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Answers  
attached

### PERTINENT QUESTIONS ABOUT WELFARE

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

PERTINENT QUESTIONS ABOUT WELFARE

1. Why are caseloads going up when the level of the economy remains high and many jobs go unfilled?

- 1. Well-developed Welfare Rights organizations informing needy people of their eligibility and encouraging them to apply for aid.
- 2. Active OEO-funded legal services operating in nearly every large metropolitan area and a number of rural areas. Encouraging people to apply for aid and contesting denials, discontinuances or reductions.
- 3. Available jobs require greater skills than most welfare recipients possess.
- 4. Despite the high level of the economy, there were 388,000 people unemployed in California in July 1969.
- 5. The past failures of other systems, such as education, to meet the basic education and vocational training needs of the poor.
- 6. A rising high incidence of breakup in families.
- 7. For the disabled, a set of public and private forces encourage application for aid. These include:
  - a. Private agencies, such as Heart Association, Cancer Society, TB Association, California Council for Retarded Children.
  - b. Doctors who see patients with medical conditions just like those they know are on aid. The doctor's interest is often related in part to the applicant's difficulty in paying for medical care.
  - c. Counties continuing efforts to shift incapacitated people from county-funded General Relief to ATD where state and Federal funds are available.
  - d. Planned state push to qualify patients in state hospitals.
  - e. Longer life expectancy for many terminal illnesses.

PERTINENT QUESTIONS ABOUT WELFARE

2. [What can be done to reverse the trend of rising public assistance costs?]

The actual reversal of the increasing cost trend will require disqualification of substantial groups of recipients.

For Old Age Security and Aid to the Blind, the cost increase is being produced primarily by the rapidly-rising cost of living. Reduction in aid grants for needy families as a means of cost reduction is likewise not feasible. For example, the monthly need budget for a mother and three children in Los Angeles is \$305, or about \$75 for each person. If she has no outside income, her grant is \$221. More than one-half of our families are now in this position.

Actual reversal of cost growth will require disqualification for aid of more than 50,000 families and more than 30,000 disabled. This can only be done by selecting identifiable groups. The two groups most readily identifiable are:

- a. Unemployed Parent Families - 26,000
- b. Steparent Families - 40,000

AFDC

For Aid to the Disabled, the only feasible method to exclude recipients would be to return to the definition of disability in effect prior to January 1965 and rule out unemployability as a measure of disability. Restriction of eligibility to only those persons whose disability is such that they require care or supervision of another person would disqualify between 25 and 30 thousand persons.

PERTINENT QUESTIONS ABOUT WELFARE

3. Why has the number of needy children increased twice as fast as the child population during the last decade? ]

No single factor has been responsible for this increase. However, factors that have had the most bearing include:

1. The development of the poverty programs that encouraged people to demand their "rights."
2. A change in local governmental attitude that followed the riots in major cities.
3. Rapid growth in divorce, separation, and other family disorganization factors coupled with withdrawal of traditional support fill-in by other relatives.
4. Unemployment has consistently remained above 4 percent of the labor force. Past trends have shown this to be the critical point for retention of jobs by the marginal worker.
5. Enactment of AB 59 by the 1963 Legislature which liberalized eligibility and added new groups of eligibles.
6. The rapid increase in the cost of doing business which has reduced the ability of private employers to retain marginal workers.

PERTINENT QUESTIONS ABOUT WELFARE

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4. [Why has the Legislature failed to enact cost-reducing legislation?]

The majority of the members of the Legislature in each house are opposed to significant reductions in the number of persons who qualify for public assistance or reductions in the amount of payments to them.

This majority is composed of two groups. One group is strongly in support of expanding the program. Another group of legislators sit in the middle. They are in doubt as to the wisdom of disqualifying large numbers of recipients. They are equally in doubt about the wisdom of program expansion.

It is rarely possible to convene a legislative committee with all members present. An absent member is a no vote. The marginal majority in each house results in marginal majorities in every legislative committee. Therefore, the absence of a single member in a committee can mean defeat of a measure.

During the past three legislative sessions, we have faced the necessity of putting off hearings on cost-reduction bills because of short committee attendance. In all cases of absences from committees, it was clear that the Legislature<sup>or</sup> had legitimate and compelling business elsewhere. Many times the member was handling an important administration measure before another committee.

In summary, cost-reduction legislation has failed to pass during the past three legislative sessions for the following reasons:

1. The legislators strongly advocating cost reduction are in the minority.

2. There is a significant middle group who oppose cost reduction because of doubts as to its effect on their political future or for personal humanitarian reasons.
  
3. County governments have opposed closed-end appropriations or major reductions in eligibility and this has influenced a third group of legislators to refuse to vote to pass cost-reduction bills out of committee.

PERTINENT QUESTIONS ABOUT WELFARE

5. [Why have county governments opposed cost-reducing legislation?]

County governments have opposed cost-reduction legislation because they fear that the county government will end up having to assume financial responsibility for persons disqualified for aid under a state program. They have opposed the principle of closed-end appropriation on public assistance expenditures because they believe that in the event that the state budget limit was reached, then county governments would become fully responsible for funding costs beyond the state budget limit.

The extreme restlessness of the residents of some areas of major cities has resulted in demands for financial support and services which boards of supervisors are finding increasingly difficult to refuse. Moreover, city administrators, police, and fire officials are joining in these demands because of their concern about the possibilities of major disturbances similar to the Watts riot.



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PERTINENT QUESTIONS ABOUT WELFARE

6. [How far can a welfare recipient be required to travel to take a job?]

This varies by locality. Generally, the same standard that the Department of Employment uses in the community is applied.

For women, however, the cost of travel to a distant location and the added cost of child care for the time away from home means that work close to the home provides more net income with a corresponding reduction in the amount of cash grant required.

PERTINENT QUESTIONS ABOUT WELFARE

7. Can a welfare recipient refuse a job because it is below or different than his training or experience level?

No -- the only valid basis for refusal is physical inability to perform the job or illegal employment.

PERTINENT QUESTIONS ABOUT WELFARE

8. How often does a welfare recipient have to report to the Department of Employment?

As often as is determined appropriate by the local labor market situation and the training and skill level of the individual.

For example -- this could be every day at times during the agricultural harvest season in the San Joaquin valley.

In some communities during the winter when there is continuing snow and rain, it could be once a month or less.

They must be registered for work with the Department of Employment at all times and are subject to call in whenever jobs are available. Failure to respond or cooperate results in immediate discontinuance of aid except for WIN enrollees.

*[Handwritten signature]*

PERTINENT QUESTIONS ABOUT WELFARE

9. [What can be done if a welfare recipient dresses or conducts himself in such a manner that his appearance makes him unacceptable to an employer? ]

His aid can be discontinued for failure to cooperate (court would take hard look at reasonableness of action)

He can appeal, but if the facts show that he is not cooperating in efforts to secure employment, the county decision will be sustained.

x Unless had been Referred to WIT.

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

Change can be Accomplished Through:

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

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

Change can be Accomplished Through:

COST REDUCTION ITEMS	I FEDERAL LAW ONLY (KEY SECTIONS OF SOCIAL SECURITY ACT)	II FEDERAL REGULATIONS	III STATE LAW ONLY (KEY SECTIONS OF W & I CODE)	IV STATE LAW/ FEDERAL REGULATIONS	V STATE LAW/ STATE REGULATIONS	VI STATE REGULATIONS
4. By reducing assistance standards used to determine financial need						
a. OAS			→ 12150-12152 12159			
b. AB			→ 12650-12652			
c. ATD					→ W&IC: 13700-13701 Reg: 44-207	
d. AFDC					→ W&IC: 11452-11453 Reg: 44-212	
5. By reducing income exemptions in determining entitlement to aid and amount of grant						
a. OAS			→ 11008			
b. AB - Earned Income	→ 1002(a)(8)(A)					
c. AB - Income for Self-Support Plan	→ 1002(a)(8)(B)					
d. AB - Other Income			→ 12654			
e. ATD			→ 11008			
f. AFDC-FG & Federally Eligible AFDC-U	→ 402(a)(8) 402(a)(19)(D)					
g. AFDC-U Nonfederal Eligible						→ X

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

Change can be Accomplished Through:

Page

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

## Additional Notes on Chart of Cost Reduction Changes

- 2.b Blindness - Code does not define "blindness" beyond "loss or impairment of eyesight". Specific extent of blindness required governed by regulations.
- 2.c Disability - Code defines permanent impairment and total disability in relatively broad terms, e.g., "major" impairment, "reasonably" certain to continue, "substantially" precludes from engaging in occupation, etc. Specific extent of disability required governed by regulation and by criteria used by medical review teams.
- 4.c Standards in ATD - Code specifies maximum statewide average grant and directs Department to establish a standard of assistance within these limits. This gives Department authority to establish lower standard than now in effect.
- 4.d Standards in AFDC - Code specifies component elements which must be included in constructing standard of assistance. These stated in relatively broad terms such as "safe healthful housing" and "minimum clothing for health and decency", etc. Regulation reflects exercise of administrative judgment in translating these into specific standards.
- 5.g Nonfederal AFDC-U cases, of course, are subject only to State law and regulation. The code provisions limiting administrative discretion in reducing earned income exemptions are set forth in Section 11008 W&IC. This specifies "to the maximum extent permitted by federal law earned income of a recipient of aid under any public assistance program for which federal funds are available shall not be considered income or resources of the recipient, and shall not be deducted from the amount of aid to which the recipient would otherwise be entitled." (Emphasis added) Since federal funds are not available for these cases this matter is subject to departmental regulation.



12. Work in return for aid - Section 409 established a Community Work Training program under which States could require recipients to perform work of public benefit with no additional compensation as part of an overall work-training activity designed to up-grade their employability. That program abolished when WIN was established. Federal regulation (45 CFR 233.140) now specifies that: "Federal financial reimbursement will not be available in expenditures made in the form of payments for work performed... except under the Work Incentive Program authorized by Title IV - Part C...." (Special Work projects). This policy underlined by Children's Bureau letter of 3-20-9. "They (recipient) may not be compelled to work for any portion of their assistance payments."

NOTE: This item should have been limited to federally-eligible AFDC recipients and an additional item listed for the nonfederally-eligible AFDC-U cases. These recipients could be compelled to work for their aid only by specific legislative enactment.

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

Change can be Accomplished Through:

*Annotated Copy*

COST REDUCTION ITEMS	I FEDERAL LAW ONLY (KEY SECTIONS OF SOCIAL SECURITY ACT)	II FEDERAL REGULATIONS	III STATE LAW ONLY (KEY SECTIONS OF W & I CODE)	IV STATE LAW/ FEDERAL REGULATIONS	V STATE LAW/ STATE REGULATIONS	VI STATE REGULATIONS
Eliminate one or more Aid Programs  basic program coverage thus reducing number of and number of those in general population who qualify if they applied for aid:  By redefining personal characteristics required for eligibility to make them more restrictive			→ Division 9 - All programs optional. Federal law applies only where State elects to have a program for which they claim federal re- imbursement. Estimated total federal reimbursement 69-70 \$706,431,729.			
a. OAS - Age	→ 2(b)(a)(1) - Specifies 65.					
b. AB - Degree of Blindness					W&IC: 12502 Reg: 42-103	
c. ATD - Extent of Disability					W&IC: 13501 Reg: 42-203	
d. AFDC-FG - Deprivation of Parental Support	→ 406(a) - Specifies the kinds of parental deprivation which program must cover.					
e. AFDC-U - Definition of Unemployment			→ 11201 - Defines unemployment in terms broader than required by federal law for states electing AFDC-U. SB 1335 was attempt to restrict California definition in line federal.			
By decreasing maximum personal and real property allowed						
a. OAS						
b. AB			→ 11150-11157			
c. ATD						
d. AFDC			→ 11255-11261			
				- These sections specify personal and real property limits which must be used.		

*See  
Addy  
note*

COST REDUCTION ITEMS	I FEDERAL LAW ONLY (KEY SECTIONS OF SOCIAL SECURITY ACT)	II FEDERAL REGULATIONS	III STATE LAW ONLY (KEY SECTIONS OF W & I CODE)	IV STATE LAW/ FEDERAL REGULATIONS	V STATE LAW/ STATE REGULATIONS	VI STATE REGULATIONS
y reducing assistance standards used to determine financial need						
OAS			→ 12150-12152 12159	} These sections specify minimum and maximum entitlement and direct that the standard of assistance be constructed to encompass the amounts so specified.		
AB			→ 12650-12652			
ATD					W&IC: 13700-13701 Reg: 44-207.	} See addn notes
AFDC					W&IC: 11452-11453 Reg: 44-212	
reducing income exemptions in determining entitlement to aid and amount of grant						
OAS			→ 11008 - Requires exemption of all earned income to the extent permitted by federal law.			
AB - Earned Income	→ 1002(a)(8)(A) - Specifies the first \$85 of earned income plus one-half in excess must be exempt.					
AB - Income for Self-Support Plan	→ 1002(a)(8)(B) - Specifies that additional income needed to facilitate a self-support plan must be disregarded for 12 months. May be for 36 months.					
AB - Other Income			→ 12654 - Directs exemption of any income to the extent permitted by federal law (Currently \$7.50).			
ATD			→ 11008 - Requires exemption of all earned income to the extent permitted by federal law.			
AFDC-FG & Federally Eligible AFDC-U	→ 402(a)(8) - Covers \$30 and 1/3rd earned income exemption for adults and 402(a)(19)(D) - Covers exemption of WIN incentive payments.					
AFDC-U Nonfederal Eligible			NOTE: Federal regulations governing "gross" income exemption - 45 CFR 223.20 (a)(7).			
			2/3 state 1/3 county but adm complexity	Total used "net" A little over 1000 cases exempt - if 3 1/2 saved by tightening then 30000 max savings	if all 22 cases 30% have earnings averaging 128 Thus 2000 non fedly have earnings	→ x see addn notes

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

Change can be Accomplished Through:

COST REDUCTION ITEMS	I FEDERAL LAW ONLY (KEY SECTIONS OF SOCIAL SECURITY ACT)	II FEDERAL REGULATIONS	III STATE LAW ONLY (KEY SECTIONS OF W & I CODE)	IV STATE LAW/ FEDERAL REGULATIONS	V STATE LAW/ STATE REGULATIONS	VI STATE REGULATIONS
Overall level of aid expenditures:						
closed-end appropriation with rateable reduction of aid payments across board when expenditures are permitted to exceed appropriation			→ 15200-15204 - Specify the open-end appropriation approach.			
establishing over-all ceiling on gross family income from public assistance and all other sources			→ X - SB 1335 is example of the kind of legislation that would accomplish this purpose.			
conditions designed to motivate people to seek public assistance:						
requiring liens on real property			→ 11007 - Specifically prohibits liens.			
extensive use of controlled payments (vendor or third party)	→ 6(a); 406(b)(2); 1006; 1405		→ Specify various kinds of restrictions on use of controlled payments.			
increased requirement and rigorous enforcement of relative responsibility in adult aid programs			→ 12101; 12600; 13600; OAS. Other two prohibit enforcement of relative responsibility in AB and ATD.			
discontinuing aid in all AFDC cases for refusal without good cause to accept work, job training or vocational rehabilitation	→ 402(I9)F - Requires the use of vendor payment sanction for all persons referred to WIN.					
requiring all able-bodied AFDC recipients to perform useful public work in return for their aid <i>With New Fed Eligibility</i>	→ PL 90-248 Section 204(c) - Repeals Section 409 Soc. Sec. Act	<i>see addn. notes.</i>	<i>Section 409 repealed 1967 (Job Work Training) - Job rec. as required was to get to new Fed AFDC - also new sanctions re work covering new...</i>			<i>fed rec. now any other may not be controlled to work - see any portion of their assist. payments.</i>
Federal provisions on:						
limitations on federal reimbursement for certain AFDC-U cases	→ 407(b)(1)(A-C) - Defines "unemployment" for federal AFDC-U.					
requirement that free legal services be given to indigents <i>re fair hearing</i>		→ 45 CFR-205.10		<i>We have not implemented!</i>		
requirement that aid be paid pending appeal decision		→ 45 CFR-205.10		<i>We have not implement other than on individual court orders!</i>		
limitations on federal reimbursement of district attorney costs of parental support enforcement		→ 45 CFR 220.61(f)(4)(v)		<i>We are pressing for extension</i>		
requirement that states reduce the rigor of investigative methods in AFDC and rely heavily on written statements		→ 45 CFR 220.5(a)(2)		<i>We are testing but with intention</i>		

State of California

Health and Welfare Agency

# Memorandum

To : Lucian Vandegrift  
Assistant Secretary  
Human Relations Agency

Date : September 12, 1969

Subject: Administrative Actions  
to Reduce Welfare Caseloads

From : Department of Social Welfare, 744 P Street, Sacramento 95814

As requested on September 10, I am submitting two copies of a suggested memorandum from you to Jim Dwight setting forth an analysis of the administrative actions which legally could be taken to reduce welfare caseloads, and a description of such actions taken to date.

JOHN C. MONTGOMERY  
Director

## Attachments

bcc: F. C. Locher  
V. Gleason  
J. Harris

Director's file  
Central Files

JH:mo

SUGGESTED MEMORANDUM

TO: James Dwight, Deputy Director  
Department of Finance

FROM: Lucian B. Vandegrift  
Assistant Secretary  
Human Relations Agency

SUBJECT: Administrative Actions to  
Reduce Welfare Caseloads

As agreed at the Cabinet breakfast meeting September 10, I am submitting the following analysis of administrative actions which legally could be taken to reduce welfare caseloads, and a description of such actions taken to date:

1. Apart from those influences which are beyond the control of government such as the size of the general population, social and economic conditions, etc., there are four basic factors which determine the size of the welfare caseload. These factors influence both the number of families and individuals receiving aid at any one time, as well as a number of those in the general population who would qualify for aid. Changes in one or more of these basic factors are essential to any significant caseload reduction.

These basic factors are:

- a) The description of the personal and family characteristics required for eligibility which in effect define the population covered by the programs; Any constriction of these descriptions and definitions would, of course, reduce the actual and potential caseload.
- b) The value of real and personal property a person or family may retain and still be eligible for aid. Contraction of these limits would automatically reduce the number of actual and potential recipients.
- c) The scope and level of assistance standards against which outside income is compared in order to determine whether a person or family is "needy."

number who meet the test of need.

- d) The manner in which outside income is applied against the standard of assistance. Since "need" is determined by comparing outside income with the assistance standard, the number who meet the test of need would be reduced to the degree that all outside income is taken into account.
2. The four basic factors outlined above are shown as items 2, 3, 4, and 5 in the attached table of cost reduction changes in welfare programs. You will recall that this table was distributed to the Cabinet in conjunction with the meeting on August 8. This table rather graphically illustrates the degree to which freedom of administrative action in this field is constrained by federal and State law.
  3. It is legally possible to modify through administrative action, three of the four basic factors with respect to certain programs. The areas open to regulatory change and the actions taken to date are as follows:
    - a) Personal Characteristics--Administrative action can legally be taken to modify this factor in three programs: Aid to the Blind; Aid to the Disabled; AFDC-U.
      - (1) Aid to the Blind - The key qualifying characteristic here is the degree of blindness. Federal law leaves it up to the states to define blindness, and Welfare and Institutions Code does not define it beyond "loss or impairment of eyesight". Thus, the specific extent of blindness required for eligibility is subject to departmental regulation. California in common with most, if not all states, has historically used the definition of "economic blindness" as adopted by the American Medical Association in 1934, and subscribed to by the Social Security Board in 1936.

- (2) Aid to the Disabled - The key qualifying characteristic here is the extent of disability and federal law leaves this to the States to define.

The Welfare and Institutions Code defines permanent impairment and total disability in relatively broad terms, i.e., "major" impairment; "reasonably" certain to continue; "substantially" precludes from engaging in occupation, etc. Thus, within these limits the specific extent of disability is subject to administrative regulation. The application of the definition as established by regulation is further subject to the criteria established by the Department of Social Welfare for use by the department's medical review teams which make the final determination regarding the disability factor.

**ACTION TAKEN:** In April 1968 the Director of Social Welfare took action to tighten the disability criteria used by the medical review teams. Although this had the effect of slowing the rate of caseload growth, this has been more than countered by the planned addition to the ATD caseload of mentally retarded patients in state hospitals. This was done deliberately in order to enable the State to claim federal funds for the cost of the hospital care of these patients. This process is still under way, and when it is complete the savings in General Funds to the budget of the Department of Mental Hygiene, would amount to about \$16.8 million per year.

Any decision to attempt additional caseload reduction by constricting the basic definition of disability or by further tightening the medical review team criteria should take into account this fact: The basic money payments and other services available through the ATD program



maintenance in the community of persons who otherwise would have to remain in mental hospitals or other publicly supported institutional facilities.

- (3) AFDC - Unemployed Parents. The key qualifying characteristic here is "unemployment." Federal law prescribes a definition for states electing an AFDC-U program which limits federal reimbursement to cases where the father is either employed only part-time, or if not working, where he had extensive previous connection with the work force. It also denies federal reimbursement on aid payments made when the father is receiving unemployment compensation. In our program operations we are governed by the more liberal provisions of Section 11201 Welfare and Institutions Code. As defined by State law a person is "unemployed" for purposes of this program if he is: not working but available for and seeking employment or engaged in training essential to future self-support; employed only part-time.

Under the law, the precise definition of "part-time" is subject to administrative regulation so long as the standards are consistent with the requirements for federal financial participation. The previous administration used this discretionary authority to broaden coverage of the AFDC-U program to include seasonal farm laborers on the basis that the normal work-week of farm labor during peak crop times was in excess of 40 hours. This policy was set forth in Department Bulletin #644.

ACTION TAKEN: In June 1968 the Director of Social Welfare took action to repeal the policy contained in Department Bulletin 644 with a consequent reduction in the size of the actual and potential AFDC-U

During the 1969 legislative session the Department of Social Welfare developed, and the Administration supported and pressed for passage, SB 1335 designed to restrict the California program in line with the federal definition. There was very vigorous opposition to this measure by county government and the bill was held in Senate Finance Committee.

- b) Scope and Level of Assistance Standard, Basic Allowances--Administrative action can legally be taken to modify this factor in two programs: Aid to the Disabled and Aid to Families with Dependent Children.
- (1) Aid to the Disabled - State law specifies a maximum statewide average grant and directs the Department of Social Welfare to establish a standard of assistance within these limits "which will enable each recipient to maintain himself in decency and health."
  - (2) Aid to Families with Dependent Children - State law specifies the component elements which must be included in developing "minimum basic standards of adequate care." These include:
    - Safe, healthful housing
    - Minimum clothing for health and decency
    - Low cost adequate food budget meeting recommended dietary allowances of the National Research Council adapted to prices of the area in which the recipient resides
    - Utilities in accordance with basic minimum need; other items verified as needed including household operation, education and incidentals, recreation, personal needs and insurance
    - Allowances for essential household furniture and equipment
    - Allowances for essential medical, dental and other remedial care when not available through other public facility.

In both the ATD and AFDC programs, the translation of the legislative policy governing the scope and level of the basic allowances to be included in the assistance standard into specific dollar amounts is subject to administrative judgment and action. Thus from a strictly technical point of view, the Department has the authority to reduce these standards. Practically speaking, however, there is little likelihood that such reductions could be supported by objective evidence that the resulting standards would meet statutory criteria. In addition, it should be pointed out that the precise manner in which the Department of Social Welfare exercises this authority is increasingly being challenged in the courts. An example of this is the case of Ivy versus Montgomery in which it is alleged that the housing component in our AFDC standard is inadequate to purchase "safe and healthful housing" as required by State law.

c) Scope and Level of Assistance Standards, Special Need Allowances--

Administrative action can legally be taken to modify this factor in some respect in all four programs. In OAS and AB both the scope and the precise level of special need allowances are subject to regulation. In AFDC and ATD the scope of the allowances are prescribed by law with the translation into specific dollar amounts left to administrative judgment and action.

- (1) OAS and AB - With respect to both of these programs, state law specifies that any recipient whose need exceeds the maximum established for the basic allowances shall be entitled to receive an additional amount as necessary up to a specified maximum. The law states that this additional amount "is to provide additional aid to persons with needs arising because of circumstances and

- (2) STD - The law provides that within the limits of the statewide average grant "the Department may provide the payment of an additional sum to those recipients whose physical or mental condition is such that they require services of a full or part-time attendant or other special services."
- (3) AFDC - The law provides that in addition to the component elements to be included in the assistance standards as basic allowances, the standard must also include "allowances for special needs for any one or more of the following items: special diets upon the recommendation of a physician, transportation, laundry, housekeeping services and telephone; and utilities in excess of the basic minimum need.

Although as indicated above, it is legally possible to constrict the special need allowances in some respects through administrative action, it should be emphasized that they could be totally eliminated in OAS, AB and AFDC only through legislative action.

ACTION TAKEN: Last week the Director of Social Welfare initiated a comprehensive in-depth review and analysis of all special need allowances in all programs. For each special need allowance this will cover:

- Statutory and regulatory basis
- Incidence of use
- Cost for fiscal year '68-69
- Justification for continuing as is, and consequences of reducing or discontinuing.

It is anticipated that the results of this analysis will be available in November.

- d) Application of income in determining need--No substantive modification of this factor can legally be made through administrative action in any federally aided program. The manner in which income is treated and especially the circumstances under which certain amounts of earned income must be disregarded is prescribed by federal law.

The nonfederal component of the AFDC-U program is of course subject only to State law and regulation. The code provisions limiting administrative discretion in reducing earned income exemptions are set forth in Section 11008 W&IC. This specifies: "to the maximum extent permitted by federal law earned income of a recipient of aid under any public assistance program for which federal funds are available shall not be considered income or resources of the recipient, and shall not be deducted from the amount of aid to which the recipient would otherwise be entitled." (Emphasis added) Since federal funds are not available for these cases this matter is subject to departmental regulation.

From a strictly technical point of view, the earned income exemptions now available to these families could be reduced or eliminated by administrative action. However, this would raise questions of equity, and it should be anticipated that such a move may be challenged in the courts. This could be on the basis for instance that the lack of federal participation does not provide a proper basis for differential treatment of certain families which are similar in all other respects to other AFDC-U families and which come within the basic provisions of State law governing the program. Aside from questions of equity or legality, a differential income policy applied to a relatively small component of the AFDC caseload would make county operations more administratively complex.

ACTION TAKEN: With respect to the major issue of treatment of earned income

the Director of Social Welfare established and has maintained the policy of using "net" earnings in calculating the amount of earned income to be disregarded in determining need. This is despite federal policy which would require the use of "gross" earnings in this respect. Had the Director not taken this action, the costs to State and County government in 69-70 would have been increased by almost \$5.5 million. The Director has also been active in mobilizing the support of other states in challenging this questionable federal policy.

Within the limit of the authority available to him to modify the manner in which income is treated and as an integral part of the Department of Social Welfare's continuing effort to tighten regulations and close loopholes which could contribute to abuses of the welfare program, the Director of Social Welfare has scheduled the following proposed regulatory changes for Public Hearing in November:

- (1) Income tax refunds. Under present regulations income tax refunds although derived from earnings are treated as "nonrecurring lump sum payments" and as such are not subject to routine deduction from the standard of aid in arriving at the amount of grant. It is proposed to close this loophole by including income tax refunds within the definition of earned income.

In addition, regulations will be proposed to prevent employed recipients from underclaiming the number of dependents for income tax purposes so as to increase the size of their involuntary payroll deductions thus reducing the income applied against the assistance standard.

- (2) Lump Sum Payments. Regulations are being proposed designed to prevent recipients from remaining eligible or being immediately reinstated to

rolls after having received and disposed of sizeable nonrecurring lump sum payments.

- (3) Income from man assuming role of spouse. Regulations are being proposed to carry out provisions of SB 857 which was developed by the Department of Social Welfare as part of the Administration's legislative program. This requires that unrelated adult male who resides with a family applying for or receiving aid to families with dependent children must pay to the family an amount equal to his support cost in accordance with standards set by the Department of Social Welfare. It also requires him and the mother of the family to sign a statement under penalty of perjury setting forth the conditions of the agreement between them, and their arrangements for sharing expenses. Failure to comply with these proposed regulations would result in aid being discontinued.

It should be pointed out that our current policy regarding the treatment of income in these so-called MARS cases which this proposed change serves to strengthen is contrary to current federal policy. The Department's present regulations on this matter have been challenged in the courts but a three-judge U.S. District Court has upheld the State regulations and declared the federal regulations to be in violation of the Social Security Act. This case is now on appeal to the U. S. Supreme Court.

I trust that you will find the preceding analysis informative and useful in your further consideration of the matters discussed at the recent Cabinet breakfast meeting.

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

Change can be Accomplished Through:

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



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4. By reducing assistance standards used to determine financial need.						
a. OAS			→ 12150-12152 12159			
b. AB			→ 12650-12652			
c. ATD					→ W&IC: 13700-13701 Reg: 44-207	
d. AFDC					→ W&IC: 11452-11453 Reg: 44-212	
5. By reducing income exemptions in determining entitlement to aid and amount of grant						
a. OAS			→ 11008			
b. AB - Earned Income	→ 1002(a)(8)(A)					
c. AB - Income for Self-Support Plan	→ 1002(a)(8)(B)					
d. AB - Other Income			→ 12654			
e. ATD			→ 11008			
f. AFDC FG & Federally Eligible AFDC U	→ 402(a)(8) 402(a)(19)(D)					
g. AFDC U Non-Federally Eligible						→ X

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

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COST REDUCTION ITEMS	I FEDERAL LAW ONLY (KEY SECTIONS OF SOCIAL SECURITY ACT)	II FEDERAL REGULATIONS	III STATE LAW ONLY (KEY SECTIONS OF W & I CODE)	IV STATE LAW/ FEDERAL REGULATIONS	V STATE LAW/ STATE REGULATIONS	VI STATE REGULATIONS
Restrict overall level of aid expenditures:						
6. By closed-end appropriation with rateable reduction of aid payments across board when expenditures threaten to exceed appropriation			→ 15200-15204			
7. By establishing over-all ceiling on gross family income from public assistance and all other sources			→ X			
Impose conditions designed to motivate people to seek alternatives to public assistance:						
8. By requiring liens on real property			→ 11007			
9. By extensive use of controlled payments (vendor or third party)	→ 6(a); 406(b)(2); 1006; 1405					
10. By increased requirement and rigorous enforcement of relative responsibility in adult aid programs			→ 12101; 12600; 13600;			
11. By discontinuing aid in all AFDC cases for refusal without good cause to accept work, job training or vocational rehabilitation	→ 402(I9)F					
12. By requiring all able-bodied AFDC recipients to perform useful public work in return for their aid	→ PL 90-248 Section 204(c) - Repeals Section 409 Soc. Sec. Act					
Eliminate federal provisions on:						
13. Limitations on federal reimbursement for certain AFDC-U cases	→ 407(b)(1)(A-C)					
14. Requirement that free legal services be given appellants		→ 45 CFR-205.10				
15. Requirement that aid be paid pending appeal decision		→ 45 CFR-205.10				
16. Limitations on federal reimbursement of district attorney costs of parental support enforcement		→ 45 CFR 220.61(f)(4)(v)				
Requirement that states reduce the rigor of methods in AFDC and rely heavily on		→ 45 CFR 205.20(a)(2)				