SR
26

COMMITTEE REPORT

SENATE

4/23/82

FURTHER: Finance

Date: 4-23-82

Mr. President:

The Committee on HEALTH, EDUCATION & SOCIAL SERVICES has had SR 26

Requesting the governor to direct the commissioner of health and social services to prepare a job training and work experience program for AFDC recipients.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

[X] do pass [ ] do not pass

[ ] do pass with attached amendments(s)

[ ] replace with CS for ______ [ ] same title [ ] new title

and recommends ______

[ ] AND attaches a "Letter of Intent" [ ] New Fiscal Note

[ ] reports it back without recommendation

[ ] referred to the ______ Committee

MEMBERS SIGNING DO PASS

MEMBERS HAVING OTHER RECOMMENDATIONS:

CHAIRMAN

S 60 (Rev. 12/78)

12-2789
Hein
4/18/82

Colletta

IN THE SENATE

BY THE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

SENATE CONCURRENT RESOLUTION NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - SECOND SESSION

Requesting the governor to direct the commissioner of health and social services to prepare a job training and work experience program for AFDC recipients.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS the current state budget of $35 million for Aid to Families with Dependent Children (AFDC) is a significant contribution of limited state resources to needy children and their families and is more than twice the budget of the program five years ago; and

WHEREAS it is in the best interest of the state to provide to adult members of families receiving assistance under the AFDC program opportunities for job training and work experience that will enhance their employability and increase the likelihood of their achieving economic independence; and

WHEREAS job training and employment programs being offered in the state are unable to meet the needs of AFDC recipients and other state residents; and

WHEREAS job training and work experience programs can promote self-esteem, dignity, and responsible work attitudes; can assist in providing the training and establishing the work history often necessary to obtain and keep gainful employment; and can help develop the state's economy by providing a labor force trained to meet the needs of local employers; and

WHEREAS in the absence of a state requirement it is likely that the federal government will impose a national work requirement on the Alaska AFDC program by October 1, 1982, that may be inconsistent with the needs of the

LA-L 20A

state;

BE IT RESOLVED by the Alaska State Legislature that the governor is respectfully requested to direct the Commissioner of Health and Social Services to submit to the Legislative Budget and Audit Committee by October 1, 1982, a report on the feasibility of a job training and work experience program for adult AFDC applicants and recipients in the state, and including a description of

(1) the types of recipients and applicants who would benefit by participating in a job training and work experience program;

(2) types of job training and work experience that would be provided by government and private employers ~~are~~ under the program;

(3) areas in the state that would be served by the program;

(4) existing programs that would be available to assist in implementing the program;

(5) supplemental support services that may be required to implement the program, such as day care services and vocational training courses;

(6) cooperative arrangements that the Department of Health and Social Services may desire to make with organizations or entities, such as the University of Alaska and Alaska Native corporations, to implement the program; and

(7) federal and state requirements that must be met in order to implement the program, such as federal approval of AFDC demonstration projects. ~~and compliance with the State Personnel Act (AS 39.25); and be it~~

FURTHER RESOLVED that the governor is respectfully requested to direct the commissioner of health and social services to submit to the legislature by January 30, 1983, a final report concerning plans for the implementation of, and progress made toward the establishment of, a job training and work experience program for adult AFDC recipients and applicants.

POSITION PAPER

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 638

"An Act relating to a work experience program for persons who receive aid to families with dependent children; and providing for an effective date."

OVERVIEW

Sponsor Substitute for Senate Bill No. 638 would establish a pilot program that will require certain recipients of aid to families with dependent children (AFDC) to work in the public sector or private sector as a condition of eligibility for their benefits.

The Department concurs with the finding of need for a work experience program that will help employable recipients of AFDC benefits to become self-supporting. It would appear that the long-term interests of society are best served when welfare recipients are able to obtain and keep gainful employment. Studies have consistently shown that the most critical factors in determining their successful transition to unsubsidized employment are:

1. their expectations of achieving economic independence; and

2. the similarity of their work experience with available unsubsidized employment.

By providing the opportunity for uccessful experience in the work world, AFDC recipients may enhance their employability and raise their expectations of becoming self-supporting.

ISSUES/RECOMMENDATIONS

Because work experience that is similar to available or anticipated jobs is important, it is essential to have private sector participation in the program. Recent communications with Region X AFDC personnel have indicated that the development of work sites in the private sector would require a demonstration project waiver in order to avoid jeopardizing Federal Financial Participation.

Communications with the Alaska State Department of Administration staff have indicated that there may be problems with developing work sites in State service. Even non-permanent employees are subject to most requirements now imposed for regular State employment. In order to reduce potential fiscal impact and avoid other restrictions that would act as a barrier to welfare recipients' employment in State service (e.g., mandate to hire from the personnel registers), the Department would recommend changing the section pertaining to exempt service in the Alaska statutes.

Section 39.25.110 which begins: "The following positions in the state service constitute the exempt service and are exempt from the provisions of this chapter and the rules adopted under it:" may be amended by the addition of a new category as follows:

> (26) people working in job classifications designed to provide work experience for designated categories of recipients of aid to families with dependent child.

A fiscal factor that must be raised is the very critical need for adequate day care services. Services such as those provided through the Department of Community and Regional Affairs' Day Care Assistance Program must not only be available, but readily accessible if welfare parents are to be expected to participate in a work experience program. Existing Federal AFDC work experience programs permit job site development in private-for-profit day care facilities. It may, therefore, be possible to minimize the fiscal impact of day care needs by utilizing program participants in such facilities. It may also be possible to restrict participation to categories of clients that will minimize associated day care costs.

IMPLEMENTATION

The Department would recommend operating initial test sites in Anchorage, Fairbanks, and Juneau and utilizing the existing Work Incentive (WIN) Program operations in those cities for implementation of the work experience program. The Department would also favor an emphasis on work site development in the private sector that diverts what would have been an AFDC grant to help subsidize better paying, more skilled jobs with career potential as this approach would better ensure long-term program success while serving client needs and public interests. The regular unsubsidized work experience job sites appear to be best suited for development in the public sector. These recommendations would also minimize the costs associated with a work experience pilot program.

POSITION

Consistent with the foregoing, the Department supports the Bill as it appears to be consistent with the agency's objective of long-term, self-sufficiency for welfare recipients.

RECOMMENDED BY: for John R. Pugh, Director
Division of Family and Youth Services

DATE: 2/25/82

RECOMMENDED BY: Rod Betit
Rod Betit, Director
Division of Public Assistance

DATE: 3/1/82

APPROVED BY: Helen D. Beirne
Helen D. Beirne
Commissioner

DATE: 3-2-82

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. Sponsor Substitute for Senate Bill No. 638
Title "relating to a work experience program for persons who receive AFDC..."
Requested by ______ Date ______

II. FISCAL DETAIL
Agency Affected Department of Health and Social Services
Program Category Affected Social & Economic Asst. for the General Population
BRU, Program, or Subprogram(s) Affected Work Incentive (WIN)
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS,CLAIMS,ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (Specify Source)	-0-	-0-	-0-	-0-	-0-	-0-
	-0-	-0-	-0-	-0-	-0-	-0-
	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-
	-0-	-0-	-0-	-0-	-0-	-0-

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

The Department projects zero fiscal impact with an employment program for AFDC recipients established as follows:

1. assignment to WIN for implementation and administration;
2. initial test sites in Anchorage, Fairbanks, and Juneau; and
3. mandatory participation of designated categories of people currently required to register for WIN.

The projected zero fiscal impact is further predicated upon the following presumptions:

1. reinstatement of the WIN program in the Federal FY 83 budget;
2. reinstatement of the State funded Fairbanks WIN program in the State FY 83 budget; and

IV. DATE 2/20/82 PREPARED BY Yvonne Ecker(?) for John R. Pugh, Director JCC
AGENCY Division of Family & Youth Services
PHONE 465-3170

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)
33-001 (Rev. 12/81)

3. funding of the Department of Community and Regional Affairs' Day Care Assistance Program sufficient to meet work experience program participant needs.

A change in any of the enumerated parameters would have a fiscal impact.

Out of CETA's Ashes:

New, Smaller Job Training Program Emerging to Help The Hard-Core Unemployed

Out of the ashes of the Comprehensive Employment and Training Act (CETA) — so often attacked as a conspicuous example of wasteful government spending — a new, smaller job training system is emerging in Congress.

The CETA law expires Sept. 30, and already there are three major congressional proposals that seek to replace it.

President Reagan's plan for a new training system is expected to be formally announced in time for joint House-Senate subcommittee hearings on the issue, beginning March 15.

While there are large differences among the four measures — especially over the touchy issue of who will control the new program — there are enough common points of agreement to give a good picture of the likely shape of future federal efforts to aid the hard-core unemployed.

First, the new program will have to be called something else, to free it from CETA's bad public reputation. "We've got to get rid of the name of CETA," said Rep. James M. Jeffords, R-Vt., the sponsor of one of the congressional proposals.

Unless high unemployment causes a dramatic shift in opinion, the new system will not give much help for those left jobless by recession. Much of the CETA system was devoted to providing jobs, known as public service employment, to such victims of economic downturns.

Repeated charges of widespread waste, fraud and abuse discredited public service employment in Congress. The 1981 budget reconciliation law (PL 97-35) killed off the program, and it is unlikely to be revived this year. *(1981 Weekly Report p. 1469)*

Instead, the new system will concentrate on providing training — from remedial reading and writing to advanced technical instruction — to those who lack the skills to find work.

The new system will have a reduced emphasis on income support. Only one of the main proposals allows for continued payment of substantial stipends to training participants.

Business will play a larger role in the new system than it did under CETA. Business people frequently felt excluded from the old program. That made them reluctant to hire its graduates.

Federal procedural requirements on local training programs will be loosened. Programs in the future will be judged according to how well they meet their primary goal — placing the disadvantaged in jobs.

State governments probably will have more power over the system than they did in the past.

But city and county governments, which dominated CETA, will be fighting hard to retain as much as possible of their authority.

Major Bills

The four main proposals before Congress contain, to a greater or lesser degree, similar changes in the employment training system.

The three congressional proposals are:

- HR 5320, introduced by House Employment Opportunities Subcommittee Chairman Augustus F. Hawkins, D-Calif.
- HR 5461, introduced by Jeffords.
- S 2036, introduced by Senate Employment Subcommittee Chairman Dan Quayle, R-Ind., and Edward M. Kennedy, D-Mass.

The Reagan administration's pro-

—*By Harrison Donnelly*

New Jersey program trains workers as maintenance mechanics for the hotel/casino industry.

posal has been circulated to interest groups in draft form. A final version will be released before the March 15-18 joint hearings by Hawkins' and Quayle's subcommittees, according to a Labor Department spokesman.

On the issue of control of the new program, however, there are large differences. Of the four proposals, the Hawkins bill preserves the most of the existing CETA system. It has the support of city and county lobbyists because it would continue to operate programs through local government "prime sponsors."

At the other end of the spectrum, the administration proposal would give state governors control over the size and scope of local programs.

In between is the Quayle bill, which retains the prime sponsor system in a state unless the governor wants to change it.

S 2036 is a compromise measure that reflects its joint sponsorship by Quayle and Kennedy.

Funding levels in the bills are well below those of CETA, which spent about $10 billion a year at its height. The largest authorization, $5 billion in fiscal 1983, is in the Hawkins bill; the lowest is the administration's, $2.4 billion. S 2036 has $3.9 billion for fiscal 1983, while HR 5461 has $3.6 billion.

Lessons of CETA

The widespread agreement on many aspects of the new training system is backed up by various studies of CETA in recent years. The studies have focused on the "new" CETA, as it was modified by 1978 amendments. *(1978 Almanac p. 287)*

First, job training seems to work. There is substantial statistical evidence that training programs result in increased income for participants. According to Robert Taggart, a training expert who directed youth employment programs for the Carter administration, each dollar invested in classroom training yields $1.38 in benefits to society. For on-the-job training, the payoff is $2.55 for each dollar invested.

The long-term benefits of public service employment were much less. Participants experienced only slight gains in income — an average of $290 a year, according to one study.

Public service employment had even more serious problems — especially the frequent incidents of alleged fraud. Moreover, many local governments had high "substitution rates" which meant that they frequently replaced their own employees with federally paid CETA workers.

Still, the 1978 amendments reduced some of the problems of public service employment. The substitution rate fell to 10 percent, according to a study by Richard P. Nathan and Robert F. Cook of Princeton University. In the early days of the program, up to two-thirds of public service workers were replacing regular employees.

But the cost of the 1978 amendments was that they increased the burden of federal control. Originally established as an early type of block grant, CETA by its end was a much more closely regulated program.

"You have to pay for the efforts that turned the program around. The increase in the federal presence created vastly greater and more complex administrative problems," observed William Mirengoff, who studied CETA for the Bureau of Social Science Research.

Another lesson of CETA was that it was hard to find jobs for participants if business did not have confidence in the program. Businesses often felt frustrated or excluded from the program, according to Madeleine Hemmings of the U.S. Chamber of Commerce.

Control Fight

The continued existence of the prime sponsor system probably will be the most difficult issue to be worked out during congressional debate on the new legislation.

The subject likely will dominate legislative work because it is of prime importance to the main interests that exert major lobbying efforts on behalf of employment and training programs — state, county and municipal governments.

Under the CETA system, there are 475 prime sponsors. Most are county or city governments, although the states operate "balance of state" programs in rural or small-town areas that do not have their own programs.

Counties and cities have a major interest in retaining the prime sponsor system. The local programs are a source of political favors. A mayor, for example, might win inner-city votes by funding a program run by a black community-based organization.

Lobbyists for the cities and counties argue that the current system, with its established structure and expertise, should be improved, not abandoned.

Another argument for preserving the current system is that the states have not been terribly successful in operating programs under CETA. "Some of the weakest links in the CETA system have been the states," said Richard Belous, executive director of the National Council on Employment Policy, a private group of academics and other policy experts.

Joan Wills of the National Governors' Association responded that states already have the experience to operate programs effectively. She noted that of the 50 largest prime sponsors, 34 are balance of state programs.

State-controlled programs, she added, could be better integrated with statewide economic development, income maintenance and criminal justice systems.

But while powerful government forces fight for control of the new system, the interests of the unemployed themselves may be forgotten, worry training experts like Taggart.

Taggart argued that, at a time of reduced funding, training programs should be moving in the direction of national uniformity. "We've bent over backwards to give local control when what we need is more standardization. When there is a smaller pie, you ought to be consolidating — but that runs against the grain of every institution in the system," he said.

"Every prime sponsor has its own self-preservation to be concerned about. They're going to look for those things they are already familiar with," observed Jeffords, whose bill was designed in consultation with Taggart.

Business Role

Although there is widespread agreement on the need to improve relations with the private sector, the extent of the new system's involvement with business still has to be worked out.

The options range from just putting business people on advisory boards to turning direct operation of programs over to businesses.

The 1978 amendments expanded business participation in CETA somewhat. They set up business-dominated local private industry councils (PICs). Separate funds were made available for PICs to run training and placement programs.

However, it took a couple of years for the PICs to get started. Their success has been limited, according to the National Council on Employment Policy.

The current proposals emphasize expansion of the power of the business councils over local programs. The PICs would plan, or even operate, the programs.

The basic idea is that business people know the kind of workers they need, and so will be able to plan training programs that will result in jobs for participants. In addition, increased private sector participation could help to reduce the alienation that business felt towards CETA.

"The PICs will function as a board of directors. Without that, you won't convince the business community that the system has changed. You have to assure them that they won't be tied up in red tape. You won't get that change of feeling unless they see business people in charge," said Hemmings of the Chamber of Commerce.

The Quayle bill would let each PIC plan its local training program. If the prime sponsor does not agree to operate the PIC plan, then the PIC itself or some other organization would do so.

Prime sponsors do not want to give so much authority to the PICs. They favor the provision in Hawkins' bill that requires prime sponsors and PICs to agree on a plan.

Training policy specialists like Belous and Taggart warn that expanded business involvement is not a panacea for CETA's problems. "Let's be realistic about what the private sector can do. For certain parts of the process, business is OK. But in other areas, like intake of participants, it is not so effective," Belous said.

Moreover, business control of federal training programs raises basic questions about the goal of training programs — whether they are to help the unemployed, or to assure businesses a steady supply of trained workers.

"When does this become another form of government subsidy to employers?" asked Wills of the NGA.

The CETA Roller Coaster

Since its establishment in 1973, CETA has shifted from a relatively small, training-oriented program, to a massive jobs program, and back again.

CETA has been on a roller coaster during its nine years mainly because its public service employment program was viewed by Democratic policymakers as a good vehicle for stimulating the economy.

Early in his term, President Carter pumped the public service employment program up to its highest level — about 750,000 job slots. That pell-mell expansion was the source of many of the cases of waste and fraud that brought CETA so much criticism. After that peak, the size of public service employment fell off rapidly. There were about 325,000 job slots at the end of 1980, and none by the end of September 1981.

Training programs, however, have been much more stable in size. In 1980 a total of 2.5 million persons received CETA services other than public service employment. Training programs accounted for 40 percent of CETA spending in 1978 and 60 percent in 1980.

The watershed year for CETA was 1978, when Congress approved major changes in the program's structure. Those amendments focused the program, including public service employment, on poor people with long-term employment problems, and away from skilled workers who had lost their jobs to recession. Within a couple of years public service employment went from a program largely serving white males, many relatively well-off, to one that provided more help for low-income minorities and women.

In 1977 61 percent of participants in the core public service employment program were men and 58 percent were white. While 60 percent had low incomes, only 10 percent were on welfare.

By 1980, however, women and men were participating equally in public service employment. Minorities made up three-quarters of public service employees. Virtually all had low incomes; one in six was on welfare.

Before 1978, workers were mainly occupied in providing local government services. But the influx of unskilled, low-income people was less useful to local governments, so workers were more frequently farmed out to non-profit groups and schools. Because they were less skilled, the new workers who came in after 1978 had less success in finding unsubsidized jobs. The rate of transition to regular jobs for CETA participants fell to 38 percent in 1980, from 43 percent in 1978.

Performance Standards

Another key part of the major proposals is the heavy emphasis on performance standards to judge local training programs.

Performance standards can measure placement of participants in jobs, increases in wages or reduction in welfare payments, among other things.

Some of the proposals would punish local programs that failed to meet performance standards. Another would reward those that met or surpassed the standards.

The Labor Department tried to develop performance standards under CETA. However, it ran into a number of problems that could recur.

One problem with setting national standards is that economic conditions are different in different areas, and it is hard to place a young trainee into a job when many experienced workers are out of work. That can be solved relatively easily, by factoring the local unemployment rate into the performance calculations.

A criticism of the CETA standards was that they tended to stress short-term placement over long-term success in the job market. But a training program that quickly places people in dead-end jobs is of less value to the individuals and society than one that takes longer but prepares them for jobs with a future.

Finally, there is a basic tension in the goals of training programs that has to be resolved in setting standards.

CETA had contradictory aims — serving those with the most severe employment problems, and placing a high percentage of participants in jobs. In general, the people who needed help the least did the best. But those who needed the most help were the least appealing to program administrators who wanted to appear successful.

So performance standards could determine the direction of the new training system. If strict national standards for placement are set, the new program probably will focus on people who are easy to train and have good chances of getting jobs.

But if the program is to serve the most disadvantaged, it probably will need less stringent performance standards. ■

President Stands Firm Under Budget Fire

Even with Republicans, Democrats, and big business nipping at his heels, President Reagan continues to clutch to his fiscal 1983 budget plan as the only route for saving the American economy.

In a speech to Los Angeles County officials on March 3, the president asserted that deficits "are a necessary evil in the real world today."

While Reagan appears to be taking an increasingly tough and lonely stand on his budget, more of his former allies are taking exception to his economic prescriptions.

The policy committee of the prestigious Business Roundtable — comprised of the chief executives of about 200 major corporations — released a statement that reaffirmed Reagan's "objectives and basic economic program" but objected to the proposed fiscal 1983 budget and its $91.5 billion deficit. *(Reagan budget, Weekly Report p. 225)*

"We are deeply concerned by continued high interest rates, the size of the projected deficits for 1983, 1984 and 1985, and do not believe they are adequately addressed," the Roundtable's statement read.

"The deficits cannot be addressed," the statement continued, "without major, permanent spending cuts including cuts in the indexed entitlement programs and a slowing of the defense buildup. In addition, it will be necessary to address the revenue side."

Negative Feedback

Other negative feedback during the week of March 1 came from a group of private economists who warned Reagan of the severe ramifications of high deficits.

The Republican members of the Senate Finance Committee also met with the president to discuss the possibility of making changes in the enacted tax plan as well as trimming the defense budget to reduce the deficit. The president refused to talk compromise, however. *(Defense budget, p. 537)*

During speeches in the West before he began a week-long vacation at his Santa Barbara, Calif., ranch, Reagan criticized "so-called budget alternatives" as "political documents designed for saving certain legislators' political hides rather than saving the economy."

His pointed remarks about budget alternatives created new tensions in Congress — especially among Republican ranks. The unhappiness elicited a phone call to Senate Majority Leader Howard H. Baker Jr., R-Tenn., during which the president said, "I'm talking about those fellows

who have been around here for the last 20 years running up the deficits and not offering any alternatives."

While the apology may have temporarily soothed ruffled feelings, it did not change plans for Congress to create its own budget. Baker and other senators involved in economic policy are reportedly working on a draft budget alternative that they can use to begin negotiations with the Democrats.

The Senate Budget Committee, according to Domenici, will try to begin drafting the first budget resolution during the week of March 22.

Budget Reports

In preparation for marking up the first resolution, which will set spending targets for fiscal 1983, all authorizing committees are required by March 15 to give the Budget committees an estimate of their spending requirements for the year.

Several of this year's preliminary reports reflected either outright rejection of the president's program or indecision over what to put in its place.

The Senate Finance Committee set the tone March 2 by voting to forward intact the president's tax and spending requests — then completely disowning the details of the package.

The panel did agree to meet or exceed the $19.4 billion in deficit-reducers proposed by Reagan for programs under its jurisdiction. But Chairman Robert Dole, R-Kan., said the committee might do so by raising more taxes and cutting spending less than the president proposed.

The House Ways and Means Committee also appeared ready to avoid recommending fiscal 1983 spending levels so early in the budget battle, as several of its subcommittees agreed to pass on figures reflecting projected spending under current law — in effect rejecting all administration cuts.

The Trade Subcommittee rejected Reagan's plans to eliminate the Trade Adjustment Assistance program and recommended approximately $200 million for the program in fiscal 1983.

In addition:

- The Senate Energy Committee rejected the president's fiscal 1983 budget cuts, including those linked with abolishing the Department of Energy. Instead, the committee said it would stick with the 1982 level plus an addition of about $120 million for construction of additional storage capacity at the Strategic Petroleum Reserve.
- The House Agriculture Committee all but wiped out Reagan's proposed agriculture cuts by recommending a range of $6.5 billion to $9 billion in additional outlays. The Senate Agriculture Committee, however, passed on the president's request, expressing "concerns" over the deficit. *(Story, p. 527)*
- The Senate Environment and Public Works Committee voted 11-4 March 4 to provide $245 million more than the president wanted for pollution control programs at the Environmental Protection Agency. ∎

—*By Dale Tate and Pamela Fessler*

The FY 1983 Budget and Human Resource Programs

National Conference of State Legislatures

444 N. Capitol Street N.W. 2nd Floor Washington, D.C. 20001

202/737-7004

David R. Riemer
Staff Director
for Human Resources

I. Overview of the FY 1983 Budget

   A. Economic Assumptions

      1. The Administration's Projections

      2. CBO's Alternative Projections

   B. Revenues, Outlays, and Deficits

      1. The Administration's Proposal

      2. CBO's Reestimate

   C. Priorities

      1. The Administration's Priorities

      2. Congressional Alternatives

   D. Aid to States

      1. The Administration's Proposal

      2. Congressional Alternatives

II. The Human Resource Components of the FY 1983 Budget

   A. Summary of the Administration's AFDC, Food Stamp, Medicaid, and Block Grant Proposals.

   B. AFDC

      1. Detailed Description of the Administration's Proposal

      2. Analysis

   C. Food Stamps

      1. Detailed Description of the Administration's Proposal

      2. Analysis

   D. Medicaid

      1. Detailed Description of the Administration's Proposal

      2. Analysis

   E. Health and Social Service Block Grants

      1. Detailed Description of the Administration's Proposal

      2. Analysis

   F. Congressional Reaction

III. Conclusion

Comparison of Administration and CBO Economic Assumptions

	1982	1983	1984	1985
Unemployment (Annual average unemployment rate				
Administration	8.9	7.9	7.1	6.4
CBO optimistic alternative	8.9	7.6	6.6	6.0
CBO baseline	8.9	8.0	7.4	7.2
CBO pessimistic alternative	8.9	8.5	8.4	8.5
Growth in GNP (Percent change year to year in GNP in constant dollars (1972 base))				
Administration	0.2	5.2	5.0	4.7
CBO optimistic alternative	0.2	5.8	5.1	5.0
CBO baseline	-0.1	4.4	3.6	3.5
CBO pessimistic alternative	-0.3	3.0	2.1	2.0
Inflation (Percent change year to year in Consumer Price Index)				
Administration	7.3	6.0	4.6	4.8
CBO optimistic alternative	7.5	6.4	6.2	5.7
CBO baseline	7.5	6.9	6.9	6.4
CBO pessimistic alternative	7.6	7.6	8.0	7.6
Interest rates (Annual average 91-day Treasury bills rate of interest)				
Administration	11.7	10.5	9.5	8.5
CBO optimistic alternative	11.5	10.7	9.4	8.3
CBO baseline	12.0	13.2	11.2	9.4
CBO pessimistic alternative	13.0	14.3	12.7	10.8

Source: Congressional Budget Office, "A Report to the Senate and House Committees on the Budget: The Prospects for Economic Recovery," Part I, February, 1982.

NOTE: The CBO analysis of the Administration's Budget for FY 1982, published a year ago in March 1981, set forth the following Administration and CBO baseline assumptions for 1982: (1) Unemployment--7.2 and 7.6; (2) Growth in GNP--4.2 and 2.9; (3) Inflation--8.3 and 9.5; (4) Interest rates--8.9 and 13.8.

Comparison of Administration and CBO Budget Assumptions

The chart below shows what would happen in federal revenue, outlay, and deficit trends under differing economic assumptions if no changes are made in current policy.

(Figures are in billions)

	1983	1984	1985
Administration's assumptions			
Revenues	$653	$704	$778
Outlays	800	871	950
Deficit	147	167	172
CBO's optimistic alternative			
Revenues	$658	$713	$786
Outlays	800	863	932
Deficit	142	150	146
CBO's baseline assumptions			
Revenues	$652	$701	$763
Outlays	809	889	971
Deficit	157	188	208
CBO's pessimistic alternative			
Revenues	$650	$695	$ 752
Outlays	819	912	1,011
Deficit	169	217	259

Source: Congressional Budget Office, "A Report to the Senate and House Committees on the Budget: The Prospects for Economic Recovery," Part I, February, 1982.

The Administration's FY 1983 Budget: As Presented and as Reestimated by CBO

The chart below shows what would happen in federal revenue, outlay, and deficit trends under (1) the Administration's economic assumptions if all the changes proposed by the Administration in its FY 1983 budget are enacted by Congress or otherwise implemented and (2) the CBO's baseline economic assumptions if all the changes proposed by the Administration are enacted and implemented.

Thus, there are two reasons why the Administration's and CBO's projections differ: first, because each, using different economic assumptions, starts with a different revenue, outlay, and deficit base; second, because each has come to different conclusions about the actual impact of the proposed changes on the growth of federal revenues, outlays, and deficits.

(Figures are in billions)

	1981	1982	1983	1984	1985
Administration					
Revenues					
--Actual or projected	$599	$627	$653	$704	$778
--Change			+ 13	+ 19	+ 19
--Proposed			666	723	797
Outlays					
--Actual or projected	$657	$725	$800	$871	$950
--Change			- 43	- 65	- 81
--Proposed			757	806	869
Deficit					
--Actual or projected	$ 58	$ 98	$147	$167	$172
--Change			- 56	- 84	- 100
--Proposed			91	83	72
(Off-budget outlays	$ 21	$ 20	$ 10	$ 14	$ 11)
(Total deficit	$ 79	$118	$107	$ 97	$ 83)
CBO					
Revenues					
--Actual or projected	$602	$631	$652	$701	$763
--Change			+ 8	+ 15	+ 13
--Proposed			660	716	776
Outlays					
--Actual or projected	$660	$740	$809	$889	$971
--Change			- 28	- 44	- 55
--Proposed			781	845	916
Deficit					
--Actual or projected	$ 58	$109	$157	$188	$208
--Change			- 36	- 59	- 68
--Proposed			121	129	140
(Off-budget outlays	$ 21	$ 20	$ 17	$ 16	$ 12)
(Total deficit	$79	$ 129	$128	$145	$152)

Explanation of Difference Between Administration's Description of

its FY 1983 Budget and CBO Reestimate of the Same Budget Proposal

1. The Administration assumes that revenues under current policy will be higher and grow faster than CBO assumes.

   For FY 1983, the Administration assumes revenues of $653 billion, $1 billion more than the $652 billion assumed by CBO.

   From FY 1983 to FY 1985, the Administration assumes that revenues will grow by $125 billion, $14 billion more than the $111 billion in revenue growth assumed by CBO.

2. The Administration also assumes that the tax increases it proposes will generate more revenues than CBO assumes.

   For FY 1983, the Administration assumes its tax increases will yield $13 billion, $5 billion more than the $8 billion assumed by CBO.

   From FY 1983 to FY 1985, the Administration assumes its tax increases will yield $51 billion, $15 billion more than the $36 billion assumed by CBO.

3. The Administration assumes that program cost outlays under current policy will be lower and grow more slowly than CBO assumes.

   For FY 1983, the Administration assumes program cost outlays of $800 billion, $9 billion less than the $809 billion assumed by CBO.

   From FY 1983 to FY 1985, the Administration assumes that program cost outlays will grow by $150 billion, $12 billion less than the $162 billion in outlay growth assumed by CBO.

4. The Administration also assumes that the program changes it proposes will reduce outlays by more than CBO assumes.

   For FY 1983, the Administration assumes its program changes will lower outlays by $43 billion, $15 billion more than the $28 billion assumed by CBO.

   From FY 1983 to FY 1985, the Administration assumes its program changes will lower outlays by $189 billion, $62 billion more than the $127 billion assumed by CBO.

5. Because the Administration starts off with higher revenue projections, assumes its proposed tax increases will yield more additional revenue, starts off with lower program cost outlay projections, and assumes its program changes will generate even lower outlays, the Administration's deficit forecast is substantially lower and shows a reduction in the deficit over time, compared to CBO.

   For FY 1983, the Administration assumes a $91 billion deficit, $30 billion lower than the $121 billion deficit assumed by CBO.

   From FY 1983 to FY 1985, the Administration projects a combined deficit of $246 billion, $144 billion less than the $390 billion combined deficit forecast by CBO.

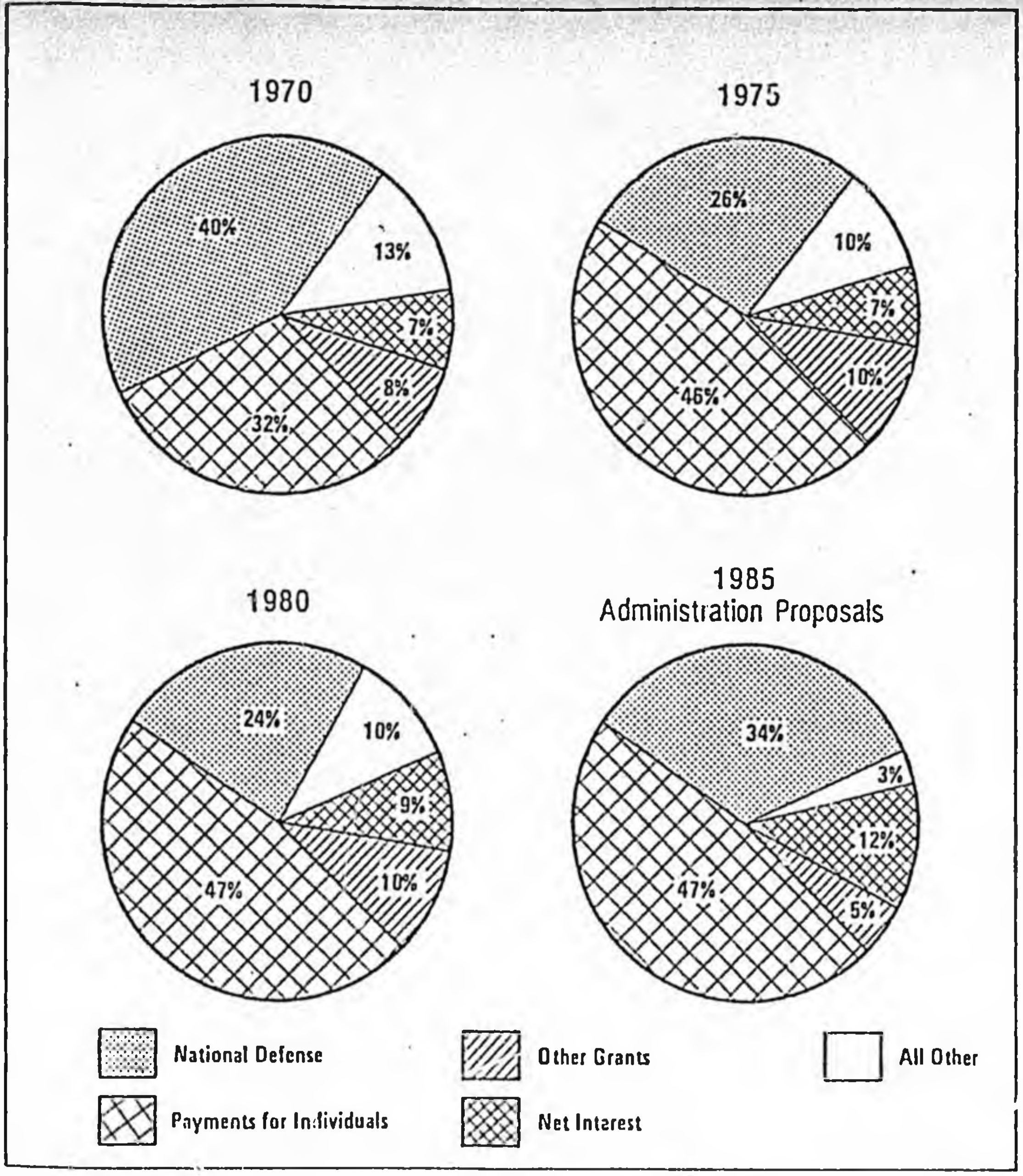
   Finally, from FY 1983 to FY 1985, the Administration projects that the deficit will decline by $19 billion (from $91 billion to $72 billion), while CBO concludes that the deficit will increase by $32 billion (from $121 billion to $140 billion).

COMPOSITION OF OUTLAYS (By fiscal year)

	Actual 1981	Administration Estimates			
		1982	1983	1984	1985
		In Billions of Dollars			
National Defense	159.8	187.5	221.1	253.0	292.1
Social Security	138.0	154.6	173.5	188.5	202.3
Other Payments to Individuals	178.6	196.9	192.3	196.8	207.6
Net Interest	68.7	83.0	96.4	98.7	100.8
Other Nondefense	112.1	103.3	74.3	69.0	65.8
Unified Budget Outlays	657.2	725.3	757.6	805.9	868.5
Off-Budget Federal Entities	21.0	19.7	15.7	14.3	11.0
Total Outlays	678.2	745.0	773.3	820.2	879.4
		Percent Change			
National Defense	17.6	17.4	17.9	14.4	15.4
Social Security	17.8	12.0	12.2	8.6	7.3
Other Payments to Individuals	15.9	10.2	-2.3	2.3	5.5
Net Interest	31.0	20.8	16.1	2.4	2.1
Other Nondefense	-4.4	-7.9	-28.1	-7.1	-4.6
Unified Budget Outlays	14.0	10.4	4.5	6.4	7.8
Off-Budget Federal Entities	47.5	-6.3	-20.3	-9.0	23.3
Total Outlays	14.8	9.9	3.8	6.1	7.2
		Percent Share of Unified Budget			
National Defense	24.3	25.9	29.2	31.4	33.6
Social Security	21.0	21.3	22.9	23.4	23.3
Other Payments to Individuals	27.2	27.1	25.4	24.4	23.9
Net Interest	10.5	11.4	12.7	12.2	11.6
Other Nondefense	17.1	14.2	9.8	8.6	7.6
Unified Budget Outlays	100.0	100.0	100.0	100.0	100.0

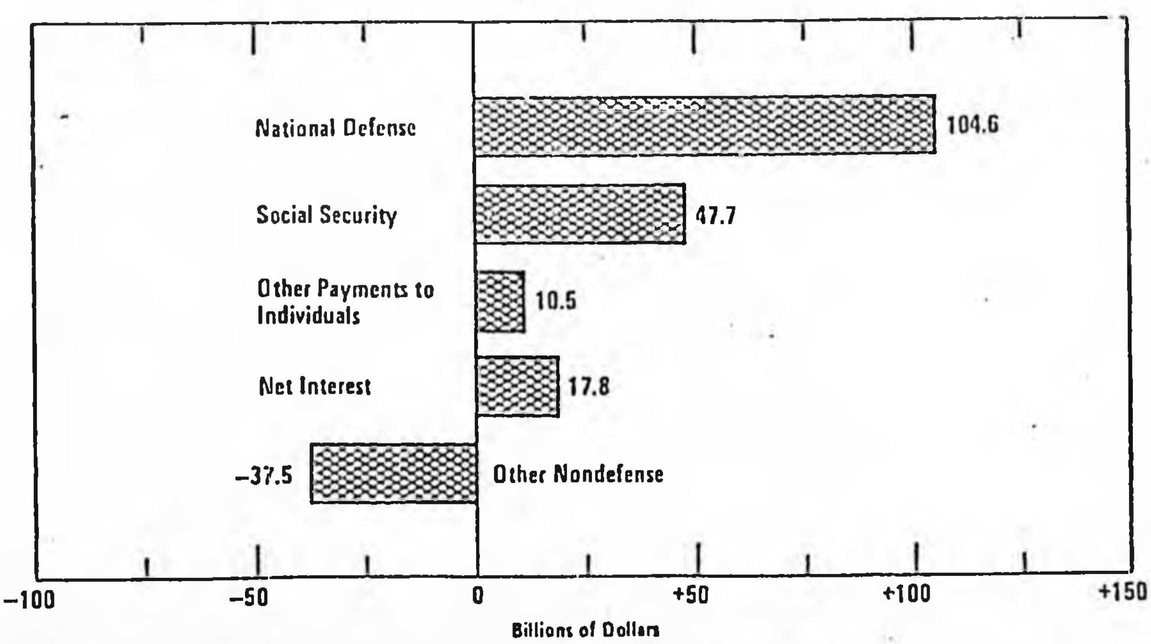
SOURCE: Budget of the United States Government, Fiscal Year 1983, pp. 3-21, 3-23, 9-61.

The Composition of Federal Spending



SOURCE: *Budget of the United States Government, Fiscal Year 1983,* Table 22, p. 9-61.

Proposed Change in Outlays Between 1982 and 1985



SOURCE: *Budget of the United States Government, Fiscal Year 1983,* p. 3-21.

FY 1983 Budget Alternatives

Senator Domenici (R-NM)

1. Reduce defense outlays by $20-25 billion through FY 1985 by restricting growth to 5% after inflation.

2. Eliminate the FY 1983 cost-of-living increase for Social Security and other entitlement programs, saving $60 billion over three years.

   Limit Medicare and Medicaid increases in FY 1983 to the rise in the CPI, saving $22 billion over three years.

3. Enact tax increases yielding $18, $49, and $55 billion in FY 1983, 1984, and 1985, "preferably...by closing existing loopholes", but possibly chaing the tax cuts.

4. Free ze federal pay in FY 1983 and limit FY 1984 and FY 1985 pay increases for federal employees to 5%, saving $25 billion over three years.

5. Free ze domestic appropriations (other than entitlements and pay) at FY 1982 levels, saving $34 billion.

Summary: Reduce FY 1983 deficit to $90 billion, and smaller in FY 1984 and FY 1985 than those projected by the Administration.

The Administration's total deficit for FY 1983-1985 is $246. Sen. Domenici's would be $210

FY 1983 Budget Alternatives

Senator Hollings (D-SC)

1. Defer the increase in defense spending proposed by the Administration for FY 1983 and allow for 3% real growth thereafter.

   Savings: $19 billion in FY 1983.

2. Defer cost-of-living adjustments under the entitlement programs.

   Savings: $24 billion in FY 1983

3. Defer the individual Kemp-Roth tax cut, repeal leasing provision, and repeal indexi

   Savings: $48 billion in FY 1983.

4. Forgo government employee pay raise in FY 1983.

   Savings: $5 billion in FY 1983.

5. Management savings--half of Administration proposal.

   Savings: $10 billion in FY 1983

6. Interest savings from lower deficits and interest rates.

   Savings: $9 billion in FY 1983

Summary: Increase revenues by $48 billion, and decrease expenditures by $67 billion, in FY 1983, thus reducing deficit from $157 billion CBO estimate by $115 billion to $42 billion.

Deficit to be reduced to $19 billion in FY 1984 and replaced with a $4 billion surplus by FY 1985.

FY 1983 Budget Alternatives

Representative Michel (R-Ill.)

1. Reduce defense increases proposed by the Administration.
2. Reduce cost-of-living increases in benefits under various federal entitlement programs.
3. Defer the final round of the tax cut, scheduled for 7/1/83.

FY 1983 Budget Alternatives

Senator Howard Baker (R-Tenn.)

--5-10% income tax surcharge.
A 10% surcharge would raise $37 billion in FY 1983.

Representative James Wright (D-Tex.)

--80% tax on interest exceeding 15% on any loan
--tax exemption for income from the first 3% of any loan whose terms are less than 10%.

--Reduce military spending
--Reduce tax cuts
--Tax incentives for the purchase of new homes and fuel-efficient American cars

Senator Russell Long (D-La.)

--Reduce the individual federal income tax scheduled for 7/1/82 from 10% to 5%, and make it retroactive to 1/1/82.

--Make tax cut scheduled for 1983 continent on improved economic conditions.

RELATIVE COMPOSITION OF THE UNIFIED BUDGET (By fiscal year)

Budget Component	Actual 1981	Administration Estimates 1982	1983	1984	1985
		Outlays in Billions of Dollars			
National Defense	159.8	187.5	221.1	253.0	292.1
Payments for Individuals					
Direct	276.7	310.1	328.3	345.4	367.5
* Through states and localities	39.9	41.5	37.6	40.0	42.3
* Other Grants	54.8	49.6	43.7	41.8	41.1
Net Interest	68.7	83.0	96.4	98.7	100.8
Other Federal Programs	57.4	53.6	30.6	27.1	24.6
Total	657.2	725.3	757.6	805.9	868.5
		Percent Change			
National Defense	17.6	17.4	17.9	14.4	15.4
Payments for Individuals					
Direct	16.8	12.1	5.9	5.2	6.4
* Through states and localities	16.9	3.9	-9.5	6.4	5.9
* Other Grants	-4.3	-9.3	-11.9	-4.4	-1.7
Net Interest	31.0	20.8	16.1	2.4	2.1
Other Federal Programs	-4.5	-6.5	-43.0	-11.2	-9.2
Total	14.0	10.4	4.5	6.4	7.8

OUTLAYS FOR BENEFIT PAYMENTS FOR INDIVIDUALS (By fiscal year, in billions of dollars)

	Actual 1981	Administration Estimates			
		1982	1983	1984	1985
Social Insurance Programs					
Social Security (OASDI)	139.6	156.6	173.5	188.5	202.3
Railroad retirement	5.3	5.3	---	---	---
Medicare	42.5	49.5	55.3	61.2	68.3
Unemployment compensation	19.7	25.2	22.6	19.8	18.0
Civil Service retirement and disability	17.7	19.4	21.1	22.4	23.9
Veterans' compensation and readjustment benefits	10.8	11.5	11.9	12.0	12.3
Other	11.8	12.6	15.1	15.4	15.8
Subtotal	247.4	280.1	299.5	319.3	340.7
Means-Tested Programs					
Guaranteed student loans and other education	6.2	6.3	5.7	4.3	3.9
Medicaid	16.8	17.8	17.0	18.6	20.4
Food stamps	11.3	11.2	9.6	9.7	10.0
Other food and nutrition programs	4.9	4.2	4.1	4.2	4.3
Housing	6.8	8.1	8.5	8.9	9.4
Supplemental security income	7.2	7.9	8.9	7.8	8.6
Assistance payments (AFDC)	8.5	8.1	5.5	5.5	5.5
Veterans' pensions	3.8	3.9	4.0	4.1	4.2
Other	3.8	4.0	3.1	2.9	2.8
Subtotal	69.3	71.5	66.4	66.0	69.1
Total	316.7	351.6	365.9	385.3	409.8

OUTLAYS FOR DIRECT GRANTS TO STATE AND LOCAL GOVERNMENTS (By fiscal year, in billions of dollars)

	Actual 1981	Administration Estimate			
		1982	1983	1984	1985
Energy Conservation Grants	0.5	0.5	0.2	0.1	---
Environmental Protection Agency Construction Grants	3.9	4.0	3.4	2.8	2.7
Other Natural Resources and Environment	1.1	1.1	0.8	0.7	0.7
Agriculture	0.8	0.9	0.9	0.9	0.9
Highway Grants	9.1	8.2	8.2	8.2	8.3
Urban Mass Transportation Fund	3.8	3.7	3.1	2.9	2.9
Airport Grants	0.5	0.5	0.4	0.5	0.6
Community Development Grants	4.0	4.0	3.4	3.2	3.5
Urban Development Action Grants	0.4	0.5	0.6	0.5	0.5
Rental Rehabilitation Grants	---	---	---	0.1	0.1
Area and Regional Development	1.2	1.0	0.8	0.5	0.3
Elementary, Secondary, and Vocational Education	6.6	6.7	5.1	4.2	3.6
Training and Employment	8.0	4.2	2.0	2.7	2.3
Social Services	6.2	6.1	4.8	4.8	4.8
Combined Welfare Administration	---	---	1.7	1.7	1.7
General Revenue Sharing	5.1	4.6	4.6	4.6	4.6
Other General Purpose Fiscal Assistance	1.6	1.7	2.0	2.2	2.5
Other	2.0	1.9	1.7	1.2	1.1
Total	54.8	49.6	43.7	41.8	41.1

TABLE 1
GRAND TOTALS: ALL GRANT PROGRAMS

($ MILLION)

STATE	AUTHORITY FY 1981	AUTHORITY FY 1982	AUTHORITY FY 1983	OUTLAYS FY 1981	OUTLAYS FY 1982	OUTLAYS FY 1983
ALABAMA	1,689.	1,234.	964.	1,492.	1,391.	1,285.
ALASKA	516.	373.	315.	448.	428.	378.
ARIZONA	903.	610.	495.	863.	737.	628.
ARKANSAS	963.	737.	596.	886.	841.	756.
CALIFORNIA	11,369.	8,289.	6,982.	10,000.	9,752.	8,594.
COLORADO	1,082.	830.	706.	1,021.	962.	856.
CONNECTICUT	1,458.	966.	762.	1,179.	1,157.	1,022.
DELAWARE	291.	210.	173.	313.	249.	221.
FLORIDA	3,398.	2,585.	2,103.	2,866.	2,952.	2,574.
GEORGIA	2,653.	1,976.	1,638.	2,167.	2,268.	2,017.
HAWAII	550.	396.	338.	443.	464.	411.
IDAHO	395.	302.	254.	361.	351.	311.
ILLINOIS	4,724.	3,457.	2,877.	4,686.	4,085.	3,538.
INDIANA	2,118.	1,365.	1,058.	1,728.	1,669.	1,463.
IOWA	1,063.	824.	694.	968.	965.	849.
KANSAS	827.	628.	524.	773.	732.	650.
KENTUCKY	1,695.	1,241.	989.	1,432.	1,435.	1,268.
LOUISIANA	1,979.	1,522.	[illegible]57.	1,729.	1,725.	1,553.
MAINE	620.	443.	354.	536.	527.	465.
MARYLAND	2,048.	1,503.	1,243.	1,889.	1,747.	1,541.
MASSACHUSETTS	3,402.	2,374.	1,905.	2,887.	2,808.	2,477.
MICHIGAN	4,104.	3,146.	2,684.	4,105.	3,726.	3,210.
MINNESOTA	2,062.	1,475.	1,176.	1,773.	1,736.	1,541.
MISSISSIPPI	1,246.	980.	798.	1,097.	1,094.	982.
MISSOURI	1,920.	1,428.	1,177.	1,662.	1,692.	1,483.
MONTANA	455.	353.	301.	449.	404.	365.
NEBRASKA	593.	437.	360.	517.	513.	452.
NEVADA	359.	268.	223.	351.	308.	281.
NEW HAMPSHIRE	370.	270.	217.	307.	327.	239.
NEW JERSEY	3,284.	2,295.	1,859.	2,889.	2,750.	2,402.
NEW MEXICO	862.	697.	649.	715.	793.	760.
NEW YORK	11,416.	8,620.	6,906.	10,356.	9,927.	8,856.
NORTH CAROLINA	2,192.	1,624.	1,318.	1,907.	1,892.	1,681.
NORTH DAKOTA	371.	261.	209.	318.	309.	277.
OHIO	4,285.	3,079.	2,507.	3,722.	3,688.	3,212.
OKLAHOMA	1,194.	859.	684.	1,042.	1,007.	897.
OREGON	1,135.	849.	754.	1,173.	968.	910.
PENNSYLVANIA	5,258.	4,026.	3,352.	4,883.	4,675.	4,103.
RHODE ISLAND	624.	413.	323.	482.	492.	440.
SOUTH CAROLINA	1,194.	917.	756.	1,088.	1,062.	943.
SOUTH DAKOTA	414.	272.	209.	356.	327.	238.
TENNESSEE	2,240.	1,649.	1,202.	1,908.	1,770.	1,504.
TEXAS	4,588.	3,439.	2,819.	4,143.	3,992.	3,554.
UTAH	594.	514.	457.	593.	578.	519.
VERMONT	319.	244.	201.	279.	295.	252.
VIRGINIA	1,957.	1,425.	1,159.	1,861.	1,677.	1,481.
WASHINGTON	1,736.	1,292.	1,091.	1,770.	1,513.	1,327.
WEST VIRGINIA	905.	674.	543.	940.	814.	720.
WISCONSIN	2,438.	1,871.	1,522.	2,297.	2,173.	1,924.
WYOMING	363.	386.	421.	321.	410.	445.
STATE TOTAL	102,216.	75,550.	62,011.	91,805.	88,141.	77,873.
NON-STATES AND UNDISTRIBUTED	3,586.	2,709.	3,165.	2,957.	3,079.	3,545.
GRAND TOTAL	105,802.	78,259.	65,176.	94,762.	91,220.	81,418.

TABLE 2
GRAND TOTALS: ALL GRANT PROGRAMS

($ PER CAPITA)

STATE	AUTHORITY FY 1981	AUTHORITY FY 1982	AUTHORITY FY 1983	OUTLAYS FY 1981	OUTLAYS FY 1982	OUTLAYS FY 1983
ALABAMA	434.	317.	248.	384.	357.	310.
ALASKA	1,291.	933.	788.	1,119.	1,071.	944.
ARIZONA	332.	224.	182.	318.	271.	231.
ARKANSAS	421.	322.	261.	388.	368.	331.
CALIFORNIA	488.	358.	2[illegible]2.	423.	412.	363.
COLORADO	375.	287.	244.	353.	333.	296.
CONNECTICUT	469.	311.	245.	379.	372.	329.
DELAWARE	489.	353.	292.	526.	419.	371.
FLORIDA	349.	257.	216.	294.	383.	264.
GEORGIA	486.	362.	298.	397.	415.	369.
HAWAII	570.	411.	342.	459.	481.	426.
IDAHO	419.	328.	269.	382.	372.	338.
ILLINOIS	414.	303.	252.	403.	358.	310.
INDIANA	386.	249.	193.	315.	304.	266.
IOWA	365.	283.	238.	330.	331.	291.
KANSAS	358.	266.	222.	327.	310.	275.
KENTUCKY	463.	339.	278.	391.	392.	346.
LOUISIANA	471.	362.	299.	411.	410.	369.
MAINE	551.	394.	315.	476.	468.	414.
MARYLAND	486.	357.	295.	448.	414.	366.
MASSACHUSETTS	593.	414.	332.	583.	488.	432.
MICHIGAN	443.	348.	290.	443.	482.	347.
MINNESOTA	506.	362.	289.	435.	426.	378.
MISSISSIPPI	494.	389.	317.	435.	434.	389.
MISSOURI	390.	291.	239.	338.	344.	282.
MONTANA	57[illegible].	449.	383.	570.	514.	463.
NEBRASKA	378.	278.	230.	329.	327.	288.
NEVADA	450.	335.	279.	439.	386.	352.
NEW HAMPSHIRE	402.	293.	236.	333.	356.	314.
NEW JERSEY	446.	312.	252.	392.	373.	326.
NEW MEXICO	663.	536.	499.	550.	602.	585.
NEW YORK	650.	491.	393.	590.	565.	504.
NORTH CAROLINA	373.	277.	224.	325.	322.	286.
NORTH DAKOTA	568.	402.	320.	487.	473.	424.
OHIO	397.	285.	232.	345.	342.	297.
OKLAHOMA	395.	284.	226.	345.	333.	296.
OREGON	431.	322.	286.	446.	375.	346.
PENNSYLVANIA	443.	339.	282.	411.	394.	346.
RHODE ISLAND	658.	436.	341.	509.	520.	464.
SOUTH CAROLINA	383.	294.	242.	323.	340.	302.
SOUTH DAKOTA	599.	395.	303.	516.	474.	417.
TENNESSEE	483.	359.	262.	416.	386.	328.
TEXAS	322.	242.	198.	291.	281.	250.
UTAH	487.	352.	313.	406.	395.	356.
VERMONT	624.	478.	393.	546.	557.	492.
VIRGINIA	366.	266.	217.	348.	314.	277.
WASHINGTON	420.	313.	264.	428.	366.	321.
WEST VIRGINIA	464.	346.	279.	482.	418.	369.
WISCONSIN	518.	398.	324.	488.	462.	409.
WYOMING	771.	819.	894.	681.	878.	944.
STATE TOTAL	45[illegible].	334.	275.	486.	390.	345.
NON-STATES AND UNDISTRIBUTED	865.	653.	763.	713.	742.	855.
GRAND TOTAL	460.	340.	283.	412.	397.	354.

TABLE 3
IMPACT OF FY 1983 REDUCTIONS

CHANGE: FY 1982 TO FY 1983

	AUTHORITY			OUTLAYS		
STATE	$ MILLION	PERCENT	PER CAPITA	$MILLION	PERCENT	PER CAPITA
ALABAMA	269.7	21.9	69.3	185.2	15.0	47.6
ALASKA	58.2	15.6	145.5	50.7	13.6	126.8
ARIZONA	115.4	18.9	42.4	108.6	17.8	40.0
ARKANSAS	140.7	19.1	61.5	84.8	11.5	37.1
CALIFORNIA	1,387.6	16.7	58.6	1,157.8	14.0	48.9
COLORADO	124.7	15.0	43.2	107.6	13.0	37.2
CONNECTICUT	203.2	21.0	65.4	134.6	13.9	43.3
DELAWARE	36.7	17.5	61.6	28.1	13.4	47.3
FLORIDA	401.2	16.0	41.2	377.5	15.1	38.8
GEORGIA	346.2	17.5	63.4	251.2	12.7	46.0
HAWAII	66.5	16.8	68.9	52.9	13.4	54.9
IDAHO	47.5	15.7	50.3	39.9	13.2	42.3
ILLINOIS	579.5	16.8	50.8	547.2	15.8	47.9
INDIANA	307.3	22.5	56.6	205.8	15.1	37.5
IOWA	129.5	15.7	44.5	115.9	14.1	39.8
KANSAS	104.1	16.6	44.0	82.6	13.2	34.9
KENTUCKY	251.6	20.3	68.7	166.3	13.4	45.6
LOUISIANA	264.9	17.4	63.0	172.3	11.3	41.0
MAINE	89.0	20.1	79.1	61.4	13.9	54.6
MARYLAND	260.3	17.3	61.7	205.1	13.6	48.7
MASSACHUSETTS	469.3	19.8	81.8	323.2	13.6	56.3
MICHIGAN	461.2	14.7	49.8	515.3	16.4	55.7
MINNESOTA	298.5	20.2	73.2	194.1	13.2	47.6
MISSISSIPPI	181.4	18.5	71.9	112.0	11.4	44.4
MISSOURI	251.7	17.6	51.2	209.8	14.7	42.7
MONTANA	52.1	14.8	66.3	39.9	11.3	50.6
NEBRASKA	76.4	17.5	48.7	60.7	13.9	38.7
NEVADA	44.7	16.7	55.9	27.3	10.2	34.1
NEW HAMPSHIRE	52.6	19.5	57.1	38.4	14.2	41.7
NEW JERSEY	436.0	19.0	59.2	348.7	15.2	47.4
NEW MEXICO	48.2	6.9	37.0	22.2	3.2	17.1
NEW YORK	1,713.6	19.9	97.6	1,071.0	12.4	61.0
NORTH CAROLINA	306.2	18.9	52.1	210.8	13.0	35.9
NORTH DAKOTA	52.1	19.9	79.8	32.5	12.5	49.8
OHIO	571.8	13.6	53.0	476.7	15.5	44.2
OKLAHOMA	175.6	20.4	58.0	110.5	12.9	36.5
OREGON	94.3	11.2	36.0	73.2	9.2	29.7
PENNSYLVANIA	674.4	16.8	56.8	571.9	14.2	48.2
RHODE ISLAND	90.2	21.8	95.2	52.2	12.6	55.1
SOUTH CAROLINA	160.6	17.5	51.5	118.7	12.9	38.0
SOUTH DAKOTA	63.5	23.3	92.0	39.5	14.5	57.2
TENNESSEE	447.0	27.1	97.4	266.3	16.2	58.0
TEXAS	620.0	13.0	43.6	437.7	12.7	30.8
UTAH	57.7	11.2	39.5	58.2	11.3	39.9
VERMONT	43.2	17.7	84.6	33.3	13.6	65.2
VIRGINIA	265.5	18.6	49.7	195.3	13.8	36.7
WASHINGTON	201.1	15.6	48.7	135.6	14.4	44.9
WEST VIRGINIA	131.0	19.4	67.2	94.3	14.0	48.4
WISCONSIN	349.3	18.7	74.2	248.5	13.1	52.8
WYOMING	-35.4	-9.2	-75.1	-34.9	-9.1	-74.2
STATE TOTAL	12,539.7	17.9	59.9	10,268.3	13.6	45.5
NON-STATES AND UNDISTRIBUTED	-456.8	-16.9	-110.2	-465.4	-17.2	-112.5
GRAND TOTAL	12,082.9	16.7	56.9	9,801.9	12.5	42.5

TABLE 4

FY 1983 FEDERAL OUTLAYS COMPARED TO AMOUNT NEED TO MAINTAIN PURCHASING POWER

($ MILLION)

STATE	FY 1981 LEVELS 'NEEDED'	FY 1981 LEVELS PROPOSED	DIFFERENCE	FY 1982 LEVELS 'NEEDED'	FY 1982 LEVELS PROPOSED	DIFFERENCE
ALABAMA	1,731.	1,205.	525.	1,488.	1,205.	283.
ALASKA	519.	378.	142.	458.	378.	81.
ARIZONA	1,001.	628.	373.	788.	628.	160.
ARKANSAS	1,028.	756.	272.	900.	756.	144.
CALIFORNIA	11,600.	8,594.	3,006.	10,434.	8,594.	1,840.
COLORADO	1,185.	856.	329.	1,031.	856.	175.
CONNECTICUT	1,368.	1,022.	345.	1,238.	1,022.	216.
DELAWARE	363.	221.	142.	267.	221.	46.
FLORIDA	3,324.	2,574.	750.	3,158.	2,574.	584.
GEORGIA	2,514.	2,017.	497.	2,427.	2,017.	410.
HAWAII	513.	411.	102.	497.	411.	85.
IDAHO	418.	311.	107.	376.	311.	64.
ILLINOIS	5,343.	3,538.	1,805.	4,371.	3,538.	833.
INDIANA	2,004.	1,463.	541.	1,785.	1,463.	323.
IOWA	1,114.	849.	265.	1,03[illegible]	849.	183.
KANSAS	897.	650.	248.	783.	650.	134.
KENTUCKY	1,661.	1,268.	393.	1,535.	1,268.	267.
LOUISIANA	2,005.	1,553.	452.	1,846.	1,553.	293.
MAINE	621.	465.	156.	564.	465.	98.
MARYLAND	2,191.	1,541.	649.	1,869.	1,541.	327.
MASSACHUSETTS	3,349.	2,477.	872.	2,996.	2,477.	519.
MICHIGAN	4,762.	3,210.	1,552.	3,986.	3,210.	777.
MINNESOTA	2,056.	1,541.	515.	1,857.	1,541.	316.
MISSISSIPPI	1,273.	982.	291.	1,170.	982.	189.
MISSOURI	1,928.	1,483.	445.	1,811.	1,483.	328.
MONTANA	520.	365.	156.	433.	365.	68.
NEBRASKA	599.	452.	147.	549.	452.	97.
NEVADA	407.	281.	126.	330.	281.	49.
NEW HAMPSHIRE	356.	289.	67.	350.	289.	61.
NEW JERSEY	3,351.	2,402.	949.	2,943.	2,402.	541.
NEW MEXICO	830.	760.	69.	837.	760.	77.
NEW YORK	12,024.	8,856.	3,169.	10,622.	8,856.	1,766.
NORTH CAROLINA	2,213.	1,681.	532.	2,024.	1,681.	343.
NORTH DAKOTA	369.	277.	92.	331.	277.	54.
OHIO	4,318.	3,212.	1,106.	3,946.	3,212.	735.
OKLAHOMA	1,209.	897.	312.	1,078.	897.	181.
OREGON	1,361.	910.	451.	1,057.	910.	147.
PENNSYLVANIA	5,664.	4,103.	1,561.	5,002.	4,103.	899.
RHODE ISLAND	559.	440.	119.	526.	440.	87.
SOUTH CAROLINA	1,170.	943.	226.	1,136.	943.	193.
SOUTH DAKOTA	413.	288.	125.	350.	288.	62.
TENNESSEE	2,214.	1,504.	710.	1,894.	1,504.	390.
TEXAS	4,806.	3,554.	1,251.	4,272.	3,554.	717.
UTAH	687.	519.	168.	618.	519.	99.
VERMONT	323.	252.	72.	305.	252.	53.
VIRGINIA	2,158.	1,481.	678.	1,794.	1,481.	314.
WASHINGTON	2,053.	1,327.	726.	1,619.	1,327.	291.
WEST VIRGINIA	1,091.	720.	371.	871.	720.	151.
WISCONSIN	2,665.	1,924.	740.	2,325.	1,924.	401.
WYOMING	372.	445.	-73.	438.	445.	-5.
STATE TOTAL	106,494.	77,873.	28,622.	94,311.	77,873.	16,438.
NON-STATES AND UNDISTRIBUTED	3,430.	3,545.	-116.	3,295.	3,545.	-251.
GRAND TOTAL	109,924.	81,418.	29,506.	97,605.	81,418.	16,187.

The Income Assistance, Medical Assistance, and Human Resource Components of the FY 1983 Federal Budget

Background

Last year, in enacting the Omnibus Budget Reconciliaiton Act of 1981 and the various FY 1982 Continuing Resolution appropriation bills, Congress made major changes in both the structure and funding of federal income assistance, medical assistance, and human resource programs.

The major actions taken by Congress included:

--Reducing eligibility and benefits under the AFDC and Food Stamps programs.

--Giving states much greater flexibility to administer Medicaid, while reducing federal payments to states by 3% in FY 1982, 4% in FY 1983, and 4.5% in FY 1984, except for certain special set-offs.

--Combining over 20 categorical health and social service programs into 7 block grants funded at lower levels.

Each of these changes was designed to reduce federal spending or be accompanied by a reduction in federal spending, and there has been a substantial reduction in federal income assistance, medical assistance, and human resource costs.

o Federal AFDC payments costs, which had risen from $6.1 billion in FY 1980 to $6.8 billion in FY 1981, were reduced to $6.6 billion under the FY 1982 Continuing Resolution, which is approximately $1.0 billion less than the program would have cost if continued without change.

o Federal Food Stamp costs, which had risen from $9.1 billion in FY 1980 to $11.5 billion in FY 1981, were reduced to $11.3 billion under the FY 1982 Continuing Resolution, which is approximately $1.6 billion less than the program would have cost if continued without change.

o Federal Medicaid costs, which had risen from $14.4 billion in FY 1980 to $16.6 billion in FY 1981, will be increased by a much smaller amount, to $17.6 billion, under the FY 1982 Continuing Resolution, which is approximately $1.0 billion less than those costs would have been if the program were continued without change.

o The federal categorical programs folded into the 7 health and social service block grants received $6.7 billion in funding in FY 1981; the block grants themselves were funded at $5.6 billion in FY 1982, a 17% reduction

The changes in eligibility, benefits, and structure which Congress approved --and the funding reductions Congress mandated--were of course consistent with the Reagan Administration's FY 1982 budget proposals, though the Administration had requested even greater structural changes and deeper funding reductions.

The FY 1983 Budget: Overview

The Administration has proposed for FY 1983:

--Further changes in AFDC eligibility and benefits, designed to reduce federal AFDC payment costs from $6.6 billion in FY 1982 to $5.4 billion in FY 1983, a reduction of approximately [illegible] billion below what the program would cost if continued without further change.

--Further changes in Food Stamp eligibility and benefits, designed to reduce federal Food Stamp costs from $11.3 billion in FY 1982 to $10.4 billion in FY 1983, a reduction of over $2.0 billion below what the program would cost if continued without further change.

--The translation of its AFDC eligibility reduction policies into a reduction in Medicaid eligibility, plus a further reduction in federal Medicaid costs by permitting states to recover costs from deceased recipients' estates and recipients' adult children, requiring minimal co-payments, and reducing Medicaid matching rates, thus actually reducing the federal cost of Medicaid from $17.6 billion in FY 1982 to $17.0 billion in FY 1983, a $2.0 billion decrease from what Medicaid would have cost the federal government if current services continued.

--The creation of a new Child Welfare block grant; the merger of the Maternal and Child Health block grant with both the WIC (Woman, Infants, and Children) nutrition program and the commodity supplemental food program to form a new Services for Woman, Infants, and Children block grant; expansion of the Primary Care block grant to include the family planning, migrant health, and black lung programs; consolidation of the Low-Income Home Energy Assistance block grant with the AFDC emergency assistance program; and reduction in funding for the (now) 8 health and social service block grants from $7.2 billion in FY 1982 to $5.9 billion in FY 1983, a 21% dollar reduction.

AFDC, FOOD STAMPS, MEDICAID SUMMARY CHART

(Amounts in billions)	FY 1980 Funding	FY 1981 Funding	FY 1982 Funding	Proposed FY 1983 Funding	Differences 1981 v. 1983 Amt.	%	1982 v 1983 Amt.	%
AFDC (Aid to Families with Dependent Children)	$ 6.1	$ 6.8	$ 6.6	$ 5.4	-$1.4	-20.6%	-$1.2	-18.2%
Food Stamps	$ 9.1	$11.5	$11.3	$10.4	-$1.1	- 9.6%	-$0.9	- 8.0%
Medicaid	$14.4	$16.6	$17.6	$17.0	+$0.4	+ 2.4%	-$0.6	- 3.4%
Totals	$29.6	$34.9	$35.5	$32.8	-$2.1	- 6.0%	-$2.7	- 7.6%

BLOCK GRANT SUMMARY CHARTS

Existing Block Grants

(Amounts in millions)	FY 1981 Funding	FY 1982 Funding *	Difference Amt.	%
Maternal and Child Health	$ 437.5	$ 347.5	- $ 110.0	-24%
Primary Care	325.0	248.4	- 76.6	-24%
Low-Income Home Energy Assistance	1,850.0	1,752.0	- 98.0	- 5%
Community Services	472.7	348.0	- 124.7	-26%
Social Services	2,991.1	2,400.0	- 591.1	-20%
Alcohol, Drug Abuse, Mental Health	548.6	432.1	- 116.5	-21%
Preventive Health and Health Services	99.2	81.6	- 17.6	-18%
TOTALS	$6,744.1	$5,609.6	-$1,134.5	-17%

* Represents annual funding level for FY 1982 set in 3rd Continuing Resolution, which authorizes spending for HHS programs through March 31, 1982.

Proposed Block Grants and Proposed Funding Levels Recommended by President

(Amounts in millions)	FY 1981 Funding	FY 1982 Funding*	Proposed FY 1983 Funding	Differences 1981 v. 1983 Amt.	%	1982 v. 198 Amt.	%
Child Welfare	$ 522.9	$ 465.1	$ 380.1	-$ 142.8	-27%	-$ 85.0	-18%
Services for Women, Infants, Children	1,384.5	1,281.6	1,000.0	- 384.5	-28%	- 281.6	-22%
Primary Care	535.0	414.8	416.8	- 118.2	-22%	+ 2.0	+ 1%
Low-Income Home Energy Assistance	1,905.0	1,807.2	1,300.0	- 605.0	-32%	- 507.2	-28%
Community Services	472.7	348.0	100.0	- 372.7	-79%	-248.0	-71%
Social Services	2,991.1	2,400.0	1,974.1	-1,017.0	-34%	-425.9	-18%
Alcohol, Drug Abuse, Mental Health	548.6	432.1	432.0	- 116.6	-21%	- 0.1	NC
Preventive Health and Health Services	99.2	81.6	81.6	- 17.6	-18%	NC	NC
TOTALS	$8,459.0	$7,230.4	$5,684.6	-$2,774.4	-33%	-$1,545.8	-21

* Represents annual funding level for FY 1982 set in 3rd Continuing Resolution.

AFDC/Analysis

Congress last year enacted a series of sweeping changes in the AFDC program, designed to reduce the number of individuals entitled to receive benefits, lower payment levels for some of those remaining eligible, encourage states to establish workfare programs, and alter certain of the program's administrative features.

These changes reduced federal AFDC benefit payment costs from $6.8 billion in FY 1981 to $6.6 billion in FY 1982, a $200 million reduction. According to the Administration, the number of individuals in the AFDC program will drop from 11.1 million in FY 1981 to 11.0 million in FY 1982, although the number of family units receiving assistance will remain at 3.8 million.

The changes enacted by Congress last year had been requested by the Administration, though even more substantial revisions of AFDC were sought.

* * *

In its FY 1983 budget proposals, the Administration has asked for 16 additional changes in AFDC.

Again, the changes would alter all components of the AFDC program: who is eligible, how much eligible individuals can receive, what work requirements eligible recipients must meet, and how states must administer the program.

In some instances, only one component--e.g. eligibility--would be affected by a particular change proposed by the Administration.

In most instances, however, several components of the program--e.g. both eligibility and benefits, or both the work requirements and required state procedure--would be altered by a specific change that has been proposed.

Following is a brief description and analysis of each of the 16 changes.

1. Families currently receiving benefits solely because the absent parent is on active duty in the U.S. Armed Forces would no longer be eligible for assistance. According to the-Department of Health and Human Services, this would reduce eligibility by 10,000 families and reduce federal spending by $16 million in FY 1983.

2. In determining eligibility and benefits, a portion of the income of all unrelated adults (not just a step-parent) living within an AFDC family would be counted. According to DHHS, this would make 41,000 families ineligible, reduce benefit levels for another 2,000 families, and reduce federal spending by $69 million in FY 1983.

3. In determining eligibility and benefits, the income and needs of all the minor children (except SSI disabled children) of a parent receiving AFDC would be counted, as would be the income and needs of any parent. However, the income and needs of any children of a step-parent living in the same house, who is not seeking assistance, would not be counted. According to DHHS, this would make 28,000 families ineligible, reduce benefit levels for 74,000 families, and reduce federal spending by $63 million in FY 1983.

4. In determining eligibility and benefits, the portion of an AFDC grant which is designated for shelter and utility needs would be pro-rated for any AFDC family that lives in a larger household, to take into account the economies that result when living expenses are shared by a larger household. According to DHHS, this would make 14,000 families ineligible, reduce benefit levels for 459,000 families, and reduce federal spending by $174 million in FY 1983.

5. In determining eligibility and benefits, the needs of an employable parent or other caretaker relative would no longer be taken into account when the youngest child reaches age 16. According to DHHS, this would make 1,000 families ineligible, reduce benefit levels for 142,000 families, increase benefit levels for 35,000 families, and reduce federal spending by $47 million in FY 1983.

6. In determining benefits, the portion of an AFDC recipient's payment which is designed to provide for the heating and cooling costs implicitly or explicitly built into a state's payment standard will be reduced, apparently dollar-for-dollar, by any amount the recipient receives or is paid on the recipient's behalf under the Low-Income Home Energy Assistance block grant. The Administration has so far been unwilling to venture an estimate of the number of families that will thus have their benefits reduced, but DHHS has estimated that federal spending would be reduced by $175 million in FY 1983.

7. States would be required to round both their need standards and actual monthly payments to the next lowest dollar. According to DHHS, this would save the federal government $10 million in FY 1983.

8. States would also be required to pro-rate any benefit paid to a a family in its first month of eligibility based on the date the family applied for AFDC. According to DHHS, this would save the federal government $14 million in FY 1983.

9. All employable adults in families applying for AFDC would be required, while their applications are pending, to seek employment. According to DHHS, this will divert 150,000 families from welfare. DHHS estimates this requirement will reduce federal costs by $145 million.

10. In those states which participate in the optional Unemployed Parents (or AFDC-U) program, benefits will no longer be paid to an AFDC family unless the principal wage earner in the family is participating in either a Community Work Experience (CWEP) program, work supplementation, or the Work Incentive (WIN) program. The Administration estimates this save the federal government $86 million in FY 1983.

11. States, which now have the option os establishing Community Work Experience (CWEP) programs, would be mandated to do so. According to DHHS, this requirement will reduce federal costs by $49 million.

12. The needs of a parent or caretaker would no longer considered in determining the save of an AFDC payment when the parent or caretaker is working and either quits work or voluntarily reduces earnings. DHHS estimates this will save only $1 million.

13. The existing federal Work Incentive (WIN) program, which according to the President's budget documents is "designed to encourage and assist individuals receiving support from the AFDC program to achieve self-support through a program of employment, training, and support services," would be eliminated. States would be able to continue the program under their Social Service block grants, which the Administration independently proposes to reduce by $426 million. Elimination of the WIN program would save the federal government $245 million in FY 1983.

14. The existing AFDC emergency assistance program would be terminated. The function it performs--providing emergy assistance of a non-energy-related nature--would be picked up by the Low-Income Home Energy Assistance block grant, which would be expanded to cover both non-energy and energy emergencies, but which would also be reduced by $507 million. Elimination of the AFDC emergency assistance program would reduce federal spending by $60 million.

15. Beginning in FY 1983, if a state's erroneous benefit payments exceed 3%, the full cost of the erroneous payments which exceed 3% will be borne by the state--i.e. there will be, for these payments, no federal matching dollars.

    In FY 1984, the error tolerance level will be reduced to 2%; in FY 1985, to 1%; in FY 1986 and thereafter, to 0.

    DHHS estimates that this will save the federal government $234 million in FY 1983.

16. Finally, beginning in FY 1983, the costs incurred by state and local welfare agencies in administering AFDC, Food Stamps, and Medicaid will be replaced by a State Welfare Administration block grant. The block grant payment will be capped at $2.2 billion, which is 95% of the amount which state and local administrative costs are projected to be for FY 1982. FY 1983 federal savings: $40 millio

All told, DHHS projects that these changes--excluding the termination of WIN and the emergency assistance program--will lower federal costs by $1.1 billion in FY 1983.

* * *

Two major consequences of these 16 proposed changes need to be highlighted.

First: The Administration is proposing--by adding new rules concerning eligibility, the counting of income and need, the pro-rating of costs, and the deduction of non-AFDC assistance payments--to make AFDC a more complicated program. At the same time, the Administration proposes to make states bear the full cost of any payment errors which exceed a fairly low--and a diminishing--tolerance level, and the Administration also proposes to reduce the administrative cost reimbursement states will receive from the federal government at a time of continuing (though diminished) inflation.

Second: The Administration is proposing--by requiring AFDC applicants to work, by requiring one parent in a two-parent family to work, and by requiring all states to set up a Community Work Experience (CWEP) program--to increase the administrative and cost burden states must meet in the area of workfare. At the same time, the Administration is proposing not only to reduce administrative cost reimbursement in general but is proposing to eliminate the very federal program states seeking to strengthen their workfare efforts now rely on so heavily: the $245 million WIN program.

In short, the Administration is requiring the states to do much more in administering AFDC, but would give them substantially less financial assistance in getting the job done. The likely result is that states will be forced to either reduce AFDC eligibility and services in a time of high unemployment in order to avoid using more state dollars to fill in where costs-per-case have increased and federal dollars have been withdrawn, or spend significantly larger sums of state resources in order to meet the additional costs imposed by Washington and replace the federal aid which has been curtailed or terminated.

Food Stamps/Analysis

Congress last year enacted a number of major changes in the Food Stamps program designed to reduce the number of individuals eligible to receive Food Stamps, lower the value of Food Stamp coupons provided to some of those remaining eligible, and alter certain of the program's administrative features.

These changes reduced federal Food Stamp costs from $11.5 billion in FY 1981 to $11.3 billion in FY 1982, a $200 million reduction. These changes had the effect of reducing FY 1982 Food Stamp costs $1.6 billion below what the program would otherwise have cost in that year.

The changes enacted by Congress last year had been requested by the Administration, though the Administration had sought even more substantial changes.

* * *

In its FY 1983 budget proposals, the Administration has asked for 9 additional changes in the Food Stamp program.

1. The income of an applicant for or recipient of Food Stamps would be counted as including the full amount of any payment received, or made on the individual's behalf, under the Low-Income Home Energy Assistance block grant. Thus, any person who receives energy assistance payments would have Food Stamp benefits reduced; in some cases, persons who have been receiving Food Stamps or would otherwise be eligible would be denied Food Stamp benefits altogether. According to one estimate, for every $10 a family receives in energy assistance payments, Food Stamps would be reduced by $5.25. Elderly and disabled persons, who constitute about 40% of the recipients of energy assistance payments, would be fully subject to the reduction in Food Stamp benefits. This proposal would reduce federal Food Stamp costs by $231 million.

2. The income of an applicant for or recipient of Food Stamps would no longer be subject to an "earnings disregard" equal to 18% (or any other percentage) of gross earnings. Currently, the income of a Food Stamp recipient is not considered to include a portion of any wages the recipient earns--specifically, 18% of gross earnings--because that portion of wages is treated as being unavailable to the recipient since it is assumed to go for work-related expenses and taxes. The Administration proposes to eliminate this "earnings disregard". Families who have a worker--who constitute 17% of all Food Stamp families--will generally face a substantial reduction in Food Stamp benefits, and in some cases will lose eligibility. This proposal would reduce federal Food Stamp costs by $606 million.

3. A higher percentage of income would be subtracted from the maximum available benefit in determining the actual Food Stamp benefit provided. Currently, 30% of income is subtracted from the maximum available benefit. The Administration proposes that 35% of income be subtracted from the maximum available benefit. This 5% increase in the so-called "benefit reduction rate" means that every household receiving Food Stamps would have its benefits cut by an amount equal to 5% of its disposable income. This proposal would reduce federal Food Stamp costs by $978 million.

4. The existing $10 per month minimum benefit would be eliminated for one- and two-person households. According to one estimate, elderly and disabled

persons would compose the vast majority of those whose aid would be thus reduced. This proposal would save the federal government $138 million.

5. The existing rules for "rounding" cents down or up to the nearest dollar would be changed so that Food Stamp benefits would always be rounded down to the next nearest dollar. This $1-2 per month across-the-board cut in benefits would save the federal government $117 billion.

6. The existing job search rule would be changed to require employable Food Stamp applicants to search for jobs during the period their applications are being processed as well as after they have been certified as eligible. This proposal would save the federal government $15 million.

7. The federal funds allocated to state employment agencies for the administration of federal Food Stamp job search requirements would be eliminated. This would save the federal government $65 million.

8. Beginning in FY 1983, if a state's erroneous Food Stamp payments exceed 3%, the full cost of the erroneous payments in excess of 3% will be borne by the state--i.e. there will no longer be, for these payments, any federal reimbursement whatsoever.

   In FY 1984, the error tolerance level will be reduced to 2%; in FY 1985, to 1%; in FY 1986 and thereafter, to 0.

   This change will shift to the states $600 in costs currently picked up by the federal government.

   It should be noted that, in 1980, Congress enacted a provision under which states with high error rates must steadily reduce their error rates--i.e. by roughly one-tenth each year--or be subject to fiscal sanctions. Recently, 14 states which failed to achieve sufficient error rate reduction were in effect fined $16.5 million by the U.S. Department of Agriculture.

9. Finally, beginning in FY 1983, the costs incurred by state and local welfare agencies in administered Food Stamps, AFDC, and Medicaid will be replaced by a State Welfare Administration block grant. The block grant payment will be capped at $2.2 billion, which is 95% of the amount which state and local administrative costs are projected to be for FY 1982.

Taken together, these changes are designed to lower federal costs by well over $2 billion in FY 1983.

*   *   *

The attached material shows, for 3 different types of families now receiving Food Stamps, the combined effect of eliminating the 18% "earnings disregard" and increasing the "benefit reduction rate" from 30% to 35%. To the extent any of these 3 types of families might be receiving energy assistance, their Food Stamp benefits would be cut further.

As with AFDC, several of the Food Stamp proposals are self-contradictory.

On the one hand, the Administration proposes that the calculation of income be made more complex by requiring the counting of energy assistance payments; on the other hand, the Administration proposes to make states bear the full cost of any payment errors which exceed a fairly low--and a diminishing--tolerance level and to reduce the administrative cost reimbursement states will receive in general at a time of continuing (though diminished) inflation.

On the one hand, the Administration proposes to expand the job search requirement to Food Stamp applicants as well as recipients; on the other hand, the Administration proposes to eliminate the assistance formerly provided to state employment agencies to help Food Stamp job-seekers find work.

Taken together, the 9 Food Stamp changes will result in a dramatic reduction in Food Stamp benefits for many individuals, and a substantial shifting of costs to the states. States will be obliged--with respect to the reduction in benefits--to choose between accepting the reductions or restoring lost benefits with 100% state dollars. However, if states provide recipients who have lost benefits with cash, their income will of course go up and their Food Stamp benefits will be cut further. States will have no choices at all with respect to the costs shifted to them as a result of the 3%--and declining--error rate and the loss of funding built into the proposed State Welfare Administration block grant. Unlike the AFDC program, where a state can reduce eligibility somewhat and benefits quite a lot in response to cost-shifting, in Food Stamps eligibility and benefits are fixed by federal law, so the states have nowhere to go but to absorb any federal costs shifted to them. The only way to avoid such cost shifting is to get out of the Food Stamp program altogether, which is hardly a realistic possibility.

FOOD STAMP PROPOSAL ILLUSTRATIONS

Example: This illustrates the change in benefit level that would be experienced by a mother of two dependant children, working full-time and receiving the minimum wage of $3.35 an hour.

Current Law

$	6968.00	Annual income
	580.66	Gross monthly income
	-104.52	Earned income disregard (18% of income)
	476.14	
	-85.00	Standard deduction
	391.14	Net monthly income
	x.30	Benefit reduction rate
$	117.34	Benefit reduction amount
$	183.00	Benefit level for family of three
	117.34	Benefit reduction amount
$	65.66	Monthly Food Stamp allotment
	x 12	
$	787.92	Annual Food Stamp allotment

Administration Proposal

$	6968.00	Annual income
	580.66	Gross monthly income
	-85.00	Standard deduction
	495.66	Net monthly income
	x.35	Proposed benefit reduction rate
$	173.48	Benefit reduction amount
$	183.00	Benefit level for family of thre
	173.48	Benefit reduction amount
$	9.52	Monthly Food Stamp allotment
	x 12	
	114.24	Annual Food Stamp allotment

Example: This illustrates the change in benefit level that would be experienced by an elderly couple with a gross annual income of $5,000.

$	5000.00	Gross annual income
	416.66	Gross monthly income
	-85.00	Standard deduction
	331.66	Net monthly income
	x.30	Benefit reduction rate
	99.50	Benefit reduction amount
$	128.00	Benefit level for two person household
	-99.50	Benefit reduction amount
	28.50	Monthly Food Stamp allotment
	x 12	
	342.00	Annual Food Stamp allotment

$	5000.00	Gross annual income
	416.66	Gross monthly income
	-85.00	Standard deduction
	331.66	Net monthly income
	x.35	Proposed benefit reduction rat
	116.08	Benefit reduction amount
	128.00	Benefit level
	116.08	Benefit reduction amount
	11.92	Monthly Food Stamp allotment
	x 12	Annual Food Stamp allotment
	143.04	Annual Food Stamp allotment

Example: This illustrates the change in benefit level that would be experienced by an elderly person living alone receiving a gross annual income of $3420.

Current Law

$	3420.00	Gross annual income
	285.00	Gross monthly income
	-85.00	Standard deduction
$	200.00	Net monthly income
	x.30	Benefit reduction rate
$	60.00	Benefit reduction amount
$	70.00	Benefit level for one person household
	60.00	Benefit reduction amount
	10.00	Monthly benefit level
	x 12	
	120.00	Annual benefit level

Administration Proposal

$	3420.00	Gross annual income
	285.00	Gross monthly income
	-85.00	Standard deduction
	200.00	Net monthly income
	x.35	Benefit reduction rate
$	70.00	Benefit reduction amount
$	70.00	Benefit level for one person househo
	-70.00	Benefit reduction amount
	0.00	Monthly Food Stamp benefits

in FY 1982; 4% in FY 1983; and 4.5% in FY 1985. However, any state would have a percentage point taken off its payment reduction rate for each of the following criteria the state could meet: (1) an existing hospital review program meeting certain statutory standards; (2) unemployment in excess of 150% of the national average; (3) recoveries equal to 1% of federal payments from third-party payors in FY 1982 and from fraud and abuse activities thereafter. Moreover, any state could also receive a dollar-for-dollar offset against its reduction in federal aid if its total program costs amounted to less than the following targets: in FY 1982, a target of 109% of the state's February estimate for FY 1981; in FY 1983 and FY 1984, a target equal to the FY 1982 target as increased by the percentage increase in the medical care component of the Consumer Price Index (CPI). The federal savings estimated to result from these changes was around $1.0 billion. The Administration had of course asked for a more severe reduction in aid to states under the Medicaid program: the original Administration proposal was an absolute--$18.1 billion--dollar cap in federal Medicaid costs.

* * *

In its FY 1983 budget proposals, the Administration asks that federal Medicaid costs be reduced by approximately $2.0 billion below the level they would otherwise reach. Three major kinds of change would combine to yield most of the $2.0 billion in savings:

- Reductions in AFDC and SSI eligibility, when translated into reductions in Medicaid eligibility, are projected to reduce federal costs by $329 million.
- A new federal cost-sharing requirement for Medicaid recipients, combined with giving states the authority to recover more costs from deceased recipients' estates and to require contributions from recipients' adult children, is projected to reduce federal expenditures by $ 12 million.
- Reductions in the federal matching rate for the medically needy, optional services, family planning services, and certain administrative costs, combined with elimination of reimbursement for persons eligible for Medicaid for whom the state pays the premium under the Medicare/Part B program, are projected to reduce federal expenditures by $867 million.

Following is a brief description and anlysis of these and the other changes in Medicaid proposed by the Administration.

1. The changes proposed for the AFDC program would cause 661,000 children under 21 and 181,000 adults to lose AFDC and thus Medicaid eligibility. A series of separate changes proposed for the Supplemental Security Income (SSI) program would cause a number of SSI recipients to lose SSI and thus Medicaid eligibility. The Administration estimates that the AFDC changes will reduce federal Medicaid costs by $153 million, while the SSI changes will reduce federal Medicaid costs by $176 million, for a total of $329 million.

2. In another AFDC-related change, AFDC recipients who lose or voluntarily give up AFDC eligibility, and who are now eligible for Medicaid for another four months, would be eligible for Medicaid for only one month. The assumption is

that, within the one-month period, employer health insurance would take effect. This change is projected to reduce federal Medicaid costs by $75 million.

3. Beginning in FY 1983, the Administration would require that the states impose on categorically needy recipients a co-payment of $1 per day for inpatient hospital services and $1 per visit for outpatient hospital services, clinic services, and physician services. In addition, states would be required to impose on medically needy recipients a co-payment of $2 per day for inpatient hospital services and $1.50 per visit for the various other services mentioned above. Under current law, the categorically needy may be charged nominal co-payments only for optional services if a state so chooses, while the medically needy may be charged nominal co-payments for both mandatory and optional services if a state so chooses. The new requirement, which is designed to make all Medicaid recipients more cost-conscious in their use of health services, is projected to reduce federal Medicaid costs by $329 million.

4. Beginning in FY 1983, the Administration asks that states be allowed, at their discretion, to place liens on the homes of institutionalized Medicaid recipients, which liens could be enforced after the property was no longer needed by the recipient, spouse, or minor children. This would accelerate the states' recovery of costs, since now liens can be placed and enforced only after recipients have died.

In addition, the Administration asks that states be allowed, at their discretion, to require adult children of institutionalized Medicaid recipients to contribute to the cost of their parents' care.

These two changes would, according to DHHS, reduce federal Medicaid costs by $212 million.

5. The Administration has proposed that the state Medicaid costs that result from (a) providing categorically needy recipients with optional services and (b) providing medically needy recipients with both mandatory and optional services be reimbursed at a rate 3% lower than is now the case for each state. This change accounts for the single largest reduction in federal Medicaid costs: $600 million.

6. The Administration proposes that certain services or activities whose costs are subject to a higher-than-normal special matching rate --specifically, family planning services, which enjoy a 90% federal match, and state certification activities, which have a 75% federal match--be henceforth matched at the state's regular rate. In the case of family services, this means the rate at which mandatory services are matched, which ranges from 50-78% depending on the state. In the case of state certification, the federal match would drop from 75% to 50%, the regular rate for administrative cost matching. This change would reduce federal Medicaid expenditures by $64 million.

7. The Administration proposes to eliminate the current state option of enrolling persons eligible for both Medicaid and Medicare

in the Medicare Part B program. Currently, for the class of individuals which qualifies for both Medicaid and Medicare, a state can either include them in the regular Medicaid program and pay between 22-50% of the actual cost of services rendered or for a much smaller amount enroll them in the Medicare Part B program by paying only the insurance premium and then receiving reimbursement for part of the cost at the state's regular federal matching rate. The Administration, objecting to the "considerable advantage" states receive when then enroll recipients in the Medicare Part B program by merely paying part of the cost of the premium, wishes simply to eliminate the Medicare "buy-in" option. The change would reduce federal Medicaid costs by $203 million.

8. Beginning in FY 1983, if a state's Medicaid error rate exceeded 3%, the full cost of those errors in excess of 3% would be borne by the state--i.e., there would no longer be, for these erroneous payments, any federal reimbursement.

   In FY 1984, the tolerated error rate would be reduced to 2%; in FY 1985, to 1%; in FY 1986 and thereafter, to 0.

   This change is projected to reduce federal Medicaid expenditures by $59 million.

9. Finally, beginnin in FY 1983, the costs incurred by state and local officials in administering Medicaid, AFDC, and Food Stamps will be replaced by a State Welfare Administration block grant. The block grant payment will be capped at $2.2 billion, which is 95% of the amount which state and local administrative costs are projected to be for FY 1982.

* * *

It is important to remember that, because of the action taken by Congress last year, states are already facing in FY 1983 a 4% across-the-board reduction in the size of their federal Medicaid payments. Some states may be able to offset or reduce this loss of funds by meeting the criteria described earlier. Some may face the full amount of the across-the-board reduction.

Whereas last year substantial flexibility was granted to states as the quid-pro-quo for the percentage reduction in federal Medicaid reimbursement, this year the Administration is <u>not</u> proposing that the states be granted much additional flexibility but <u>is</u> proposing a huge shifting to the states of costs now borne by the federal government.

There are only two areas in which state flexibility would be increased if the Administration's new Medicaid proposals are enacted. States would be allowed to impose liens on the homes of institutionalized Medicaid recipients, and thus recover costs from their estates, sooner than is now the case. States would be allowed to require the children of institutionalized Medicaid recipients to pay part of the cost of their parents' care. The use of these new options--if they are enacted--may well be desirable. But both are fraught with emotional, ethical, legal, and practical difficulties. For instance: a lien, though imposed, could not be enforced if the property were still needed by the recipient's spouse--but how is the "need" for a family home by a widow or widower to be measured? and by whom? and what if the widow or widower disagrees with the responsible official's decision? Another example: should a child who was sexually abused by his or her parent in childhood be required to pay for the parent's upkeep in a nursing home? Perhaps states can utilize the limited flexibility the Administration has proposed to give them this year, but it will not be easy, and it can be questioned whether it will happen soon enough to produce the federal savings the Administration predicts.

Balanced against this limited and problematic flexibility--on top of the 4% payment reduction which is already the law--there would be a massive shifting of costs to the states from the federal government.

--States would be required to decide whether to put the AFDC and SSI recipients who the Administration wants to deny Medicaid eligibility back into some kind of health care program. To the extent a state decides to restore these individuals to the health care coverage they previously had, it will either have to bear 100% of the cost or--for those who qualify as medically needy under the state's Medicaid program--receive 3% less in its rate of federal reimbursement.

--States would be required to decide whether to reduce eligibility and benefits in order to pay no more for Medicaid than they had previously projected, or to raise hundreds of millions of state dollars to avoid eligibility and benefit reductions and simply fill in for the federal dollars no longer made available.

None of these choices would be easy. They will be made even more difficult for any state which fails to live within its 3%--and declining--error rate and finds that certain Medicaid costs will not be reimbursed at all.

Health and Social Service Block Grants

Background

In 1981, as part of the Omnibus Budget Reconcilation Act, Congress decided to consolidate over 20 health and social service programs into 7 block grants. The decision was a major victory for the Reagan Administration, though the consolidation of a much larger number of categorical programs into only 4 block grants had been the Administration's original request.

Congress agreed to give states--tje recipients of the health and social service block grants--most of the decision-making power previously exercised by the Department of Health and Human Services (DHHS). Congress also reduced dramatically the paperwork and other requirements states formerly had to meet. However, Congress did not give states as much flexibility or simplification as the Reagan Administration had sought.

Despite warnings by some state officials that substantial funding cuts would lead to a reduction in services, Congress chose to reduce substantially the federal funding for the 7 block grants. Compared to an FY 1981 funding level of $6.744 billion for the categorical programs folded into the block grants, Congress has so far cut the level of federal aid to $5.610 billion, a 17% reduction. The aggregate figure is misleading, however, because one block grant--the Low-Income Home Energy Assistance block grant--was cut only 5%, while the remaining 6 block grants were cut in the range of 185-26%. A 25% cut for each block grant had initially been sought by the Reagan Administration; in September of 1981, the Administration revised its budget and requested an even greater, 31%, cut.

Almost all of the states are now operating (either because they had no choice or decided to exercise the choices made available) 6 of the block grants; the remaining one, the Primary Care block grant, does not go into effect until FY 1983.

FY 1983 Budget Proposal

The pattern set for FY 1982--major program consolidations and large funding cuts--is repeated in the Administration's FY 1983 budget.

Child Welfare Block Grant

An entirely new Child Welfare block grant, to be composed of the former child welfare services, child welfare training, foster care, and adoption assistance programs, has been proposed. "Greater flexibility to develop service delivery mechanisms tailored to specific local needs", and the elimination of overlapping planning and reporting requirements, are the principal reasons the Administration gives. No real details on the new block grant have yet been released. Presumbably, the model offered by the Administration last year--which Congress generally accepted--will be used again.

Funding for the four categorical programs to be folded into the new block grant was reduced from FY 1981 levels of $522.9 million to FY 1982 levels of $465.1 million, an 11% cut. The Administration now proposes another reduction for FY 1983, down to $380.1 million, an additional cut of 18%. From FY 1981 to FY 1983, the reduction would be 27%.

Services for Women, Infants, and Children Block Grant

The Administration has asked that the Maternal and Child Health block grant created last year be merged with the much larger WIC (Women, Infants, and

Children) nutrition program. The Department of Health and Human Services (DHHS) now runs the Maternal and Child Health Block Grant; the Department of Agriculture administers WIC; the combined program, which apparently would be renamed the Services for Women, Infants, and Children block grant, would be handled by DHHS. Arguing that "improvement in health status is much greater when supplemental nutrition is combined with improved access to health care," the Administration believes that states will be better able to provide a "full range of health services for women and children" under the new block grant. Presumably, states would be replace WIC eligibility and service criteria with their own under the block grant; presumably, states would also be able to provide women and children with new combinations of nutritional and medical care; on these points, however, the FY 1983 budget documents are not specific.

From FY 1981 to FY 1982, funding for the constituent parts of this new block grant grant was reduced from $1,384.5 million to $1,251.8 million, a 10% cut. A much larger reduction--down to $1,000.1 million, an additional 20%--is proposed for FY 1983. From FY 1981 to FY 1983, the reduction would be 28%.

Primary Care Block Grant

The legislation provisions which transformed the old Community Health Centers program into the Primary Care block grant stipulated that the block grant not take effect until FY 1983 and that thereafter it would be optional for each state to decide whether to pick up the block grant or leave the program in the hands of DHHS.

The Administration has proposed to merge the yet unoperative Primary Care block grant with three categorical federal health programs: black lung services, migrant health services, and family planning. Though the budget documents do not explicitly say so, the Administration presumably intends to keep the October 1, 1982 start-up date but eliminate the state option of not picking up the block grant or leaving the program in federal hands.

The programs making up the Primary Care block grant received $535.0 million in FY 1981 funding and were reduced to $414.8 billion in FY 1982, a 22% drop. However, approximate level funding is proposed for FY 1983.

Low-Income Home Energy Assistance Block Grant

Last year, Congress rejected the Administration proposal to combine the AFDC emergency assistance program with the old low income energy program. Thus, only the latter was included in the Low-Income Home Energy Assistance block grant (LIHEABG). This year, the Administration will try again. The proposed merger of the small AFDC emergency assistance program with the LIHEABG is designed to expand the scope of the block grant so that funds coul be used as needed for both non-energy crises and energy assistance. Presumably, no requirement will be proposed fixing the percentage of funds that must go into non-energy and energy uses, though the FY 1983 budget documents are not explicit. The Administration has proposed to alter the distribution formula so as to target funds towards states most in need due to their heating costs in the winter. There will also be an effort to eliminate some of the existing reporting requirements, assurances, and compliance procedures.

The two programs in question did not under major dollar cuts last year. Their combined funding was cut from $1,905.0 million in FY 1981 to $1,807.2 million in FY 1982, just over 5%. However, a major reduction to $1,300.0 million, a 28% cut, is proposed for FY 1983. The FY 1981 to FY 1983 change would thus be -32%.

Other Block Grants

The remaining four health and social service block grants--Community Services; Social Services; Alcohol, Drug Abuse, and Mental Health; and Preventive Health and Health Services--would not be structurally changed. Two of them, however, would receive substantially less funding; the other two would be level-funded.

The community Services block grant was reduced from $472.7 million in FY 1981 to $348.0 million in FY 1982, a 26% cut. It would be slashed by over two-thirds, to $100 million, in FY 1983, a 71% cut. Thus, over two years, community services funding would decline nearly 80%.

The Social Services block grant was cut from $2,991.1 million in FY 1981 to $2,400.0 million in FY 1982, a 20% drop. For FY 1983, a nearly equal reduction to $1,974.1, an 18% cut, is proposed. Over two years, Social Services block grant funding would thus decrease by 34%.

The Alcohol/Drug Abuse/Mental Health and Preventive Health/Health services block grants underwent major funding cuts between FY 1981 and 1982. The former fell from $548.6 million to $432.0 million, a 21% decline. The latter went from $99.2 million to $81.0 million, an 18% decrease. However, both block grants would be held at their FY 1982 levels for FY 1983.

Impact on the States

States would generally benefit from the consolidations and other structural changes proposed by the Administration. Their capacity to target funds on those they determine to be most in need, and their ability to increase the ratio of service-to-administration expenses, will be enhanced by the greater flexibility and fewer requirements which the Administration seeks.

These gains must be weighed against the dramatic funding cuts proposed for 5 of the 8 block grants. Community services will be nearly wiped out by the 71% funding cut proposed. Far fewer low-income citizens can be helped to stay warm in the winter--far fewer pregnant women and newborn children can be given nutritional and medical care--if the block grants serving them are cut by an additional 28% and 20%, respectively, as proposed. The level of services provided to children, handicapped persons, and elderly individuals will undoubtedly be reduced if the Child Welfare and Social Service block grants are reduced by 18% each.

Last year, when states' economies and budgets were in better shape, and when significant administrative savings were expected to result from the consolidation of categorical programs into block grants, some state officials warned that they would be compelled to eliminate or reduce needed services if cuts in funding exceeded 10-15%. This year, with most states in worse economy and budgtary shape, and with fewer administrative savings left to balance against block grant funding cuts, it seems even more likely that state services and assistance in a broad range of health and social programs will have to be cut back as a result of the $1,516.0 million--21%--reduction for FY 1983 requested for the block grants by the Administration.

Outlook

For a number of reasons, Congress is likely to give the Administration's block grant proposals a rough time.

In general, there is far greater willingness this year for Senators and Congressmen to raise questions about, and disagree openly with, the Administration

Specifically: (1) the same members of who last year resisted inclusion of the child welfare services, child wlefare training, foster care, and adoption assistance programs into the Social Services block grant are going to have problem with the consolidation of those programs in a Child Welfare block grant; (2) the merger of the Maternal and Child Health block grant with WIC requires coopeeration between the health and agricultural committees of Congress, which has always been difficult to achieve; (3) the arguments raised last year that states could not effectively deal with migrant health and family planning will again be raised to prevent the inclusion of those federal programs in the Primary Care block grant; (4) there will be concern that the merger of the two emergency assistance programs--one for energy, one for general crises--will deprive those needing warm in the winter of adequate resources; and (5) there will be strong objections in some wuarters to the near-elimination of community services.

Apart from the difficulties many in Congress will have with the policies of the Administration, there will be widespread resistance to the major dollar cuts proposed.

Finally, there will be a certain amount of disinclination to make the structural changes and funding cuts proposed in light of the far broader proposal to eliminate all of the block grants starting in FY 1984 as part of the Administration's Federalism Initiaitve.

These problems, which will loom larger as the 1982 election draws nearer, may make it difficult for the Administration to achieve its objectives. Yet the Reagan Administration has so far shown an unusual capacity to reach into the jaws of defeat and grab at least a compromise, if not victory.

Congressional Reation to AFDC, Food Stamp, and Medicaid Cuts Proposed

AFDC --House Ways & Means Subcommittee on Public Assistance and Unemployment Compensation decided, 3/2/82, unanimously, not to recommend to the House Budget Committee that the requested $2.7 billion in AFDC, UI, energy assistance, and other cuts be made. Subcommittee advised Budget Committee to count on all these programs going forward without cuts.

--Senate Finance Committee decided, 3/2/82, to reduce the deficit for programs under its jurisdiction by the $20 billion President Reagan has asked, but didn't say how. General belief is that Finance will do so less by cutting benefits, as advocated, than by raising new taxes, which the Administration opposes.

Food Stamps--House Agriculture Committee decided, 3/3/82, advised the House Budget Committee it did not know what cuts, if any, it would make in the Food Stamp program.

Senate Agriculture Committee member, Sen. Dole, stated: "I do not feel we can save $2.3 billion" in Food Stamps, the amount the Administration seeks.

Medicaid--House Energy and Commernce Subcommittee on Health and the Environment chairman, Rep. Waxman, predicted 3/4/82 that the Subcommittee would rejected the $2 billion in Medicaid cuts proposed by the Administration. Waxman said: "I don't believe the members will be willing to make further cuts in Medicaid.

--See note on Sentence Finance Committee, above.

Block grants--Both House Educaton and Labor Committee and Senate Labor and Human Resources Committee are expected to resist new proposals of the Administration.

In the House, Republicans, lead by conservative Rep. Ashbrook, critized the education cuts proposed by the President. Sources in both parties predict the education cuts proposed would be rejected.

In the Senate Labor and Human Resources Committee, two Republican Senators--Stafford and Weicker--seem likely to team up with Sen. Kennedy and the Democrats to block cuts.

ALASKA STATE LEGISLATURE
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October 29, 1981

(Revised 3/15/82)

MEMORANDUM

TO: Representative Ray Metcalfe

FROM: Susan Brody, Research Staff SEB

RE: Workfare
Research Request No. 81-175

This memorandum summarizes information about workfare programs and their possible application to Alaska. Two articles concerning workfare programs in other states are attached. I plan to transmit a second memorandum to you by December 1, analyzing in greater depth some of the information presented in this summary.

Recent Congressional Action

The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) passed by Congress in August of this year, gives states much more latitude than they previously had to impose work requirements on welfare recipients. The law gives the states three main options: Community Work Experience Programs; Work Supplementation Programs; and Work Incentive Demonstration Projects.[1]

Community Work Experience Programs (CWEP). The stated purpose of this program is to provide work experience and training for individuals not otherwise able to obtain employment, in order to assist them in moving into regular employment. Work experience opportunities are limited to public service jobs in fields such as health, social service, environmental protection, education, urban redevelopment, welfare, recreation, public safety and day care. Only public agencies and nonprofit organizations can provide jobs; private for-profit entities may not be CWEP sponsors.

States may require only recipients of aid and not applicants for aid to participate in CWEP. A state may require those AFDC (Aid to Families with Dependent Children) recipients who are required to

[1]Pertinent sections of PL 97-35 are contained in the Appendix.

participate in the WIN program[2] to participate in CWEP unless those persons are currently working more than 80 hours per month. Those recipients who are exempt from WIN because they are caring for a child between the ages of three and six, may also be required by a state to participate in CWEP if adequate child care is available. The maximum number of hours a person may be required to work is to be calculated by dividing the total welfare grant to the family by the minimum wage.[3] According to the federal regulations implementing the program[4], states may reimburse recipients up to $25/month for transportation and other costs related to their participation in the program. A person who refuses to participate in CWEP is subject to the same penalities as someone who fails to participate in WIN, that is, discontinuance of the AFDC payments.

Work Supplementation Programs. The purpose of this program is to allow states to make jobs available to welfare recipients on a voluntary basis, as an alternative to aid. The states would have broad discretion in administering the program. States with Work Supplementation Programs may reduce need standards, set their own eligibility criteria, and reduce payments to recipients. The states can then use the money saved from lowering grant levels to help defray the costs of subsidizing employment opportunities in public or non-profit organizations, and under certain conditions in privately owned day care centers.

A state would have discretion under the law to negotiate with those agencies hiring welfare recipients as to the wages, hours, benefits, and all other conditions of work including the length of time a subsidized position will be available for recipients.

Work Incentive Demonstration Projects. This option allows states to give their welfare officials authority to supervise job placement activities normally performed by a separate labor agency. The demonstration project would be an alternative to (would replace) the WIN program for the purpose of demonstrating single agency administration.

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[2]WIN is the federal Work Incentive Program which was established in 1968 and is administered in Alaska jointly by the Department of Health and Social Services and the Department of Labor. It is the principal manpower program aimed at assisting AFDC recipients to find and retain jobs.

[3]Whichever is higher: the State or federal minimum wage. In Alaska the State minimum is $3.85/hour versus the federal minimum of $3.55 per hour.

[4]Federal Regulations, Vol. 6, No. 182, Sept. 21, 1981.

Each state wishing to participate in a demonstration project must submit an application to the federal Department of Health and Human Services which indicates how the state expects to maximize client placement in non-subsidized private sector employment. States may use a variety of techniques to achieve this objective including: job training, job find clubs, diverting funds to either public or private sector employers, services contracts with state employment services or private placement agencies, and job tax credit campaigns.

In addition to the provisions of PL 95-35, the Agriculture and Food Act of 1981 (PL 97-98) allows the Secretary of Agriculture to prescribe workfare requirements for foodstamp recipients.

State Implementation

Prior to passage of the federal law, states had little flexibility in instituting work requirements in programs where federal funds were involved, specifically in the AFDC program. The federal government had allowed a few experimental workfare programs involving AFDC recipients at five sites around the country, but, for the most part, states only were able to use the workfare approach in their general assistance (GA) programs which are 100% state-funded.

As of 1980, the following 21 states had begun workfare programs for their GA recipients:

Hawaii	North Carolina	Montana	Maine
Kansas	Utah	Ohio	Michigan
Maryland	California	Florida	New Hampshire
New Jersey	Illinois	Indiana	South Dakota
New York	Minnesota	Iowa	Wisconsin
Connecticut			

According to a recent report by the National Conference of State Legislatures (NCSL), these efforts have resulted in the emergence of three major workfare programs models:

- Straight Work Relief in which clients participate in work projects in return for benefits received.

- Employment and Training-Related Work Relief in which work relief assignments are one component of a broader employment-training strategy.

- Broader Work Relief Efforts in which clients are paid wages in community work programs at the same time that they receive training and assistance in seeking employment.

According to a recent article in the New York Times (Saturday, September 26), the change in federal law has led welfare officials in at least 10 states to design or propose work programs for recipients of AFDC. These states include Oregon, New York, New Jersey, Maryland, Ohio, Michigan, North and South Carolina, and South Dakota. The article went on to describe briefly what some of these states are doing:

- Oregon will be requiring women on welfare to seek work when their children reach the age of three years, rather than six (the age specified in the previous law).

- West Virginia is developing a program that would require some welfare recipients to work for their welfare grants by taking jobs that pay the minimum wage.

- South Dakota plans to send parents in one-fourth of its 6,500 welfare families to work as a condition of receiving benefits.

- Earlier this year, New Jersey requested permission to test a workfare program in four counties. Under the program, welfare recipients would be required to work 20 hours a week at public service agencies and daycare centers.

Possible Application of Workfare in Alaska

I spoke with Judie Walker of the Division of Public Assistance, Department of Health and Social Services, concerning the possible application of a workfare program to Alaska. She said that they were currently reviewing the various options presented in the federal legislation and will be making a recommendation by the beginning of the next legislative session. Ms. Walker is working closely with the administrator of the State's WIN Program and indicated that one possibility they have discussed would involve expanding the WIN Program itself. I will be meeting with her again in about three weeks, at which time she will explain their current thinking on possible proposals. I will incorporate this information in my next memorandum to you.

My next memorandum will also include a discussion of the major issues raised by both proponents and opponents of workfare. As indicated in the attached articles, considerable controversy has arisen over the cost effectiveness of such programs and their inability, in many instances, to realize private-sector employment opportunities for welfare recipients.

SB/bf
Attachments: PL 97-35
Articles from: National Journal
US News and World Report

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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December 2, 1981

TO: Representative Ray Metcalfe

FROM: Susan Brody, Research Staff SEB

RE: Workfare and Other Employment Programs
Research Request #81-175

This memorandum provides additional information on workfare and related programs as a follow-up to my earlier memorandum to you of October 29. In that memorandum, I explained that the Omnibus Budget Reconciliation Act of 1981 (PL 97-35) allows states to impose employment or training requirements on welfare recipients through three alternative programs: Community Work Experience Programs; Work Supplementation Programs; and Work Incentive Demonstration Projects.

The information presented in this memorandum is organized into the following two sections:

- a review of some of the issues which have surfaced in the operation of workfare and employment programs in other states
- a status report on the State of Alaska's options under the new federal law.

WORKFARE PROGRAMS IN OTHER STATES

Prior to passage of PL 97-35, a number of states had initiated workfare programs for their General Assistance (GA) recipients. As General Assistance is funded totally from state coffers, these programs were not subject to any federal government restrictions. A few states were given permission by the federal government to extend workfare programs to AFDC recipients on an experimental basis. In addition, most states are operating Work Incentive Programs (WIN) which is the federal government's principal manpower program to assist AFDC recipients in finding and retaining jobs.

Workfare or work relief generally refers to programs in which recipients of public assistance are required to perform work without pay on community-based projects. In a paper prepared by the federal Office of Work Incentive Programs in 1978, the following positive and negative features of workfare programs were identified.

Positive Features:

- the community receives something of value in return for its support of the recipient, namely a certain number of hours of work per month, performed at a public or private non-profit work site;

- the individual is introduced to the discipline of work in a real life setting; the experience may provide leads to other jobs;

- the number of people on the welfare rolls may be reduced; individuals are less likely to apply for welfare if work requirements exist and welfare recipients who fail to show up at job sites are terminated from welfare.

Negative Features:

- jobs to which welfare recipients are assigned often have little or no skill content; they are frequently "make work" custodial or clerical jobs;

- work relief often does not provide opportunities for economic betterment;

- work relief is inequitable as the recipient is performing work alongside regular employees who get paid and obtain a significant range of fringe benefits.

The WIN report concludes that, overall, workfare programs can be effective for AFDC recipients if they are tied to employment training. The report warns that "unless work relief assignments are integrally built into an individual's employability plan, it is likely to be of little benefit to participants." The authors of the report suggest that it may be appropriate to impose workfare requirements on AFDC recipients in at least three instances:

(1) to provide jobs to individuals who have no, or inadequate, work experience;

(2) to test an individual's willingness to work; or

(3) to provide a short term real life work situation for an individual who has completed some training.

In addition, a 1978 report from the National Association of Counties, advises that if workfare programs are to be widely used for AFDC and foodstamp programs in the future, "attention should be focused on the characteristics of the target population, the length of time spent on assistance, and the level of employability among recipients".[1]

Utah

Utah is one of the states which developed a workfare program for its AFDC recipients. The Utah Work Experience and Training program (WEAT) was initially established in 1974 by the legislature. In 1976, the federal government tentatively approved the application of the WEAT program to AFDC recipients.

All AFDC recipients registered for the WIN program who have not been assigned employment or training must also register for the WEAT program. AFDC mothers with children six years or younger are exempted from participation. If assigned to a WEAT position, the individual must work 96 hours per month (an average of three days per week). The remaining two days of the week are set aside for job search or training activities. Failure to report to work without a valid excuse results in the individual being removed from assistance.

The 96-hour work requirement is not related to the amount of assistance obtained. According to a report by the federal WIN office, "the major advantage of this policy is the fact that work site sponsors can count on obtaining the services of a particular individual on a regularly scheduled basis. This contrasts with other programs where the individual may report for 5 to 10 days in a month, frequently with little scheduling."[2]

The Utah program has been considered by many to be fairly successful in terms of both the number of recipients who return to the work force after leaving the program and the number of recipients who have been dropped from the AFDC rolls or have had their benefits reduced. However, as noted in a recent National Journal article:

> What can't be determined, though, is how many successful participants would have found employment anyway. Since there is no 'control group' and since...welfare recipients tend to move in and out of the labor market fairly regularly...[3]

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[1]National Association of Counties Research, Inc., A Study of General Assistance Workfare Programs, February 17, 1978.

[2]Office of Work Incentive Programs, Work Relief: Search for a Positive Position, June 1978.

[3]Linda Demkovich, "Workfare: Punishment for Being Poor or an End to the Welfare Stigma?" National Journal, July 4, 1981.

The Utah WEAT program is substantially the same as the Community Work Experience Program (CWEP) proposed by the federal government as part of the Omnibus Budget Reconciliation Act of 1981. The two major differences are that: (1) Utah requires all participants to work 96 hours per month regardless of the amount of the welfare grant, whereas the number of hours to be worked under the federal CWEP regulations is to be determined by dividing the total amount of the individual's welfare grant by the minimum wage; and (2) Under Utah's program, only those AFDC recipients with children over the age of six are required to participate, whereas under the federal CWEP program, recipients with children between the ages of three and six would also be eligible to participate.

Califorina

When Reagan was governor of California, he initiated a three-year workfare demonstration program called the Community Work Experience Program. The program ran from 1972 to 1975 and, at its peak, 34 counties and approximately 1000 clients participated. The program had three goals: to reduce welfare dependency; to lower the rate of welfare applications; and to reduce overall welfare costs. Unfortunately, the extent to which the program accomplished its goals has not been determined. According to Kurt Sjoberg, California's Chief Deputy Auditor General:

> ...we believe that CWEP as a demonstration project was not implemented in a manner which would allow its effect on welfare to be accurately determined. ...only one-half percent of the participating county AFDC caseload was served, and...participating counties were concentrated in the rural, agricultural counties, rather than any...urban areas.[4]

In recent testimony before a Senate subcommittee of the California Legislature, Mark Sanders of the state's Employment Development Department, indicated a few of the reasons the CWEP program had not yielded more positive results:

> ... the fact that there was no reimbursement for the supervision, you weren't expected to teach people skills, just to get people t show up ɩor work. This conflicted with what we were trying to do in the Public Employment Program...and the Work Incentive Program (WIN). and,
>
> Organized labor opposed the use of CWEP in public jobs, saying that these are jobs that could well be filled by people for wages.

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[4]Hearing on Employment and Training of Welfare Recipients: California Legislature, Senate Committee on Health and Welfare, Subcommittee on Social Services and Welfare. April 7, 1981. Quotation from transcript.

Social Services and Welfare. April 7, 1981. Quotation from transcript. When asked about implementing such a program today, he replied:

> ...if we had to implement it overnight statewide, I think we would have a replication of the experience we had .... We require a long period of time to get our staff, the welfare staff...understanding it. We need training; we need to market the program so that people don't view it as punitive, but rather as an opportunity type program ..."[5]

Instead of reinstituting a program like CWEP, the State of California has been experimenting with various job development and training programs over the last several years. According to Forrest Boomer, of the State of California's Employment Development Department, the department started rethinking its approach to the WIN program about four years ago and concluded that perhaps even more important than job training was the ability of the job applicant to sell himself to potential employers.[6] As a consequence, the State established a Job Search Assistance Program (JSAP) in 1979. (Additional information about the operation of JSAP is contained in the Appendix).

JSAP offices were set up in six counties and three cities. The goal of the program was to emphasize job search over work training and to involve individuals in the program before they applied for welfare. According to Mr. Boomer, the legislature's satisfaction with JSAP's success in helping clients to find jobs has led to another related experiment called the Employment Preparation Program (EPP) which was initiated in July of 1981.

EPP has three key elements:

- identifying unsubsidized employment in the private sector;
- minimizing duplication of services through a single client intake/ assessment process;
- local planning--designing an approach which meets local needs and is suited to local labor markets.

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[5]Mark Sanders, Deputy Director, Operations Branch , Employment Development Department, State of California: from hearing transcript, California Senate Subcommittee on Social Services and Welfare, 4/7/81.

[6]Telephone interview with Forrest Boomer, State of California, Employment Development Department. November 24, 1981.

The bill authorizing EPP was passed by the California legislature in November of 1980; three sites were funded on an experimental basis in 1981 in San Mateo, Ventura and Lake Counties. One important feature of the legislation (copy attached) is that it requires that a thorough monitoring and evaluation process be undertaken in an attempt to measure the success of the program. If the study indicates that the program has been successful during its three-year trial period, the legislature will consider expanding it to serve the entire state.

Mr. Boomer indicated that California does not anticipate participating in either the Work Incentive Demonstration Project or the Work Supplementation Program which, as mentioned earlier, are offered as alternatives by the federal government in the Omnibus Budget Reconciliation Act of 1981. These programs could jeopardize California's current funding levels by holding the state to its FY 81 funding and do not necessarily offer the state any greater flexibility than it has under its JSAP and EPP programs.

Some consideration is being given to experimenting with the Community Work Experience Program option on a very limited basis. San Diego has made a proposal to Governor Brown that they be allowed to develop a program which combines job search assistance with mandatory work experience. Under this proposal, a client would receive job search assistance for 30 days. If unable to locate a job during this period, he or she would be required to work in a community work experience program for three months; an assessment would then follow of the client's potential for job training.[7]

OPTIONS FOR THE STATE OF ALASKA

As noted in the earlier sections of this memorandum, all states have been given three alternative welfare work programs from which to choose as part of the Omnibus Budget Reconciliation Act of 1981: Community Work Experience Programs; Work Supplementation Programs; and Work Incentive Demonstration Projects. (A copy of the act was enclosed with my October 29 memo to you.) Under the act, a state may pursue one or more of these options, or none at all. The State of Alaska is still considering whether to initiate a Community Work Experience Program (CWEP) or a Work Supplementation Program (WSP). However, a decision was made earlier this fall not to participate in the Work Incentive Demonstration Project.

The Work Incentive Demonstration Project option was briefly described in my October 29 memorandum to you. The primary purpose of the demon-

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[7] Telephone interview with Forrest Boomer, November 24, 1981.

stration project is to allow single-agency administration as an alternative to the WIN program. Currently the WIN program is jointly administered by the Departments of Labor and Health and Social Services. All states interested in participating in the three-year demonstration were required to respond to the federal government by mid-October of this year. For those states electing to participate, funding would be set at an amount equal to the state's FY 1981 allocation under the WIN program.

The Department of Health and Social Services made a decision not to participate in this program after a review by Division of Public Assistance and WIN program staff. It was determined that less WIN program funding would have been available to the State for federal fiscal year 82 under the program. In addition, it was felt that the new status of the WIN project office in Fairbanks[8], in combination with the other options available to the State. provided advantages comparable to those available under the Work Incentive Demonstration Project. According to John Linkhart, WIN program coodinator in the Department of Health and Social Services, Alaska was one of twenty-five states choosing not to participate in the demonstration project. The states which did choose to participate are primarily located in the eastern half of the United States.

Alaska has not yet made a decision about either the Community Work Experience Program or the Work Supplementation Program. Judie Walker, Deputy Director of the Division of Public Assistance, indicated they have been extremely busy addressing the federally mandated AFDC program changes and have not had an opportunity to throroughly review these two options.

If the Community Work Experience Program (CWEP) is selected by the State, participation would become mandatory for most AFDC recipients. Under the program, all AFDC recipients registered for WIN would also be required to partcipate in CWEP unless they were working more than 80 hours a month. Although AFDC recipients with children between the ages of three and six currently are not required to participate in WIN, this group would be eligible to register for CWEP. I asked if the Division of Public Assistance had any estimate of the number of AFDC recipients in this category, but was told that this information is not computerized, and is impossible to obtain at this time.

John Linkhart, WIN program coordinator, indicated that it is unclear exactly how the CWEP requirements could be applied in rural areas of the state. WIN program offices currently are located only in Ketchikan,

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[8] The Fairbanks office will be adopting federal AFDC/WIN program guidelines and will therefore become eligible for increased federal funding.

Juneau, Anchorage and Fairbanks. He was unsure about whether welfare recipients would be exempt from CWEP if they lived in a community without a functioning WIN program office.

At least two other issues will have to be considered by the State in deciding whether to participate in the CWEP program: administrative costs and employment in the private sector. Although the federal government will match some of the State's expenditures for administering the CWEP program, the regulations clearly state that federal funds are not to be used to help pay the costs of supervision of work performed by welfare recipients participating in CWEP. Many of the articles we have read about workfare indicate that supervision of participants on the job is critical in insuring that both the employer and employee benefit from the workfare experience. Under the federal program, supervision costs would have to borne by the State or the agency employing the welfare recipient.

The ability of the CWEP program to increase private sector employment opportunities is another issue of concern. The federal CWEP regulations prohibit private for profit entities from partcipating in the program; CWEP positions can only be created in public or private non-profit agencies. Although the federal government acknowledges that the transition of welfare recipients to the private sector is an important goal, the benefits of permitting private for profit entities to employ CWEP paticipants, are according to federal regulations:

> outweighed by the higher risk that CWEP participants might displace regular employees ... In addition, the use of a pool of free labor by profit making entities...has a high potential for damaging the overall CWEP effort, for example, by allowing one employer to obtain an unfair market advantage through the use of free labor.[9]

Ms. Walker indicated that the Division of Public Assistance is waiting to see what approaches other agencies are proposing in the area of employment and training before making a decision about CWEP. A memorandum from Commissioner of Labor Ed Orbeck was transmitted to the Governor's Office on October 9 of this year proposing the development of a comprehensive State employment and training policy (see Appendix). Under the proposal, the Commissioners of Education, Health and Social Services, Community and Regional Affairs, Commerce and Economic Development and Labor would serve on a cabinet level task force. The proposal establishes a target date of July 1, 1982

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[9] Federal Register, Vol. 46, No. 182, September 21, 1981, p.46756

for the approval and issuance of an Executive or Administrative Order on the subject. According to John Linkhart, the Governor's Office has not yet responded to the proposal.

I will let you know when the Division of Public Assistance makes its decision about participation in CWEP and the Work Supplementation Program. It appears that this decision will be made within the next two months. I will also transmit to you any additional information we obtain on innovative employment and training programs for welfare recipients. Please call if you have any questions about the information presented in this memorandum.

SB/dp

Attachments:

- Testimony about California's Job Search Assistance Program from Hearing on Employment and Training of Welfare Recipients: California Legislature, Senate Committee on Health and Welfare, Subcommittee on Social Services and Welfare. April 7, 1981.

- California Senate Bill No. 1476, February 1980, establishing the Employment Preparation Program.

- State of Alaska, Employment and Training Policy Proposal.

Testimony about California's Job Search Assistance Program
from Hearing on Employment and Training of Welfare Recipients:
California Legislature, Senate Committee on Health and Welfare,
Subcommittee on Social Services and Welfare.
April 7, 1981

Witnesses: Larry Kennedy, Ventura County
Oxnard Employment Development Department

Sherrie Johnson
Ventura County Workshop Leader

Gail Harris
Ventura County Workshop Leader

VOICE FROM AUDIENCE: Please stay. (Laughter)

SENATOR GARAMENDI: Send money, John. (Laughter).

ASSEMBLYMAN VASCONCELLOS: I need some for myself. (Leaves).

MR. KENNEDY: Our testimony will revolve around a product as compared, to say a model, because for the last three years we have been running three EDD offices in cooperation with County Welfare and Social Service Departments job search workshops, beginning in 1978. Ventura County structurally has three EDD offices and five welfare offices, and at a local basis our task force includes representatives of all these EDD and welfare offices. We have about 500,000 people in the county and about 7,000 AFDC recipients that we are working with that's the universe. And the objectives of our program are twofold. First of all, to find private sector employment for people immediately upon their application at the welfare office; and secondly, to avoid duplication of effort with the other service deliverers, meaning that county, CETA, community college district in the area. But, since we are going to talk about the human element, I would like to say that how we appear philosophically on the project is that the welfare client is not a welfare client. The welfare client is a job seeker. That's what we presume when a person walks into the office, and this person will receive welfare as an incidental, something that will support their families before they move into the labor market. Yes?

SENATOR GARAMENDI: Just a little background and some details. The welfare recipient goes into what kind of an office? The welfare office? An Employment Development Department office?

MR. KENNEDY: Physically, we have Employment Development Department employees located in each of the five welfare district offices I mentioned earlier, and these EDD employees are specialists in job placement and in screening people to go through what we call a group orientation. So, it happens daily that about -- well, a couple of hundred people a month in one office -- whatever that would be -- twenty a day -- would receive immediate job service, the day they walk into the office. We have a notebook full of open job orders from private employers in that welfare office. The person that works for EDD receives this person from welfare, what they call an eligibility worker, and they are all housed in the same building. Is that the nature of your question?

SENATOR GARAMENDI: It is. Thank you.

MR. KENNEDY: We also assume philosophically that a welfare client is just like any other human being, with the same aspirations and hopes for achievement in life, and with those two philosophies I think this program is -- you will see when the workshop leaders speak, that if the program is a success you have to have that philosophy to work with.

The average client profile in our county is a female between the ages of 30 and 34, with a high school diploma, and a family size of three to five. Now, people who have not completed high school is almost the same incidence -- it's about equal. So, you're not talking about a subclass citizen -- you're talking about someone that will be working (inaudible) in the county.

The problem is -- and I just want to say the problem is -- we agree locally that the problem is that an applicant for welfare cannot receive full services. It's a Catch 22. If you apply for aid we can't give full services until such time as the person becomes a recipient, which was discussed earlier. And so.....we are trying to get around that problem with the same job search workshop which Dr. Bissell talked about.

I'll let the two workshop leaders introduce themselves starting with Sherrie Johnson here and describe their experiences.

MS. JOHNSON: Mr. Chairman, I would like to talk about what happens to the client, the transformation that takes place once the job seeker enters the workshop. Our participants come directly from the welfare office. They are frequently at a demeaning ebb in their lives. They are very negative thinkers at that point. Their spirit is very low, and they come into the workshop with the attitude that perhaps this is just one more hassle that they are going to be put through before they can get their money. After the first couple of days in the workshop -- the first three days we spend is called "Adventures in Attitudes" -- we go through negative thinking and turning it into positive thinking. Frequently the first interviews that the participants -- we have mock interviews that we put them through with the facilitator of the workshop as the employer and then the workshop participants play the role of the applicant looking for jobs. At the first mock interview they will say all of the wrong things, all of the negative things, bring up all of the reasons why the employer should not hire them. By the end of the workshop they are completely turned around, their attitudes are positive. Due to the group support of the other participants in the workshop, they all start at the same level and they all turn themselves around. It's really an exciting experience. As a workshop leader I am very grateful that I have been able to observe this.

We have lots of case studies. I wish that you could..... After the workshop, frequently after the clients get their jobs, they come back into the workshop and tell us about their experiences in the jobs that they have. And they will give that to the workshop that's presently going on at that time, give their testimony as far as the merits of the program. It is extremely exciting. I wish I could have brought some with us. Anyway, since it was impossible I will tell you about just a few cases.

One gentleman was an older worker, possibly 60 years old, He was unemployed for a very long period of time -- over a year, because he had a disability. He had a heart problem. He had been off work for a very long time. His disability ran out. He was sent by the welfare office to the workshop. When he came to us he was very, very depressed. His self worth was nil, and by the end of the workshop he was feeling very positive, and he obtained a job -- I might add that he could only work four hours a day. The doctor had limited that. And, as you know with placement restrictions like that, when you walk in and tell an employer that you can only work four hours a day, it's very difficult to get a job. So, we helped him to come up with the right things to say to the employer, and he did get a job within two weeks. As a matter of fact, he was referred out by Job Service, the placement service at EDD, and he got the job through that after he learned the techniques through the workshop.

SENATOR GARAMENDI: How long did it take to teach him the techniques?

MS. JOHNSON: Pardon me.

SENATOR GARAMENDI: How long did it take you to teach him the techniques?

MS. JOHNSON: The workshop is two weeks. The first three days, as I mentioned before, are devoted to their attitudes -- positive thinking. The next four days are devoted to interviewing skills and job development techniques. So, it takes approximately four days, during which time they do a lot of practicing in interviewing each other. The final three work days at the workshop goes into actual job development with their contacting of employers.

SENATOR GARAMENDI: What would have been this fellow's status had he not gone through the JSAP program?

MS. JOHNSON: OK. I dare say he would have been out of work a very long time. He was walking over two miles to the workshop, because he had something to do. He was able to come and -- he just talked all the time about what a wonderful experience it was. Without the assistance of the workshop I feel he would have been unemployed for a very long time, because he sat down at the interview and he said, "My doctor says I can only work four hours a day because I have a heart problem." And, I'm not saying that you have to hide these things from the employers, but there is a way of stating things positively so that you can still go in and get the job. Because he was a wonderful man. His self-worth was tied into his work and so his whole being was down because of the fact that he wasn't working.

SENATOR GARAMENDI: I assume he was headed for general assistance?

MS. JOHNSON: He was on food stamps. And it works for AFDC, food stamps -- they are all -- it's just as effective with all of the welfare applicants.

SENATOR GARAMENDI: Thank you.

MS. JOHNSON: OK.

SENATOR GARAMENDI: Are there other cases?

MS. JOHNSON: Would you like to hear some more?

SENATOR GARAMENDI: Why sure.

MS. JOHNSON: I'll do one more.

SENATOR GARAMENDI: Do one more. It's good for us.

MS. JOHNSON: OK. Oh, my next one is about an eighteen year old high school drop out. He was kicked out of his home because he started getting into so much trouble. He was into the drug scene, and he was arrested on petty theft. His mother kicked him out of the home. I know his mother very well. He lived with some friends for about a year and a half during which time he enrolled in an electronic assembly -- through CETA, classroom training course. After he finished the course he was unable to find a job -- he just couldn't get past the first interview. Now he was eighteen years old, he didn't have any transportation, he didn't have a high school diploma. He went to the welfare office, they sent him to the workshop, and before the workshop was completed, during the period that he was on the telephone, he obtained a job. He is presently working as an electronic assembler. Frequently he is in charge of up to fifty employees -- he steps in when his supervisor is out. He is talking about now getting his GED in the fall and enrolling in college. And, his mother -- I talked to her just before I came up here, so I could tell you what she said.

SENATOR GARAMENDI: He can come home.

MS. JOHNSON: Pardon.

SENATOR GARAMENDI: He can come home. (Laughter).

MS. JOHNSON: He <u>is</u> home, right! His mother did allow him to come back home, and she said he is just not the same person. So motivated and full of self-confidence, whereas before he was just totally down on himself. One thing I would like to mention about goals, since we are talking about his goal -- he had no goal until he came into the workshop. He had gone through classroom training. When he entered into the workshop things were sort of put in the right perspective. Of course, you can't be a brain surgeon tomorrow, but you can do this, and this, and this, and follow the steps until you can attain what you want to attain. And we never tell anyone what type of job to look for, for we let them choose, and we make sure that it's realistic, and possibly if they want to be a counsellor, we give them suggestions on what entry level positions they might expect to work towards that goal. So, all in all, it's a very neat package, and it's very.....the workshop participants are completely transformed by the end of the workshop. It's really hard to believe. I still find it hard, after doing the workshop for three years. Some of the people that come around the first day, and it's incredible to believe that they could be the same people, or totally transformed on their last day.

SENATOR GARAMENDI: Thank you.

MS. HARRIS: Senator, I'm glad to be here to espouse a program that I utterly believe in. I think it's one of the most positive things that I've been involved with in terms of its not punitive, it only helps people. The first part of the workshop is the three and a half days motivational adventure in attitudes, getting in touch with their feelings, discovering the negative things although we know they are there, we want to accentuate the positive. And people are uplifted by the third day, and really feel good about themselves. They can recognize that they have strengths, and to capitalize on those strengths to be their best assets. That's why this program works, because they are actively involved. They cannot sit back and watch everybody else participate. They have to participate. Everything is geared for participation by the individual.

As Sherrie stated, the people come at different levels of depression. Some can't find work and have not found work because of illnesses, or because they have low employment skills, or need to be revitalized. Some come with traumatic experiences because they're recently divorced, or widowed, and don't know what to do with themselves. So, they find help through the Employment Development Department, or welfare, and are directed to us. And, as I mentioned, the transformation is just incredible, when people realize that there are other people just like them who have negatives which they have turned into positives. This is where the uplifting comes in.

On the fourth day they actually go into the job search workshop, learn the techniques for answering the right questions that the employer will ask, tough questions, as they are most often called.

And their last half is the actual phone contact with employers. They get on the phone and ask for the person who does the hiring, and this is a very positive thing, because the group has stuck together, they have weathered the storm, and they each support each other, and group dynamics is very important.

SENATOR GARAMENDI: How big is the group that you work with?

MS. HARRIS: The group can be between ten and twenty. Most often around fifteen.

SENATOR GARAMENDI: And the techniques that you use -- they are together several hours a day?

MS. HARRIS: Yes. The first part of the workshop is three and a half days -- the workshop in adventures and attitudes. This is where the real group participation is involved, because we have the working groups, and the group before it, they have to take turns being a leader and reporting what the group findings are, on several different objectives.

SENATOR GARAMENDI: And then following that they go into the job search?

MS. HARRIS: This becomes a little less group-oriented, but still the group orientation is they are helping each other and participating to be the interviewee and the interviewer, and learning the suggested scripts that they should use in the telephone conversation in applying for work, or inquiring for work.

The major part of this program is self-esteem. It is enhanced greatly through the group participation, weaknesses are recognized, but they are redirected. Basically the client has the responsibility for himself, and this is what we recognize.....

SENATOR GARAMENDI: Excuse me. The Chairman of our Committee, Senator Watson. Delighted having you with us. We are in the midst of discussion on the Job Search Assistance Program that is taking place in Ventura County. We have three witnesses from Ventura County. The lady who is speaking is a -- what's your title?

MS. HARRIS: Workshop leader.

SENATOR GARAMENDI: Workshop leader, and we are talking about what a workshop is all about, how it works as part of the Employment Preparation Program -- perhaps, if the budget item is approved.

MS. HARRIS: Hopefully. Basically the clients -- the client is responsible for himself. We make this very clear, that we are not getting you a job -- we're just teaching you techniques for possible employment, the employment that you'll go get. It seems to bring out the best in people, like I mentioned before, when they are working in groups and realize that they are not alone in their depression or experiences.

I would like to applaud the Employment Development Department for getting people who are interested -- facilitated through a caring and patience, and who have all the qualities to help people improve their lives. I think that's very important, because I think they have to play a big role in the workshop.

The end result is a good product, seeing people go off to jobs, seeing people make choices and decisions in their lives, based on the fact that they are going to go to work, even if it is at an entry level, knowing that they too can soon do something about that entry level salary. They can go back to school and break down the barriers that are part of an entry level salary.

SENATOR WATSON: Question.

SENATOR GARAMENDI: Diane, before the question, do you recall the hearing we had in Los Angeles?

SENATOR WATSON: (inaudible).

SENATOR GARAMENDI: Well, no, I was just bringing you up to date. We talked about Ventura at that point. We had a witness from Ventura and now we are into the real details of the Ventura program. Your question.

SENATOR WATSON: How many clients have you seen?

MS. HARRIS: We have served 260 so far.

SENATOR WATSON: What is the basic attitude of those that have been served in terms of this kind of program?

MS. HARRIS: They love it. They think it is -- they know it works, because they have gotten a job. This is the first thing that has helped them.

UNIDENTIFIED VOICE: After the third day they love it, the first day they hate it. (Laughter).

SENATOR WATSON: Do you feel that most people want to work?

MS. HARRIS: I feel that most people want to work. It's the reward -- I mean until that happens they get a grant. If potentially your grant is going to be $1,000 a month or whatever, and then you have a potential of earning $2,000 then you're going to go to work. This has been the attitude among the workshops.

SENATOR GARAMENDI: Are you taking the easiest of the cases? Or do you take whatever comes through the door?

MS. HARRIS: We take what comes through the door. They have been screened by the Employment Development Department at the welfare office.

MS. JOHNSON: We take what comes through the door. We don't screen them, because it would be difficult. We want everyone to have an opportunity to opt in and out.

SENATOR GARAMENDI: The example they gave us before you came in was a 60 year old man and an 18 year old kid.

MS. JOHNSON: I have an ex-felon story if you want to near that one.

SENATOR WATSON: Let me ask you. Do you believe that there really is a hard-core unemployable group out there? Or is that a title that.....?

MS. HARRIS: I think it's a myth -- I think it's a myth. With my experience it's a myth. Because the people we have served in Ventura that I have been directly involved with want to work. They are looking for an alternative, they want their self-esteem --

they want to be involved with their lives. They don't just want handouts. I've had a couple of people that have said in the workshop that they were hungry. A young male was hungry for three days, he wouldn't tell anybody. I couldn't believe it. I said, "Okay, I'm going to go down to the store and I'm going to buy some peanut butter and I'm going to buy some bread." I bought the peanut butter and bread. How can you think if you don't have food? How can you be interested in a job search workshop. He don't want to wait forever for food stamps. So, the next best thing was to get on the phone and try to contact an employer, so he could at least tell the man, "I'm hungry. Can I come to work for you tonight to pay for my food, or at least even eat a meal on the job?" People are hungry. People want to work. People are involved with their lives -- people want to be involved with their lives, and they don't just want to be told what to do.

UNIDENTIFIED VOICE: Mr. Patino, are they going to have a job?

MR. PATINO: Pardon me.

UNIDENTIFIED VOICE: Are they going to have a job?

MR. PATINO: I was saying this conversation has been very interesting for me. We are projecting a $40 million cut for next year. When you look at programs like job search that are not mandated and we're not reimbursed for them, then I have to make the decision how much of our resources we can put into that area. Then when I hear these people and the stories they're telling.....

SENATOR GARAMENDI: Have we finished your budget yet?

DR. PATINO: At the federal level is where we have the problem.

MS. HARRIS: I would like to bring up another case which I think is very important. We had an ex-felon that came to us. He was out of prison one week. He came to the workshop. Had some very good skills in terms of being able to speak to people, wanted a higher education, wanted to live out his life in a positive way. He went through the program, got rejuvenated, went to Oxnard College to apply to go to school in the next semester. They have a program of just ex-felons there, and now he is on the counselling staff of the ex-felons to show them the way.

I have a case of a displaced homemaker who was divorced, had never really been out of the home, but wanted to do something with her life. She no longer had a husband's income, so she had to make a life of her own. She came to our program, got so highly motivated that she forgot all about all the things that she had done. She had no skills, so I said, "Didn't you go to PTA, participate in PTA meetings with the children?" She says, "No." She was just at home. She never did anything. I said, "What have you been doing for the last eighteen years?" She says, "Well, I haven't been doing much of anything, but I'm going to start doing something with my life now." And that was the first step. She went out and I referred her to a welding program. That was one thing she did learn from her husband, that he did real well (as a welder) and she knew he made big money.

But, I think the program works; I think there should be more people involved; I think it should start in high school letting people know about jobs, and how to get them, and how to stay off the rolls; how to upgrade your skills when needed, and be involved in your life.

SENATOR GARAMENDI: I appreciate those cases. What I would like to do is get some background statistics on the overall program -- the Ventura program. We had some presented some seven months ago when we were in Los Angeles. Do we have an update on that? Not yet?

DR. PATINO: We don't have the statistics with us, but we can provide them.

MR. KENNEDY: I have some.

SENATOR GARAMENDI: These witnesses are even better prepared than planners.

(Inaudible conversation -- several speaking at once).

MR. KENNEDY: From October until the end of March we placed -- we were involved in the placement, either self-placement or our help to make a person find a job, of 300 participants. And that is a 50% success rate, within thirty days of finishing this 50-hour workshop. And these 300 participants actually represent -- say an average family of four -- 1200 people, which is a sizable figure for a county of our size, with a total of maybe 20,000 welfare cases, 7,000 of which are AFDC. Because many of the cases are exempt from having to register with WIN due to disabilities or age, or other criteria that currently are in regulations. This success rate doesn't take in effect other secondary advantages, being the shorter period of time a person is on aid. If we placed a person into a job two weeks after application for aid, as I said earlier, on the day of application for aid a person can be in our workshop -- the very day they apply for aid. If we place that person two weeks later -- or if they place themselves two weeks later into a job, then welfare grant avoidance will come into effect, which means that the person did not get the grant, but it can be figured how much was saved. Traditionally, a person is on aid for a less period of time if they do get aid. So, there are secondary effects to this. The raw data is that 50% out of 600 people -- 300 participants were working.

DR. PATINO: By the way, Senator, EPP will be the first program that we know of to invent a mechanism to identify grant avoidance. We're very excited about that.

SENATOR GARAMENDI: Do you have that model? That testing model arranged?

DR. PATINO: ____(Inaudible)________.

MR. KENNEDY: I think from the testimony of the workshop leaders you can tell that the staff is just as high on it as the clients. And that is a very important service delivery also. The individual process -- a school would take a group, and those who need tutoring in the group -- who aren't progressing on schedule -- would get individual attention. And this system is the same way, it is very cost efficient. The local planning -- I should have emphasized more that the County Welfare Department, the county social workers supervisors, meet twice a month. It is very important for this interaction to avoid duplication of service and cross purposes as far as your activities go.

We have a newsletter produced that gives all of the workers involved in this project feedback on the effectiveness, as far as the product and the success rates. And we even publish some of the stories that you heard today in the newsletter for the staff to read.

SENATOR GARAMENDI: Do you have a problem with the integration of the EDD and the Welfare Depatment personnel from the various -- from the two departments?

MR. KENNEDY: It's amazing how well the two departments get along.

California Senate Bill No. 1476, February 1980
establishing the Employment Preparation Program.

AMENDED IN ASSEMBLY AUGUST 25, 1980

AMENDED IN ASSEMBLY AUGUST 22, 1980

AMENDED IN ASSEMBLY AUGUST 18, 1980

AMENDED IN ASSEMBLY JUNE 18, 1980

AMENDED IN SENATE MAY 12, 1980

AMENDED IN SENATE APRIL 15, 1980

AMENDED IN SENATE MARCH 17, 1980

SENATE BILL California — No. 1476

Introduced by Senator Garamendi
(Principal coauthor: Senator Greene)
(Coauthors: Senators Briggs, Craven, Keene, Montoya, Nejedly, Presley, Rains, and Vuich)
(Coauthors: Assemblymen Bergeson, Dennis Brown, Costa, Greene, Imbrecht, McAlister, Mello, Naylor, Nestande, Papan, Rogers, Wray, and Young)

February 13, 1980

An act to amend Section 5202 of the Unemployment Insurance Code and to add Article 3.5 (commencing with Section 11325) to Chapter 2 of Part 3 of Division 9 of and to repeal Section 11332 of, the Welfare and Institutions Code, relating to public social services.

LEGISLATIVE COUNSEL'S DIGEST

SB 1476, as amended, Garamendi. Public social services: employment preparation program.

Existing law requires the Employment Development Department in cooperation with the State Department of Social Services, to report to the Legislature on the Work Incentive Program by the 5th calendar day of each year.

This bill would require that such report be provided by ~~April 1~~ *February 1* of each year.

Under existing law, public social services are provided by various local and state departments and agencies with local, state and federal funds under various statutory requirements. The purpose of the system is to provide for protection, care, and assistance to needy and distressed persons by providing appropriate aid and services.

This bill would recognize the need for a public assistance system which assists two types of persons: the employable who are in need of assistance because, although they are able to work, they lack the skills to do so or are unable to find employment; and others who are in need of assistance because they cannot work due to circumstances beyond their control.

This bill would establish the Employment Preparation Program, to be administered by the Employment Development Department, for the purpose of providing applicants for or recipients of AFDC job search assistance for employment in unsubsidized jobs, and for those persons unable to obtain unsubsidized jobs, links to employment and training agencies which have subsidized employment or training. The bill would provide that AFDC applicants and recipients who would be required to register in the Work Incentive Program shall also be required to participate in the Employment Preparation Program, and that AFDC applicants and recipients who are exempt from participation in the Work Incentive Program may volunteer to participate in the Employment Preparation Program. If such applicants or recipients do not register, all legal sanctions may be used.

The bill would provide that the Employment Development Department would use the resources of all existing local state and federal welfare programs to provide support services, such as child care services, and job search assistance, in order to assist persons to enter the job market.

This bill would require the department to establish two programs designed in a manner as specified to test the feasibility of separating entirely the delivery of subsistence and employment assistance to nonexempt AFDC applicants and recipients, and volunteers, from assistance provided to t be provided by

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The Auditor General would be required to submit a report by December 1, 1984.

This bill would provide that by February 1 of each year, a report on the Employment Preparation Program shall be submitted to the Legislative Analyst by the Employment Development Department. The Legislative Analyst shall critique the report and submit his findings to the Legislature on or before April 1 of each year. The Director of Employment Development is authorized to seek necessary federal waivers.

This bill would require that commencing with the 1981–82 fiscal year the Governor's Budget would report savings, if any exist, which are attributable to the programs under this article, and that the budget contain recommendations that at least a portion of such savings be used to further the programs set forth in this act.

Under existing law, Sections 2231 and 2234 of the Revenue and Taxation Code require the state to reimburse local agencies and school districts for certain costs mandated by the state. Other provisions require the Department of Finance to review statutes disclaiming these costs and provide, in certain cases, for making claims to the State Board of Control for reimbursement. The statutory provisions requiring reimbursement will be supplemented by a constitutional requirement of reimbursement effective for statutes enacted on or after July 1, 1980.

This bill provides that no appropriation is made by this act pursuant to the constitutional mandate or Section 2231 or 2234, but recognizes that local agencies and school districts may pursue their other available remedies to seek reimbursement for these costs.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 5202 of the Unemployment Insurance Code is amended to read:

5202. The department, in cooperation with the State

Department of Social Services, shall report to each regular session of the Legislature, not later than ~~April 1~~ *February 1* of each year, on the effectiveness of the program established under this division. The department's reports shall detail any economic and other advantages to the people of California which have resulted from the program, including the effect upon state costs, increased productivity and improved social performance by persons under the program, taxes paid by such persons, and the payment of wages as opposed to cash grants.

SEC. 2. Article 3.5 (commencing with Section 11325) is added to Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, to read:

Article 3.5. Employment Preparation Program

11325. The Legislature recognizes that most employable persons who receive public assistance would prefer to be self-supporting if offered the opportunity to do so.

The Legislature further recognizes that the general public lacks confidence in the existing public assistance system because rather than eliminating dependency, the system often seems to encourage it by not providing sufficient incentives for work.

The Legislature further recognizes that public assistance programs should be reserved for those persons who are in need because of their inability to work productively due to circumstances beyond their control.

Therefore, it is the intent of the Legislature to pursue a more intensive approach to solving the employment problems of those persons who are in need of assistance because, although they are able to work, they lack the training or experience required by employers or they lack the ability to find and retain suitable permanent employment.

Toward the achievement of this end, the Legislature intends that the provisions of this article serve to implement an integrated Employment Preparation

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Program to be administered by the Employment Development Department with the full cooperation of the State Department of Social Services, city and county employment and training agencies, and county welfare departments. The goal of the Employment Preparation Program is to prevent and reduce welfare dependency by assisting AFDC applicants and recipients to find jobs as quickly as possible. To attain this goal, the Employment Development Department shall utilize such services and techniques as:

(a) Providing immediate job services.

(b) Imparting self-help job search skills at the earliest possible time.

(c) Assisting in direct placement and self-placement of AFDC applicants and recipients into permanent private sector and unsubsidized employment.

(d) Developing effective linkages among all state and local employment and training agencies, especially those operating Comprehensive Employment and Training Act (CETA) programs, to ensure that AFDC applicants and recipients have maximum work and training opportunities.

11326. As used in this article:

(a) "Department" means the Employment Development Department.

(b) "Director" means the Director of Employment Development.

(c) "Program" means the Employment Preparation Program.

(d) "Local prime sponsor" means a city or county designated as a local prime sponsor pursuant to the Comprehensive Employment and Training Act of 1973 as amended.

(e) "Exempt" participants means those AFDC applicants or recipients not required to register with the Employment Development Department pursuant to Section 11310.

(f) "Nonexempt" participants means those AFDC applicants or recipients who are required to register with the Employment Development Department pursuant to

Section 11310.

(g) "Volunteers" mean those AFDC applicants or recipients who voluntarily register pursuant to subdivision (c) of Section 11310.

(h) "WIN" means the Work Incentive Program established pursuant to Article 3 (commencing with Section 11300) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, and pursuant to Division 2 (commencing with Section 5000) of the Unemployment Insurance Code.

11327. (a) The Employment Development Department shall administer the Employment Preparation Program, which shall provide AFDC applicants and recipients with job search assistance for employment in unsubsidized jobs, and, to the maximum extent possible, links with state and local employment and training agencies, especially those operating CETA programs, for subsidized employment and training for those persons unable to obtain unsubsidized employment within a reasonable period of time.

(b) The director shall promulgate rules and regulations to implement the program. Planning and implementation shall be commenced upon the effective date of this act, on an incremental basis. Funding and description of the first increment of this program shall be presented in the Governor's 1981-82 budget subject to the availability of funds. Expansion beyond this first increment shall be contingent upon demonstrated cost-effectiveness. To the maximum extent possible, small counties shall be phased in concurrently with large counties.

11328. In order to facilitate the implementation of the Employment Preparation Program, the director is authorized to secure any necessary waivers of federal law. Such waivers shall be for a period of time sufficient to test fully the efficacy of programs under this article in preventing or reducing welfare dependency.

11329. Participation requirements for this program shall be identical with the conditions in Section 11310. Any applicant for or recipient of aid under this chapter who is exempted from registration with the department under Section 11310 shall be entitled to participate voluntarily in the Employment Preparation Program. Nonexempt AFDC applicants and recipients, and volunteers, shall be referred to the nearest appropriate department field office to register for work, job search assistance, and employment training. Failure to register shall render the nonexempt applicant or recipient subject to the full sanctions and remedies prescribed by law.

11330. As resources permit, the department shall periodically review the status of those nonexempt participants and volunteers under this chapter for whom the services described in Section 11329 could not be provided immediately upon their registration with the department, to determine whether these services can now be provided.

11331. The department shall, for the purposes of securing or providing supportive services, including child care, transportation, job search assistance, and subsidized employment and training necessary to enable employable persons to enter the job market, enter into agreements to utilize the resources of all available state and federal employment and welfare programs, including, but not limited to, the following:

(1) Title IV C of the Social Security Act (The Work Incentive Program);

(2) Title XX of the Social Security Act;

(3) The Comprehensive Employment and Training Act;

(4) Tax incentive programs for employers intended to promote the hiring of persons receiving or who are potentially eligible to receive public assistance benefits.

11332. (a) Notwithstanding any other provisions of state law, commencing with the 1982–83 fiscal year, the department shall establish two programs to test the feasibility of separating entirely the delivery of subsistence and employment assistance to nonexempt AFDC applicants and recipients, and volunteers, from financial assistance provided to exempt AFDC recipients who do not register with the department. One program shall be established in a county of large or medium size which is participating in the Work Incentive Program (WIN) as authorized by Sections 11300 to 11310, inclusive. One program shall be established in a small county which is not participating in the WIN program. The programs authorized under this section shall be designed in a manner which, to the maximum extent possible, complements the Centralized Delivery System authorized in Chapter 4.1 (commencing with Section 10815) of Part 2 of Division 9. *The department shall, with the assistance of the State Department of Social Services and the counties, develop regulations for the implementation of this section.*

(b) The pilot programs may consider using cash out of foodstamps, and issuance of Medi-Cal cards in determining subsistence benefit levels. Federal waivers may, if necessary, be sought to carry out the provisions of this subdivision.

(c) Pilot counties shall be held harmless for the following items:

(1) AFDC error rates which result from Employment Development Department administration of welfare grant payments.

(2) Overruns due to Employment Development Department administration against cost control plans which are established by the State Department of Social Services and which are binding upon the counties.

(3) Any failure in the overall administration of the pilot projects by the Employment Development Department.

~~(b)~~

(d) The programs authorized under this section shall be monitored on a continuing basis by the department and the Auditor General. No later than December 1, 1984, the Auditor General shall submit a report to the Legislature evaluating the results of the programs. The reports shall specifically address whether future total separation of payment systems between nonexempt AFDC recipients and applicants, and volunteers, and

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(e) This section shall remain in effect only until June 30, 1985, and as of that date is repealed, unless a later enacted statute, which is chaptered on or before June 30, 1985, deletes or extends such date.

11333. The department shall submit by February 1 of each year, a report to the Legislative Analyst detailing the performance and status of this program. This annual report shall meet the requirements of Section 5202 of the Unemployment Insurance Code. The Legislative Analyst shall critique the report submitted to him by the department and shall submit his findings to the Legislature on or before April 1 of each year. Commencing with 1982, the report shall estimate net expenditure reductions reasonably attributable to the operation of programs under this article.

11334. Commencing with fiscal year 1982–83, the Governor's Budget shall report net expenditure reductions reasonably attributable to the operation of programs under this article, and shall recommend a portion or all of such savings to be reinvested to further the intent of this act and to enhance employability services to recipients referred to programs under Sections 11329 and 11330.

SEC. 3. Notwithstanding Section 2231 or 2234 of the Revenue and Taxation Code and Section 6 of Article XIII B of the California Constitution, no appropriation is made by this act pursuant to these sections. It is recognized, however, that a local agency or school district may pursue any remedies to obtain reimbursement available to it under Chapter 3 (commencing with Section 2201) of Part 4 of Division 1 of that code.

State of Alaska, Employment and Training Policy Proposal.

MEMORANDUM State of Alaska

TO: Jerry Reinwand, Executive Assistant
to the Governor

DATE: October 9, 1981

FILE NO:

TELEPHONE NO: 465-2700

FROM: Edmund N. Orbeck, Commissioner
Department of Labor

SUBJECT: Transmittal of Employment and Training Policy Proposal

OCT 1981 RECEIVED

Transmitted herewith is a proposal for a State Employment and Training Policy, including background information, issues involved, goals and expectations, and a plan of action to develop and implement that policy. This information is presented pursuant to your memorandum of July 31, 1981 and subsequent telephonic discussions indicating the Governor's interest in including this subject in his policy agenda.

Discussions have been held with the Commissioners of Education, Health & Social Services, Community and Regional Affairs, and Commerce and Economic Development, or their representatives, with regard to the approach we are taking. Under the proposal, these Commissioners would serve on a cabinet level task force to spearhead the policy development. Those contacted have indicated that they support the development of a policy on this subject.

We are prepared to proceed with the policy development activities as outlined upon being advised that the Governor has approved doing so and has designated a cabinet level task force as suggested.

cc: Charles R. Webber, Commissioner
Commerce and Economic Development

Helen D. Beirne, Commissioner
Health & Social Services

Lee McAnerney, Commissioner
Department of Community & Regional Affairs

Marshall L. Lind, Commissioner
Department of Education

Jay Barton, President
University of Alaska

James Souby, Director
Division of Policy Development and Planning
Office of the Governor

STATE OF ALASKA

EMPLOYMENT AND TRAINING POLICY

BACKGROUND

A uniform approach to labor force development is necessary for residents of Alaska to realize the full benefits of economic development in the state, such as natural resource development, agriculture and capital projects. Further, an overall approach including both rural and urban settings is essential if these same benefits are to be available to all Alaskans. A competent labor force will provide an economic alternative to an outside labor supply thereby presenting the opportunity to deal with local hire problems without the necessity for preference legislation of questionable constitutionality.

Largely through federal programs, there now exists a wide variety of efforts in the manpower field with an accompanying maze of federal regulations and funding patterns. The resulting proliferation of delivery systems has led to overlap, duplication, gaps and serious inconsistencies. A statewide assessment of employment and training programs, measured against current requirements as well as the economic development probabilities in Alaska, is a prerequisite to the implementation of a statewide employment and training policy.

A strong employment and training policy is an integral part of a healthy and growing economy. It is of equal importance to and a part of natural resource development, taxation and economic regulation. This policy must be considered from a basic economic approach rather than from the social viewpoint. An economic approach is based on the need and the opportunity to work. A comprehensive policy recognizes this need and, through an effective labor exchange mechanism, provides the access to employment opportunities. This labor exchange function is essential to the job ready as well as to those who have completed training. The current situation results in imbalances between labor supply and demand which will grow rather than abate within the economy if not addressed by a consistent policy approach.

This paper presents the goals to be addressed in a policy; identification of issues surrounding policy areas; a statement of expectations; and a proposed plan of action for development and implementation of an employment and training policy.

ISSUES

The State must define its role in employment and training activities in Alaska. While existing federal resources should be fully utilized, the state should not allow the federal government to dictate the scope and direction for employment and training programs. In light of reductions in federal funding and with the high visibility of state revenues, increased demands will be made on state resources to continue funding for existing employment and training programs. State needs, not federal resources, should guide program operations in Alaska.

No single State agency has responsibility or authority for meeting the total employment and training needs of the state. In addition to the University of Alaska, Alaska currently has three principle State departments engaged in employment and training functions; Labor, Education and Community and Regional Affairs. Each has its clientele and principle areas of focus, scope, and funding, with varying degrees of overlap. Coordination of operations is difficult, since each program is targeted toward individual objectives without concern for the overall needs of the Alaskan labor force.

A sizeable segment of the Alaska work force is unable to fully and equitably participate in employment activities occurring with the State. Barriers to participation include lack of access to information regarding jobs or training opportunities, lack of requisite skills and the high cost of worker mobility.

While the present employment and training programs generate useful information, additional information is needed for developing and delivering viable employment and training programs supporting private sector requirements.

GOALS

1) To direct the activities of all State agencies engaged in employment and training services through establishment of goals and objectives.

2) To identify those employment and training activities most beneficial to Alaskans, and to direct activities so that duplication is avoided and services are provided as needed.

3) To design criteria for continuing re-evaluation of the goals against dynamic state needs.

4) To design methods to measure program performance against established objectives.

5) To use employment and training resources in the most cost-effective manner.

6) To insure that State policy and actions regarding economic development and infrastructure investments by the state are consistent with employment and training policies.

7) To provide opportunity for Alaskans to become competitive in the labor market, thereby making preference legislation unnecessary.

8) To increase participation by the resident work force in State funded capital improvement projects.

9) To ensure that an adequate supply of skilled workers exists to provide a qualified resident work force for employers in the state.

10) To assure that vocational education programs are consistent with the reality of the labor market.

✓ 11) To reduce the social services cost to the State by assisting individuals achieve economic independence.

EXPECTATIONS

A comprehensive State employment and training policy will:

1) provide guidance to employment, training, and vocational education programs for planning and operation of their programs, whether federally funded or State funded.

2) provide an economic alternative to preference legislation.

3) provide a framework within which a viable labor exchange can be maintained supplemented by services to the unskilled or underskilled.

4) provide coordination to insure that employment and training efforts mesh with economic development/job creation efforts.

5) provide a framework within which personnel of the various departments as well as personnel of the Governor's Office can review and respond to proposed expenditure of State funds which impacts the employment and training areas.

6) reduce the imbalances between labor supply and demand.

7) improve equity of access to vocational education/training and employment.

8) increase availability of a qualified labor force to support all segments of industry.

9) improve the availability and use of labor market information.

PLAN OF ACTION

To further the development and implementation of a statewide employment and training policy that identifies the needs of the citizens of the state, and guides and directs the State-funded services and activities of agencies and organizations it is recommended that the Governor:

1. Designate a policy task force chaired by the Commissioner of Labor and including the Commissioners of the Departments of Commerce and Economic Development, Community and Regional Affairs, Health and Social Services and Education, and representatives from the Governor's Office and the President of the University of Alaska.

2. Charge this task force with the development of the appropriate role of State government in solving Alaska's labor supply and demand problems.

3. Authorize the designation by the task force of a working group at a Division Director's level, supported by their respective staffs to implement the desired policy.

4. Provide for review and comment by representatives of employers and employer groups, organized labor, education/training/employment service providers.

Submitted premises for waiver to feds, for opinion on whether the waiver looked like something that would be accepted.

Dept. can do this program w/o this bill.

WIN mandatory eligibles. (CHILDREN 6 & OVER)

WIN
WIN

TRAINING A SIGNIFICANT STEP TOWARD EMPLOYABILITY. EDUCATION - 2 yr. program possibility - WORK PART-TIME.

PRIVATE SECTOR VOLUNTARY. (SUBSIDIZED employment.)

REQUIRED C.W.E.P. - still on AFDC GRANT/MEDICAID etc.

O.J.T. PLACEMENTS.

(voluntary) WSD - TAKING CHANCE ON EMPLOY. lose AFDC/MEDICAID.

Client Advocates. (counselor/placement officer)

Fed regs prohibit WIN money USED FOR CWEP.

39.25.110 unempl status.

CAVEAT - Dependent on Federal waiver.

Tom Cook - drafted.

~~Art Hillman - SENASA~~

SB 89 - 1:15 House Judiciary

Senator Stevens -

more Senators interested in

Sen McClure 29th of April.

Charlene

Can we really be exempted from Fed. requirements?

Bruce Botello

— Bill doesn't give H&SS directions on classifications of those who are to work.

— noted as pilot project - equal protection question, since it will require those in Anch. & Fbks. to work not others

— no attempt to meet Fed require ments 42 USC 608

Fed. criteria

1. minimum wages
2. workers compensation
3. opport. for retraining

more

Cannot use private sector