is designed to have statewide uniform applicability. However, it is appropriate also to deal with certain aspects of the total system separately for New York City and Upstate districts and as necessary this will be done. In the case of the local sample, it was not feasible due to timing and staff requirements for the six-months' period in question to implement the above system in New York City. Instead, it was agreed that there would be a sample of ADC and Home Relief cases, based on the same concept of review at the time of acceptance and redetermination (application stage) but representing 20% of such cases for the month of September in nine welfare centers selected by the State and another 20% of such cases for the month of December in ten different centers, also selected by the State. The findings and conclusions are in the same format as for the local sample in Upstate districts.

It was noted earlier that the State Department of Social Services also reviews the activity of local districts in quality control. In the case of the Federal sample, the Federal Government also prescribes content and methodology for selection of a sub-sample by the State of the local district sample cases. The purpose is to provide, through a very limited or small number of cases representing approximately 3% of the local sample in AABD and 3% of the local sample in ADC, a means by which the State can evaluate the effectiveness of the system and process employed by the various local districts in carrying out the Federal sample requirement. It also permits evaluation of the accuracy level of local district findings and conclusions. It does not, however, provide a substitute or even secondary level of findings as to eligibility by the State and therefore cannot be used to generalize on or replace the results determined by local districts concerning the caseload per se.

In the case of the local sample component of quality control, the state department does not customarily sub-sample the local district sample, but does review schedules that are received. Also, within the mandated number and kinds of cases required to be reviewed by local districts, the state department has for Upstate districts selected through statistical means a group of cases, representing some 10% of the total required to be completed, to be keypunched and used to draw conclusions and results about the caseload similar to those reached in the Federal sample.

For the local sample drawn by New York City, and because a different approach was used relative to the local sample, the state department has actually carried out a sub-sampling procedure similar in design and purpose to that used for the Federal sample. The sub-sample represents approximately 6% of the ADC and Home Relief cases reviewed by the City for the month of September. As with the approach in the Federal sample system, the sub-sample is intended to be used to evaluate the process and accuracy of City work.

A significant accomplishment with regard to work on the Federal sample has been made by the local districts both Upstate and including New York City in completing cases required to be sampled. This is highly important in adding to the validity and credibility of findings relating to the caseload. For the State as a whole, 97% of the cases necessary to be completed to meet the requirements of the sample were completed. The completion level for Upstate districts was 100% and for New York City was 95%. This is dramatically improved performance over any previous reporting period.

In the local sample, results have been less than required of the local districts. In Upstate districts, 32% of the estimated number of cases required to be reviewed were actually completed and forwarded to the state department. However, it is noted that this still reflects a large number of cases, some 27,000 out of an anticipated requirement of approximately 80,000. This represents a sufficiently large number of completed reviews to be used in producing a keypunched sample adequate for reaching conclusions concerning the caseload.

New York City completed reviews overall for 60% of the required local sample for both September and December combined. In turn, this reflects a 79% completion of the requirement for September and 42% for December. In the aggregate, it represents reviews completed for 3495 cases for both months.

The State sub-sampling has been completed to the level required in both the Federal and local sample components.

STATE SUB-SAMPLE

Since in New York State, local agencies perform the quality control function, the Federal Government requires a sub-sample review by the State of the Federal sample cases. The purpose of this review is to give the State a management tool for evaluating local performance on quality control and for alerting it to areas of local performance which need further review and follow-up.

Table 8 indicates the results of the State sub-sample within the Federal sample component of the system. Results are expressed in terms of percentage of agreement and disagreement with local findings relative to the sub-sample cases.

The table includes a section referring to negative action cases, which have not been included in the general commentary on findings and conclusions in this report. It can be noted that the general purpose in this area is to assess the accuracy of decisions to reject applications and appropriateness of case closings. The local findings support to a high degree such decisions. In turn, the State sub-sample results are in substantial agreement with local findings.

With regard to positive actions, for the State as a whole and for Upstate districts and New York City separately there is a high percentage level of agreement with local decisions. However, the percent of disagreement with local findings is considered to be significant in some areas and suggests the possibility of problems in the system and/or its application that cannot be overlooked and will be pursued further.

FINDINGS AND CONCLUSIONS

The summary table contains the major findings for the State as a whole, for Upstate districts combined, and for New York City. Also shown are findings relative to major public assistance categories based on positive action cases, as reflected in both Federal and local sampling components.

The percentages reported in the table are conclusions from the samples that are also representative of the caseload, broken down by each type of sample and each category to be financially or categorically ineligible, or representing levels of overpayment or underpayment. It is noted that the nature of the system makes it inappropriate to combine categories as to conclusions, or to combine Federal and local sample percentages.

Specific important conclusions appear to be :

1. Eligibility

(a) AABD categories—For the State as a whole, and for Upstate districts together and New York City separately as well, both financial and categorical ineligibility is low. This is characteristic of the findings in both the Federal and local sample. For comparative purposes, it is noted that the Federal Government has a tolerance level of 4% on ineligibility. The sample findings are within this level. The agreement reached with New York City on Local Sample did not provide for doing a Local Sample in AABD beyond Federal requirements.

(b) ADC For the State as a whole, and for Upstate districts combined, the Federal sample shows the overall ineligibility rate is within the approved tolerance level of 4%. New York City has an overall ineligibility rate of 4.1%. Financial ineligibility is higher in the Upstate districts combined than for New York City, while the reverse is true with respect to ineligibility for the category. In the local sample, there is significantly lower ineligibility rate findings. This suggests the possibility of increase in errors and/or failure to determine changes in economic or other circumstances between point of acceptance of a case (as reflected in local sample) and assessment at a later date (as in the Federal sample).

(c) Home Relief—For the State as a whole, the level of ineligibility is somewhat higher than in other categories as reflected in the only sample source, which is the local sample. However, there is a significantly higher ineligibility rate for New York City than for Upstate districts. Approximately one-half of

New York City's ineligibility in Home Relief represents financially eligible cases for which New York City has failed to secure Federal reimbursement.

2. Overpayment

There is a significantly high level of overpayment on cases for the State overall, for the Upstate districts combined, and for New York City. This is reflected in all the categories of AABD, ADC, and Home Relief. It appears in both the Federal sample and local sample for AABD and ADC and in the local sample, for Home Relief. Also there is the characteristic of higher rates or percents in the Federal sample than in the local sample. For comparative purposes, the Federal Government has a tolerance limit of 6% in this area.

3. Underpayment

There is a significantly high level of underpayment for the State overall, for Upstate districts combined, and for New York City. This is true in all categories of AABD, ADC, and Home Relief. It is also true of results obtained from both the Federal and local samples. Again, there is the characteristic of the Federal sample showing higher levels than the local sample. The Federal tolerance limit is also 6% in this area.

ANALYSIS OF LOCAL FINDINGS

Analysis commentary in this report is accompanied by several tables of data which have been accumulated from the sample source information received by the state department. The base information represents a considerable volume of detailed schedules from which substantial additional analysis will be possible and which is planned to be used to prepare feedback information to each district for review and corrective action. The report analysis, therefore, is limited to certain highlights and items illustrative of the potential uses of data.

There is a consistent pattern in the statistics of the local sample producing results and rates generally lower than shown in the federal sample. It seems likely that this reflects the fact that between the point of case acceptance (the point in time of the local sample) and some later date when cases are receiving assistance (the point in time of the federal sample) a number of changes may have taken place. This could, for example, take the form of change of income for a recipient after time of acceptance. Such a development could well mean a requirement for the recipient to report this change and then for the agency to make a change in the amount of the grant furnished. This means in turn a need for specific actions to be instituted which inherently increases the possibility of error.

It is also unfortunate that the local sample was not completed entirely in either Upstate districts overall or in New York City. Furthermore, the New York City local sampling procedure was not done in the same manner as the Upstate local sample. These facts increase the possibility of error and/or inadequacy of the sample, and may tend to adversely affect results and conclusions reached. The degree of completion needs to be improved in the next reporting cycle.

Table 2 shows an analysis of indeterminate cases in both samples. While it is to be expected that there will under any sampling system be a certain number of cases that will be indeterminate, there appears to be an inordinately high level of these cases for New York City, particularly represented by those classified as "Unable to Locate" and "Unwilling to Give Information." Although all indeterminate cases need to be analyzed closely, these two types are particularly questionable. It is also noted that the "Other" or miscellaneous category includes a relatively large number of the indeterminate cases in Upstate data and requires further exploration and analysis.

Table 3 presents statistics resulting from compilation of errors derived from the local and Federal samples of the local districts. It classifies these errors into two main categories, agency (local district) errors and client errors. It is important to note that in turn errors are in fact the causes of ineligibility, overpayments and underpayments.

It is significant that for both Upstate districts and New York City about 60% of the errors are agency errors. Within this, the largest portion of errors is represented by mechanical type errors in the Upstate districts (computation—transcription), although a significant percent is also related to incorrect application of policy. The latter suggests possibility of lack of understanding or knowledge about policy. In New York City, the most significant portion of errors is represented by failure to take indicated action.

Within the 40% client error category, in Upstate districts there is reasonably close balance between errors due to information provided being incorrect or

incomplete and those due to change in circumstance not reported, with somewhat greater error in the former. In New York city, however, the reverse is true and substantially so. Some three-quarters of client errors are reported to be caused by change in circumstance not reported. This suggests the need to review undercare cases carefully after initial acceptance.

Table 4 deals with the same universe of errors but with different classifications. Both agency and client errors are included but distributed by other factors or types of errors.

The large preponderance of errors relating to the classification of "Basic Needs" and "Earnings and Support Payments" suggests areas of needed emphasis on specific types of review by local districts as well as particular avenues of training that may be productive.

A category such as "OASI or other pensions and benefits incorrectly stated" also represents a potential for training effort, and may reflect client and agency misunderstandings of policy.

The key element of this table is its potential usefulness to local districts in determining areas worthy of special effort and emphasis, including training directions or requirements.

A significant aspect of quality control relates to the question of cost of performing quality control compared with savings or reductions in expenditure achieved through its use. This, of course, is complicated by the fact that quality control activities of verification, investigation and the like also have psychological impact not measurable in absolute dollars. Also there is in a public program sensitivity to any and all levels of deficiency which may mitigate against relating functions only to dollar benefit. Finally dollar assessment is a complicated matter requiring considerable effort and refinement to produce totally valid findings.

However, as an illustration of the kinds of data that may be helpful to develop, Table 5 presents certain dollar figures for Upstate districts comparing costs of doing quality control with benefits in dollar reductions and savings produced through quality control efforts. It includes estimates or projections of what an extension of present activities to total quality control might produce. The main point is the suggestion that if 100% of cases were verified, the cost of doing this would greatly exceed the amount of saving that could be achieved.

It is important to consider this kind of thing in evaluating benefits for various levels or magnitude of sampling, local and/or State.

The eligibility determination system in effect in all local districts provides for excluding cases from the simplified certification for eligibility process those cases for which there is reason to believe some doubt exists as to eligibility. Such cases must be referred for full inquiry and investigation prior to acceptance.

Table 6 presents for illustrative purposes a summary of cases so excluded by geographic grouping of Upstate areas of the State. It indicates that portion of the cases determined after inquiry to be eligible as compared with those shown to be ineligible or indeterminate. While there may be different interpretations of the result that are possible, it is interesting that of those cases considered to be doubtful, some 66% were determined to be eligible. This suggests at least that there are training actions desirable to improve understanding of staff in the meaning and use of this process.

Another interesting result is that there appears to be no correlation between the number of cases excluded and reviewed and ultimate findings as to eligibility. For example, in Area 1, there were 86 excluded cases and an eligibility percentage of 59.4. In Area 5, there were 943 cases and 63.1% eligibility results.

Tables 7 and 8 have no special relevance to analysis and findings. Table 7 indicates the distribution of agencies by percent of completion of local sample. Comment was made earlier concerning the degree of completion of local sample. The expression of agreement and disagreement with local district findings represented by the State sub-sampling process, as shown in Table 8, has also been reflected and commented upon in an earlier section of the report.

RECOMMENDATIONS

1. Corrective actions, including case closings as appropriate, should have been taken on all cases shown in the sample to be ineligible or characterized by overpayment and underpayment. The state department will follow-up to assure that these actions have been taken.

2. Certain reorganization and rearrangements are necessary to improve administration of the quality control system. The state department will make certain changes in both Central Office and area offices in recognition of the

importance of quality control and to provide improved leadership, direction and emphasis. New York City will announce a major reorganization for quality control to provide an improved framework.

3. There is a need to continue to improve the level of completion of work on the local sample portion of quality control. The state department will continue to emphasize this with all local districts.

4. A substantial training and retraining effort is required. The state department will develop this, using data from the current report, with special reference to eligibility and validation staff of local districts. Particular emphasis needs to be placed on reducing errors causing overpayments and underpayments.

5. Review of existing policy, procedures and forms needs to be carried out, with special emphasis on clarification and simplification. Complexity of the system of eligibility and payment determination has contributed to deficiencies and errors.

6. Local involvement in quality control needs to be continued and strengthened.

7. The recording, handling and processing and distribution of sample data need to be reviewed and improved. As workloads increase, and unless the sample sizes are reduced, it will become more necessary to find improved methods of dealing with data. The size of the local sample requirement also should be reviewed to see if it can be reduced without adversely affecting use and results.

8. Consideration is being given to changes pointed toward confirmation of income and resources at the point of application. This could contribute importantly to reduction of errors resulting in overpayment and underpayment in particular.

9. Consideration is being given to achieving a completely flat grant that will help eliminate computational errors, especially in shelter items.

10. Additional methods need to be developed to obtain data and act on change of circumstances of recipients, both economic and other. This is recognized, however, not to represent a new problem and is difficult to overcome.

11. Use of the exclusion system should be modified and extended to provide for excluding from the simplified application process single Home Relief applicants who are not living with other family members or in established homes of their own.

12. Specific actions on a variety of items need to be taken at the local district level in response to specialized findings. The State Department will distribute data to local districts for this purpose and will follow-up on indicated areas requiring attention.

SUMMARY OF MAJOR ELEMENTS OF QUALITY CONTROL FINDINGS, PERIOD JULY 1-DEC. 31, 1971 (REPORTED AS A PERCENT OF THE TOTAL COMPLETED REVIEWS)

[In percent]

Description	Federal sample		Local sample		HR
	AABD	ADC	AABD	ADC	
Upstate:					
Ineligible:					
Financial.....	1.9	3.8	2.0	1.7	3.0
Categorical.....	.6	.1	.4		.5
Total.....	2.5	3.9	2.4	1.7	3.5
Overpayment.....	10.7	18.6	14.5	9.8	10.0
Underpayment.....	7.3	8.8	7.0	6.3	5.7
New York City:					
Ineligible:					
Financial.....	3.1	1.7		1.2	4.6
Categorical.....	.3	2.4		1.2	4.1
Total.....	3.4	4.1		2.4	8.7
Overpayment.....	20.4	20.0		12.0	12.7
Underpayment.....	10.7	6.5		8.5	5.2
New York State:					
Ineligible:					
Financial.....	2.6	2.6	2.0	1.5	3.5
Categorical.....	.4	1.4	.4	.5	1.6
Total.....	3.0	4.0	2.4	2.0	5.1
Overpayment.....	16.7	19.3	14.5	10.6	10.7
Underpayment.....	9.4	7.5	7.0	3.9	5.5

TABLE 1A.—PUBLIC ASSISTANCE QUALITY CONTROL, NEW YORK STATE, JULY 1—DEC. 31, 1971

Description	Local sample				Federal sample			Summary total
	AABD	ADC	HR	Total	AABD	ADC	Total	
1. Total positive action review schedules received.....	1,117	21,199	8,055	30,371	1,973	1,835	3,808	34,179
2. Total cases selected in sample.....	1,117	7,603	3,109	11,829	2,272	2,194	4,466	16,295
3. Total case reviews completed.....	1,114	7,183	2,763	11,060	1,782	1,662	3,444	14,504
4. Total indeterminate cases.....	3	324	292	619	88	121	209	828
5. Total cases listed in error.....		96	54	15	103	62	165	315
6. Total amount of payments in completed reviews.....					224,506	427,271	651,777	
7. Total ineligible cases.....	27	143	139	309	53	67	120	429
A. Financially ineligible.....	22	110	96	228	46	44	90	318
B. Percent of reviews completed.....	2.0	1.5	3.5	2.1	2.6	2.6	2.6	2.2
C. Categorically ineligible.....	5	33	43	81	7	23	30	111
D. Percent of reviews completed.....	0.4	0.5	1.6	0.7	0.4	1.4	0.9	0.8
E. Percent of total payments (all ineligible cases).....								
8. Total cases with overpayments.....	162	760	296	1,218	297	321	618	1,836
A. Percent of reviews completed.....	14.5	10.6	10.7	11.0	16.7	19.3	17.9	12.7
B. Percent of total payments.....					4.1	4.2		
9. Total cases with underpayments.....	79	511	153	743	167	125	292	1,035
A. Percent of reviews completed.....	7.0	3.9	5.5	6.7	9.4	7.5	8.5	7.1
B. Percent of total payments.....					1.4	1.1	4.2	1.3
10. Federal sample—Negative actions.....								
A. Total reviews completed.....					818	1,277	2,095	
B. Total invalid decisions.....					45	77	122	
C. Percent of completed reviews.....					5.5	6.0	5.8	

Note: Excludes MA and food stamp cases.

TABLE 1B.—PUBLIC ASSISTANCE QUALITY CONTROL, UPSTATE NEW YORK, JULY 1—DEC. 31, 1971

Description	Local sample				Federal sample			Summary total
	AABD	ADC	HR	Total	AABD	ADC	Total	
1. Total positive action review schedules received.....	1, 117	18, 120	6, 913	26, 150	725	806	1, 531	27, 689
2. Total cases selected in sample.....	1, 117	4, 524	1, 967	7, 608	725	806	1, 531	9, 132
3. Total case reviews completed.....	1, 114	4, 501	1, 950	7, 565	684	753	1, 437	9, 004
4. Total indeterminate cases.....	3	23	17	43	31	40	71	113
5. Total cases listed in error.....					10	13	23	2
6. Total amount of payments in completed reviews.....	\$139, 778	\$957, 527	\$272, 629	\$1, 369, 934	\$86, 436	\$187, 550	\$273, 986	\$1, 643, 920
7. Total ineligible cases.....	27	79	69	175	17	29	46	212
A. Financially ineligible.....	22	79	59	160	13	28	41	201
B. Percent of reviews completed.....	2.0	1.7	3.0	2.1	1.9	3.8	2.9	2.2
C. Categorically negligible.....	5		10	15	4	1	5	20
D. Percent of reviews completed.....	0.4		0.5	0.2	0.6	0.1	0.3	0.3
E. Percent of total payments (all ineligible cases).....	2.1	1.4	1.9	1.6	1.8	2.9	2.1	1.7
8. Total cases with overpayments.....	162	439	193	794	73	140	213	1, 007
A. Percent of reviews completed.....	14.5	9.8	10.0	10.5	10.7	18.6	14.8	11.2
B. Percent of total payments.....	3.3	2.3	2.9	2.5	1.5	3.7	3.4	2.6
9. Total cases with underpayments.....	79	283	111	473	50	66	116	589
A. Percent of reviews completed.....	7.0	6.3	5.7	6.3	7.3	8.8	8.1	6.5
B. Percent of total payments.....	1.4	1.1	1.4	1.2	1.2	1.1	1.1	1.1
10. Federal sample—Negative actions.....								
A. Total reviews completed.....					232	893	1, 125	
B. Total invalid decisions.....					6	34	40	
C. Percent of completed reviews.....					2.5	3.8	3.6	

Note: Excludes MA and food stamp cases.

TABLE 1C.—PUBLIC ASSISTANCE QUALITY CONTROL, NEW YORK CITY, JULY 1-DEC. 31, 1971

Description	Local sample				Federal sample			Summary total
	AABD	ADC	HR	Total	AABD	ADC	Total	
1. Total positive action review schedules received.....		3,079	1,142	4,221	1,248	1,029	2,277	6,498
2. Total cases selected in sample.....		3,079	1,142	4,221	1,547	1,388	2,935	7,156
3. Total case reviews completed.....		2,682	813	3,495	1,098	909	2,007	5,502
4. Total indeterminate cases.....		301	275	576	57	71	128	704
5. Total cases listed in error.....		96	54	150	93	49	142	292
6. Total amount of payments in completed reviews.....					\$138,070	\$239,721	\$377,791	
7. Total ineligible cases.....		64	70	134	36	38	74	208
A. Financially ineligible.....		31	37	68	33	16	49	117
B. Percent of reviews completed.....		1.2	4.6	1.9	3.1	1.7	2.4	2.1
C. Categorically ineligible.....		33	33	66	3	22	25	91
D. Percent of reviews completed.....		1.2	4.1	1.9	0.3	2.4	1.2	1.7
E. Percent of total payments (all ineligible cases).....					2.1	3.1	2.8	
8. Total cases with overpayments.....		321	103	424	224	181	405	829
A. Percent of reviews completed.....		12.0	12.7	12.1	20.4	20.0	20.1	15.1
B. Percent of total payments.....					5.7	4.6	5.1	
9. Total cases with underpayments.....		228	42	270	117	59	176	446
A. Percent of reviews completed.....		8.5	5.2	7.7	10.7	6.5	8.8	8.1
B. Percent of total payments.....					1.6	1.1	1.4	
10. Federal sample—Negative actions.....								
A. Total reviews completed.....					586	384	970	
B. Total invalid decisions.....					39	43	82	
C. Percent of completed reviews.....					6.6	11.2	8.5	

¹658 cases selected in sample were not processed as of Mar. 29, 1972.

Note: Local sample for the month of September consisted of 20 percent of the ADC and HR applications and redeterminations in 9 selected welfare centers and for the month of December 10 different welfare centers were used. Excludes MA and food stamp cases.

TABLE 2

NEW YORK STATE INDETERMINATE CASES IN THE LOCAL AND FEDERAL SAMPLE QUALITY CONTROL, JULY 1 TO DEC. 31, 1971

Description	Local sample					Federal sample					Summary	
	AABD	ADC	HR	Total		AABD	ADC	MA	Total		Total	Percent of total indeterminate cases
				Number	Percent				Number	Percent		
1. Total review schedules in sample.....	1,117	7,603	3,109	11,829		2,242	2,788	3,160	8,190		20,019	
2. Total indeterminate cases.....	3	324	292	619	5.2	88	111	48	247	3	866	100.0
(A) Death.....		2	23	25	4.0	12	1	10	23	9	48	6.0
(B) Moved out of State.....		48	42	90	15.0	6	15	7	28	12	118	14.0
(C) Unable to locate.....	1	170	174	345	56.0	45	47	10	102	41	447	52.0
(D) Unwilling to give information.....	1	92	45	138	22.0	11	39	15	65	26	203	23.0
(E) Other.....	1	12	8	21	3.0	14	9	6	29	12	50	5.0

ANALYSIS OF UPSTATE INDETERMINATE CASES IN THE LOCAL AND FEDERAL SAMPLE QUALITY CONTROL, JULY 1 TO DEC. 31, 1971

1. Total review schedules in sample.....	1,117	4,524	1,967	7,608		994	1,759	2,940	5,693		13,301	
2. Total indeterminate cases.....	3	23	17	43	.6	31	40	26	97	2	140	100.0
(A) Death.....			2	2	5.0	6	1	6	13	13	15	10.7
(B) Moved out of State.....		2	1	3	6.0	1	9	4	14	14	17	12.1
(C) Unable to locate.....	1	6	10	17	40.0	14	14	5	33	34	50	35.7
(D) Unwilling to give information.....	1	4		5	12.0	2	12	6	20	21	25	17.9
(E) Other.....	1	11	4	16	37.0	8	4	5	17	18	33	23.6

NEW YORK CITY INDETERMINATE CASES IN THE LOCAL AND FEDERAL SAMPLE QUALITY CONTROL, JULY 1 TO DEC. 31, 1971

1. Total review schedules in sample.....		3,079	1,142	4,221		1,248	1,029	220	2,497		6,718	
2. Total indeterminate cases.....		301	275	576	13.6	57	71	22	150	6	726	100.0
(A) Death.....		2	21	23	4.0	6	0	4	10	7	33	5.0
(B) Moved out of State.....		46	41	87	15.0	3	6	3	14	6	101	14.0
(C) Unable to locate.....		164	164	328	57.0	31	33	5	69	46	397	55.0
(D) Unwilling to give information.....		88	45	133	23.0	9	27	9	45	30	178	24.0
(E) Other.....		1	4	5	1.0	6	5	1	12	11	17	2.0

TABLE 3.—SUMMARY OF ERRORS REPORTED IN NEW YORK STATE LOCAL AND FEDERAL SAMPLE QUALITY CONTROL, JULY 1 TO DEC. 31, 1971

Description	Local sample					Federal sample					Summary	
	AABD	ADC	HR	Total		AABD	ADC	MA	Total		Total	Percent
				Number	Percent				Number	Percent		
A. Agency errors:												
1. Policy incorrectly applied.....	77	248	125	450	29.0	75	127	119	221	31.0	671	30.0
2. Computation or transcription.....	68	377	164	609	40.0	79	76	19	164	23.0	773	34.0
3. Failure to take indicated action.....	42	289	72	403	26.0	130	137	110	277	39.0	680	30.0
4. Other.....	10	43	24	77	5.0	25	18	12	55	7.0	132	6.0
Total.....	197	957	385	1,539	100.0	309	358	150	717	100.0	2,256	100.0
B. Client errors:												
5. Information provided incorrect or incomplete.....	118	441	215	774	100.0	74	108	24	206	37.0	980	74.0
6. Change in circumstance not reported.....						170	149	28	347	63.0	347	26.0
Total.....	118	441	215	774	100.0	244	257	52	553	100.0	1,327	100.0

See footnotes at end of table.

SUMMARY OF ERRORS REPORTED IN UPSTATE LOCAL AND FEDERAL SAMPLE QUALITY CONTROL, JULY 1 TO DEC. 31, 1971

Description	Local sample					Federal sample					Summary	
	AABD	ADC	HR	Total		AABD	ADC	MA	Total		Total	Percent
				Number	Percent				Number	Percent		
A. Agency errors:												
1. Policy incorrectly applied.....	77	188	93	358	36.0	31	83	19	133	35.0	491	36.0
2. Computation or transcription.....	68	259	110	437	44.0	33	51	9	93	25.0	530	38.3
3. Failure to take indicated action.....	42	78	25	145	15.0	34	64	10	108	28.0	253	18.4
4. Other.....	10	27	20	57	5.0	16	16	12	44	12.0	101	7.3
Total².....	197	552	248	997	100.0	114	214	50	378	100.0	1,375	100.0
B. Client errors:												
5. Information provided incorrect or incomplete.....	118	395	189	702	100.0	32	71	24	127	56.0	829	89.4
6. Change in circumstance not reported.....						23	46	28	97	44.0	97	10.6
Total.....	118	395	189	702	100.0	55	117	52	224	100.0	926	100.0

SUMMARY OF ERRORS REPORTED IN NEW YORK CITY LOCAL AND FEDERAL SAMPLE QUALITY CONTROL, JULY 1 TO DEC. 31, 1971

A. Agency errors:												
1. Policy incorrectly applied.....		60	32	92	17.0	44	44	(³)	88	26.0	180	20.0
2. Computation or transcription.....		118	54	172	31.7	46	25	(³)	71	20.8	243	28.0
3. Failure to take indicated action.....		211	47	258	47.6	96	73	(³)	169	50.0	427	48.0
4. Other.....		16	4	20	3.7	9	2	(³)	11	3.2	31	4.0
Total.....		405	137	542	100.0	195	144	(³)	339	100.0	881	100.0
B. Client errors:												
5. Information provided incorrect or incomplete.....		46	26	72	100.0	42	37	(³)	79	24.0	151	38.0
6. Change in circumstance not reported.....						147	103	(³)	250	76.0	250	62.0
Total.....		46	26	72	100.0	189	140	(³)	329	100.0	401	100.0

¹ Upstate only.

² Agency errors equal 60 percent of total errors.

³ Not reported to date

TABLE 4.—ANALYSIS OF ERRORS REPORTED ON LOCAL AND FEDERAL PUBLIC ASSISTANCE Q.C. REVIEW SCHEDULES FOR THE PERIOD JULY 1—DEC. 31, 1971

Type of error	Local sample								Federal sample						Summary total	
	AABD		ADC		HR		Total		AABD		ADC		Total			
	Agency error	Client error	Agency error	Client error	Agency error	Client error	Agency error	Client error	Agency error	Client error	Agency error	Client error	Agency error	Client error	Agency error	Client error
NEW YORK STATE																
1. Basic needs including shelter cost:																
Number.....	88	35	478	256	105	82	671	373	126	73	146	60	272	133	943	506
Percent.....	57	27	46	28	26	32	42	29	32	19	35	17	33	18	39	25
2. Reporting or treatment of earnings and support payments:																
Number.....		5	167	236	69	83	236	324	25	12	91	66	116	78	352	402
Percent.....		4	16	26	17	32	15	25	6	3	22	18	14	10	15	20
3. Arithmetic:																
Number.....	20		69	20	50		139	20	12		7	1	19	1	158	21
Percent.....	13		7	2	12		9	2	3		2		2		7	1
4. Improper persons included or proper persons excluded:																
Number.....			42	36	26	12	68	48	4		44	37	48	37	116	85
Percent.....			4	4	6	5	4	4	1		11	11	6	5	5	4
5. Special allowances included or excluded:																
Number.....			31	17	60	1	91	18	20	2	10	3	30	5	121	23
Percent.....			3	2	15		6	2	5	1	2	1	4	1	5	1
6. OASI or other pensions and benefits incorrectly stated:																
Number.....	44	55	45	63	11	14	100	132	103	128	10	22	113	150	213	282
Percent.....	28	42	4	7	3	5	6	10	26	33	2	6	14	20	9	14
7. Assets not reported or considered:																
Number.....	1	7				10	1	17	3	4	2	8	5	12	6	29
Percent.....		5				4		1	1	1		2	1	2		1
8. Incorrect category:																
Number.....	3		25	10	33	4	61	14	4	1	18	14	22	15	83	29
Percent.....	2		2	1	9	2	4	1	1		4	4	3	2	3	1
9. Period of grant incorrect:																
Number.....			6				6				2		2		8	
Percent.....			1													
10. Change in circumstances not reported or acted upon:																
Number.....			170	194	47	52	217	246	96	167	73	148	169	315	386	561
Percent.....			16	22	12	20	14	19	24	43	18	41	21	42	16	28
11. Miscellaneous:																
Number.....		24	10	69			10	93	2		15		17		27	93
Percent.....		18	1	8				7	1		4		2		1	

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1 See footnote at end of table.

TABLE 4.—ANALYSIS OF ERRORS REPORTED ON LOCAL AND FEDERAL PUBLIC ASSISTANCE Q.C. REVIEW SCHEDULES FOR THE PERIOD JULY 1—DEC. 31, 1971¹—Continued

Type of error	Local sample								Federal sample						Summary total	
	AABD		ADC		HR		Total		AABD		ADC		Total			
	Agency error	Client error	Agency error	Client error	Agency error	Client error	Agency error	Client error	Agency error	Client error	Agency error	Client error	Agency error	Client error	Agency error	Client error
UPSTATE																
1. Basic needs including shelter cost:																
Number	88	35	272	149	45	59	405	243	49	9	87	23	136	32	541	275
Percent	57	27	52	31	21	44	45	33	44	18	43	19	43	19	45	30
2. Reporting or treatment of earnings and support payments:																
Number		5	79	162	35	53	114	220	10	2	54	21	64	23	178	243
Percent		4	15	34	16	40	13	30	9	4	27	18	20	14	15	27
3. Arithmetic:																
Number	20		69	20	50		139	20	5		5	1	10	1	149	21
Percent	13		13	4	23		15	2	4		2	1	3		12	2
4. Improper persons included or proper persons excluded:																
Number			42	36	26	12	68	48	3		26	11	29	11	7	59
Percent			8	8	12	10	7	7	3		13	9	9	7		7
5. Special allowances included or excluded:																
Number			21	11	58		79	11	14		4	3	18	3	97	14
Percent			4	2	26		9	2	13		2	3	6	2	8	2
6. OASI or other pensions and benefits incorrectly stated:																
Number	44	55	23	31			67	86	26	17	4	5	30	22	97	108
Percent	28	42	4	6			7	12	23	33	2	4	10	13	8	12
7. Assets not reported or considered:																
Number	1	7				7	1	14	1	3	2	8	3	11	4	25
Percent		5				5		2	1	6	1	7	1	7	.4	3
Incorrect category:																
Number	3		5	1	5		13	1	1		3	1	4	1	17	2
Percent	2		1	0	2		1		1		1	1	1		1	
9. Period of grant incorrect:																
Number			6				6				2		2		8	
Percent			1								1		1		.6	
10. Change in circumstances not reported or acted upon:																
Number										20		45		65		65
Percent										39		38		38		7
11. Miscellaneous:																
Number		24	10	69			10	93	2		15		17		27	93
Percent		18	2	15			1	12	2		8		5		2	1

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NEW YORK CITY

1. Basic needs including shelter cost:																
Number.....	206	107	60	23	266	130	77	64	59	37	136	101	402	231		
Percent.....	39.9	25.4	33.0	18.1	38.1	23.7	27.1	19.0	27.3	15.4	272	17.5	34.4	21.0		
2. Reporting of treatment of earnings and support payments:																
Number.....	88	74	34	30	122	104	15	10	37	45	52	55	174	159		
Percent.....	17.1	17.5	18.7	15.7	17.5	18.9	5.3	3.0	17.1	18.7	10.4	9.5	14.9	14.5		
3. Arithmetic:																
Number.....							7	0	2	0	9	0				
Percent.....							2.5		.9		1.8					
4. Improper persons included or proper persons excluded:																
Number.....							1	0	18	26	19	26				
Percent.....							.4		8.3	10.8	3.8	4.5				
5. Special allowances included or excluded:																
Number.....	10	6	2	1	12	7	6	2	6	0	12	2	24	9		
Percent.....	1.9	1.4	1.1	.8	1.7	1.3	2.1	.6	2.8		2.4	.3	2.1	.8		
6. OASI or other pensions and benefits incorrectly stated:																
Number.....	22	32	11	14	33	46	77	111	6	17	83	128	116	174		
Percent.....	4.3	7.6	6.0	11.0	4.7	8.4	27.1	33.0	2.8	7.1	16.6	22.2	9.9	15.8		
7. Assets not reported or considered:																
Number.....	0	0	0	3	0	3	2	1	0	0	2	1	2	4		
Percent.....				2.4		.5	.7	.3			.4	.2	.2	.4		
8. Incorrect category:																
Number.....	20	9	28	4	48	13	3	1	15	13	18	14	66	27		
Percent.....	3.9	2.1	15.4	3.1	6.9	2.4	1.1	.3	6.9	5.4	3.6	2.4	5.6	2.5		
9. Period of grant incorrect:																
Number.....																
Percent.....																
10. Change in circumstances not reported or acted upon:																
Number.....	170	194	47	52	217	246	96	147	73	103	169	250	386	496		
Percent.....	3.29	46.0	25.8	40.9	31.1	44.8	33.8	43.7	33.8	42.7	33.8	43.3	3.30	45.1		
11. Miscellaneous:																
Number.....																
Percent.....																

¹ Percentages shown above are based on total agency or total client errors as recorded in table 3.

NEW YORK STATE SUMMARY RESULTS—FEDERAL QUALITY CONTROL STATE SUBSAMPLE, JULY 1 TO DEC. 1, 1971

Type of case	Total cases	State review agreed with local decision		State review did not agree with local decision				
				State review decision			Cases	Percent	Under-payment
		Cases	Percent	Totally ineligible	Over-payment	Under-payment		
Positive action:								
AABD.....	73	69	95	4	5	1	1	2
ADC.....	75	63	84	12	16	5	6	1
MA.....	69	67	97	2	3	1		1
Total.....	217	199	91	18	8	7	7	4
Action								
							Valid	Invalid
Negative action:								
AABD.....	12	12	100					
ADC.....	17	16		1			1	
MA.....	54	54	100					
Total.....	83	82	99	1	1		1	
Total positive and negative actions.....	300	281	94	19	6			

UPSTATE SUMMARY RESULTS—FEDERAL QUALITY CONTROL STATE SUBSAMPLE, JULY 1 TO DEC. 31, 1971

Type of case	Total cases	State review agreed with local decision		State review did not agree with local decision				
				State review decision			Cases	Percent	Under-payment
		Cases	Percent	Totally ineligible	Over-payment	Under-payment		
Positive action:								
AABD.....	24	21	87.5	3	12.5	1		2
ADC.....	21	19	90.5	2	9.5		2	
MA.....	22	20	90.9	2	9.1	1		1
Total.....	67	60	89.6	7	10.4	2	2	3
Action								
							Valid	Invalid
Negative action:								
AABD.....	4	4	100					
ADC.....	10	9	90	1	10		1	
MA.....	17	17	100					
Total.....	31	30	97	1	3		1	
Total positive and negative actions.....	98	90	91.8	8	8.2			

NEW YORK CITY SUMMARY RESULTS—FEDERAL QUALITY CONTROL STATE SUBSAMPLE, JULY 1 TO DEC. 31, 1971

Type of case	Total Cases	State review agreed with local decision		State review did not agree with local decision				
		Cases	Percent	State review decision			Over-payment	Under-payment
				Cases	Percent	Totally ineligible		
Positive action:								
AABD.....	49	48	97.9	1	2.1	1		
ADC.....	54	44	81.5	10	18.5	5	4	1
MA.....	47	47	100.0					
Total.....	150	139	92.7	11	7.3	5	5	1
Action								
Valid Invalid								
Negative action:								
AABD.....	8	8	100					
ADC.....	7	7	100					
MA.....	37	37	100					
Total.....	52	52	100					
Total positive and negative actions.....	202	191	94.1	11	5.9			

TABLE 5.—SUMMARY OF COST FACTORS—POSITIVE LOCAL AND FEDERAL PUBLIC ASSISTANCE QUALITY CONTROL CASES JULY 1 TO DEC. 31, 1971

Cost classification	Total payments in the program for 6 months	Total payments to cases in sample for 6 months	Total payments to cases financially ineligible and cases with over-payments (exclusive of MA, FS)		
			In sample	Projected to total cases validated	Projected to total caseload
A. Assistance:					
AABD.....	\$48,132,414	\$226,214	\$10,393	\$10,393	\$371,141
ADC.....	149,601,198	1,145,007	47,637	161,527	852,408
HR.....	32,553,330	272,629	13,252	46,980	248,465
Total.....	230,286,942	1,643,920	71,282	209,900	1,472,014
B. Administrative: Cost of validation of PA positive cases (Total salary cost,¹ \$1,621,498; total PA positive cases,² \$27,681; unit cost, \$58).					
			530,062	1,621,498	11,728,528

¹ Includes salary and fringe benefits and excludes space and equipment costs.² Excludes PA negative, MA and food stamp cases.

TABLE 6.—SUMMARY RESULTS OF UPSTATE—LOCAL EXCLUSIONS (PUBLIC ASSISTANCE AND MEDICAL ASSISTANCE) JULY 1—DEC. 31, 1971

Distribution	Indeterminate		Ineligible		Eligible		Total	
	Number of schedule	Percent	Number of schedule	Percent	Number of schedule	Percent	Number of schedule	Percent
Upstate.....	437	19.4	330	14.6	1489	66.0	2257	100.0
Area 1.....	18	20.9	17	19.7	51	59.4	86	3.8
Area 2.....	56	24.9	43	19.1	126	56.0	225	10.0
Area 3.....	55	22.7	40	16.1	148	61.2	242	10.7
Area 4.....	90	11.8	101	13.3	569	74.9	760	33.7
Area 5.....	218	23.1	130	13.8	595	63.1	943	41.8

TABLE 7.—UPSTATE SUMMARY OF COMPLETED LOCAL QUALITY CONTROL REVIEWS COMPARED TO ANTICIPATED WORKLOAD, JULY 1-DEC. 31, 1971¹

Area	Total agencies	Number of agencies by percent of completion			
		76 to 98	51 to 75	26 to 50	3 to 25
1.....	8		6	1	1
2.....	10		2	6	2
3.....	17		5	10	2
4.....	17	4	6	6	1
5.....	10	1	2	4	3
Total upstate.....	62	5	21	27	9
Percent of total agencies.....	100	8	34	43	15

¹ The workload is based on 50 percent of the ADC-HR and 5 percent of the AABD recertifications and accepted applications, less the required Federal sample, calculated from the date each agency separated.

Chairman GRIFFITHS. Thank you, Mr. Van Lare, for your exceedingly good statement and we would like to proceed, if we may, with a question.

I would like, particularly, to ask you if in place of multitudinous grants, if there were a flat grant, what services in your opinion could be necessary?

Mr. VAN LARE. I don't think that the need for services as such is really dictated by the nature, at least in New York, of the public assistance grants. The need for services really relate to either the symptoms or the causes of poverty, whether they are family problems, whether they are employment problems, day care problems. I think we need not only the current range of services, but an expanded range of services.

Chairman GRIFFITHS. Like what?

Mr. VAN LARE. Well, if one of our primary goals, as I think it has to be in a public assistance system, is to encourage and make possible employment, I think we would need a substantially expanded day care program. I think we would need some type of sheltered initial work experience so that work skills and work habits could be developed. We would need expanded job and employment training programs, so that you could develop skills.

Chairman GRIFFITHS. In the work of training programs statewide what success have you had?

Mr. VAN LARE. I am not really the person who should comment on those in that they really are not administered by the State Social Services Department. By and large they are Employment Service, or Labor Department programs. However, I think there has been a very mixed picture which reflects both economic conditions and the nature of the people who are being trained for the jobs.

The WIN program itself, which is one element of the training program, has not placed as many people in regular full-time employment as I am sure that congressional sponsors, or the State administrators, had hoped. We have experimented with other programs, our State career development program which was designed to bring not necessarily welfare recipients, but low income and disadvantaged people into State employment. In that program, for a 1- or 2-year period, we had a tremendous rate of success, both in terms of people staying in the program and the number who remained on the job at the end of 1, 2, or 3 years.

I think part of what that may show is that programs which tie in directly to a permanent job, where the persons participating in them can see a light at the end of the tunnel—a job and a paycheck, as it may be—probably have a better chance of holding people, holding the client or the recipient in the training program until he becomes employed.

Chairman GRIFFITHS. In 1969 and 1970 the Federal General Accounting Office determined that the State and city did not have a quality control system that was effective enough to alert officials to the high rate of ineligibility, and the GAO recommended changes.

Would you agree with the GAO's suggestion that the present quality control system severely underestimates the extent of ineligibility and incorrect payments?

Mr. VAN LARE. I think that at the time that they were speaking of that this is absolutely true. New York went into a separated system, separating income maintenance from social services, and in the process, the quality control function was in some districts dropped, in others carried out only in a few offices. So the data available prior to Monday of this week, if it doesn't underestimate, at least gives you no idea of what the actual situation was in the State of New York.

The State comptroller reached similar conclusions as he looked at the quality control system. Since last July, though, we have had the Federal quality control system in operation in all of the State's districts, and we issued, on Monday, a report based on that study which shows ineligibility figures substantially lower than those which have been talked about in the press and, I suspect, those which have been talked about here.

I don't really know why. The quality control system, and I am not a statistician, is supposedly valid. A substantial portion of the sample was completed. Our checking of the sample indicates that it was by and large done properly.

Chairman GRIFFITHS. Who checked it?

Mr. VAN LARE. The State staff selects a number of cases which have been reviewed by local districts to determine whether the review is being done appropriately.

Chairman GRIFFITHS. What number of cases were reviewed?

Mr. VAN LARE. The total number of cases reviewed by both the State and localities were some 27,000 cases over the 6-month period. Some 9,000 of those were processed through our State computers to make sure that the forms themselves were internally consistent, and there were no obvious errors in them.

A further sample—let's see if I can find that number for you—were selected for review by the State staff. The basic technique is to select a percentage of cases, and I think it is 1 percent, the subsample is approximately 1 percent of the Federal sample.

Chairman GRIFFITHS. In that sample did you send out interviewers to the homes, or what did you do?

Mr. VAN LARE. In our subsample we conducted, in effect, a complete investigation over again. We review the case record, the documentary evidence and make necessary field visits to verify data.

Chairman GRIFFITHS. Did you look into other Federal records and discover exactly what these people might be getting from other programs?

Mr. VAN LARE. At the moment we have been—we have access to social security records, as I understand it, but not to Federal tax records.

Chairman GRIFFITHS. Have you ever used the social security records?

Mr. VAN LARE. There is a regular process for confirming the receipts, and I believe the amount of social security benefits on those reporting.

Chairman GRIFFITHS. Can you check on the amount the person might have earned?

Mr. VAN LARE. At the current time, no. We are proposing at the State level, as is the welfare inspector general, State legislation which would give us access to State tax records to allow us to check for confirmed income.

Chairman GRIFFITHS. Do you check on the cash amount of welfare that you give, do you check on housing, do you check on food stamps and medicaid, perhaps on veterans' pensions? Would you check any of those?

Mr. VAN LARE. In terms of whether these are available as resources to the clients as we look into the subsample, these would all be checked out, yes.

Chairman GRIFFITHS. But you don't have a method of checking whether or not they are working?

Mr. VAN LARE. The only way that you can check really whether they are working is in terms of other information which would come out of the investigation which would tend to indicate employment.

Chairman GRIFFITHS. In the matter of children, where children are being supported on AFDC, do you check to find out whether or not the father is working?

Mr. VAN LARE. In those—again, if we are talking about the State subsample and quality control—

Chairman GRIFFITHS. Yes.

Mr. VAN LARE. Yes, we do.

Chairman GRIFFITHS. How many cases were thrown out because the father was working?

Mr. VAN LARE. I don't know. It is available, I am sure, in the detailed data, and we could make it available.

Chairman GRIFFITHS. If you have that available will you please put it in the record when it is sent to you?

Mr. VAN LARE. Certainly.¹

Chairman GRIFFITHS. Is it true that New York State is still trying to complete several quality control reviews as required by HEW for parts of 1970 and 1971?

Mr. VAN LARE. No, because it is my understanding that HEW has waived those requirements since it makes no sense to find out what existed in 1969, 1970 or the early part of 1971.

Chairman GRIFFITHS. Will you be able to put into effect quality controls this year?

Mr. VAN LARE. As I indicated, I think we have made substantial progress towards that since last July and will continue to try to improve the system. We will have a higher rate of compliance, a higher

¹ The information referred to was not available at time of printing.

rate of cases completed within the time schedule, for the first half of 1972 than we did for the last half of 1971.

Chairman GRIFFITHS. Would you mind commenting on how successful the work programs have been in saving money performing useful public services, and so forth?

Mr. VAN LARE. Well, in New York we really are running two separate programs, although they are related. The basic work reform program is a requirement that all employable persons report to and accept employment services from the employment service on a semimonthly basis.

That program currently has approximately 55,000 to 57,000 people reporting semimonthly, and over the first 6 months of the program approximately 13,000 people were placed in jobs of some duration, and approximately 25,000 people were dropped from the rolls.

That 25,000 figure needs some explanation in that some of these are people who clearly and obviously failed to comply with the reporting and work requirements. Some of them are probably normal changes in case status which would have come to the attention of the Social Service Department through other mechanisms, maybe as fast, maybe not. In any case, they did become obvious at the point they were required to and didn't report to the employment service.

Chairman GRIFFITHS. The New York Times, reporting on a study by two groups in the Rochester, N.Y., area on the operation of the work relief program in that area, stated that the percent of both home relief and AFDC cases closed because of employment was less than in 1970 despite the operation of the new program. Further they say that the costs of program administration were about twice as high as the savings through the case closings.

Can you comment on that? Are they right or not?

Mr. VAN LARE. I would comment in two ways:

On a statewide basis if you compare data in 1971 to similar data in 1970 there has been an increasing rate of closing cases, an increasing number of cases closed. There are also, though, more cases in the system and the change in rate has not been tremendous.

I think though that the key both to evaluating the program, and to trying to decide whether or not it should continue, is the type of services that are being offered. And you know we are currently offering—the Employment Service is offering—a good deal of job-oriented counseling and referrals to people who had not been getting it under the previous referral systems. We are making a significantly higher number of placements in an economic unemployment situation which is much less bright than it would have been 2 or 3 years ago.

The cost-benefit aspect of this, as is in most areas of welfare, is almost impossible—I am not being facetious—to measure, because we are talking about people who might or could go on welfare and people who might or might not have gone on or gone off welfare if the program had not existed.

We know it is not a program without cost and it was never presented in that form. It does have service element costs. It has administrative costs built in, too. We think there has been a significant change both in the public attitude toward the work requirement in welfare

and in the attitude of the public assistance recipients themselves; that it's viewed as a constructive program.

There are some frustrations in it, but it indicates that, on the part of the system itself, there is a commitment that where work is available, the public assistance recipient is expected to compete for it, as does anybody else in the economy.

Chairman GRIFFITHS. What is considered a suitable job?

Mr. VAN LARE. We do not use for our program the definition of suitability. We use available and able to perform as the criteria. The obvious preference is to get the job which pays the highest money and makes the best use of the skills that the person referred may have. But under the current situation we are operating under the basic policy that if a placement exists it should be taken. If, for example, you are talking about a trained typist, and typing jobs are not available but file clerk jobs are available, we would make that kind of a referral.

First preference is given to the job that the person has had experience in, and then to available jobs in relationship to the earning capability.

Chairman GRIFFITHS. I remember reading a story in Detroit about a woman who worked for the city. She made, I believe, something like \$4,800 a year. She had a child who had some sort of disease and they had to go to Ann Arbor, University of Michigan Hospital.

Her husband had left her. She found that, by quitting the job and going on welfare, she was in much better circumstances.

Do you think that there is this consideration among people?

Mr. VAN LARE. I honestly don't know. There are combinations of circumstances where, with a combination of service benefits, medicaid benefits and the public assistance payments themselves, an individual or a group of individuals might feel public assistance is a better, easier, or more remunerative way of life than working in the general economy.

Chairman GRIFFITHS. No income tax, no social security tax, no attachment on your salary.

Mr. VAN LARE. I think the only thing I would suggest we compare that to is the lower living standard, the Bureau of Labor Statistics' lower living standard for New York City. For the current year, this is something in the range of \$7,500 to \$7,900. It may be even higher than that.

The public assistance payment for the same size family is about \$3,756.

Chairman GRIFFITHS. But that is cash.

Mr. VAN LARE. That is cash, but I think when you look at what that cash will buy you, that it's not a choice which in most instances a recipient would make. However, I think you will find that in a group of 1,800,000 people, and that is approximately what we have on welfare, some have said, "I would rather get that level of payment than work," or, "I would rather get a subsidy at that level of payment rather than increase my earnings or work longer than I am doing now."

But I question, if that is the line of reasoning, that the public assistance payment levels themselves, or even the combination of services, are so liberal as to encourage people to leave work and to go on public assistance rolls.

Chairman GRIFFITHS. Don't you think, though, that what Congress should be considering, really, and others should be considering is not just the level of public assistance but the level of payment for people who work?

When you say that the low-level income in New York is \$7,500, I am sure that is higher than the median wage in New York.

Mr. VAN LARE. I don't know. It wouldn't surprise me if it was.

Chairman GRIFFITHS. So that you have thousands of people, hundreds of thousands of people working full time who are not getting that much money. And it seems to me that what we should be considering is how equitable or inequitable we are being to the people who work.

Not that I suggest that you ought to lower welfare levels to meet the lowest wage levels, but that somehow or other the person who works ought to be getting more.

If you are going to pass out free medicaid to somebody on welfare, then it ought to be passed out to somebody who is working. And while you folks do a pretty good job of covering most low-income people with medical services, this isn't done nationwide.

Mr. VAN LARE. To confirm what you say in terms of the problem of low income earners in New York or any place else in the country, even based on our eligibility standard which, as I say, is \$3,756 for a family of four, there are some 34,000 or 35,000 families with 174,000 individuals in them who are in our home relief family category. This is a category which by definition requires that the parent, the male parent, is employed on more than a part-time basis.

So these are families which are currently earning, for one reason or another, below the eligibility level.

Chairman GRIFFITHS. And the truth is that when you consider that \$3,700 on welfare, that in general people look just at that amount. They don't consider the other benefits that the person on welfare receives, and they don't consider that there are other sources of income frequently available to that person. It isn't true they are living on \$3,700. Sometimes, they work, and much of that income can be disregarded.

Mr. VAN LARE. It can in the case of the ADC case.

Chairman GRIFFITHS. Or it isn't even reported.

You said you are generally prohibited from recouping overpayments to recipients unless there has been evidence of fraud. How great is this problem?

In the first place, how much overpayment is there annually in New York?

Mr. VAN LARE. Well, overpayments we would define in two ways. I think the general overpayment, again as assessed by the quality control statistics, would amount to something like 1½ percent of the welfare payments.

What I was referring to in my statement, though, are really duplicate payments, and in three specific situations; one is the case of a recipient who comes in and claims that his check is lost or stolen, and where we later find that the check has been cashed.

Chairman GRIFFITHS. How many duplicate checks are issued annually in the State of New York?

Mr. VAN LARE. Again, I am sorry I don't have the answer to that, essentially because the State does not reimburse on duplicate checks, and we don't collect those statistics statewide.

Sixty-three individual local districts which are administering the program for us would have data.

If you are interested, we can collect it for you.¹

Chairman GRIFFITHS. I would be very interested.

I would also be interested in knowing how many light bills do you pay where the lights have been shut off, or the heat has been shut off. Do you pay those?

Mr. VAN LARE. We currently will pay only under two instances: One will be for past due utilities, for a period of 4 months, when this is necessary to restore service—and again we are operating on the basis that we will recoup that money from the recipient.

We also will duplicate grants, in effect, when the family is faced with actual legal eviction. Again we will recoup that overpayment. In that case we are currently in Federal court and originally were under a restraining order—although that order has been stayed.

The reason for this, in many instances, is both administrative convenience and to help the recipient. There are other ways of dealing with the problems of the duplicate check, the lost or stolen check. We could proceed to a voucher-payment approach where you give them food, you give them a slip for their landlord, you buy subway tokens for them if they have to go to work.

That's a very expensive way of—

Chairman GRIFFITHS. Do you buy tokens for people who have to go to work on the subway? Is that included in the grant, or do you give them the tokens?

Mr. VAN LARE. No, what I am saying is the normal grant would include food, clothing, shelter, transportation. If we do not wish to replace the grant in cash, our alternative, which is very cumbersome from an administrative point of view, is to replace it through a voucher payment or in-kind substitution; that, in a city like New York or just generally, is not practical in terms of the administrative cost and the difficulties of doing it for any substantial number of people.

In terms of rent, we are faced with a choice of letting them be evicted in some instances, and ending up in emergency situations which, I am sure you have also read in the paper, requires us to place people in hotels here in the city at various costs. As a result we have settled on these approaches not necessarily as the most desirable thing, but as an administratively feasible way of meeting a need while trying to give the Government some control over abuse and the additional cost of meeting that need.

Chairman GRIFFITHS. You point out that Federal regulations limit the number of AFDC cases for which protective or vendor payments may be made.

Now, I am sure it it regulations, it is not the statute. Unless they have changed it after it went through the House. We made no such point in the House.

Can you tell us why you feel that this creates problems for the State?

¹ The information referred to was not available at time of printing.

Mr. VAN LARE. Well, again, it would not necessarily be a general problem. It doesn't exist in every local district. But there are some districts, for example, which have very severe housing shortage problems and there is a great reluctance on the part of landlords to rent to welfare clients.

There has, however, in some instances been an indication that they would be willing to do so if they were guaranteed their rent, or if the welfare district would issue a dual-party check to the landlord and to the recipient.

Monroe County is an example where a problem such as that exists. If this happens in any substantial number of cases, or when they have to make an extra payment for utilities, or whatever it may be, we get fairly quickly up to the 10 percent number.

On a statewide basis we haven't reached that critical point, but, again, we are faced with the problem of whether we can administer a 10-percent limitation statewide or whether we really have to administer it on the basis of the 63 districts that are administering welfare.

Chairman GRIFFITHS. Have you ever objected to HEW about this?

Mr. VAN LARE. Strenuously.

Chairman GRIFFITHS. What was their answer?

Mr. VAN LARE. I think their answer, and that is why I raised it in my testimony was that the statute indicated that's what they had to do.

Chairman GRIFFITHS. Well, if we have another chance at the law, I assure you they are not going to have to do it, but I think that's their own regulation.

Mr. VAN LARE. It is based on a regulation, but it is my impression that HEW maintains that the percentage is in the statute. In any case, they maintain that there is a clear congressional intent that there be a very severe limitation.

Chairman GRIFFITHS. That is absolute nonsense. There were some of us that were for protecting all the payments, the whole thing. A good many of us felt that rent, at least, ought to be paid directly, with the hope that it would lower the price of rent.

Now one of the witnesses here has testified that she thinks a flat grant would have some effect, also, on lowering the price.

What do you think about that?

Mr. VAN LARE. Well, we went through a fairly traumatic—I say “we,” even though I was fortunate enough not to be in this position at that time—a very traumatic situation in 1969 in moving toward a flat grant for basic public assistance. We ran into a number of very serious problems in doing it in such a way that it would not substantially increase the cost of assistance and still meet the Federal statutory and court tests that we would be put up against.

Rent is an even more difficult problem in that the range of individual grants for maintenance was, while substantial, comparatively small. In rent, your rental payments for one-room apartments may range from \$25 to \$125 or \$200, in some areas of the city and State.

So that, in arriving at an average as a means of developing the flat grant, it would mean that a substantial percentage of the population would get more money than they need for rent, and a substantial portion would all of a sudden be faced with having to take out of their \$208 subsistence payment an extra \$75 or \$80 for rent for the apartment where they are now living.

We have been conducting, in order to meet Federal mandates, a survey of rent costs. We are trying to figure out whether there are other approaches to this. We think that under H.R. 1, or whatever version of H.R. 1 that comes out of Congress this year, if any, we will have to move toward a flat grant if it is going to be a federally administered program. We are trying to find out how to do it.

I am not opposed to it. I think it is a good idea. But we are trying to do it within fiscal constraints and without totally disrupting the living patterns of half of our welfare recipients.

Chairman GRIFFITHS. Is the experience in other areas of the State of New York approximately the same as New York City in recovering support from an absent parent in ADC cases?

New York City finds that about 6 percent of those families are getting money from an absent father. Is this approximately the same elsewhere in the State, or not?

Mr. VAN LARE. Again, I am sorry; I don't know.

I have not heard about a particular problem in this area. I would prefer to check on that as well, and get back to you with the specific data.¹

Chairman GRIFFITHS. I noted yesterday that New York City permits you to lose three checks before they do anything. Don't you think that that must be known to the recipients also? The smart ones?

Mr. VAN LARE. I have the impression it may be partially folklore as well as fact, that there isn't any administrative procedure that is not known to the recipients at least as well as to the local office staff that administers the program.

Yes. So I would be very much surprised if the welfare rights group and others have not discovered this and made it very widely known.

Chairman GRIFFITHS. Wouldn't it increase the frequency with which they are lost?

Mr. VAN LARE. It is possible; except when you say nothing is done, again we are back to this issue of recoupment. Even on the first check, when it is discovered that it has been signed and endorsed, we will then reduce subsequent payments over 6 months to the recipient. So he may, in fact, be able to get twice as much money in April, but he will then get one-sixth less over the next 6 months. Over that period then, he hasn't obtained any more money, any additional money.

I think the three-check regulation—and I am not familiar with it—relates to whether or not the case is referred to the district attorney or prosecutor.

Chairman GRIFFITHS. How recent is the recoupment process? Have you always had it?

Mr. VAN LARE. I don't believe so. I think it is about a year old. It's more recent than that in the case of utilities and rent. That was implemented last fall. The duplicate check, lost check part of it, again, predates my coming to the department and I don't know when that started.

Chairman GRIFFITHS. Will you keep some careful notes on those recoupment practices and see what the effect is upon rent and utilities and lost checks?

Mr. VAN LARE. We will. For example, in the upstate counties when they put in an identification card, in other words, when there was clear

¹ The information referred to was not available at time of printing.

evidence whether a check had been signed by the recipient or not, the number of requests for replacement of lost checks substantially declined.

There have been similar experiences in terms of utility payments.

Again, we haven't had, since these are fairly new programs, the opportunity to go through and really take an indepth, statistical look at it.

Chairman GRIFFITHS. You mean that this picture that you are putting on the cards now, you mean you already have had them?

Mr. VAN LARE. Upstate, yes. And the other thing, again, the figures are not clear in my mind although they have been publicized, is that when New York City itself went to the embossed signature card, the number of lost and stolen checks took a tremendous nosedive. The mere existence of the identification card had an effect. We are finding similar things upstate with the photo card.

Chairman GRIFFITHS. I have a little plan for giving everybody a social security number and putting their thumb print on that. From here on, we will try to check up on who is getting what.

I would think that it would help quite a lot in eligibility requirements, assistance, as to who is entitled to get some money. And I think it would stop duplications.

Mr. VAN LARE. We didn't have the option of mandating that kind of a system, so we went at it a little bit differently in relating to another problem. We required that the social security numbers of the parents be entered on the birth certificate of a child so we could use the social security system to locate deserting parents.

Chairman GRIFFITHS. I have asked for that for 7 years in the Ways and Means Committee—that we issue a social security number at birth and that the social security numbers of the parents be placed on the birth certificate.

It seems to me that you would then stop the matter of a child being used by a grandparent, by the mother, or by an aunt to collect social security. And anybody who says that this isn't being done simply doesn't understand the system. It is being done.

There are children for whom grandparents are collecting aid to dependent children, or are collecting social security, where both parents are gainfully employed at high wages.

So that there is absolutely no reason for this to continue; no business on earth would pay out \$85 billion a year and not know who it is paying it to. And there isn't any reason why we should be doing that.

Mr. VAN LARE. I think the point I would make, and you have really made it, is that in order for the social security number to be an adequate identifier, there has to be a system of seeing that it is a unique number, because there are many experiences, and I am sure the welfare inspector general can come in on some of these in more detail, where it is clear, and Social Security admits, that individuals have one, two, sometimes more—

Chairman GRIFFITHS. Twenty-seven. One man we have found with 27 numbers.

Now, the man, I think, was confused. I think he thought every time he got a job he had to get a number. But those who are not confused can use the system, too.

It isn't enough for the Commissioner of Social Security to tell us that these are not used for identification; the truth is, they are being used for identification on stock dividends, they are being used as identification all over the country. Then why not make them a real identification? It is ridiculous not to.

Isn't there a large backlog in the processing of duplicate payments, in checking up on that? Isn't that one of your biggest problems?

MR. VAN LARE. Again, I don't know whether there is a backlog in this particular area. There is a backlog in the whole area of fraud prosecution. There is a substantial problem in that, by the very nature of most welfare frauds, it is a relatively small dollar amount at any point in time. It adds up very quickly though if a lot of people are cheating, and it adds up very quickly if somebody is making a deliberate effort to get as much out of the system as he can.

However, the usual case is going to amount to a couple of hundred dollars.

A single check for a family of four is not likely to be more than \$300. And again, we are talking about a population of 1,800,000. And the district attorneys have run into very serious staffing problems. This, I understand, makes it highly unlikely that a case, even when it is discovered and documented, is going to be successfully prosecuted.

There is no doubt in my mind that this is known to the welfare client and that it's an element, if you want to cheat, that you take into account—just as when you go to bet at the track, you take into account the odds.

Chairman GRIFFITHS. Better than playing the horses.

MR. VAN LARE. If we can increase the possibility or probability of these people who are cheating, whatever number there are, being caught and being prosecuted I think the number will go down because you are not quite as willing to gamble if the odds are against you.

Chairman GRIFFITHS. That is right. But the odds are all with them now. The truth is that they are not going to jail, nobody is being hurt very much on this. Somebody rushes in, picks up the bills so that really in place of asking them to grow up, we are asking them to remain infants. And it would work out very well, it seems to me, if there were some possibility that those who have been cheating were to be prosecuted and punished for it.

MR. VAN LARE. Well, I could suggest something, it isn't in my testimony, that since the Federal Government is more than willing to share in the value of any recoupment that comes out of such a process it might be helpful if they would share in the cost of prosecution.

Chairman GRIFFITHS. Well, it is a great thought. I admit we are all sharing in the cost of prosecuting the Irvings. I think that is McGraw-Hill's problem.

You said in your testimony that the role of HEW's Regional Office is unclear. I infer that the State had problems in finding someone to consult with, someone to approve policy, and so forth. Can you give us some examples?

MR. VAN LARE. Well, we have never had any problem finding people to consult with. The regional office has always been available to us. I think the difficulty, and it is not unique to HEW, we have the same problem in our own area offices, is that there is not a clear definition of national welfare policy, or national public assistance policy. As a

result, the regional offices are placed in a position of trying to read certainty into what is a very uncertain and unclear program. And they are not very definite in their own mind how far they can go in arriving at conclusions which may differ from their neighbor's, or differ from somebody else in HEW at some point in time.

One issue, a relatively small one, Monroe County again came up with a procedure which allows a recipient to voluntarily assign a power of attorney for the purposes of rent payments. This is a way around that 10 percent ADC limitation.

It seems that it would be to a lawyer—I am not one, so I may be oversimplifying—a fairly simple matter as to whether the power of attorney is a restricted payment within the intent of the act or not. That particular issue has been pending now for several months, in fact since last July.

We have had to meet in Washington on it, we have had to meet in regional office, we have met in Albany, we are sending field teams into Rochester. It's an area where the Social and Rehabilitation Service in Washington has gotten involved and where the regional office no longer has flexibility.

Another area of great concern to us is the whole matter of assistance to aliens. And again we are working on a very low level, and that is whether or not we can require that the recipient indicate his citizenship status on the application blank.

Chairman GRIFFITHS. They told us the other day right in this room that they check for that. Do they or don't they?

Mr. VAN LARE. The city said this?

Chairman GRIFFITHS. Yes.

Mr. VAN LARE. The city may. I think that if they do there is a need for improving the procedure. We do not require it though on the application blank and do not require the production of documentary evidence. And we again asked the regional office some time ago for an answer as to whether we could or not.

In addition, we have a more basic issue as to whether or not the State should have to pay a share of the cost of supporting people who are allowed in because the Federal Government doesn't enforce its immigration laws, but that's another problem.

Chairman GRIFFITHS. Well, you shouldn't have to pay. We shouldn't have to pay, either. They ought to be deported if they are illegally in this country. Many of them are taking up jobs that citizens would get and others are drawing welfare. Obviously when you ask questions concerning their going on welfare they should be asked to produce proof of citizenship. And I understood from the answers to questions that they were being asked this.

I didn't take too much stock in it right then, but I will see if I can't clarify it for you.

Mr. VAN LARE. Thank you.

Chairman GRIFFITHS. It is totally unfair. One of the problems that the Ways and Means Committee has with all these bills is that we pass the law by the time HEW has written the regulations we can't recognize the law.

Mr. VAN LARE. I am afraid our State Legislature thinks they have the same problem with us.

Chairman GRIFFITHS. That is what I would like to ask you.

Do you have problems with HEW? Does the State have problems—do the cities and the State have problems with HEW?

Mr. VAN LARE. I think the answer to your questions, both questions, is yes. And I think we are in a changing period. I think, as the State Department, we accepted our role as being that of an honest broker, translating Federal regulations into practice in local districts. We have hidden behind that particular mantle on many issues where we disagree with either the programmatic or legal interpretations. Now I think we are dedicated to changing that. If we think it is a good program we will defend it ourselves, and we won't worry about HEW regulations as a defense. More important, if it is bad we want to go through the process of testing it either as a compliance issue or in the court. If you look at the number of times the Commissioner of Social Services is in court at the moment, we are doing a good job on this.

A prime example is the fair hearing situation where we have attempted both through our own administrative efforts and through a suit against Secretary Richardson to bring the fair hearing requirements into line with the Goldberg case and into line with the statute which, if I understand Senator Long correctly, he never intended, as you suggested, that it be implemented the way it has been implemented.

But the localities, to be fair, have similar problems, as does the Legislature, with the State Department.

And you know there are times where I think there are good reasons for independent administrative action in that there are many things which grow out of the legislative process which you do not discover until the actual mechanics of implementation. Sometimes things cannot be done exactly as was intended. But we have a tendency, as does I suspect any level of government, to think that we know how to do it best. And I suppose we have a tendency to prescribe in greater detail than we should the procedures and mechanisms under which things ought to be done.

We have, as I indicated in the testimony, created a welfare administration task force to try to look at our method of supervising local districts to see if we can find a better way of doing it.

The regulations and procedures which a local district is supposed to follow probably fill a 48-inch book case, and I maintain that if you cannot find a regulation you certainly can't enforce it, so we have got to find a simpler system.

Chairman GRIFFITHS. How can you expect these people who are determining the eligibility in the first instance to be conversant with that 48-inch stack of regulations? It is not possible.

Mr. VAN LARE. No, I agree.

Chairman GRIFFITHS. But in addition to that the thing that to me is so sad is that everybody who has come in has said there are errors, but it was mostly our fault. It seems to me it always comes back to those poor people who have to determine the eligibility in the first instance. And the turnover in that group is enormous. In addition to that, I am sure that some of them who are sitting there determining eligibility know that the person that is getting the money is getting more money than they are making.

Mr. VAN LARE. Not in the city of New York. It may be elsewhere in this country, or—

Chairman GRIFFITHS. I think the people in New York are not being paid very much.

Mr. VAN LARE. I think the minimum salary is \$6,000.

Chairman GRIFFITHS. Well, I doubt if any of them get much past that because they don't stay that long. The State plan for titles 4 and 16 funds was submitted to HEW last December the 27th; is that right?

Mr. VAN LARE. Yes.

Chairman GRIFFITHS. The 90 days given by the statute for HEW to reply has expired. Has HEW given its reply?

Mr. VAN LARE. HEW replied to us within 1 day of that deadline.

Chairman GRIFFITHS. What did they say?

Mr. VAN LARE. They said a combination of yes, no, and maybe. They approved a number of elements of the plan. They disapproved a relatively small number of elements of the plan and they left most of the material open to further discussion and negotiation.

Chairman GRIFFITHS. I might say to you that a combination of wages for a family of four on AFDC in New York exceeds \$6,000, it is—

Mr. VAN LARE. The maximum level, this is correct.

Chairman GRIFFITHS. For the record, can you supply us the statistics on the upstate impact of embossed signatures?

Mr. VAN LARE. The identification card?

Chairman GRIFFITHS. Yes.

Mr. VAN LARE. I will collect that data for you.¹

Chairman GRIFFITHS. Please. I would be very grateful to have it. We have heard these last 2 days, whether the tellers realize it or not, that welfare in New York is virtually unadministrable. The centers are understaffed, the workers are undertrained, and everyone is overburdened with paperwork. The result seems to be a system which is filled with error.

Is the same true statewide or does New York City have special problems?

Mr. VAN LARE. I guess the answer is like the way my daughter responds to either/or questions. It is yes.

New York City is unique and has special problems. It has the highest concentration of welfare recipients of any locale in the State. It has the largest number of centers under any single administrator and therefore has the largest members of employees and the most difficulty in arriving at a uniform application of policy.

But New York is not unique in having problems of understaffing, having problems of staff turnover, having problems of lack of training.

The whole State has been subjected to a budget crisis in that the growth of programs has been proceeding at a rate faster than the growth of revenues. The result has been the necessity to cut back at both the State and local level in terms of, if not the actual number of staff, at least the rate at which staff is added. This places a greater burden, and it places a greater premium on productivity, which may or may not detract from accuracy depending upon the people involved.

Chairman GRIFFITHS. You pointed out on page 12 of your testimony that the \$30 and a third plus work expense regulation places no ceiling on the amount of exempted income to which a recipient is entitled

¹ The information referred to was not available at time of printing.

and results in public assistance cases being continued which ordinarily would become ineligible for cash assistance.

How much income do you estimate can be exempted in New York?

Mr. VAN LARE. Well, theoretically, work-related expenses can be unlimited. Whatever you can document in terms of union dues, uniforms, taxes, transportation, lunches, can all be excluded.

We attempted through State legislation to impose a maximum of \$60 a month on work-related expenses. That is apparently contrary to Federal law or regulations, although we do propose to implement it as it relates to home relief cases.

I think, though, the problem is even more basic than that in that the \$30 and a third itself will take the family up above the \$6,000 level in terms of earnings before they go off public assistance, which means that we continue responsibility for full medicaid payments and for the full range of services.

I don't see anything wrong in that in the sense that these people do need the services. However, there is a substantial portion of the population which never went on welfare and which is not entitled to the services. Any system which creates that kind of division between two people, one making \$5,500 and the other \$6,000, one in a special class because he is on welfare and one which is not, is not going to work. It is bound to cause dissension and unhappiness and it is going to be subject to a good deal of abuse.

Chairman GRIFFITHS. That, of course, is why the AFDC recipient can get more than what a welfare caseworker earns, and it must be true in many cases.

I think that this is the main problem. We are treating everybody so inequitably. Welfare has built into it these inequities.

For instance, in New York you would not in the beginning initially give medicaid to somebody who is making \$7,300, would you?

Mr. VAN LARE. That's correct.

Chairman GRIFFITHS. But if you are on welfare and your total income is \$7,300, you get it, don't you?

Mr. VAN LARE. With certain sized families on AFDC, that is correct.

Chairman GRIFFITHS. That's right. So it is absolutely unfair, and medicaid is unfair as it works nationally because people are paying taxes in other States to support the high level of payments in New York State that they themselves can't get at all.

Mr. VAN LARE. I have to in fairness to New York respond to that.

I don't think there is any doubt, if you look at the statistics, that New York taxpayers are not only paying their cost of welfare but more than their cost of all the services being provided throughout the country.

Chairman GRIFFITHS. This is true. And yet while generally people look at the flow of people on welfare from the South to the North, the truth is that, in spite of the fact that we pay a much higher percentage of the welfare in Mississippi than we do in New York, you have so many more people on welfare in New York at so much higher grant levels that the people in Mississippi are helping pay for it. You know, it just works out that way.

Mr. VAN LARE. We choose to put all the Federal grant programs together in a package and it doesn't work out that way when you put them all together.

Chairman GRIFFITHS. No, I realize that.

You, of course, are aware that the Federal Government pays 50 percent of the cost of administering welfare and 75 percent of the cost of social services.

Has this resulted in your attempting to change some of the administration into social services?

Mr. VAN LARE. It certainly has.

Chairman GRIFFITHS. Well, of course. If you can call it social services, you get 75 cents on a dollar.

Mr. VAN LARE. That is in part what I suggested in one of my recommendations. I think if we are concerned about administration, either of medicaid services or public assistance, that there is an area where we ought to give at least an equal premium in terms of Federal aid.

Chairman GRIFFITHS. Do you see as a local administrator any advantages other than fiscal in the Federal administration of welfare?

Mr. VAN LARE. I will resist the temptation to be facetious. Yes, I think there are some.

I think that there needs to be a recognition that welfare, in whatever form we choose to provide it, is a national problem, that the incidence of welfare, the distribution of the poor population is not subject to State control and that, therefore, you can't develop State programs which are going to meet the needs responsibly.

There is the possibility of other advantages of Federal administration in the sense of having access to data which are not currently available on a regular basis to the States. Also, developing a totally new administrative system, which if I understand correctly, HEW is working on, is a luxury which I wish we could afford at the State level.

If you can start from scratch and build a new structure you can build in the technology of the 1970's and hopefully correct the arithmetical errors, the transcription errors, the unreported income that you can pull off a tax roll, whatever it may be. To that extent I think there are advantages.

I think there are also some potential disadvantages in that I don't think there is any indication that a Federal bureaucracy is any more pure than a State bureaucracy or a local bureaucracy. They are people. They look at jobs for the same kind of rewards that other people look for and I don't know whether the system won't develop the same kind of flaws.

There is also the argument that the locality, if it is both raising taxes and administering the program—and I think this is Governor Reagan's position—will be more concerned about whether the proper people are being put on welfare than would a Federal bureaucrat who doesn't have to worry about the taxes, who doesn't have to worry about the price of the program.

There are probably, if you look—

Chairman GRIFFITHS. Where did you get that idea? We are very worried about the price of the program.

Mr. VAN LARE. I didn't say the Federal Government, I said the Federal bureaucrat.

Chairman GRIFFITHS. We might do a little more if we got stuck with the whole price.

Mr. VAN LARE. I think there are advantages to Federal administration. As State administrators we have been trying to sit in the middle

between the Federal Government and localities. That is not a very tenable position and I would hope to see us move toward Federal administration.

Chairman GRIFFITHS. The real bulge in welfare has been in the AFDC cases. That is the real problem.

In your judgment, what has caused it?

Mr. VAN LARE. I think, again, we are talking about an artificial distinction in that we have Federal programs which provide Federal assistance to two categories of people, the aged, blind, and disabled and the fatherless family. There were a lot of poor people in the country who didn't fit into either one of those two categories and there are a lot of poor people in this country who fit in these categories who for personal or legal reasons didn't go on welfare.

I think that what we have seen is a combination of things. I think that during the 1960's there was a growing awareness of Government's role in providing subsistence, there was a growing effort to develop community groups, community organizations, which would encourage the use of welfare. There has been a growing pattern of welfare rights organizations and of legal aid which have broadened the legal eligibility under the welfare programs.

We have seen an increase in migration and migration, in many instances is in indication of at least temporary family breakup, a breakup which has led to the increase in the rolls—

Chairman GRIFFITHS. Do you think that the family breakups are real or imagined?

Mr. VAN LARE. I think probably the majority of them are real, but I'm not sure they would have taken place if the AFDC program didn't exist. That may seem contractory, but I think—

Chairman GRIFFITHS. We are rewarding it.

Mr. VAN LARE. You are partially rewarding it, but you are also giving—and this may not be bad—the woman in the family a lot more independence than she would have without the existence of the program.

In other words, she can say to her husband, "Get lost, I don't want you around here any more. You have been causing me trouble." And still be supported.

That may be a real breakup and maybe it is a healthy thing, but it might not have taken place without the program.

Chairman GRIFFITHS. It is probably not a healthy thing for the children, but there is no question in my opinion that we are rewarding the breakup of marriage. We are, in fact, saying to a woman, "You can have a child and marry the man if you want to, or if you don't want to the rest of us will take care of it. Or you can stay with your husband, the father of your children, or if you don't want to, leave him, and the rest of us will take care of you."

I think it is an immoral suggestion. I don't think society really intends to go this way.

Mr. VAN LARE. The only caution I would put on that interpretation, and I think I ought to, is that in New York we have had both programs—AFDC and home relief. While this hasn't been the national pattern, even in New York the program that has grown most has been the deserting parent.

Chairman GRIFFITHS. Hasn't the \$30 and one-third rule also kept people on welfare that would have gone off?

Mr. VAN LARE. It has kept a number on, although the number of employed AFDC parents is relatively small. I think it is approximately 2 percent of the caseload.

Chairman GRIFFITHS. Do you have any other policy suggestions you would like to offer?

Mr. VAN LARE. I think I have covered those in the written testimony.

Chairman GRIFFITHS. Yes; it was a very good written testimony. Thank you very much, Mr. Van Lare.

Our next witnesses are Mr. George F. Berlinger, New York State Welfare Inspector General, and Mr. Horton R. Shaw, counsel, office of welfare inspector general.

Mr. Berlinger, it is very kind of you to come here and help us. Please proceed on your own.

STATEMENT OF GEORGE F. BERLINGER, NEW YORK STATE WELFARE INSPECTOR GENERAL, ACCOMPANIED BY HORTON R. SHAW, COUNSEL

Mr. BERLINGER. Thank you very much for the opportunity to testify with regard to the problems of the administration of the welfare programs in New York.

I would like to acquaint you with our operation. The office of welfare inspector general was created by the New York State Legislature in 1971 to, among other things, receive and investigate complaints concerning alleged abuses of suspected frauds against and administrative failures in the welfare system, and to investigate in order to insure proper expenditure of welfare funds.

As such, our responsibility includes both examination of not only New York State funded programs such as home relief, but also federally assisted programs as well, such as aid to dependent children, aid to aged, blind or disabled, and medical assistance.

These latter programs in New York reflect a Federal expenditure alone of over \$1 billion for the year 1970.

In the short time since our office has been in operation we have received over 4,500 complaints from the public concerning suspected fraud from welfare recipients, and the majority are from New York City.

It is our opinion that 90 percent of them are valid. Due to our limited staff, we have only been able to investigate and refer to local commissioners 447 cases. The category of alleged abuses is as follows:

Hidden resources, 187; husband claimed absent in household, 94; other frauds, 52; administrative errors, 78; child abuse, 36.

The estimated savings over the next 12 months per fraud or abuse case is \$3,364. The estimated overpayments since the case was accepted is \$4,785 per case.

You can see from these figures that there is a large sum of money being paid to recipients who are defrauding the system.

The general desire to expedite assistance to applicants, as exemplified by current Federal regulations diminishing pre-aid verifications

and the splitting of the services with its deemphasis of the investigative role of the caseworker, has resulted in regulations apparently promulgated on faulty premises concerning the eligibility of applicants. Also, these have been instituted without recognition that a concomitant speedup in eligibility verification and audit and control procedures is also required.

Unfortunately, the problem has been compounded by making the changes in approach during the period of greater economic pressure for assistance.

The announced ineligibility tolerance factor of 3 percent, upon which these changes were based, has not been borne out by either the Comptroller General of the United States or by our own investigations. In fact, original applicant ineligibilities appear to be running at anywhere from 17½ to 26 percent. As Mr. Eugene Slade reported to you on Tuesday, the welfare employees consider the figure to be even higher and have so reported to us.

Concerning dual identity applicants, the technology of positive identification, particularly important in such cases, is apparently not available. For example, to our knowledge, a completely computerized fingerprint confirmation from an applicant's welfare center through to a data bank back to the welfare center is not presently possible. Photographs may be transferred from one card to another and thus are more of a deterrent than positive identification.

A social security number is easily obtainable for evidence of dual identity. In this connection, some thought should be given to the punishment of persons obtaining two or more social security numbers. Perhaps the denial of social security benefits might be an answer. In any event, it appears that the apprehension of intentional dual identity recipients will continue to remain difficult for the foreseeable future, particularly if no third-party disclosure letter is received.

We were pleased to hear that Senator Long was proposing legislation mandating the issuance of social security numbers to all children entering elementary school and that Madam Chairman had announced a step further forward, the social security enrollment of everyone at birth and the entering of both parents' social security numbers on the birth certificate along with the new arrival's social security number. We believe these are steps forward in the control of social security registration with a supplemental benefit of aiding in the control of welfare abuse and fraud. We hope that Congress will look with favor upon these proposals.

Concerning ineligibility by virtue of hidden resources, a data bank recipient profile in a central registry would be most helpful.

Any system of data collection must consider whether the data must be originally collected by the user-agency or whether the agency may exchange information with other agencies. In this connection the Social Security Administration of HEW will provide social security benefit information to a local welfare agency making a resource check on a recipient, but cannot under its existing regulations disclose any information as to whether or not the recipient is currently employed or has been employed despite the fact that undisclosed employment is by far the greatest single undisclosed resource of recipients. Social welfare agencies on the other hand who obtained information concerning employment "off the books" may not advise the interested

Federal or State, social security, unemployment insurance or tax authorities.

Concerning internal procedures, we believe that a recipient should receive every constitutional protection before his assistance is affected, but why can't fair hearings be at the local level instead of at the State level as presently mandated by Federal regulations?

Other administrative corrections needed are more action against "missing" fathers, prevention of duplicate issuances of checks and stopping printing of checks after a case is closed and also better audit and control in medicaid.

To conclude, in a proper concern for prompt delivery of assistance to those truly in need, we appear to have opened wide the valve, thrown away the handle and are now groping for it. Thank you.

Chairman GRIFFITHS. Thank you. Did you want to say something, too, Mr. Shaw?

Mr. SHAW. No, no. I am just here to assist Mr. Berlinger.

Chairman GRIFFITHS. I would like to ask you, how many people do you have working for you?

Mr. BERLINGER. My total staff is 60, of which 24 are investigators.

Chairman GRIFFITHS. Are they trained investigators?

Mr. BERLINGER. Some are and some are not. Some of our supervisory staff were former employees of the State Department of Social Services, some from the New York City Department of Social Services, and we are required to take our investigators off the list of civil service and this sometimes creates difficulty in getting people able to understand the complex rules and regulations.

Chairman GRIFFITHS. Do I understand that your job is roughly like that of the comptroller general, you are not responsible to any politician in the State, or is that not so?

Mr. BERLINGER. That is so, we are not responsible.

Chairman GRIFFITHS. So that you can do exactly what you see fit to do?

Mr. BERLINGER. We have the power to investigate. We are required to investigate the complaints that we are receiving from the public, misadministration by the local social service departments and the right to investigate any other errors where State and Federal funds are being expended for welfare that we see fit.

Chairman GRIFFITHS. Are you going to be able to compare the costs of ascertaining and processing the cases of fraud which you cited versus the savings in correcting them?

Mr. BERLINGER. Yes. For example, as I referred to in my testimony, we have referred 439 cases to local commissioners. Based on the average of our findings, in the 439 cases we have saved approximately \$1½ million on those cases alone. The estimated overpayment is \$2 million on those cases. The concealment since those cases were accepted is \$6½ million.

By the way, our total expenditures, regardless of what some people accuse us of, were only \$400,000, so there has been considerable saving and when we are able to get, if we are able to get, additional staff, the savings will be considerably larger.

Chairman GRIFFITHS. Are you going to rely solely upon people informing you of suspected fraud or illegal payments or are you also going to be able to make some independent checks?

Mr. BERLINGER. At the present time and at the request of the Governor and legislature, we take care of the requests from the public. They feel that that should be our top priority.

However, we are doing our own eligibility studies and the results differ very greatly from what the city claims they are. Our findings are showing anywhere from 15 to 27 percent ineligibility rates. The city says they are running 3 percent. We know this is not so.

Chairman GRIFFITHS. I think you are quite right.

But how do you arrive at these statistics?

Mr. BERLINGER. These statistics on—

Chairman GRIFFITHS. Yes, on which you show the 17 to 20 percent error or fraud. Is it agency error or is it fraud?

Mr. BERLINGER. It is both.

Chairman GRIFFITHS. I see.

Mr. BERLINGER. We did a study in one welfare center. We went in and we pulled 10 percent of the cases they opened in the month of October. We pulled them at random and we did a study on these cases and we found this center had opened 460 cases and we did 45 cases. In 40 of the cases that we did the study on we found 17 percent were ineligible. About 35 percent of the cases had a great many administrative errors. We don't say they are ineligible because of that, but there were administrative errors.

In five of the cases we have never been able to find the recipient. Now it is a question when they didn't exist as to whether they are ineligible or not. The city seems to differ with us on that. But if you added those five to the 40, it would be 27½-percent ineligible.

We are now doing a study in two other centers and we are doing a 10-percent study of the cases which were opened in January. These are much larger.

We have a very limited staff. I only have four people doing this. We are about halfway through the study, but I am told on pretty good authority from my supervisors that the figures are going to be pretty much the same as in the last one.

In each case we do home visits and do a thorough investigation and it is going to be very interesting to see what our findings are, particularly as a result of the recent quality control statistics, which we seriously doubt.

Chairman GRIFFITHS. I seriously doubt, them, too.

I think that in a way you could almost rely upon people informing you. One of the things that I think that is happening now in welfare is that as you get a more sophisticated public on the problems in welfare and their mingling with other people, those people are themselves becoming the watchdogs.

I had a case in my own office with which I had terrible problems. The woman was living in the only centrally air-conditioned home in the block that had a swimming pool. Her husband abandoned her. The neighbors were very kind. They put money through her door without their names attached to it.

Then at a coffee klatch she herself had told the neighbors that she had gone down and applied for welfare. She received the payment on the house. The welfare worker told her to take in a roomer which, of course, broke down the local zoning ordinances. She really wasn't entitled to do that.

She took in the roomer. She was getting \$75 from the roomer. Then she got a job which she reported to the neighbors and the neighbors reported to me and I reported to the welfare department.

Then she notified them and the neighbors reported to me that her husband was paying her \$100 a month child support under the table.

On the day that I wrote back the letter to the neighbors that the case had been thoroughly investigated and that they could not find that the husband was paying anything and that they could disregard all of the money she was earning, the lady drove home in a brandnew Torino. So I am sure you will get a lot of help from the neighbors.

Are you investigating purchases of 235 and 221 homes under the housing bill?

Mr. BERLINGER. No, no; we are not at the present time.

Chairman GRIFFITHS. I think it is a very fertile field of investigation.

Mr. BERLINGER. I agree. Unfortunately, we have so many areas to get into and with this tremendous backlog of cases we just need more staff.

We are supposed to have an office in Albany and one in Buffalo. I have not opened them up now because I do not have sufficient money. I am waiting to hear whether the legislature is going to give us additional money.

Chairman GRIFFITHS. Why do you think there is such a tremendous difference between your statistics and those of HEW and the State officials?

Mr. BERLINGER. One of the contentions that our office has is that we think it is a mistake to ask the local departments to audit themselves.

Chairman GRIFFITHS. Of course.

Mr. BERLINGER. I think you should have an independent agency.

Under the Federal quality control it requires that the local agency do a certain amount of study. I don't even think it is a large enough study. They take a thousand cases out of—

Chairman GRIFFITHS. Out of 7,600 cases, Mr. Slade told us, they actually checked on 48. That is closer—

Mr. BERLINGER. You are correct.

Chairman GRIFFITHS. It is completely unreliable.

Mr. BERLINGER. I have records that they failed to complete their cases.

Then the State does a small subsample of those findings. As far as the locale is concerned, I don't think anybody likes to admit how wrong they are and I think it should be an independent agency and I have made such a recommendation to HEW.

Chairman GRIFFITHS. Of course.

Second, if they are always sending out the people to do the auditing who don't want to do the auditing or who are afraid to do the auditing, they are not really very apt to get very good reports. They will just say it is all right.

Are you looking into food stamp or medicaid fraud?

Mr. BERLINGER. We have not as yet gotten into the medicaid fraud, which we think is a tremendous area. Unfortunately, I do not have sufficiently qualified people to do that.

We are hoping and we have asked for an additional appropriation for that. We have lined up some staff and we hope to be getting into that in the next 30 to 60 days.

Chairman GRIFFITHS. Isn't there a new report out of a study that has been done in 10 central cities which has shown absolutely tremendous fraud in the food school lunch program?

Mr. BERLINGER. I am not aware of that.

Chairman GRIFFITHS. I think one school with 400 pupils in it was getting paid for more than 4,000 lunches.

Mr. BERLINGER. It wouldn't surprise me, but I don't know.

Chairman GRIFFITHS. I can't understand if that sort of thing happens why the school officials themselves aren't responsible, although I don't see how they could have eaten all the lunches.

According to your annual report, three out of every four cases investigated in your office are AFDC cases. Why is this?

Mr. BERLINGER. Because this is where the complaints come in from the public. They know that the woman goes to the welfare center, she says, "My husband has deserted me," and they know the husband is in the household and this bothers them. They know the woman is working. This bothers them. They turn it in. It is really amazing.

A lot of our letters are anonymous, a lot of them are signed "taxpayer," and there are welfare recipients who report on other welfare recipients.

The information that these people have in about 60 percent of the cases is unbelievable. We have people with five cars, three cars.

We are getting an average of about 45 telephone complaints a day. We listed a phone number. We only have one phone, our switchboard isn't operating yet, and you can imagine how long people have to wait to get in, and I glanced at the ones that came in yesterday. There were 20 of them listing people who do not live in New York State and are drawing welfare here. They are either living in Connecticut or New Jersey and drawing welfare in New York City, and these reports came from landlords who say there is nobody living in this building, but we know they are picking their checks up there.

Chairman GRIFFITHS. The five people that can't be found, would you assume that maybe they have moved out of the city and that's the reason, or is it possible that those are the names of other people, that those people are drawing it with those names and have other names under which they may be working?

Mr. BERLINGER. It could be either one of those; yes.

You must realize that we are uncovering a large number of people who are drawing welfare from five, six or seven centers in New York, sometimes under the same name and sometimes under different names, and in many cases right from the same welfare center.

Chairman GRIFFITHS. So that if you had an identifiable number, with a thumbprint or something on that birth certificate, you would begin to stop this. At least, you could set up computers and stop that.

Mr. BERLINGER. One of the most valuable pieces of information that we could have access to is the income tax records, not the amount of money that a person is paying in taxes; that doesn't mean a thing to us. All we want to know is, are these persons filing income tax returns, and if they are, who is their employer, and how many withholdings are they showing, and what is the address?

I can tell you that in the majority of cases where the woman claims the husband is absent from the household, we find that he is absolutely

in the household; then we go to the employer; and it's not easy to find him in the household because he is going to be out between 9 and 5 or 6 and we are not supposed to make night visits, and we don't. Our office does not make any visits without advising the client that we are going to come. We send a letter to that effect.

But, we go to the employer and we have subpoena power, and right on the employment record is the same address as the recipient's. We have access to the motor vehicle bureau information in New York State, and it is amazing the number of recipients that have automobiles; and when we check with the motor vehicle bureau, the address of the man who supposedly has deserted his family is the same as where the woman is getting her welfare.

Chairman GRIFFITHS. Don't the investigators within the city do the same type of thing; or not?

Mr. BERLINGER. I wish they did. No, they do not. Although I believe that in spite of the fact that the rules and regulations are very complex, I believe they could be simplified and made much easier.

The affidavit system is a complete failure. I can tell you that in our recent quality control that we are doing, we have come across any number of applications for assistance, not one thing is filled out, merely the recipient's name, and at the end of the five or six-page document the recipients sign it.

Now, how can you determine whether a person is eligible if you don't get any questions answered?

And in many cases, the applications aren't even signed. It's so simple to ask certain questions to find out why you are in need and then make certain determinations, prove certain things, and they are allowed to do it—they claim they are not, and I want to assure you that it is not the intention of our office to hurt anybody truly in need. We want those truly in need to get it. We are very concerned about the tremendous amount of overpayments, and I am equally concerned about the underpayments, because the people are entitled. Why shouldn't they get what they are entitled to?

Chairman GRIFFITHS. After you investigate a case and find evidence of fraud, is it referred to the prosecutor?

Mr. BERLINGER. The procedure that we operate under, according to the legislation, we investigate the case—why don't you discuss it, Mr. Shaw?

Mr. SHAW. We investigate the case and turn over our evidence in a memorandum to the particular social welfare district involved. Then they, in keeping with their function of being warned by a third party with regard to possible ineligibility of a recipient over whom they have control, take administrative action, such as calling the person in, confronting them with the evidence, asking them to possibly confirm the allegation.

If the person confesses, they then try to get recoupment. They may start a recoupment proceeding. In many cases, they get a contract of repayment. The person was employed all during the time of the fraud; they agree to pay a certain percentage back to the welfare district.

Then we, at the same time, or quite possibly just a little subsequent, transfer our data over to the district attorney for criminal prosecution.

So in essence there are two chains of command which follow from our investigation.

Now, mind you, the city has its own investigation department, which has a function of doing audit control and listening to the complaints the city receives from third parties. After all, they are received from everybody to the President, the Governor, the district attorney; so actually, this one recipient should be being investigated by around six different agencies.

Chairman GRIFFITHS. But you are in fact the only that is really investigating them.

Mr. SHAW. In fairness to the city, they have in recent months, particularly since the inception of our office, done a lot more work with regard to coordination of the investigation of complaints and reorganizing their entire staff to do quite a bit of work in the area of welfare fraud.

Chairman GRIFFITHS. Well, one of the witnesses here testified that through the 1960's the general attitude of the welfare employees within the city was that they were there to give money away.

Now, things have begun to tighten up. Well, of course, they are going to get tighter, because the taxpayers are well aware that for everyone of these things that is erroneous, they are paying the taxes. No one is trying to keep the person who properly needs the money from having it, but the problem is to try to keep the people who don't really need it.

The second problem for us is to try to make the law in the first place a much more equitable law.

Supposing you have one of these applications where the person hasn't even signed it and there is not a single question answered? How would you ever prove fraud?

Mr. BERLINGER. Well, of course, we don't necessarily say we are going to prove fraud. What we do is consider that case ineligible. There is no basis to determine eligibility, so as far as we are concerned, that case was ineligible at the time the application was received.

Chairman GRIFFITHS. Would you assume in certain cases those workers are being intimidated?

We have had testimony here that this does occur.

One woman testified that in a particular instance, with a troublemaker, she was simply told by the administrator to give him some money and get him out of the place.

Mr. BERLINGER. We know that is so. We have had caseworkers come to our office and tell us that, as well as when I have visited welfare centers. We know that is so. That is the policy of the city of New York. It is clear proof that in 1966 some 550,000 people were on welfare, and our employment rate at that time was only around 3 percent, a little above 3 percent, and in 1969 it went to 1.2 million. The doors were open.

We said, take them on and put them on.

Chairman GRIFFITHS. In fiscal year 1970, the State of New York prosecuted only 140 people for welfare fraud.

Were more cases prosecuted in 1971?

Mr. BERLINGER. I don't know the answer to that question.

Chairman GRIFFITHS. How many have been prosecuted this year, or referred to the prosecutor?

Mr. BERLINGER. By the State?

Chairman GRIFFITHS. Or by you.

Mr. BERLINGER. We have turned 30 cases over to the district attorney.

Chairman GRIFFITHS. Do you know of any others?

Mr. SHAW. Well, we read in the press that the city says that it's in the 400's, distributed among the five boroughs, and this has all occurred, again, since the inception of our office last fall.

Chairman GRIFFITHS. What kind of sentence do people get who are convicted of fraud?

Mr. SHAW. Basically speaking, in keeping with the problem, they get a suspended sentence or they are allowed to plead guilty to a misdemeanor, put on probation because of the fact that they are at that moment, employed and to send them to prison would be a greater burden.

The main thing is to get it to be known that cheating is no longer allowed.

One of our first cases was a case in which the woman confessed, after being presented with the evidence, that she had in fact been employed during the entire time, almost the entire time that she had been on welfare.

Chairman GRIFFITHS. Your annual report cited enormous waste incurred by the city of New York in stopping the flow of checks after a case had been closed. How does this happen?

Mr. BERLINGER. Simply they do not know how to operate their computer. It's just lack of administrative ability.

I can tell you that it takes anywhere from 3 to 4 months to stop payment of checks.

We had a case—just to cite a case—a man died December 26, 1971, the local center advised 250 Church Street to close the case on January 3.

I find no fault with that length of time, due to the Christmas holidays; and we know that the checks were continued to be issued through March 15.

Now, this is an absolutely intolerable situation.

Chairman GRIFFITHS. Were those checks cashed?

Mr. BERLINGER. I don't believe they were; but it takes us 2 to 3 months to locate the checks from the city.

Chairman GRIFFITHS. Do you know what the costs of those continuing payments are, of these continued payments? Have you any estimate of the cost?

Mr. BERLINGER. No, I do not.

Chairman GRIFFITHS. Do you know anything about a suspense file that is required by HEW?

Mr. BERLINGER. No.

Chairman GRIFFITHS. Well, I was told by a welfare employee that he considered that this was the greatest waste of money, that even if the client notifies you that, well, "my husband has returned, I have got a job and I don't need the money any more," they are required to put this matter in "suspense" and to issue two more checks.

Mr. BERLINGER. I don't think that is correct. If the recipient requests that the case be closed—

Chairman GRIFFITHS. They can close it?

Mr. BERLINGER. They can close it instantaneously, and they should. And I believe they should have a system that you can stop the printing of checks within 2 days.

What you can't do—and what I am personally opposed to, is where we uncover fraud and we turn it over to the local social service department; they are required, according to Federal regulation, to notify the client that they are going to close the case in 7 days, for the following reasons, unless they appear and request a fair hearing. Then the client can come in, and it is a local fair hearing, and in almost every case we have been upheld by the local fair hearing officer to close the case. But all the client has to do then is to say, "Well, I want a State fair hearing," which can take from 1 to 2 months before they get that.

In the meantime, you are required to give this person their public assistance; and I think this is outrageous.

I wish there would be a law that when fraud is proved, that you close the case instantaneously. If they are entitled to a fair hearing and the fair hearing upholds it, then we reimburse them for the money we withheld.

Let's close it right at the inception.

Chairman GRIFFITHS. Well, this person told me, too, that they could keep the case open indefinitely in the city in which he was telling me about, by simply asking for a hearing, objecting because they were not rapid with the hearing and it would stay open indefinitely and the money was still being sent out. And he estimated that just in that city, it was costing millions annually to handle it that way.

I wish you all kinds of luck. We are having a GAO investigation which I think is one of the more interesting ones. Every Federal file will be opened on the selected cases, so that we will have some understanding of what Federal programs are being given to the people who receive them, and why other people in the same areas, in the same circumstances are getting none of these Federal programs.

But I hope that it makes clearer the need, before it is all over, for a different type of welfare program. And particularly for an identification, an absolute identification of the recipient.

In just a cursory examination of a sample in one city, there were errors in 20 percent of the social security numbers that had been given to the welfare department. So that it will be interesting, I think, for all investigators, but it will also be interesting for all legislators, because we ought to be able to stop this type of problem.

Your office has been concerned about New York City's problem about standing rent security deposits for welfare recipients. Apparently, millions of dollars are tied up this way and is not returned to the welfare department.

Why are these funds not returned?

Mr. BERLINGER. That is a difficult question.

I think the reason is, when a recipient comes in to apply for assistance, they say, "I need"—and I find no fault with the landlord asking for a security deposit—"I need \$250, I have to put it up as security deposit."

They also have to do it with Con-Edison, they have to do it in other instances, but the money is not given directly to the landlord or Con-Ed. HEW requires that you have to give this money to the recipient, and in those that are defrauding, they just pocket that money, they don't give it to the landlord.

This is why we have such a housing problem in New York City. And the city makes no effort. The recipient comes in and they keep

moving; 3 months later they come in, they say, we have to move, we need another security deposit. No effort is made to—

Chairman GRIFFITHS. How much money is used in this way, do you think?

Mr. BERLINGER. A large sum. I don't know the figure.

Chairman GRIFFITHS. Are you ever going to be able to check it?

Mr. BERLINGER. Yes; this is very important.

Chairman GRIFFITHS. I would be very interested in seeing those figures. This investigation will continue for more than a year, yet, and if you have that by that time—

Mr. BERLINGER. We certainly will.

Chairman GRIFFITHS. You reported that local welfare agencies, particularly in Erie County, waste public funds by housing some welfare recipients in hotels and motels.

Could you comment on this?

Mr. BERLINGER. Well, it is not only in Erie County; that might have been an isolated case that was called to our attention. This is true in New York City, too.

If a person is burned out, sure, you have to give them housing. But you don't have to put them in expensive hotels and you don't have to leave them there for 5 and 6 and 7 months. And what the reason for it is, in some areas there is a housing shortage. But if the local authorities did the proper job, if they were doing the social service work they were supposed to be doing, eventually they could help these people find housing.

Chairman GRIFFITHS. I notice Mr. Koch, of New York, was worrying tremendously about a woman with quite a large number of children who was being kept in a hotel and fed, I believe, in the hotel, at a cost of \$2,000 a month; and she was kept there for many months. I think it had gone on for more than a year.

The answer was that it's extremely difficult to get a housing situation for such a large family.

Do you think it would be possible?

Mr. BERLINGER. It is true with a large family it might be very difficult; but we just had a case the other day in New York City where someone is in a midtown hotel and they have been there since September. There are seven children involved in this. The recipient just refused to move to certain areas. They have been offered housing, but the recipient has the right to accept or reject the housing.

Well, I think this is wrong. I don't want to put them in slum housing, I want to put them in housing that is adequate. But the city of New York should see that the housing is proper, and then if they don't like the neighborhood I don't see why we have to have them on 57th Street at a cost of about \$12,000 or \$14,000 a year.

Chairman GRIFFITHS. Mr. Sugarman said yesterday that the present system can be run better, but not run well.

Do you agree with that, under the present circumstances?

Mr. BERLINGER. It can be run better; it sure can.

Chairman GRIFFITHS. But unless we have some means of identifying recipients, it probably never will be run well.

Mr. BERLINGER. No; I think we have to make a change on that. But they are not complying now with the Federal and State rules and

regulations. If they were, the instance of fraud in this administration would be drastically reduced.

I read in the paper, I don't know if you mind my commenting on this, about the work relief program testimony that you received yesterday.

Chairman GRIFFITHS. Yes.

Mr. BERLINGER. I happen to personally believe that this is one of the greatest pieces of legislation that was ever put into effect; and I disagree strongly with the figures that I read in the paper.

I can tell you that a tremendous number of recipients have been dropped from the roll because they were required to go to New York State Employment Service and pick up their checks; and either they didn't exist, or they were working, and they knew the game was up, and they just stopped, and they were dropped from the rolls.

There was testimony you received yesterday, there was some comment that a large number of these people were unemployable. Well, we know this. I think it is just as wrong to ask a recipient who is unemployable and should be classified under aid to the disabled to go down and pick up his check. But this system has uncovered it, it shouldn't have had—we didn't need the system to do it, the local should have classified these people under aid to disabled, and given them whatever aid they needed, instead of putting them in AFDC or whatever the category was, so the system has uncovered an awful lot of these things.

I can tell you that in the city of New York it takes 15 to 20 notices—and a notice is sent out in every pay period—before the city acts on it.

Chairman GRIFFITHS. Well, one of the real errors in all the statistical reports that come out of HEW, particularly, is they point out that some program will take care of only a few, 50,000, it would put to work 50,000, or, there are only 50,000 who can work, or some such thing. But if you actually put these people to work, you don't take care of 50,000; the average AFDC recipient has three dependents, so in truth you multiply the 50,000 by three.

This is one of the big fallacies; and, of course, Mr. Califano's statement, a few years ago, that only 50,000 public assistance recipients could work, disregarded completely all women, and in truth women are the big problem involved here.

This is the main problem. Why should the woman who works at a low wage be working and paying taxes to support another woman, just as ablebodied, who refuses to do anything?

Mr. BERLINGER. You are absolutely right.

Chairman GRIFFITHS. It is ridiculous.

I want to thank you once again. I hope you have very good luck. I know you will find it very interesting, and I hope that you will save the State and this Nation a lot of money.

Thank you very much.

Mr. BERLINGER. Thank you.

Chairman GRIFFITHS. This will conclude the hearings.

(Whereupon, at 11:40 a.m., the subcommittee adjourned, subject to the call of the Chair.)

