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DEPARTMENT OF SOCIAL WELFARE, 2415 FIRST AVENUE
STATE SOCIAL WELFARE BOARD
SACRAMENTO 95818



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JACK W. THOMPSON, EXECUTIVE SECRETARY

June 14, 1968

TO: SOCIAL WELFARE BOARD MEMBERS
ADVISORY COMMITTEE ON WELFARE ABUSE

FROM: Jack W. Thompson, Executive Secretary

RE: Report on Welfare Fraud - Third Draft

Attached for your consideration is the third draft of the Board's report on welfare fraud. The third draft is the result of the Board's deliberations at the last meeting in San Francisco.

There has been considerable discussion about the method of signing the report when it is in final form. Because of the turnover in Board membership since the work began, it is felt that the current chairman should sign the transmittal letter to the Governor and that the names and terms of all Board members having official status during the course of the study should be listed in the body of the report.

If you will be kind enough to review this draft it will be considered for adoption at the next Board meeting.

Attachment

State Social Welfare Board

Report on Welfare Fraud

Third Draft

CONFIDENTIAL

June 18, 1968

SUGGESTED DRAFT OF TRANSMITTAL LETTER
WELFARE FRAUD REPORT

The Honorable Ronald Reagan
Governor of California
State Capitol
Sacramento, California 95814

Dear Governor Reagan:

Transmitted herewith is the report of the State Social Welfare Board on the subject of welfare fraud as requested in your charge to this Board contained in your letter of July 11, 1967.

Through the use of public hearings the Board received written and oral testimony on a variety of subjects related to welfare fraud and abuse. The transcripts of the hearings and the written testimony are available for reading by anyone interested.

The attached report includes a general discussion of the major points developed in the hearings. A summary of our findings begins on page 25 and our recommendations begin on page 27.

On the basis of the information developed in the inquiry, we believe that welfare recipients are no more fraudulent than other humans. Obviously, there is much crime in the United States that has not been detected and, therefore, does not become a part of the percentages reported. In the same way that income tax evasion convictions do not reflect the number of people cheating on their income tax, convictions for welfare fraud do not represent an authoritative measure of the extent of welfare fraud.

There are methods other than public hearings which could be used to more accurately determine the extent of fraud in welfare caseloads. One method would be the use of traveling audit groups nonoriented to social welfare but skilled in fraud detection. The audit teams could make spot checks of recipients' files throughout the state. This would be a very costly and time consuming operation which is not necessarily recommended by us but is pointed out as a more accurate way of determining the extent of fraud than the use of public hearings.

Our report places heavy emphasis on fraud prevention and makes specific reference to a five-point prevention program in the report summary on page 25.

The Board wishes to express gratitude for the excellent cooperation received from members of the Advisory Committee on Welfare Abuse as well as the many individuals who gave their time, knowledge and experience on this subject.

We believe that the recommendations contained in this report should be implemented at the earliest possible date.

Respectfully,

STATE SOCIAL WELFARE BOARD

J. Steve Williams
Chairman

Attachment

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RONALD REAGAN
GOVERNOR

State of California

GOVERNOR'S OFFICE

SACRAMENTO 95814

July 11, 1967

Mr. Nelson A. Howard, Chairman
State Social Welfare Board
Department of Social Welfare
2415 First Avenue
Sacramento, California

Dear Chairman Howard:

Please consider this letter my formal charge to you and the members of the State Social Welfare Board, as you assume your duties as the advisory body to the Governor and the State Director of Social Welfare.

The principal public welfare concern to which I am now asking the Board to address itself is the abuse of the public assistance program in California.

We are confronted with separate and distinct bodies of opinion as to the magnitude of welfare cheating and abuse of the program. One opinion is that cheating is widespread among the 1,200,000 persons receiving cash subsistence grants in California. The other opinion is that there is only a minimal amount of cheating.

As long as this divisive disagreement exists, the public assistance program is hampered in fulfilling its necessary role of aiding the needy. Until the general public is given the facts, and all of them, this disagreement will continue. Thus, to clear the air of this disagreement, I request that you accept the heavy responsibility of gathering the facts about fraud and welfare chiseling, to check out and weigh carefully the evidence and to report to me the full picture of the situation as you find it. I am sure there is no need to caution against giving weight to unsupported hearsay, rumors, claims and charges that cannot be documented. You and I want no witch hunts. We need a thorough gathering and sifting of factual evidence upon which valid conclusions can be based. I further ask that in this endeavor, you work closely with a standing committee which will be designated by the Administrator of the Health and Welfare Agency.

Yesterday, you attended the Governor's conference on the "The Role of the Legal Profession in Public Welfare," and I urge that you give due consideration

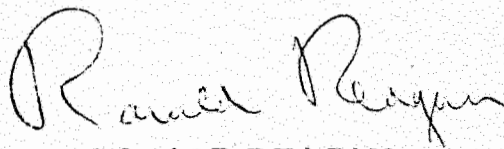
July 11, 1967

to the conclusions reached by the Conference as you prepare to assess the extent of fraud in public welfare.

You are authorized to hold such public hearings at various locations around the State to call witnesses and to do all other similar things necessary for a full and effective study of this matter. I will appreciate your advising me as to the date that I may expect to receive your report.

In order for the Board to function as strongly and effectively as possible in its advisory responsibilities to the State Director, John C. Montgomery, I have authorized him to augment and broaden this charge from time to time during the months ahead. It is Mr. Montgomery's concept and mine that the "public forum" role of the Board can be of great advisory value to him in carrying out his administrative authority and the policy decisions that are his responsibility.

Very truly yours,

A handwritten signature in cursive script, reading "Ronald Reagan". The signature is written in dark ink and is positioned above the printed name and title.

RONALD REAGAN
Governor

THE STATE SOCIAL WELFARE BOARD

Mr. J. Steve Williams, Chairman
San Bernardino, California
(5/10/67 - present)

Mr. Nelson A. Howard, Chairman
Pasadena, California
(5/8/67 - 5/17/68)

Mr. Raymond E. Lee
Beverly Hills, California
(5/4/67 - 5/23/68)

Walter W. Dolfini, M.D.
Eureka, California
(5/4/67 - present)

Col. Charles A. Bowers
Sacramento, California
(3/14/68 - present)

Mrs. Alexander Ripley
Los Angeles, California
(5/8/67 - present)

Mr. Arthur R. Tirado
Fresno, California
(5/11/67 - present)

Mrs. Estella Dooley
San Francisco, California
(5/5/67 - 3/14/68)

Senator H. L. Richardson
Pasadena, California
(9/18/67 - present)

Senator Tom Carrell
San Fernando, California
(5/12/67 - present)

Assemblyman John Veneman
Modesto, California
(5/12/67 - present)

Assemblyman John Burton
San Francisco, California
(9/8/67 - present)

Mr. Jack W. Thompson
Executive Secretary
Sacramento, California
(2/19/68 - present)

THE ADVISORY COMMITTEE ON WELFARE ABUSE

Mr. Edwin C. Steckman
Welfare Investigator
San Diego County
San Diego, California

Mr. Granville C. Peoples
Director
Orange County Department of
Social Welfare
Santa Ana, California

Miss Mary M. O'Neill
Deputy Director
Los Angeles County Department of
Public Social Services
City of Commerce, California

Mr. Louis P. Bergna, Esq.
District Attorney
Santa Clara County
San Jose, California

Mr. Leslie J. Pryde
Supervisor - Butte County
Gridley, California

Mr. John C. Montgomery
Ex-Officio Member
Director
State Department of Social
Welfare
Sacramento, California

Mr. James M. Shumway
Ex-Officio Member
Assistant Administrator
Health and Welfare Agency
Sacramento, California

STUDY PLAN

In an attempt to gain authoritative insight into the subject of welfare fraud in California, this Board convened public hearings in five locations in the State as follows:

January 12, 1968
Redding, California

January 26, 1968
San Bernardino, California

February 3, 1968
Fresno, California

February 16, 1968
San Francisco, California

March 1, 1968
Los Angeles, California

Invitations were extended via press releases, radio, television, letters, and personal contacts to individuals and agencies throughout the state to present evidence on the controversial subject of welfare fraud. In addition to those who presented verbal testimony at the hearings, a significant number of people submitted written testimony but did not appear. Those who testified represented recipient organizations, county welfare departments, district attorney's offices, social workers organizations, public legal foundations and schools of social work as well as individual recipients and other private citizens.

INDIVIDUALS WHO PRESENTED TESTIMONY AT HEARINGS

Mr. Harold Barnett, Northern Valley Chapter, National Association of Social Workers, Redding, California

Mr. Oran Bollinger, Director, Imperial County Welfare Department, El Centro, California

Mr. Ronald Born, Director, San Francisco County Department of Social Services, San Francisco, California

Dr. Scott Briar, Associate Professor, School of Social Welfare, University of California, Berkeley, California

Dr. Thomas Brigham, Associate Professor of Sociology, School of Social Work, Fresno State College, Fresno, California

Mr. John Cartwright, Public Administrator, ^{COUNTY}~~CITY~~ of Fresno, Fresno, California

Mr. Reed Clegg, Director, Fresno County Department of Public Welfare, Fresno, California

Mr. Lynn D. Compton, Chief Deputy District Attorney, Los Angeles County, Los Angeles, California

Mr. R. C. Currier, Los Angeles, California

Mr. William C. Daly, District Attorney, Fresno County, Fresno, California

Miss Frances S. Engel, President, San Bernardino-Riverside Chapter, National Association of Social Workers, San Bernardino, California

Mrs. Alice Escalante, Member, Committee for the Rights of the Disabled, Los Angeles, California

Dr. Frances Feldman, Associate Professor, School of Social Work, University of Southern California, Los Angeles, California

Mr. William F. Ferroggiaro, Jr., District Attorney, Humboldt County, Eureka, California

Mr. Marvin Freedman, Assistant Director, Los Angeles County Department of Public Social Services, City of Commerce, California

Mr. Hilmi Fuad, Director, Tulare County Welfare Department, Visalia, California

Mrs. Cherie A. Gaines, Chief Attorney, Appeals Unit, Legal Aid Society of Alameda County, Oakland, California

Mr. L. Gibbons, Deputy District Attorney, Inyo County, Independence, California

INDIVIDUALS WHO PRESENTED TESTIMONY AT HEARINGS (Cont.)

Mrs. Susan Goodfellow, Local 535, Social Workers' Union of Alameda County, Oakland, California

Mrs. Judi Graham, Yuba City, California

Mr. Louis Gray, Social Workers' Union #535, Santa Clara County, San Jose, California

Dr. Charles Guzzetta, Associate Professor, School of Social Work, San Diego State College, San Diego, California

Mr. Robert Hargrove, Deputy District Attorney, San Bernardino County San Bernardino, California

Mrs. Bernice Holson, Eligibility Screener, Alameda County Welfare Department, Union Representative, Local 535, Social Workers' Union of Alameda County, Oakland, California

Dr. Donald S. Howard, School of Social Welfare, University of California at Los Angeles, Los Angeles, California

Mrs. Nancy A. Humphreys, Los Angeles Chapter, National Association of Social Workers, Los Angeles, California

Mrs. Catherine Jermany, President, Los Angeles County Welfare Rights Organization, Los Angeles, California

Mr. David C. Kelly, Director, Humboldt County Department of Public Welfare, Eureka, California

Mrs. Helen Little, Chairman, Bay Area Welfare Rights Organization, San Francisco, California

Mr. Cirilo Lopez, Welfare Recipient, Madera County Welfare Rights Organization, Madera, California

Mr. Roscoe Lyda, Director, San Bernardino County Welfare Department, San Bernardino, California

Sister Rosemary Markham, Sisters of Social Service, Los Angeles, California

Mr. Henry Mesple, Director, Fresno City Farm Bureau, Fresno, California

Mr. John J. Morrill, Special Investigator, Shasta County Welfare Department, Redding, California

Mr. Myron Moskovitz, Directing Attorney, California Rural Legal Assistance, Marysville, California

Mr. Robert M. Nelson, Social Work Consultant, Project Headstart, Long Beach, California

INDIVIDUALS WHO PRESENTED TESTIMONY AT HEARINGS (Cont.)

Mr. J. Botello, Farm Worker, Yuba City, California

Mrs. Ollie Payne, Community Worker, El Centro Office, California Rural Legal Assistance, Brawley, California

Mr. Richard B. Peterson, Chief, Family Support Division, Fresno County Department of Public Welfare, Fresno, California

Mrs. Molly Piontkowski, Chairman, Committee for the Rights of the Disabled, Los Angeles, California

Mr. Peter C. Rank, Deputy District Attorney, Contra Costa County, Martinez, California

Professor Wallace N. Rich, School of Social Work, Fresno State College, Fresno, California

Lt. Dwayne Smith, Bureau of Investigations, District Attorney's Office, Los Angeles County, Los Angeles, California

Mr. Lucian Vandegrift, District Attorney, Butte County, Oroville, California

Mrs. Esther Washington, President, San Bernardino Welfare Rights Organization, San Bernardino, California

Mr. Albert L. Wells, Deputy District Attorney, San Diego County, San Diego, California

Mrs. Mabel G. Wells, ACSW, Fresno, California

Mrs. Atleary Williams, Welfare Rights Organization, Fresno, California

Mr. Norman Yates, Executive Director, Apartment Association of Inland Empire, Inc., San Bernardino, California

THOSE WHO SUBMITTED WRITTEN TESTIMONY BUT DID NOT APPEAR

Mrs. Kloh-Ann Amacher, Chairman, Public Social Services Commission of Golden Gate Chapter, National Association of Social Workers, Richmond, California

Mr. Steven Antler, Attorney, San Francisco Neighborhood Legal Assistance Foundation, San Francisco, California

Mr. Stephen Arian, Attorney, San Francisco Neighborhood Legal Assistance Foundation, San Francisco, California

Mr. Lloyd Breakey, Central California Chapter, National Association of Social Workers, Fresno, California

The Honorable Willie Brown, Assemblyman, Eighteenth District, San Francisco, California

Mrs. Mary L. Charles, President, California Social Workers Organization, Santa Clara, California

Dr. Milton Chernin, Dean, School of Social Welfare, University of California, Berkeley, California

Mrs. Kathleen Dohner, Social Worker, San Francisco County Department of Social Services, San Francisco, California

Mrs. Charlie Harris, United People Arriba Welfare Rights, Santa Clara, California

Mr. J. V. Henry, Madera Office, California Rural Legal Assistance, Madera, California

Mr. James Karls, Bay Area Council of Social Work Organization, San Francisco, California

Mosignor Roger Mahony, Director, Catholic Charities, Fresno, California

Mrs. Kristin Ockershauser, Legal Aid Foundation of Long Beach, Long Beach California

Mr. John T. O'Neill, Executive Vice President, California Apartment Association, Anaheim, California

Mr. Antonio Pacheco, Farm Worker, Yuba City, California

Mr. Norman Ribera, Fresno Realty Board, Fresno, California

Mr. Armando Rodriguez, Attorney, Madera Office, California Rural Legal Assistance, Madera, California

Mrs. Deloras Shaw, Hawaiian Gardens Welfare Rights Organization, Hawaiian Gardens, California

Mr. Keith Sorenson, District Attorney, San Mateo County, San Mateo, California

THOSE WHO SUBMITTED WRITTEN TESTIMONY BUT DID NOT APPEAR (Cont.)

Dr. Harry Specht, Associate Professor, School of Social Welfare, University of California, Berkeley, California and First Vice President, Golden Gate Chapter, National Association of Social Workers

Mrs. Emilia Telles, Community Worker, California Rural Legal Assistance, Santa Rosa, California

Mr. Charles Ward, Director, Del Norte County Department of Public Welfare, Crescent City, California

Paul Weinberger, D.S.W., Associate Professor and Coordinator of Research, Department of Social Welfare, San Francisco State College, San Francisco, California

DEFINITION OF FRAUD

In the course of the hearings, and in the review of the written testimony, there were encountered a variety of definitions of welfare fraud. We interpreted the Governor's Charge as being related to recipient fraud. For the purpose of this report the definition of welfare fraud as contained in Department of Social Welfare Bulletin #624 (Revised) will be used. It is as follows:

Fraud by applicants for or recipients of public assistance exists when the applicant or recipient has:

1. Knowingly and with intent to deceive or defraud, made a false statement or representation to obtain aid, obtain a continuance or increase of aid, or avoid a reduction of aid.
2. Knowingly and with intent to defraud, failed to disclose a fact, which, if disclosed, could have resulted in denial, reduction or discontinuance of aid.
3. Accepted aid knowing he is not entitled thereto, or accepted any amount of aid knowing it is greater than the amount to which he is entitled.
4. For the purpose of obtaining, continuing, or avoiding a reduction or denial of aid, made statements which he did not know to be true with reckless disregard of the truth.

When aid is obtained by fraudulent means a crime is committed. The number of convictions for such crimes is not necessarily the measure of the extent. The evidence presented tended to establish that the percentage of convictions of welfare recipients for fraud reported in this state is relatively small.

The amount of suspected fraud presently reported to the research statistical division of the State Department of Social Welfare is not necessarily accurate. The existing levels of orientation and training may limit the ability of the social worker to detect fraud.

FORMS OF FRAUD

There exists a variety of ways in which an individual may fail to report a situation or event or so misrepresent these occurrences as to constitute a suspicion of fraud. By far, the two most prevalent are unreported income and family composition. In Los Angeles County, for example, the referrals to the district attorney's office for investigation revealed that about 55% of these cases were for unreported income, about 40% on the basis of family composition, most of these being an unreported man in the home, and about 5% miscellaneous.

Aside from unreported income and family composition, some of the other more frequently misrepresented factors are:

1. Children Living Out of the Home
2. Reconciliation with Husband
3. Concealment of Husband
4. Social Security, Unemployment and Disability Benefits
5. Child Support Payments from an Absent Father
6. Allowable Expenses
7. Assets
8. Residency
9. Private Medical Benefits
10. Use of Medical Card by Another Person

DISCUSSION OF MAJOR FACTORS RELATED TO WELFARE FRAUD

In the course of the inquiries, testimony was offered on a variety of factors directly or indirectly related to fraud in California welfare programs. Much of this material was of a subjective nature. Some of the major points brought out in the testimony are outlined below.

The caseworker potentially is the single most important person in the prevention of fraud on the part of the welfare applicant or recipient. In spite of this potential, many caseworkers, because of their training, view themselves in an almost exclusive service role in relation to the recipient. Some feel that enforcement of regulations should be the responsibility of others.

The service-oriented caseworker and the recipient must realize that each has certain obligations and responsibilities. The caseworker has the responsibility to become fully acquainted with all of the various aid programs and their governing regulations, to obtain for the prospective recipient the maximum amount of aid to which he is entitled (Sec. 10500 Welfare and Institutions Code of the State of California) and to insure that the recipient has a full understanding of the requirements and restrictions imposed by regulations relating to that particular form of aid.

The recipient, on the other hand, must be made to understand the importance of his meeting the terms of the restrictions and the serious consequences that can result in the event of failure on his part. In this connection, the caseworker must find the means to overcome language barriers and resolve problems related to the recipients' ability to comprehend this important information. This should not be viewed as a law enforcement function but rather as one of the basic goals of casework relationship; that of encouraging individual responsibility on the part of the recipient.

Finally, however, the social worker must be mindful that he is a guardian of a public trust, that he must guard against misuse of public funds and, in the face of a fraudulent situation should take steps to insure an effective and prompt investigation and cooperate in the prosecution of the case. From the standpoint of the social worker some relief from their varied role seems to be in sight. The State Department of Social Welfare has provided for separation of the eligibility and case service functions in the old age security category and is moving in that direction in the other aids. As this separation is accomplished on a broader basis, more time should be available for the social worker to provide direct service to the recipient.

Many counties are taking effective steps to free social workers for more frequent and meaningful recipient contacts. This is an effort that should be continued, encouraged and supported. As social workers are freed from menial tasks and given more time to function in a capacity consistent with their training and orientation, they may be better able to reduce the incidence of welfare fraud.

As a practical matter many conditions affect the ability of the caseworker to carry out the responsibilities outlined above. Some of those factors are set forth below.

Turnover among public welfare department caseworkers amounts to an average of approximately 30% annually. Such staff turnover creates almost insurmountable in-service training problems not to mention the extremely high cost of such training and the period of time when the new caseworker is not productive. One authority estimated that it takes six months to a year for a new caseworker to become thoroughly familiar with the basic rules and regulations of the particular program to which he is

assigned. Administrative changes resulting in the reassignment of caseworkers further complicate this problem. In Los Angeles County which has an average annual turnover of approximately 30% among its 3300 caseworkers over 76% of the social workers have less than two years' experience and over 41% have less than one year. The problem of orienting staff members and attempting to interpret the complex rules and regulations of the various welfare programs to the recipient is self evident.

Many counties are making excellent progress in developing in-service training programs which underscore fraud prevention as an integral part of the casework relationship. The best of such programs involve the formation of close consultative relationships with district attorneys' offices taking full advantage of the techniques, training and experience within the district attorneys' staff. Such training programs not only emphasize the need for the caseworker to acquaint the recipient with his responsibilities but, also, trains the caseworker to be alert for the danger signals which, on investigation, often lead to recognition of some conflict between the information in the record and the situation as it actually exists. The early recognition of these danger signals and the resolution of the conflicts is a major step in an effective prevention program.

Another major factor related to the question of fraud is the ability of the recipient to comprehend the regulatory requirements for reporting such things as income and changes in family composition, assuming a thorough explanation by the caseworker was given. There is ample evidence that welfare regulations are quite complex and the present effort of the State Department of Social Welfare to simplify will have some positive effects, although many requirements result from federal mandates. Therefore, in spite of efforts to simplify, it is of vital importance that caseworkers exercise special care to interpret the recipient's responsibilities into

the simplest and most easily understood form, as free as possible from administrative terminology and language. The intent of the regulations should be explained to further impress the recipient of the need for reporting changes that affect eligibility to the welfare department.

One of the many forms used in the AFDC application process is: ABCDM 200 - Application for Public Social Services. On the back of this form there is a section entitled "Important Notice to Public Assistance Applicants." This section is designed to alert the applicant to the necessity for reporting income, sales of property, etc. No mention is made of the need to report changes in family composition although, as reported by Los Angeles County, 40% of the referrals to the district attorney's various offices in that county stem from failure to report such changes.

A greater emphasis placed on staff retention, in-service training, development of close consultative liaison with the district attorney's office and more attention given to the recipient's understanding of his responsibilities, along with the appropriate reminders and effective follow-up, will result in an effective welfare fraud prevention program. In addition, such a program would help to reduce the large number of suspected fraud referrals resulting from agency omission and errors and further reduce the referral of cases in which there is a lack of intent to defraud. In recognition of the public trust shared by all individuals and agencies involved in welfare service and enforcement, those suspected fraud cases which remain should be promptly and effectively prosecuted.

The question of restitution, particularly in those cases where there is no other income or property from which restitution can be made, presents some difficult problems. Under the present procedure, the grant is reduced, sometimes to zero, in order to offset the overpayment, so as to effect reimbursement for the overpayment as nearly as possible within

a 60-day period. While there is need to restore the public funds promptly, this restrictive procedure often leads to severe deprivation of minor children who are innocent victims. Experimentation in this area might well show greater monetary return if spread over a longer period, thus avoiding the harsh impact on members of the family who are not a party to the fraudulent act.

As another means of prevention and early detection of fraud, there was testimony offered on the value of a central registry of welfare recipients.

Throughout the hearings, the inadequacies of grants was pointed out as one of the major reasons for welfare fraud. It was stated that the state's maximum participation base, in effect, resulted in a grant that was actually less than the amount fixed by the state as the minimum subsistence level. When viewed in relation to the temptation to "cut a corner" in order to relieve an extremely limited budget, there is probably some validity to this concept. However valid this argument might be, the limitations placed on the amount of grants, although a very real and pressing problem, is a matter that is outside the scope of this inquiry. This is an area in which the caseworker must put himself in a position to counsel the recipient while guiding the recipient towards independence and a productive life.

Testimony revealed some questions related to the granting of special needs and allowances in computing the monthly grant. Instances were cited in which the granting of such allowances ran contrary to the intent of the regulations, producing a grant which was unrealistic.

Evidence has been introduced which illustrates the problems encountered by many recipients in obtaining adequate housing within the grant allowance. From the standpoint of the property owner, however, this problem is reflected in terms of delinquent rental payments. Severe collection problems result

for the landlord when the recipient moves due to the inability of the agency to provide information about the recipient's whereabouts because of the confidential nature of the case record. While in general it seems desirable to maintain such confidentiality there seems no justification for withholding information as to the whereabouts of the recipient who has moved without paying for necessities furnished to him where funds were budgeted for that purpose.

There are provisions in the law relating to the priority nature of claims resulting from furnishing necessities of life. On the other hand, Section 10501 of the Welfare and Institutions Code of the State of California provides that the manner in which the recipient shall spend the grant shall not be dictated. Some balance must be struck between these two philosophies which affords the recipient the measure of independence enjoyed by the average citizen and, at the same time, provides the landlord with the same degree of protection that he enjoys in renting to a non-welfare recipient. By lifting the confidential cover to enable the landlord to locate the tenant who has "skipped", he would have the same opportunity to recover a judgment for delinquent rent as he would in any other landlord-tenant relationship while maintaining the confidential nature of the case.

Another subject discussed in the hearings is the fact that some prosecutors issue press releases following a conviction in a case of welfare fraud. The basis for this action is given as the deterrent effect that such publicity has on other recipients who, technically, have the potential of defrauding the taxpayer. Others contend such publicity is harmful and degrading to recipients in general and that the alleged deterrent effect can not be substantiated.

The information contained in the Governor's Charge relating to the opposing views on the extent of welfare fraud was certainly borne out in

the inquiries conducted by this Board. This is a highly controversial subject, and these opposing views are contributing in a large measure to the social stigma attached to welfare recipients and welfare programs. The viewpoint of a large segment of the public is that welfare fraud is rampant, and in this context, virtually anyone who must in time of need turn to one of the aid programs is suspect. Those having such negative attitudes and suspicions should be made aware of the legislative intent of the programs which is clearly set forth in Section 10500 of the Welfare and Institutions Code.

"10500. Every person administering aid under any public assistance program shall conduct himself with courtesy, consideration, and respect toward applicants for and recipients of aid under that program, and shall endeavor at all times to perform his duties in such manner as to secure for every person the maximum amount of aid to which he is entitled, without attempting to elicit any information not necessary to carry out the provisions of law applicable to the program, and without comment or criticism of any fact concerning applicants or recipients not directly related to the administration of the program."

The term welfare fraud was viewed almost universally as being synonymous with the program of Aid to Families with Dependent Children (AFDC). A good deal more effort is placed on ferreting out possible fraudulent situations in the AFDC program than in the other aid programs, and, as a matter of fact, when a discrepancy is noted, the problem is usually resolved in a different manner, depending upon the nature of the aid program. Such differential treatment results from the differences in wording in chapters of the Welfare and Institutions Code on the subject of enforcement as related to the various aid categories.

In the AFDC program Section 11482 provides that a person "...who willfully and knowingly, with the intent to deceive, makes a false statement or

representation or knowingly fails to disclose a material fact to obtain aid, or who, knowing he is not entitled thereto, attempts to obtain aid or to continue to receive aid to which he is not entitled, is guilty of a misdemeanor." Section 11483 provides that such a person "...shall make restitution and all actions necessary to secure restitution may be brought against him." The wording in Sections 13800 and 13801 in the Aid to the Needy Disabled is similar. However, Sections 12250 and 12850 which refer to the Old Age Security program, Aid to the Blind, and Aid to the Potentially Self-supporting Blind contain the following qualifying paragraph:

"It is the intent of the Legislature that restitution should be sought by request, civil action, or other suitable means prior to the bringing of a criminal action."

Testimony reveals that as a practical matter these differences virtually rule out criminal prosecutions under these adult programs.

The differences noted above are reflected in Department of Social Welfare Bulletin #624 entitled, "Criteria for Referral of Cases to the District Attorney." This section reads in part as follows:

(OVER)

"When reasonable grounds exist to suspect that fraud has occurred, the case shall be referred to the district attorney for further action.

"Exception: In OAS, APSB and AB, attempts to obtain restitution by request, civil action, or other suitable means shall be used prior to referral, after which the case shall be referred to the district attorney."

The Department of Social Welfare Recipient Fraud Report for the period January through March 1967 lists the number of suspected fraud cases referred to the special investigation units and to district attorneys. Such referrals in the AFDC categories were approximately 17 times greater than in the adult programs, while the AFDC caseload was less than half the adult caseload.

Many persons testified that the true extent of fraud is not known, nor can it ever be determined. It was proposed that an "acceptable alternative" could be obtained by comparing convictions with caseload. Such an approach is invalid since it is based on a faulty premise. The number of convictions do not take into account the many variables, such as:

1. differences in interpretation of regulations;
2. differences in application of regulations;
3. fraudulent situations overlooked;
4. cases of actual fraud lacking sufficient evidence to prosecute;
5. absence of witnesses;
6. cases of actual fraud resolved short of prosecution;
7. statute of limitations;
8. excessive caseloads of investigators;
9. cases which are not referred and/or not prosecuted because of the small amount involved.

In the course of the hearings, the Board was beseeched by a number of witnesses to recommend the application of a cost-benefit approach to the

investigation and prosecution of suspected fraud cases. Under the cost-benefit approach, the case of suspected fraud would not be carried through to its conclusion or beyond the point that the cost of investigation and prosecution exceeded the monetary benefits in the form of restitution which could be expected to result from the full handling of the case. This is an unreasonable approach, since if applied to other criminal matters, it would indicate that, for example, a bank robber should not be prosecuted unless the restitution justified the expense of prosecution and the necessary investigative process. Careful pre-referral screening to weed out those cases which do not, in fact, require more extensive and expensive field investigation will tend to reduce investigative and prosecuting costs.

The usual process by which a case of suspected fraud is handled from its inception to its ultimate disposition is as follows. Ordinarily, the trained caseworker notes a conflict between information contained in the case record and field observation. Information may also reach the caseworker by means of letters, telephone calls, or tips from neighbors, friends, relatives, or occasionally, in the form of an anonymous communication. Occasionally, such contacts are made directly with the district attorney's office which is free to initiate its own independent investigation without having a formal referral from the county welfare department. Usually the county welfare department will be informed of the information received and the conduct of the investigation by the district attorney's office, but in the past such referrals to that office from outside sources have not been included in the statistical reports on fraud submitted to the State Department of Social Welfare.

The caseworker receiving information or observing situations in conflict with the case record will usually attempt to obtain clarification

from the recipient. Lacking sufficient clarification or encountering an uncooperative attitude on the part of the recipient will result in the caseworker referring the matter to a special investigation unit within the welfare department composed of staff trained in the preliminary investigation of such cases to determine if, in fact, there exists a basis for some formal action by the district attorney's office or if the conflict can be explained in some other way.

Assuming a strong indication of the existence of fraud based upon an omission or misrepresentation of facts or a failure to report certain information or events, the case will then be referred to the district attorney's office where a further investigation may ensue. Ultimately a decision will be made as to the most appropriate course of action, depending upon the facts. At that point, the case may be returned to the county welfare department if investigation reveals that a fraudulent act has not been committed or there is insufficient evidence to warrant prosecution. The special investigation unit within the welfare department may then conduct a further investigation. Assuming the existence of a fraudulent act with supportive evidence, the district attorney may proceed to prosecute as in any other criminal matter.

In the district attorney's processing of a case, it occasionally becomes expedient to have an informal conference with the recipient involved in a case of suspected fraud. These are called citation hearings and are of value in helping the deputy district attorney understand all the facts relating to the case. The results of the citation hearing may be a finding that a fraud has not been committed, it may result in a confession, an offer of restitution, a reprimand, or the decision to proceed with the filing of a formal complaint. Statistical information revealing the number of cases going to citation hearings do not make a distinction between those

cases in which no fraud has been found and the cases in which there is fraud and the problem is resolved other than through prosecution.

The activities of the county welfare departments, the special investigation units and the district attorneys' offices with respect to the handling of suspected fraud cases is reported to the State Department of Social Welfare each month. This information is the subject of a quarterly report by the State Department of Social Welfare entitled "Recipient Fraud Report."

There has been some criticism that the Recipient Fraud Report did not reflect the full scope of activity, particularly within the district attorneys' offices, and that it did not take into account those cases in which the district attorney received independent information directly from the community on suspected fraud rather than through the usual channel from the public welfare department. This statistical report, however, is compiled from information gleaned from DPA Form 266.1 submitted each month and based on data from the county welfare departments and district attorneys' offices. Obviously, the quarterly statistical report from the State Department of Social Welfare is only as reliable as the input data, and those who would take exception to the report should make certain that the monthly report from the county reflects the true timely and accurate picture.

The reporting form has been amended to include a section wherein a district attorney can report those cases in which he receives fraud tips from the community.

The Board heard testimony to the effect that increased staffing in local agency investigation sections would result in the ferreting out of additional fraud. Various staffing standards were suggested.

The fixing of staffing standards for county welfare department investigative units should be accomplished by the State Department of Social Welfare in coordination with county agencies as a regulatory requirement.

SUMMARY

The incidence of fraud convictions within California's welfare programs is small in relation to the caseload. The comparison of fraud convictions with caseload leaves much to be desired. The unanswerable question remains - how much undetected fraud exists?

Fraud can be reduced through increased public awareness and strengthened preventive measures including:

1. better training liaison between caseworkers, investigators and district attorneys;
2. improved orientation of caseworkers and recipients;
3. increased awareness by caseworkers of their responsibility to detect and report suspected fraud;
4. adequate staff and reasonable caseloads for county welfare department fraud investigating units and district attorneys investigators; and
5. a firm and consistent prosecuting policy.

Each individual concerned in any way with determining eligibility, providing casework services to the recipient, conducting investigations, or prosecuting cases of fraud, as well as the administrators of the agencies involved, share a role as guardian of a public trust. Each has a vital part to play in promoting the effectiveness of the welfare system for the sake of the recipient and at the same time protecting the taxpayer.

All parties must guard against the utterance of careless and irresponsible statements for whatever motive and to clearly and accurately interpret the facts related to welfare in an effort to correct the damaging misconceptions that now exist.

The administrators of welfare and enforcement agencies have a responsibility to provide the simplest and most efficient administrative and regulatory framework within which the caseworker and the enforcement staff can function with primary emphasis being placed on the ability of the individual to use his training and experience to the utmost.

The social worker must give full recognition to his diverse responsibilities. He must adequately equip himself with the knowledge necessary to insure that each recipient receives the maximum aid to which he is entitled and the service consistent with the recipient's needs in order to effect his return to productive and independent living at the earliest date. He must insure in every case that the recipient has a full understanding of the need to report situations and events which affect his grant and is prepared to assume the responsibility for doing so. The social worker must be constantly alert for evidence of misuse of funds and misrepresentation of situations and events. When these are encountered, the social worker must give full cooperation in the investigation and possible prosecution of the case. In this context, his role embodies the elements of prevention and reporting. Neither responsibility is in conflict with his helping role in relation to the recipient. *IN THE SAME SENSE THAT A POLICE OFFICER HAS A DUTY TO PROTECT CITIZENS BUT APPREHENDS CITIZENS WHEN THEY BREAK THE LAW.*

The investigative and prosecuting staffs must act promptly, effectively and with full recognition given to the rights of the individual. When all preventive measures have been taken, there will still exist some cases of wilful and intentional fraud and these should be prosecuted to the fullest extent of the law for the protection of the public as well as the vast majority of recipients on whom the gnawing suspicion of fraud by the misinformed has a devastating impact.

RECOMMENDATIONS

THE FOLLOWING RECOMMENDATIONS RELATE TO THE POINTS DEVELOPED IN THE TEXT OF THIS REPORT AND/OR TO THE TESTIMONY

1. Greater emphasis should be placed on the social worker's role in preventing fraud. This role should be accepted by the profession as an important aspect of casework service to the recipient.
2. A careful and periodic examination of the duties of social workers should be accomplished in order to avoid clerical and menial tasks and to take full advantage of their time, training and experience in the casework relationship including fraud prevention.
3. Close liaison should be developed between public welfare departments and district attorneys' offices for the purpose of adding depth and emphasis to orientation of new staff and in-service training for other staff in relation to welfare fraud. State Department of Social Welfare Bulletin #624 (Revised) should be regularly reviewed by the staff and special investigations unit in each welfare department and Training Aid #21 parts a and b relating to recipient fraud should be fully utilized.
4. Unannounced home visits by a social worker on any weekday during normal duty hours should be encouraged. This is not seen as an invasion of the recipient's right to privacy.
5. Greater emphasis should be placed on the recipient's need for special help in understanding his responsibilities under the program. Special attention needs to be given to the language barriers, intellectual and educational deficiencies and to those having emotional problems.
6. A concerted and continuing effort should be made by each county to encourage recipients to report in detail instances of over-charging

or other unethical practices by vendors in connection with the use of public funds, and these allegations should be vigorously pursued by the county.

7. Regulations concerning the confidentiality of records should be amended to the extent that vendors furnishing necessities of life should have access to information concerning the whereabouts of the recipient in the event of non-payment of the account after providing the welfare department with the facts substantiating such claim. This would provide the vendor with the same protection he enjoys in selling to the general public, and at the same time the confidential nature of the remainder of the case record would be protected.
8. The back of each grant check, while not revealing the nature of the payment, should contain a certification to be signed by the recipient which states there has been no unreported change in his eligibility status, similar to releases printed on the back of insurance checks.
9. An effort should be made to negotiate modifications in federal requirements relating to adjustments of grant overpayments. This should be reflected in more simplified and consistent state regulations and, in particular, the extension of the present 60-day grant adjustment period within which overpayments may be recovered. Such extension will result in greater monetary return and less severe deprivation.
10. Present policy calls for the granting of aid to be based on need, although in a case of proven fraud, there may exist a liability for the repayment of aid fraudulently received. This policy should be amended to provide for a grant reduction over whatever period is

required to effect full restitution or, perhaps, controlled payments for the benefit of the children while removing control of the cash grant from the hands of the defrauding parent.

11. In computing overpayments resulting from understatement of or failure to report income, deductions for the standard allowance for incidentals, travel, babysitting, uniforms, etc., related to the income not reported should not be allowed in determining the amount of overpayment, thus providing an incentive to abide by the regulations.
12. There should be a careful re-evaluation of the intent and philosophy related to the granting of special needs and allowances. Allowances should be made only in those cases demonstrating true and realistic need.
13. The State Department of Social Welfare should ^{CONTINUE TO SEEK THROUGH} ~~through~~ administrative and legislative action, ^{SIMPLIFICATION OF} ~~continue its current program of simplifying~~ regulations, standardizing ^{ATION} ~~ing~~ eligibility requirements, and ^{SHOULD CONTINUE TO REMOVE} ~~removing~~ as much detail from published regulations as possible.
14. The State Department of Social Welfare should re-evaluate the practical usefulness of the Recipient Fraud Report now utilized. The factors to be included should be carefully analyzed in the light of its purpose.
15. The text on the back of form ABCDM 200 entitled "Important Notice to Public Assistance Applicants", should be changed to include the warning that changes in family composition should also be reported to the county welfare departments as has been done on Form CA-201.
16. The state and each county should have a carefully constructed workable plan designed to inform and educate the general public on the various aid programs and the people they are helping and the needs they are designed to meet. Extreme care must be used ^{TO SEE THAT ONLY} ~~in releasing~~ true and accurate program statements ^{ARE RELEASED,}

17. The establishment of an automated centralized state registry containing information on all welfare recipients. Such register would serve a purpose similar to the central register of parents who have deserted or abandoned their children, as described in Section 11478.5 ^{CALIFORNIA} Welfare and Institutions Code, enacted in 1967. The purpose of such a registry would be to provide a source of information enabling detection of those recipients who apply and receive aid in more than one county at the same time. Other precedence for such a centralized registry are those utilized by Unemployment Insurance, the Department of Motor Vehicles and the Social Security Administration.
18. Legislation should be enacted to promote consistency in the identification, investigation, and vigorous prosecution of suspected fraud in all categories of aid.
19. Efforts should be made to reduce the number of unnecessary fraud referrals to district attorneys' offices. A suggested method would be by pre-referral screening by a deputy district attorney prior to the time the caseworker prepares formal referral forms ^{TO AVOID TIME CONSUMING PAPERWORK}.
20. The State Department of Social Welfare, together with appropriate local agencies, should undertake a study to determine what is a reasonable caseload level for thorough and effective fraud investigations. Thereafter, the department should fix standards to insure adequate efforts to detect and investigate fraud.

HUMAN RELATIONS AGENCY
Sacramento, California
Contact: ~~Spencer Williams~~
October 4, 1968

FOR IMMEDIATE RELEASE

The following is the text of a letter from Human Relations Secretary Spencer Williams to Governor Ronald Reagan in connection with the issuance of a report by the State Social Welfare Board on welfare fraud:

"I have carefully reviewed the State Social Welfare Board's report on welfare fraud which I have transmitted to you. The opinion contained in the report that the true extent of welfare fraud in California has never been accurately determined is a concern I share with the Board. It is imperative that we find out.

"I therefore recommend that appropriate steps--both administrative and legislative--be taken to:

- a) determine the extent of welfare fraud in this State;
- b) identify individuals suspected of fraud; and,
- c) continue to encourage prosecution of these violators by the district attorneys in the counties where the frauds are found to be committed.

"Some of the procedures contained in this report, which I believe are necessary to accomplish these objectives, can be achieved by administrative action. Others will require state and federal legislation. Some will require appropriations.

"Among the steps listed in the report with which I concur are:

- * Establishment of traveling audit teams skilled in fraud detection to help determine the true extent of welfare fraud in California.
- * Development of an automated, centralized registry of all welfare recipients. The registry would immediately detect persons who received aid in two or more counties at the same time.
- * The negotiation of changes in existing federal guidelines so that a protective payment plan can be developed for children of fraudulent welfare payment recipients.
- * Stepped-up administrative action and legislative proposals by the State Department of Social Welfare to simplify regulations, standardize eligibility requirements and remove as much detail as possible from published regulations.

* Greater emphasis on the social worker's role in preventing fraud by advising individuals on welfare of the necessity of filing accurate claims and immediately reporting any changes in their status which would affect the amount of payments to which they are legally entitled.

"Through the implementation of these and other steps which may be required, I believe we can better carry out this administration's commitment to the people of California that those truly in need will receive the assistance to which they are legally entitled and those cheating the taxpayers by committing welfare fraud will be detected and prosecuted under the laws of this State."

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HUMAN RELATIONS AGENCY
Sacramento, California
Contact: Spencer Williams
November 22, 1968

FOR RELEASE SUNDAY A.M.'S,
November 24

(Please guard against premature
release)

Spencer Williams, secretary for Human Relations, announced today (Monday, November 25) he will file a strong, formal protest tomorrow/against a "dying gasp" federal regulation which would change the way welfare eligibility is determined.

Williams said he plans to deliver the protest in person to U.S. Secretary of Health, Education and Welfare Wilbur Cohen in Washington. The protest will also be filed with President Johnson and President-elect Nixon.

"I hope this action will dispel any misunderstanding which may now exist concerning the posture of the Reagan administration toward the proposed federal regulations," he said.

On November 20 Cohen promulgated a new regulation replacing the present comprehensive system of eligibility determination and investigative procedures on July 1 with a "simple statement of need."

Williams said his protest "will include opposition not only to the date for implementation of the new regulations, but also the restrictions imposed on checking eligibility for aid. In addition, the administration will insist that no regulations be adopted until procedures can be developed and tested before their implementation is required.

"We believe that a thorough check of eligibility is essential to businesslike management of this program," Williams said. "Our effort is to tighten up welfare administration, not relax it.

"The federal government should not restrict states' authority to determine how and when they investigate applications for aid.

"This administration's own pioneering work in reducing red tape and cutting staff time through use of the 'statement of need' to determine eligibility for the old age security program took two years of development, testing and installation in California's 58 counties.

"In view of differences in caseload, mobility and duration of eligibility, there is no reason to assume that this procedure can be effectively used in the family program.

"Furthermore, ordering into effect a new procedure within only seven months--a procedure that applies to more than 1 million Californians is totally unrealistic and would surely result in utter chaos.

"This dying gasp order was rushed through without even waiting for the recommendations of the advisory board set up for that purpose," Williams said.

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(Williams will depart Sacramento Sunday, November 24, at 8:55 a.m. aboard United Air Lines Flight #918.)

HUMAN RELATIONS AGENCY
Sacramento, California
Contact: Spencer Williams
November 26, 1968

FOR IMMEDIATE RELEASE

Spencer Williams said he would formally protest today two additional "11th hour" changes in Federal regulations further liberalizing welfare eligibility and increasing costs.

Williams, Secretary of the Human Relations Agency, was scheduled to meet late today in Washington with Wilbur Cohen, U. S. Secretary of Health, Education and Welfare, to protest a regulation adopted November 20 replacing the present comprehensive system of investigative procedures in welfare determination with a simple statement of need.

Williams said that although the Federal Agency had failed to notify the State Agency responsible, he had learned that regulations also are being adopted requiring continuation of aid during hearings to determine welfare eligibility and calling for legal counsel to be provided to recipients during the hearings at government expense.

"Mr. Cohen's adoption of untested regulations making major program changes in the 11th hour of an outgoing Administration is unprecedented," Williams said. "He has not even gone through the normal channels of review in his haste to initiate new policies that should await consideration by the incoming Administration.

"Current welfare problems can only be compounded by the precipitous adoption of vague, ill-defined regulations that make major changes without adequate study of either program or fiscal effects," Williams added.

"Requiring payment of aid to persons awaiting a hearing on their eligibility will not only result in payments to persons clearly not qualified, it could require payments to persons deliberately defrauding the program," Williams said.

"Existing procedures insure that no person goes without the basic necessities while awaiting the hearing decision," he noted. "Payments made to persons later ruled ineligible will be virtually impossible and costly to recover.

"The hearings are now conducted by skilled referees who afford the utmost protection to the rights of the appellants," Williams said. "There has been no demonstration that providing counsel in every case will improve the procedures."

Williams said the proposed additional Federal regulations would "add substantially to state and county costs." He said he was not able to provide a cost estimate on such short notice. However, he said, there are now about 5,500 hearings a year of which about 65 percent sustain the original administrative decision of the county.

Williams had announced Sunday his intention to personally protest the regulation adopting the declaration of need. He said it preempted State authority to determine how and when to investigate applications for aid and that it assumed without adequate evidence that procedures in one class of aid could be applied to all others despite significant differences. Williams also said that the seven months allowed for implementation was grossly inadequate.

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Welfare

HUMAN RELATIONS AGENCY
Sacramento, California
Contact: Spencer Williams
April 21, 1969

FOR IMMEDIATE RELEASE

The following statement was issued today by Spencer Williams, Secretary of the Human Relations Agency:

"I am gravely concerned by the decision of the United States Supreme Court today invalidating residency requirements for welfare recipients. Even though California's appeal technically is still pending at this time and there remains some possibility our residency requirements, already stricken by a lower court, may yet be upheld.

The action of the court provides a bonus for those states which fail to meet their obligations at the expense of the California taxpayers and the other states that do.

For one thing, the decision vents the internal pressures that might have forced the backward states to meet their responsibilities and actually encourages them to lower their already inadequate aid payments in hopes their poor will simply move out.

By its decision, the court encourages welfare recipients to shop for the best deal. Already there are indications persons are moving to California solely to obtain higher welfare payments.

Instead of encouraging State and local solutions of social problems, the decision tends to force the states to turn to Washington for answers. Meantime, California taxpayers suffer a serious additional fiscal burden.

This State has been enjoined from enforcing residency requirements in effect for 30 years with congressional approval since April 1968 by a Federal Court Order despite our immediate appeal to the United States Supreme Court. As a result, 3,000 to 4,000 additional persons have been added to our welfare rolls each month at a cost of \$26 million this fiscal year and an estimated \$35 million next fiscal year."

#

am o r a n d u m

To : The Honorable Ronald Reagan
Governor of California

Date : August 6, 1969

File No.:

Subject: Continuation of
Welfare Report

From : Office of the Secretary


The following material is forwarded for use in connection with the continuation of the Welfare Report on Friday.

These include:

1. The list of possible cost reduction areas indicating the law or regulation which controls.
2. A summary in outline form of John Montgomery's presentation (14 pages) and,
3. A list of some typical questions which may come to mind.

It is urged that you review this material and have your own questions ready so that we can go directly into the question and answer period with a minimum of presentation.

The full text of Mr. Montgomery's comments of July 28th have been reproduced and can be readily supplied upon request.


SPENCER WILLIAMS
Secretary

Attachments

OUTLINE SUMMARY OF PRESENTATION TO CABINET

by

John C. Montgomery, Director of Social Welfare

July 28, 1969

I

Introduction

A. Governor Reagan's Welfare Program Objectives

The Governor's welfare goals, as expressed in campaign statements, speeches, State of the State Messages and legislative programs, reveal his determination to bring costs under control while at the same time assuring adequate aid and service for the truly needy.

The specific programs to accomplish these goals may be divided in two general areas -- substantive and administrative.

The Governor's basic approach in securing substantive changes would separate the welfare group in two categories:

- Life Protection as the guiding purpose with respect to those adults who because of age or handicap must be considered permanently dependent.
- Life Preparation as the guiding purpose with respect to the more than 741,000 children who are future producers and those present adults who are potentially self-sufficient.

His goals in improving the administration of existing welfare programs are:

- Subjecting all programs to critical review and analysis to identify where they can be tightened and improved through administrative action, and where changes in law are required.
- Increasing the employability of welfare recipients so they can move from aid rolls to payrolls.

- Bringing welfare administration closer to the people by returning as much control as possible to counties for welfare operations, and by increasing volunteer and citizen participation in these programs.
- Streamlining welfare administration and making it a more efficient and economical operation.

II

Major Concerns About Welfare Programs

- A. Continually rising caseloads and costs, despite decreasing unemployment; resulting fiscal crisis at both State and county levels
 - 1. From 1966-67 to 1969-70, recipient population will increase by approximately 418,000 or 37.31 percent (average 12.44% per year). During the same period expenditures for assistance payments are expected to increase by \$447.2 million or 49.63 percent (16.54% per year).
 - 2. From March 1967 to March 1969 California's AFDC caseload increased 41.6 percent, slightly above national average of 37.3 percent but below such states as New York, Pennsylvania, New Jersey, Massachusetts and Georgia.
 - 3. Distribution of caseload and related expenditures estimated for California this fiscal year (1969-70). See Pie Chart. (Chart does not include AFDC-BHI; 32,100 children; cost \$49,305,600)
 - 4. Action Taken
 - a. Tightened ATD disability criteria - From January 1967 to April 1968 ATD caseload increased 1.5 percent per month. In April 1968 tightened disability criteria. This slowed increase rate to 1.2 percent per month by November 1968. Then began planned addition to

caseload of MR patients in state hospitals to claim federal funds for cost of hospital care. \$12 million being claimed annually now - \$16.8 million when complete. This more than countered effect of tightened criteria. Increase rate from November 1968, 2.1 percent per month.

- b. Closed-end appropriation some adult cases - Payments to adult recipients requiring protected living arrangements or services of another person under same fund control as in Medi-Cal through SB 999 enacted and signed by Governor.
- c. Blocked further liberalization of welfare laws - Up to 1967, constant acceleration of welfare cost increases through legislative liberalization. This momentum halted.

B. Constraints and fiscal impact of Federal law and rules

1. Almost \$25 million added to State and county costs 69-70 by Congressional or HEW action since 12-31-67 (not including court actions). AFDC Freeze repeal avoided additional \$23.1 million.

2. Leadership at national level got support other states in challenging Federal requirements.

a. Some successes:

- Retention for additional period of major part of 75 percent reimbursement for integrated caseloads instead of dropping to 60 percent (great benefit to counties).
- Extension of timetable for use of simplified methods of eligibility and providing for testing period.
- Requirements to continue aid pending fair hearing decision and

legal services in appeals being postponed to 7-1-70 from 10-1-69 (announcement expected soon).

b. Still pushing on such items as:

- Requirement that simplified methods be in effect April 1, 1970, for AFDC.
- Requirement that gross earnings be used in income exemption policy. Should be net. Difference to California about \$5 million State/county.

3. Provisions of PL 90-248 remain critical to California such as:

a. Exemption of earned income in AFDC on open-ended basis. (Decision Memo 7-14-69 - Senator Murphy)

- (1) Committed to principle aid policies must provide incentive of monetary gain in relation to work.
- (2) Congress went too far. Law results in some few families being able to remain on aid with large gross incomes.
- (3) Should be gradual reduction percent of earnings exempted plus cut-off point.

b. Eligibility restrictions - AFDC-U

- (1) Under California law must continue aid to nonfederally eligible cases - locked in. Administration bill (SB 1335) to bring California program in line Federal definition opposed by counties - held in Senate Finance Committee.
- (2) Provisions prior to PL 90-248 should be restored so States can define "unemployment" under program.

C. Concern that welfare programs may be sowing the seeds of future dependency

1. Widespread impression welfare system manufactures its clientele. Fact is the rising size and cost of welfare reflects a failure of other systems to do their job in society, specifically in the family group programs. A common denominator is lack of education and lack of skills to obtain and hold a job in today's economy. These are specifically illustrated by such factors as:

- The continuing migration from rural to urban areas of thousands of people, many of whom never had a chance for a minimum, let alone adequate education.
- An advanced technology under which more and more of the jobs which are created require high level skill and competence leaving an increasing number of people behind.
- The failure of the educational system to develop the maximum capacities of the individuals it serves and to focus its efforts on the needs of the labor market.
- The weakening of family ties and sense of family solidarity and responsibility associated with the extreme mobility of our population, and the trend toward the self-contained single unit family composed of mother, father, and children.

Factors in increasing size of our aged and disabled group are:

- The steady increase in the length of life, with the result that even those who have been able to save something for their old age are more and more outliving their resources.
- The miracles of modern medicine which are extending the life of the severally disabled who previously would have succumbed to illness at an earlier age.

2. To the extent needy children do not get the start in life they must have to become responsible and productive adults, adequately prepared for the world of work, are in danger of sowing seeds of future dependency.
 - a. Hope of preventing dependency rests on ability to give them this start.
 - b. This is basis for concern that more than 418,000 children - 53 percent of the State's needy children do not have basic needs met. Most seriously disadvantaged are the more than 416,000 living in families, mostly headed by women, with no outside source of income and little or no present capacity to produce any. Maximum statutory payment meets only 88.8 percent of basic needs.

D. Concern about the effect of welfare programs on the Incentive to Work

1. Vast majority recipients want to work
 - a. 46,600 now working part or full time. If all lost jobs tomorrow would mean about \$5.2 million in additional costs per month or \$62.4 million annually.
 - b. Jobs and job training the key demands heard in direct meetings with recipients.
2. For minority who would shirk responsibilities - tougher sanctions for refusal of work or training without good cause.
 - a. Congress in PL 90-248 limited sanctions in WIN to vendor payments for family after taking person who refused work out of budget.
 - b. Until recently Feds gave impression this applied across board. We now hold it applies only to recipients referred to WIN.
 - c. For all others have adopted regulations to cut off at pockets if refuse work or training without good cause.
 - d. Pushing Feds to apply this to WIN referrals not in active training status.

3. Greatest number of potential employables are mothers, thus expanding availability of child care services merits high priority.
 - a. Concentrating attention in ghettos and farm labor camps.
 - b. Cooperative arrangements with Education, State OEO, etc.
 - c. Getting favorable response on Spencer Williams' letter to Councils of Churches on use of their facilities for child care. These being followed in cooperation with county welfare departments.
 - d. State bears portion of nonfederal share of child care costs only for WIN participants. For all others, counties or private sources must cover.
4. Further consequence federal restriction on AFDC-U -- nonfederally eligible recipients not served by WIN. To cover gap am planning to require counties to provide work training program for 6,900 such cases effective 10-1-69. Counties oppose and are appealing to Governor.

E. Welfare Fraud

1. State Social Welfare Board study defined nature of welfare fraud and provided base for Fraud Incidence Study now underway in cooperation with California District Attorney's Association. Representative sample of AFDC caseload being investigated by traveling task forces of district attorney investigators, independent auditors and welfare administrators. Findings available December 1969 to provide basis administrative action and possible legislative proposals.
2. Cooperative arrangements being completed with Employment and county welfare departments for system to match employer payroll information in Employment's files with income from employment reported by recipients to county welfare.

F. Legal abuses of welfare programs

1. Questionable payment of aid

- a. Tightened regulation on amounts taken into account for transportation to work or training by private car.
- b. Regulations under development: to prevent recipients from remaining eligible or being immediately reinstated to rolls after receiving and disposing of sizeable nonrecurring lump sum payment; to prevent employed recipient from under-claiming number of dependents for income tax payments to obtain lump sum tax rebate; to standardize procedures for handling fluctuating income to minimize uncollectible overpayments.
- c. Joint State/county study leading to possible consideration of monthly income reporting card system for AFDC.

2. Questionable use of welfare funds by recipients

- a. No precise information on number of families "misusing" welfare funds. All available evidence indicates very small.
- b. Money management problems of many recipients compounded by: pressing debts incurred prior to receipt of aid; pressure to make unrealistic "big-ticket" purchases on long-term credit at high interest; aid payments not meeting current needs.
- c. When funds diverted to detriment of children, regulations direct counties to discontinue cash payments and impose controlled payments - vendor or third party. Almost one percent of families on controlled payments.
- d. In aggravated situations counties directed to seek removal of children through court action.
- e. Stronger money management regulations being adopted in August emphasize above actions and direct counties to:

- Stress prevention money mismanagement potential through prompt aid delivery and early identification of families with potential problems.
- Place responsibility on specialized staff to deal with problems.
- Work with creditors in correcting and resolving problems.

3. Letter from Spencer Williams to County Welfare Directors, Boards of Supervisors, and District Attorneys soliciting information and suggestions on the problem. Responses to this to provide basis for further action.

G. Failure of absent fathers to provide for support of their children up to their ability

1. Adopted regulations to improve cooperative welfare law enforcement efforts to locate deserting fathers, establish paternity, obtain child support.

Key provisions:

- a. Commitment at State and county level of specialized units or staff dedicated to this effort.
- b. Procedures to use Internal Revenue files to locate deserting fathers.
- c. Cost-sharing arrangement with law enforcement to provide federal reimbursement of additional costs. (Pressing Federal Government to eliminate maintenance of effort restriction on district attorney costs).
- d. Cooperative arrangements between counties and with other states.

Close involvement of District Attorneys and Family Support Council in program.

H. Administrative complexity of the welfare system

1. Administrative simplification adult aid programs based on recommendations

of State/county simplification committee.

- a. Actions taken - revised basic needs chart; consolidated 96 different special diet allowances into one; standardized needs allowed due to certain critical factors or physical handicap for restaurant meals, laundry, and telephone; eliminated special yard care allowance.
 - b. Under study November hearing - restructuring several special need items; simplified treatment of allowances for utilities.
2. Automated support for the aged. This concept first enunciated in Governor's message to 1969 Legislature. Being implemented through study to determine: feasibility of graded system of standard allowances exclusive of one-time and emergency needs from which income would be deducted; whether amount of information and frequency of client contact can be safely reduced; whether an amount not too different from current grant levels can be established so as to remain unchanged for at least 12 months. If results and study are favorable, grant changes can be automated to a very great extent. If in effect 1968, counties could have avoided many of the 900,000 changes in grant.
3. Simplified eligibility system - use of eligibility statement
- a. In effect statewide in OAS; optional use in AB-ATD until 1-1-70, statewide thereafter; no final decision on use in AFDC. Use in AFDC confined to five test counties with testing to start 9-1-69 and extend through 6-30-70 if needed. Decision as to further use to be based on test results, and then existing federal requirements.
 - b. Interview required in every case despite federal objections. Full field investigation of random sample of all cases granted aid.
 - c. Eligibility statement requires declaration of all facts pertinent to

eligibility for aid. Applicant required to subscribe to the truthfulness of the facts declared by witnessed signature. This statement integral part of case record and available to district attorneys in prosecuting cases of fraud.

I. Overemphasis on social services beyond demonstrated need and/or desire of recipients

1. Traditional approach - same worker responsible for both aid payments and social services has resulted in:
 - a. Lack of distinction in identifying true service needs - almost every family case a "service" case.
 - b. Diffusion of effort.
 - c. Inefficient use of staff resources.
2. New approach - organizational and functional separation aid and services with some units and staff concentrating on aid payment procedures with others concentrating on social services. Good start made on process - will be operational statewide 7-1-70. Expected benefits:
 - a. Greater visibility social service activities - much more accessible to administrative direction, control.
 - b. Concentrated attention by specialized staff on true service needs.
 - c. Use of eligibility workers opens way jobs for persons less than four-year college.
 - d. Use of Service Aides and Eligibility Aides opens ways to new careers for disadvantaged.
 - e. New system facilitates use of citizen volunteers.

J. Information and knowledge gap

1. No assumption of precise cause/effect relationship between social and economic factors outlined earlier and public dependency. Fact is - still flying blind.
2. Public welfare system short of verifiable information as basis for:
 - a. Guiding set of ideas regarding nature and causes of problems we deal with.
 - b. Judgments as to approaches calculated to yield best results at least cost.
 - c. Objective measurement of results.
3. Some small starts made around edges of problem but basic problem (which is nationwide) requires massive research effort.

III

Forces at Work Which Must be Taken into Account in Dealing with the Welfare Problem

A. Current social ferment - revolution of rising expectations

Governor and Cabinet aware there are powerful forces at work in our society as evidenced by campus militancy, increasing urban crisis, the current social ferment, and what has been called the "revolution of rising expectations". These same forces are having a very direct impact on our welfare programs.

1. Some examples on the national scene:
 - a. Poor People's Campaign - pressure on former Secretary Cohen to adopt liberal regulations in dying days of previous national administration.
 - b. Demands to revamp or junk present system in favor of some kind of guaranteed minimum annual income system.
 - c. Increasing demand for direct voice in welfare policy and practice by recipient groups.

2. Some examples closer to home.

- a. In confrontations with recipients at public hearings and other meetings have sensed increasing militancy and frustration. Single most pervasive feeling which comes across is the sincere and passionate concern these AFDC mothers have for the future of their children.
- b. Have given their constructive expressions of concern careful, sympathetic attention. Through these means and by keeping open lines of communication with them and their organizations, am working to encourage and sustain their confidence in normal democratic processes of government. This approach is serving to keep things pretty cool in California, in contrast to heat being generated over welfare issues in other places.

B. Reflection of these forces in the Legislature

1. Legislators aware of and sensitive to these forces. WRO's have liaison with significant group of legislators.
2. Approach of Legislature to welfare problems reflects polarization of attitudes of people on meaning of "welfare reform". To half, "reform" means liberize, while to the other half, "reform" means cut.
3. Influence of these forces and public attitudes on Legislative Branch is reflected in manner in which it has dealt with Administration's legislative program. (See attached summary)

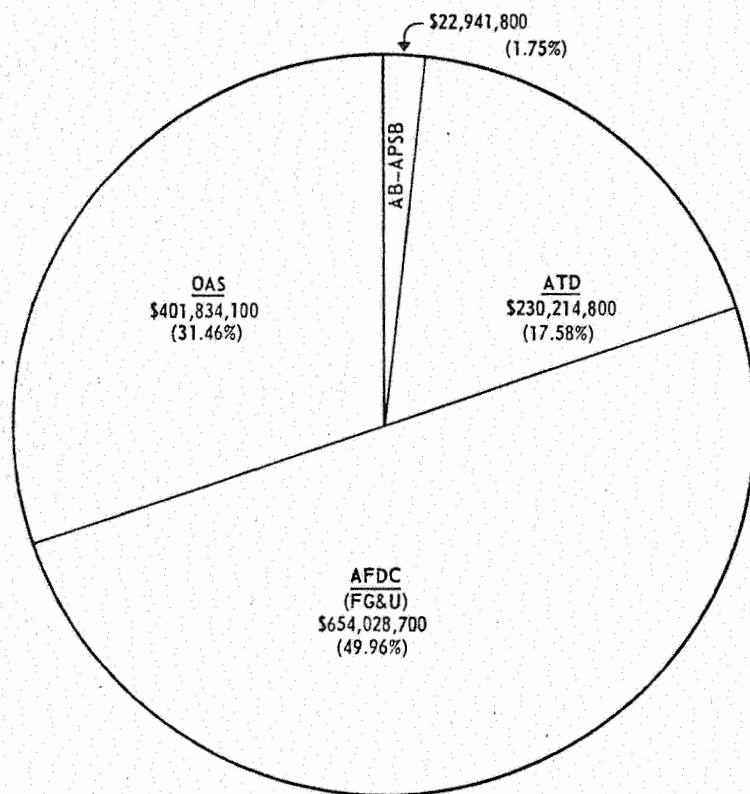
C. Reflection of these forces in the courts

1. Welfare law and administrative practice increasingly being challenged in the courts as part of apparent nationwide strategy. Most issues involved in suits are on "target" list of ten issues in field of welfare developed and promulgated in 1966 by Center on Social Welfare Law and Policy at Columbia University.

2. Consequences of suits brought against California and other states particularly significant since most are "class actions" brought on behalf of one or more named recipients plus all the recipients in the same situation. Summary of most significant California cases in past year is attached.

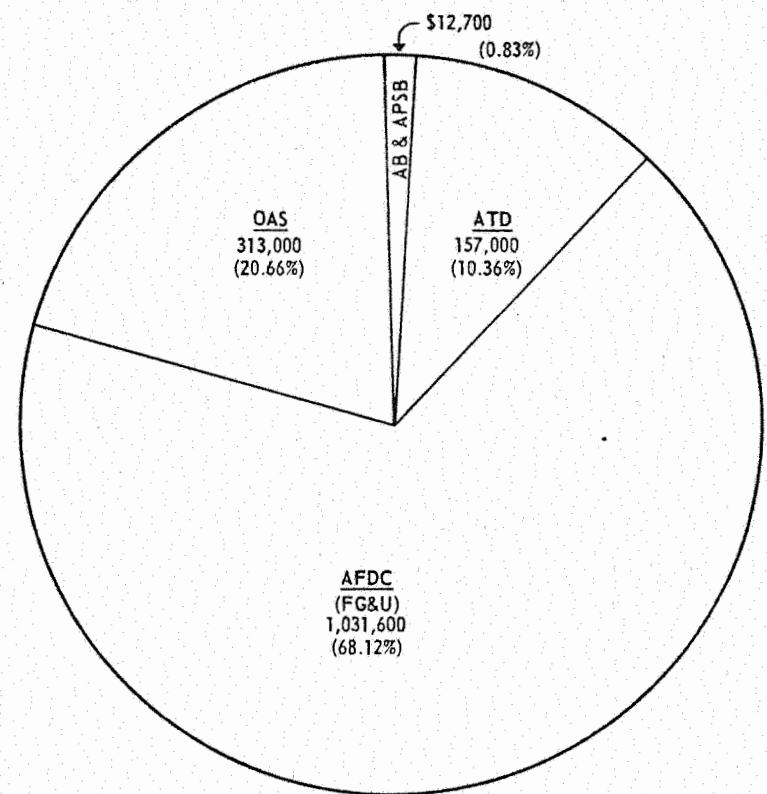
CATEGORICAL ASSISTANCE PROGRAMS
ESTIMATED EXPENDITURES AND PERSONS AIDED
1969-70 FISCAL YEAR

EXPENDITURES



TOTAL EXPENDITURES \$1,309,019,400

PERSONS AIDED



TOTAL PERSONS AIDED 1,514,300

STATE DEPARTMENT OF SOCIAL WELFARE
OFFICE OF PLANNING

SOURCE: 1969-70 GOVERNOR'S BUDGET

"STATUS OF ADMINISTRATION BILLS AS OF July 25, 1969"

<u>BILL NO.</u>	<u>AUTHOR</u>	<u>POSITION</u>	<u>STATUS</u>	<u>SUBJECT</u>
SB 714	Harmer	Support	Do pass Assembly H & W Subcomm	Authorizes providing landlords with forwarding address of tenant who left without payment of rent
835	Dolwig	Support	Held in Gov Eff	Uniform criminal procedure for illegal receipt of aid
837	Grunsky	Support	Held in committee	Preplacement study for independent adoptions
847	Stevens	Support	Assembly H & W	ATD - relative's responsibility
848	Stevens	Support	Held in Finance	Liens on real property
857	Deukmejian	Support	Assembly W & M	Support provisions where unrelated adult male resides in AFDC household
924	Burgener	Support	Assembly floor	Evaluation of allowances for recipients receiving complete care
977	Richardson	Support	Held in Lab & S W	Residence
999	Sherman	Support	Assembly floor	Homemaker service and out-of-home care
1118	Harmer	Support	Held in Lab & S W	Joint living standard for married adult recipients

STATUS OF ADMINISTRATION BILLS AS OF July 25, 1969

<u>BILL NO.</u>	<u>AUTHOR</u>	<u>POSITION</u>	<u>STATUS</u>	<u>SUBJECT</u>
SB 1184	Coombs	Support	Held in Lab & S W	Excludes as unemployment caused by trade dispute as basis for eligibility to AFDC
1335	Sherman	Support	Held in Finance	Disqualifies unemployed parents not covered by Social Security Act. Appropriates funds to prevent undue hardship
1368	Way	Support	Held in Lab & SW	Repeals appropriation for PA programs
1369	Way	Support	Dropped by author	Any federal grant increases after January 1969 shall render inoperative cost-of-living increases for same year
AB 1332	Chappie	Support	Held in H & W	Disqualifies AFDC unemployed parent who refuses transportation to job
1334	Hayes	Support	Signed - Chapter 509	Prompt delivery of warrants
2135	Chappie	Support	Held in H & W	Repeals obsolete section

SUMMARY OF RECENT COURT CASES

Page 1 of

Subject	Issue	Position of State	Status/Comment
Residence	Whether state laws requiring specific length of residence violate the Constitution.	Insisted vigorously and to the end that such laws were constitutional and authorized by Congress	<p>In April 1969, the Supreme Court ruled 6 - 3 that such laws are unconstitutional.</p> <p>California and a number of other states had already been under court order to the same effect for more than one year.</p>
Aid Pending Fair Hearing	Whether a recipient whose welfare grants are discontinued or greatly reduced and who asks for a "fair hearing" is entitled to aid until the fair hearing decision is rendered.	California regulations provide adequate due process of law protection to the recipient.	<p>--In Federal Courts--California position that aid need not be paid upheld by 3-judge U. S. District Court. Case now on appeal to U. S. Supreme Court.</p> <p>--In State Courts--A State Superior Court ruled that persons whose aid was discontinued and who could deny under oath the facts on which this was based were entitled to continued aid pending fair hearing decision. This case is on appeal pending before State District Court of Appeal.</p> <p>NOTE: Current federal regulations to become effective 10/1/69 also provide for aid pending fair hearing decision.</p>

SUMMARY OF RECENT COURT CASES

July 1969

Page 2 of 3

Subject	Issue	Position of State	Status/Comment
"It Pays Not To Work"	Whether it is a violation of a person's constitutional right to terminate aid because he is fully employed when his earnings are less than his welfare benefits.	This is not only constitutional but compelled by law.	Pending decision in 3-judge U. S. District Court.
Cost of Living	<p>(1) Whether the present maximum grants in AFDC are adequate for safe and healthful living.</p> <p>(2) Whether it was lawful to exclude from last year's increase in the adult programs the medical component.</p>	<p>The standard of assistance is set by the Legislature in the lawful exercise of its responsibilities.</p> <p>It was lawful and appropriate to disregard the medical component since medical care was provided free of charge.</p>	<p>Two cases are pending--one in federal and one in state court.</p> <p>Argued before District Court of Appeal and pending decision.</p>
Gross or Net Income	Whether the earned income exemptions provided by federal and state law are to be computed on a "net" or "gross" basis.	It is lawful and proper to compute on a "net" basis.	Hearing set for July 29, 1969.
Man in the House	Whether it may be presumed that the income of the male parent figure in a household is available to support the entire family irrespective of status as father or step-father or unmarried consort to the mother of the children.	Completely equal treatment of all males in this position is compelled by the Constitution and consistent with state and federal law.	A 3-judge U. S. District Court upheld the state regulations and declared the federal regulations to be in violation of the Social Security Act. The case is now on appeal to the U. S. Supreme Court.

SUMMARY OF RECENT COURT CASES

Page 3 of 3

Subject	Issue	Position of State	Status/Comment
Income Set Aside for Educational Purposes	Whether under state regulations outside income other than the child's earnings must be allowed to be set aside for educational purposes.	Such arrangements need be made only when they are: a) Appropriate b) Expressly requested	Awaiting decision by San Francisco Superior Court.
Food Stamps and Commodities	Whether a surplus food program must be available in all counties in California.	Neutral	Moot. As of July 1, all counties had at least one of the two programs and the case was dismissed.

PERTINENT QUESTIONS ABOUT WELFARE

1. Why are caseloads going up when the level of the economy remains high and many jobs go unfilled?
2. What can be done to reverse the trend of rising public assistance costs?
3. Why has the number of needy children increased twice as fast as the child population during the last decade?
4. Why has the Legislature failed to enact cost-reducing legislation?
5. Why have county governments opposed cost-reducing legislation?
6. How far can a welfare recipient be required to travel to take a job?
7. Can a welfare recipient refuse a job because it is below or different than his training or experience level?
8. How often does a welfare recipient have to report to the Department of Employment?
9. What can be done if a welfare recipient dresses or conducts himself in such a manner that his appearance makes him unacceptable to an employer?

COST REDUCTION CHANGES IN WELFARE PROGRAMS, SHOWING LEVEL AND BRANCH OF GOVERNMENT HAVING AUTHORITY TO EFFECT THEM

Change can be Accomplished Through:

Page 1 of 3

COST REDUCTION ITEMS	I FEDERAL LAW ONLY (KEY SECTIONS OF SOCIAL SECURITY ACT)	II FEDERAL REGULATIONS	III STATE LAW ONLY (KEY SECTIONS OF W & I CODE)	IV STATE LAW/ FEDERAL REGULATIONS	V STATE LAW/ STATE REGULATIONS	VI STATE REGULATIONS
1. Eliminate one or more Aid Programs —			→ Division 9			
Restrict basic program coverage thus reducing number of recipients and number of those in general population who would qualify if they applied for aid:						
2. By redefining personal characteristics required for eligibility to make them more restrictive						
a. OAS — Age —	→ 2(b)(a)(1)					
b. AB — Degree of Blindness —					W&IC: 12502 Reg: 42-103	
c. ATD — Extent of Disability —					W&IC: 13501 Reg: 42-203	
d. AFDC-FG — Deprivation of Parental Support —	→ 406(a)					
e. AFDC-U — Definition of Unemployment —			→ 11201			
3. By decreasing maximum personal and real property allowed						
a. OAS)						
b. AB)			→ 11150-11157			
c. ATD)						
d. AFDC —			→ 11255-11261			

COST REDUCTION CHANGES IN WELFARE PROGRAMS, SHOWING LEVEL AND BRANCH OF GOVERNMENT HAVING AUTHORITY TO EFFECT THEM

Change can be Accomplished Through:

Page 2 of 3

COST REDUCTION ITEMS	I FEDERAL LAW ONLY (KEY SECTIONS OF SOCIAL SECURITY ACT)	II FEDERAL REGULATIONS	III STATE LAW ONLY (KEY SECTIONS OF W & I CODE)	IV STATE LAW/ FEDERAL REGULATIONS	V STATE LAW/ STATE REGULATIONS	VI STATE REGULATIONS
4. By reducing assistance standards used to determine financial need						
a. OAS _____			→ 12150-12152 12159			
b. AB _____			→ 12650-12652			
c. ATD _____					→ W&IC: 13700-13701 Reg: 44-207	
d. AFDC _____					→ W&IC: 11452-11453 Reg: 44-212	
5. By reducing income exemptions in determining entitlement to aid and amount of grant						
a. OAS _____			→ 11008			
b. AB - Earned Income _____	→ 1002(a)(8)(A)					
c. AB - Income for Self-Support Plan _____	→ 1002(a)(8)(B)					
d. AB - Other Income _____			→ 12654			
e. ATD _____			→ 11008			
f. AFDC-FG & Federally Eligible AFDC-U _____	→ 402(a)(8) 402(a)(9)(D)					
g. AFDC-U Nonfederal Eligible _____						→ X

COST REDUCTION CHANGES IN WELFARE PROGRAMS, SHOWING LEVEL AND BRANCH OF GOVERNMENT HAVING AUTHORITY TO EFFECT THEM

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Page 3 of 3

COST REDUCTION ITEMS	I FEDERAL LAW ONLY (KEY SECTIONS OF SOCIAL SECURITY ACT)	II FEDERAL REGULATIONS	III STATE LAW ONLY (KEY SECTIONS OF W & I CODE)	IV STATE LAW/ FEDERAL REGULATIONS	V STATE LAW/ STATE REGULATIONS	VI STATE REGULATIONS
Restrict overall level of aid expenditures:						
6. By closed-end appropriation with rateable reduction of aid payments across board when expenditures threaten to exceed appropriation			→ 15200-15204			
7. By establishing over-all ceiling on gross family income from public assistance and all other sources			→ X			
Impose conditions designed to motivate people to seek alternatives to public assistance:						
8. By requiring liens on real property			→ 11007			
9. By extensive use of controlled payments (vendor or third party)	→ 6(a); 406(b)(2); 1006; 1405					
10. By increased requirement and rigorous enforcement of relative responsibility in adult aid programs			→ 12101; 12600; 13600;			
11. By discontinuing aid in all AFDC cases for refusal without good cause to accept work, job training or vocational rehabilitation	→ 402(19)F					
12. By requiring all able-bodied AFDC recipients to perform useful public work in return for their aid	→ PL 90-248 Section 204(c) - Repeals Section 409 Soc. Sec. Act					
Eliminate federal provisions on:						
13. Limitations on federal reimbursement for certain AFDC-U cases	→ 407(b)(1)(A-C)					
14. Requirement that free legal services be given appellants		→ 45 CFR-205.10				
15. Requirement that aid be paid pending appeal decision		→ 45 CFR-205.10				
16. Limitations on federal reimbursement of district attorney costs of parental support enforcement		→ 45 CFR 220.61(f)(4)(v)				
17. Requirement that states reduce the rigor of investigative methods in AFDC and rely heavily on client statements		→ 45 CFR 220.5(a)(2)				

Memorandum

To : The Honorable Ronald Reagan
Governor of California

Date : August 6, 1969

VIA: Earl Coke
Assistant to the Governor
for Cabinet Affairs

File No.:

Subject: Report on White House
Briefing - President's
Welfare Reform Proposal

From : Office of the Secretary

Time: 1:30 p.m., Roosevelt Room, White House

Present: Governor James A. Rhodes, Ohio
Governor Raymond P. Shafer, Pennsylvania
Governor Francis W. Sargent, Massachusetts
Representatives of Governor Nelson A. Rockefeller,
New York
Spencer Williams, representing Governor Ronald
Reagan of California

Presentation by: Representatives of the Department of Health,
Education, and Welfare, Department of Labor,
and Bureau of the Budget

Legislative Timetable: Present program in general terms now -
work out legislative and other details
during the recess

This presentation on welfare reform was described as one part of
a three-part package.

The other two, to be announced later: Manpower training
Revenue sharing

The Welfare Reform Plan: Repeal the AFDC/AFDC-U program (Title IV
of the Social Security Act)

Substitute Nixon work-oriented "Family
Security Plan" (FSP)

The six basic objectives of FSP:

1. Set Federal minimum income standards for families
2. Promote family unity
3. Assist (supplement) the working poor
4. Expand job training opportunities
5. Impose strong work requirements
6. Provide fiscal relief to the states

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Families Covered: All families, whether headed by man or woman, having earned income less than \$3,920.

Maximum Federal Benefits: \$500 each for first two
\$300 for each additional

or

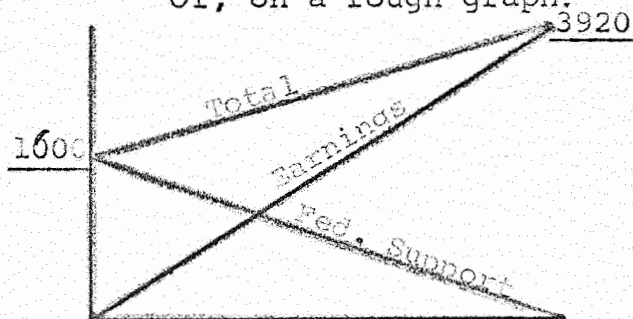
\$1,600 for family of four

For Families With Earnings: The first \$720 will be fully exempt - thereafter, one-half of earnings over \$720 will be exempt. There is no proposed ceiling on maximum combined grant plus income.

Represented on a table this means:

<u>Earned Income</u>	<u>Benefit</u>	<u>Total Income</u>
0	1600	1600
720	1600	2320
1000	1460	2460
1500	1210	2710
2000	960	2960
2500	710	3210
3000	460	3460
3500	210	3710
3920	0	3920

Or, on a rough graph:



As the earnings go up, the total goes up, and Federal supplement goes down.

The states will be required to maintain their present levels of benefits, but if lower than the Federal standard, will not be released from more than 50% of their present costs. If a state is higher than the Federal minimum, they will not be required (by Federal regulation) to contribute more than 90% of its

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present costs (which may mean that the low-paying southern states may be the big winners in this plan). However, each state is supposed to realize at least 10% relief.

It is estimated that this program will extend to 23 million (as compared to the current 10 million) but that the states will not be required to contribute supplementation to the "working poor".

In response to my question, they said that the new "working poor" classification need not necessarily be eligible for Medi-Cal. No discussion was directed towards the family that had no working member.

The proposal also covers major changes in the adult categories; e.g., blind, totally disabled, aged.

The Federal Government would impose a Federal floor of \$65 per month--combined grant and income--for all adult categories. It would pay

100% of the first \$50 required
50% of the next \$15 required, and
25% of all else.

All states should experience savings from this modification.

Stiffer work requirements were provided as a part of the new program:

1. Registration of Unemployed - all applicants for FSP must register at their employment office.
2. Training and Employment - all employables would lose benefits if they refuse to accept training and employment without good cause.
3. Day Care - Adequate and convenient day care would be available for children of working parents. This would be on a 90-10 basis--payments going to the recipients who would then purchase care (from licensed facilities) on the open market.

It was suggested that there would be over 1 million training and employment opportunities (including jobs in day care centers) that would stimulate utilization of this program.

The real "kicker" came in the proposal for Federal administration of the program.

Since the Social Security Administration already has 800 offices and 51,000 employees, it could be converted to pick up this additional function.

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Eligibility would be determined from Declaration Forms filed by the applicant--with subsequent spot check to verify the facts.

Changed conditions of income on family status would be reported by the recipients and

Adjustments in payments would be made as a result thereof.

Fraud for failure to report changed conditions, or by improperly reporting salient facts in the original application, would become a Federal offense (misdemeanor) prosecuted in Federal Courts by Federal officials.

Social Services to the recipients would continue to be the responsibility of the states (and in California, the counties).

Things were somewhat fuzzy about the division of responsibility--how the states and Federal Government could contract for an allocation of responsibilities--the mechanisms for state supplementation of Federal payments.

It was pointed out that this new program would add \$4 billion to Federal commitments.

Would provide states with needed "relief" in three forms:

1. Actual savings
2. Revenue sharing
3. Additional Federal funds for day care centers

<p>For <u>Ohio</u>:</p> <table border="0"> <tr> <td>1.</td> <td>\$30.2 million</td> </tr> <tr> <td>2.</td> <td>40</td> </tr> <tr> <td>3.</td> <td><u>26</u></td> </tr> <tr> <td></td> <td>\$96.2</td> </tr> </table>	1.	\$30.2 million	2.	40	3.	<u>26</u>		\$96.2	<p><u>Massachusetts</u>:</p> <table border="0"> <tr> <td>1.</td> <td>\$31.1</td> </tr> <tr> <td>2.</td> <td>29.6</td> </tr> <tr> <td>3.</td> <td><u>16.8</u></td> </tr> <tr> <td></td> <td>\$77.5</td> </tr> </table>	1.	\$31.1	2.	29.6	3.	<u>16.8</u>		\$77.5
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<p><u>Pennsylvania</u>:</p> <table border="0"> <tr> <td>1.</td> <td>\$40.4</td> </tr> <tr> <td>2.</td> <td>53</td> </tr> <tr> <td>3.</td> <td><u>35</u></td> </tr> <tr> <td></td> <td>\$128.4</td> </tr> </table>	1.	\$40.4	2.	53	3.	<u>35</u>		\$128.4	<p><u>California</u>:</p> <table border="0"> <tr> <td>1.</td> <td>\$175</td> </tr> <tr> <td>2.</td> <td>112</td> </tr> <tr> <td>3.</td> <td><u>90</u></td> </tr> <tr> <td></td> <td>\$377</td> </tr> </table>	1.	\$175	2.	112	3.	<u>90</u>		\$377
1.	\$40.4																
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	\$128.4																
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2.	112																
3.	<u>90</u>																
	\$377																

In conclusion - Feds said this was an effort to cure two kinds of inequities:

1. Those coming from regional differences
2. Differences between Man and Woman being head of household

Also, that it improved the bridge to employment and constituted fundamental reforms.

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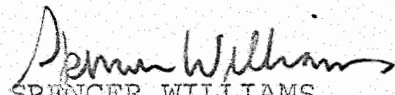
Governor Rhodes said - this plan perpetuates an existing system that has already failed--that it is using band-aids when major change was required--that it would really get Nixon into a pickle--that education, particularly vocational education, was the way to go--that it was O.K. for Feds to take over aged, blind and disabled (and save states \$1 billion) because these not "poverty oriented" but that states should stay in picture on AFDC.

Governor Shafer said - it was not "dramatic enough"--that it was mishmash of ideas--did not offer sufficient immediate help to states--that welfare second only to Vietnam and campus disturbances--was most emotional and misunderstood problems states had.

Governor Sargent felt President should be very general in his approach--cautioned against broadening base (welfare coverage) before solving problems of those already there--concurred with Rhodes and Shafer.

Spencer Williams - questioned validity of figures--challenged "philosophy" of shifting responsibility and authority to Federal Government as being contrary to Nixon approach--just that much further from the concerned voters--felt we should concentrate on those now on welfare and pour any additional resources into the children (50% of total load) to prevent them from being our welfare recipients of tomorrow.

The Federal staff seemed concerned--but almost too far down the track to make any major reversals.


SPENCER WILLIAMS
Secretary