

Ronald Reagan Presidential Library Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Reagan, Ronald: Gubernatorial Papers,
1966-74: Press Unit

Folder Title: Issues – Welfare (2 of 3)

Box: P32

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

HUMAN RELATIONS AGENCY
Sacramento, California
Contact: Walter Barkdull
Telephone: (916) 445-6951
December 21, 1970

Welfare
FOR IMMEDIATE RELEASE

The Reagan Administration moved today to halt public welfare grants and Medi-Cal services to unwed, pregnant girls if their family or the child's father is capable of supporting them.

The action would also have the effect of preventing girls who have adequate financial resources available from having abortions at public expense, often without the knowledge of their parents.

"Unwed pregnant minors from middle and higher income families are being granted aid, often without regard to the resources of their parents or the prospective father", Lucian B. Vandegrift, Secretary of the Human Relations Agency, said. "Many use the Medi-Cal eligibility to secure abortions at public expense."

"The State has no business providing a financial incentive for immorality, irresponsibility, or family breakup, nor for saddling the taxpayer with costs that either the girl's family or the father of her unborn child are perfectly able to pay", Vandegrift said.

"Neither is there any logic to making a girl eligible for welfare on grounds that aid is needed to protect her unborn child in order that she may have the fetus aborted at State expense", said Vandegrift.

Vandegrift emphasized that the new policy would not affect aid or reduce health services to girls with inadequate resources.

Formal notice was published today (December 21) that a hearing will be held January 22, 1970 on regulations proposed to enforce the change. Meantime, as a first step in carrying out Administration policy, Robert Martin, State Director of Social Welfare, urged all county welfare directors to begin implementation of the new policy immediately.

more

Martin said the regulations will require the county welfare departments to:

1. Determine who are the parents of the minor unwed mother, and who is the putative father of the minor unwed mother's child; and
2. Contact the parents and the putative father; and
3. Determine the ability of the parents and the putative father to provide financial support for the minor unwed mother and for the child of the minor unwed mother, respectively; and
4. Assume the income of the parents or of the unwed father is available in accordance with the ability to support, if they are living with the minor unwed mother; or

If they are living apart and refuse to make a contribution in accordance with their ability, refer the situation to the district attorney for initiation of proceeding under Penal Code 270 which requires parents to support minor children; and

5. Deny aid if the minor unwed mother refuses to provide information necessary for the county welfare department to proceed as indicated above.

The new approach to the problem was taken after an extended critical review of present welfare practices and their purported basis in law and regulation.

It was estimated the action would save approximately \$9 million in welfare and Medi-Cal expenditures in ¹⁹⁷¹⁻⁷² ~~1970-71~~.

In the first nine months of 1970, there were 42,000 legal abortions in California compared with 15,340 for all of 1969. Medi-Cal has paid for approximately one-third of the abortions.

the following legislators---all letters should be addressed to the legislator at:

Welfare
1971

State Capitol Building
Sacramento, Calif. 95814

Senator George Moscone
Senator John Holmdahl
Senator Nicholas Petris
Senator Alfred Alquist
Assemblyman John Vasconcellos
Assemblyman Carlos Bee
Assemblyman March Fong
Assemblyman John Dunlap
Assemblyman Robert Crown
Assemblyman Edwin Z'Berg
Assemblyman John Miller
Senator Clark Bradley
Senator Alan Short

Attached are sample letters. They are short enough to write by hand. That is the best way. You may write the letters exactly, or use your own words, or better yet compose your own. These are simply aids. Make as much or as little use of them as you like. But please---please for the sake of the patient, his family and the future of an industry of great social importance write every one of the above legislators.

Two hours is a very small investment for an enormous amount of good to be accomplished.

Honorable _____
State Capitol Building
Sacramento, Calif. 95814

Dear Assemblyman _____:

When you return to Sacramento in January I hope you take some sanity back. The Governor's War on Welfare is just insane. The Governor is simple minded if he thinks he can balance the States budget without Federal revenue sharing. Yet he bucks it at every level.

For the last four years he has fought the youth in this state who had no vote. Now he is attempting to tell us that our hearts are running away with our heads when we attempt to give mere subsistence to the elderly and minimum medical care to the medically indigent. This is a political sickness that demands your primary concern.

Sincerely,

Honorable _____
State Capitol
Sacramento, Calif. 95814

Dear Senator _____:

Our Governor's war on welfare is a disgrace. I don't think the aged, infirm and the disabled and the disadvantaged should be destroyed to give the governor a headline. It is cheap politics to victimize poverty and medical tragedy.

People know that the Governor uses publicity to cover up his ignorance while exploiting the irresponsibility of taxpayers. The state has been in deficit for a long time. Why make the poor and the ill pay for it, they did not create it.

My mother recently spent a week in a hospital here at about \$95.00 a day. She is now in a nursing home costing \$17.00 a day. As a taxpayer it is clear to me that if I have to pay for indefinite care for my mother or somebody else's I'd much rather get it for seventeen dollars than ninetyfive dollars. Is that how he saves money? No wonder they are forecasting a \$500 million deficit for next year.

Sincerely,

Honorable _____
State Capitol Building
Sacramento, Calif. 95814

Dear Mr. Assemblyman _____:

It looks like Nero is fiddling while Rome is burning. Inflation is eating everybody up. But that does not prevent fabulous pay raises for the Governor's staff, a gala inauguration binge to celebrate the fact that the governor has just cut off the subsistence of the casualties medical and social in our society.

I heard the other day that it costs \$11,000 to kill a Viet Cong. It costs about \$2500 to maintain a prisoner in a State prison and \$3600 for a woman. When the first dollar out of my wages is taxes, the first heir in my estate is taxes, and when the first duty of my child is to offer his life to his country, I think you can provide a man an honest opportunity to make a living, and guarantee his dignity when his productive days are over. Especially provide against medical indigence which NOBODY can afford.

Sincerely,

1971

How It Affects People....

- 0 Separate elderly, blind and disabled from present welfare structure and instead provide automated monthly pension checks for aged and permanently disabled similar to Social Security system.
- 0 Transfer jurisdiction for all remaining adult recipients from social worker welfare bureaucracy to the state agency which handles employment services and job training projects. Able-bodied recipients will be regarded as "temporarily unemployed," not permanent welfare dependents.
- 0 Require able-bodied adult welfare recipients to be either: (1) Seeking employment, (2) Training for a job or (3) Participating in Public Assistance Work Force as a condition for receiving welfare. Those who refuse work or training will be dropped from rolls.
- 0 Increase monthly grants to remaining welfare recipients who have little or no outside income by reducing or eliminating cash payments to families whose earned income exceeds 150 per cent of the established minimum cost-of-living "need" standard.
- 0 An estimated 65 to 75 per cent of current welfare families would receive higher grants and 25 to 35 per cent with significant outside income would have grants reduced or eliminated.

How It Affects Cost and Administration

- 0 Tighter eligibility standards for welfare and realistic income limitations aimed at curbing abuses plus other parts of reform could save estimated \$566 million to \$836 million per year in state, federal and local property taxes.
- 0 Completely rewrite state welfare eligibility regulations and laws to assure realistic limitations on amount of other income a family would have and remain eligible for aid.
- 0 Have State assume entire cost of automated payments and administration of pension program for elderly, blind and permanently disabled. Counties would administer AFDC program, under contract with State.
- 0 Streamline administration through standardized eligibility and audits to assure that only truly needy people get welfare.

How It Curbs Welfare Abuses

- 0 Clamp a realistic ceiling on spendable income a family could have and remain eligible for welfare.
- 0 Terminate welfare aid to illegal aliens and non-residents.
- 0 Restrict welfare households to a single grant, closing loophole that has permitted unmarried couples to receive separate combined grants that are higher than total aid given to legally married couples.
- 0 Improved legal procedures to trace absent fathers whose families are on welfare; financial incentives to counties to collect child support payments from absent parents.
- 0 Exclude from Food Stamp eligibility able-bodied adults between 18 and 65 such as voluntarily unemployed hippies and college students

above junior college level.

How It Affects Medical Payments

O Make California's Medicaid Program (Medi-Cal) more comparable to health benefits working citizens can afford.

O Medi-Cal gives welfare recipients free two to three times greater array of health care benefits than average taxpayer has under his company health plan.

Example: Medi-Cal finances more than 20 services, including complete dental services, chiropractic treatment, occupational therapy, podiatry, etc., all at no cost to recipient. Typical private plan offers only five to seven basic hospital and physician cost coverage and taxpayer usually pays at least part of total cost.

O Reform program would require adult Medi-Cal recipients between 21-65 to make token co-payment of \$1 per doctor or dentist visit, a step necessary to curb over-utilization and unnecessary costs.

O Establish a level of eligibility which will assure that the taxpayers' dollars will be spent to provide health care to the truly needy only.

AN OVERVIEW OF THE CALIFORNIA PUBLIC
ASSISTANCE REFORM PROGRAM

In my inaugural address to you January 4, I said that unless we, as elected representatives of the people, are willing to completely reform welfare in California, our people will face a tax increase every year into the future as far as anyone can see.

The fact is, California's welfare and health care system, which is nothing more than state implementation of federal programs, is a \$3 billion moral and administrative disaster, a way of life without a goal, a road that can only lead to bankruptcy, unless we have the courage to turn in another direction -- before it's too late.

Even more important, in human terms it is a tragic failure for those among us who are destitute and who have nowhere else to turn for the most basic, minimum requirements of living. It is replete with inequities that overpay the less needy who have other income, while underpaying the truly needy who have none. It satisfies no one -- neither the taxpayer who is forced to shoulder an ever greater burden to feed its avaricious appetite, nor the person who depends on it as his only source of life support.

Today, we stand at the crossroads. We can continue to talk about welfare, complain about it, watch it grow unchecked. Or, we can take the steps necessary to control it and reform it so that instead of destroying our greatest resource -- the people of California -- it will maximize human dignity and salvage the destitute.

Now is the time, perhaps our last chance, to define goals and assign purposes of our own to this aimless, goal-less federal program. After doing so, we can perceive what has to be done for true reform.

The choice is clear and I ask you to join with me in making this the year that we put partisanship aside and get down to the business of controlling the monster that welfare has become.

More than ever before the people want welfare reformed, and they have a right to expect us to do it.

The Goals

Today, I am proposing for your careful consideration a program for welfare reform in California.

Its goals are simple and straight forward:

To increase our assistance to the truly needy who have nowhere else to turn to meet their basic needs.

To require those who are able to work to seek work, train for a job, or serve their community, if asked, as a reasonable condition for receiving welfare.

To place Medi-Cal benefits on an equal footing with the health care benefits available to our working men and women who must pay their own health care needs themselves.

To strengthen family responsibility as the basic element in our society.

With these goals in mind, we have adopted a two-fold plan. First, we must reduce the welfare growth rate by changes in eligibility determination and by a work and training program to move people into private sector jobs. Second, we must close all possible legal loopholes that lead to abuse.

The following message will show this to be the most sweeping and far-reaching program of legislative and administrative reform ever proposed in California. It will be followed shortly by specific legislative proposals, at which time any further supporting information you may need will be supplied.

I believe it also provides the best answer for solving the critical problems we face in welfare and Medi-Cal. Countless hours, over a period of six months, have gone into its formulation and preparation. We have gone through federal and State laws and regulations with a fine tooth comb, and we are convinced that our programs can be implemented -- assuming a constructive interpretation of existing law and regulations by federal administrators.

You will note that our stated goals and purposes do not include fiscal savings for their own sake. However, it is a fiscally responsible program. It meets the requirements of a balanced budget, while at the same time attempting to insure that, for the first time in history, no California welfare family will have to subsist below the poverty level.

Welfare's Growth

Today, some 2.4 million Californians are receiving welfare and Medi-Cal benefits. Recipients fall into four major categories: Aid to Families with Dependent Children (AFDC), Aid to Totally Disabled (ATD), Aid to Blind (AB), and Old Age Security (OAS).

If present laws and regulations are not changed, California's welfare rolls could swell by as much as another 600,000 by July, 1972, raising the total welfare population to roughly 3,000,000 persons. It is definitely not a case of "nothing ventured, nothing gained". It is in fact a case of "nothing ventured, much will be lost".

This would mean that one in every 7 Californians would then be on public assistance. No society can long endure a loss of this magnitude in human resources, dignity, and morale.

As you know, the most rapidly proliferating program is AFDC, which now counts 1,600,000 persons on its rolls. That number will rise by another 550,000 persons by the end of fiscal 1971-72 if no reforms are adopted during the current legislative session.

The numbers are especially staggering when you consider that only ten years ago the total welfare caseload in California amounted to only 620,000.

California has only ten percent of America's population, yet we have 16 percent of the nation's welfare cases.

In addition to slowing the growth of welfare and Medi-Cal dramatically, the reform program I am proposing will save at least \$600 million in total federal, state, and county expenditures for public assistance during fiscal 1971-72.

It is useless to hope that the federal government will increase its share of this burden in time to save us. Even the so-called long range federal welfare "reforms," which I oppose as being "more of the same", are hopelessly bogged down in Washington.

Welfare's Budget

If the present unrealistic and inequitable laws and regulations governing California's welfare system were allowed to continue unchanged, based on current caseloads and costs, the state's share of welfare would have to be \$898 million during the coming fiscal year. The budget I have sent to you provides approximately \$677 million in general fund support for this purpose. Clearly, if the Legislature does not act on welfare reform, our people will face increased taxes -- not only this year, but on into the future, year after year after year.

In addition to attaining the primary human goals listed previously, the program I propose for welfare will also save \$220 million of the general fund and will enable the state to operate within the amount of funds we have budgeted for 1971-72.

Let me break it down for you into three major categories:

\$100 million would be realized from the adoption of tighter eligibility standards to assure that only the truly needy receive welfare.

\$90 million would result from the adoption of realistic income limitations to assure more equitable cash welfare grants for recipients with outside income.

\$30 million would come from reducing or eliminating unnecessary red tape and paperwork, adopting changes in administrative procedures such as increased auditing of abuses, requiring prior month budgeting to determine the size of welfare grants, flat grant computations and other factors.

A County-State Partnership

In the development of every facet of this reform program I have insisted that these reforms cause no net shift of costs to the already overburdened counties. I am confident that this will not happen if the entire program is adopted.

The program I propose would relieve the counties of the full program costs in the AB, ATD, and OAS categories, and relieve them of the burden of being responsible for the administrative costs of determining eligibility and grant levels for AFDC applicants by shifting these costs to the state. These annual costs amount to \$131 million, including \$52 million in OAS and AB, \$41 million in ATD, and \$38 million in AFDC.

Although the state would assume the complete responsibility and cost for determining eligibility, I still believe such face-to-face determinations can best be made at the county level by people who are most familiar with the needs of the local community. Therefore, I am proposing that the day-to-day handling of this function be performed by county employees, by means of contracts with the State Department of Social Welfare.

I can think of no better or more innovative way of developing a true partnership between the state and local governments than by enabling county employees to use their knowledge of the local scene and their dedication to the welfare of the truly needy in undertaking this task, with the state maintaining the financial support and providing necessary control and coordination for the program.

In order to partially balance the shift of these costs to the state, I am proposing that the counties assume the responsibility for an equal partnership in bearing the cost of AFDC grant payments to recipients. This will require a revision in the funding formula so that the counties pay 25 percent, the state 25 percent, and the federal government the rest. This change in the counties' funding obligations will provide an incentive to them to exercise greater care in controlling eligibility for the program through tighter screening of AFDC applicants. The counties will thus assume an additional cost of \$84 million during the coming fiscal year.

In order to provide a more equitable balance in state-county shifts and to ensure that no counties will suffer a loss, we will phase the implementation of these shifts during 1971-72 so that \$92 million is assumed by the state and \$84 million is assumed by the counties. In effect the total cost shift to the counties will be \$8 million less than the expenses shifted from the counties to the state in 1971-72. In subsequent years the counties will receive a \$47 million per year benefit from these shifts. This net benefit should more than offset any increased county cost which could result from possible growth in the AFDC program.

In addition, the counties will pick up the non-federal costs of providing emergency special needs to recipients at a cost of \$5 million. To ease the fiscal burden on the counties, the state is planning to reduce its mandated requirements for social services to the minimum required by federal law. This is expected to enable the counties to save at least \$30 million in 1971-72.

As a part of the overall welfare reform program, the counties will assume another \$13 to \$33 million in expenses as the result of a tightened definition of those eligible for "Aid to the Totally and Permanently Disabled". In narrowing the requirements for eligibility, some temporarily disabled persons who cannot qualify under the new definition may revert to county general relief or the AFDC program.

\$81 Million County Savings

In addition to the favorable balance of savings shifted to the counties, they can reap at least an additional \$81 million savings if the entire welfare program which I am proposing is adopted.

I have on many occasions affirmed and reaffirmed the policy of this Administration that we are not going to push the tax burden onto the counties by making "savings" at the state level. We have been scrupulously careful in observing this policy during the planning of this program. And I sincerely hope that the counties will be able to take advantage of the \$81 million in additional savings -- through the full enactment of the program by the legislature.

A Comprehensive Work Program

One of the most innovative aspects of the welfare reform program contemplates separating potentially employable, able-bodied welfare recipients from those who are non-employable because of age, physical handicap or other reasons.

If a recipient is determined to be potentially employable, he will be placed under the overall jurisdiction of the State Department of Human Resources Development and assisted in his search for employment by employment-oriented HRD personnel.

Under the "employables" plan, social workers assigned to employable welfare recipients will work under the direction of HRD with the primary purpose of placing these recipients in jobs. These social workers will, of course, receive retraining that will enable them to effectively stress employment services in their day-to-day contacts with the employable recipients assigned to them.

If no private or public sector job, or training opportunity is immediately available to the employable recipient, he will be expected to participate in public assistance work projects aimed at helping make California a better place in which to live. But participation in such work projects will not be a substitute for a permanent job.

In sum, the public assistance work concept will not only provide welfare recipients with an opportunity to perform a valuable service to their community, but also they will receive some training along the way and get used to a job routine while awaiting the opportunity to get off welfare completely.

If, after classification as an employable the recipient refuses to seek work, or to take an available job, or to participate in a job training program, or to take part in a public assistance work program, he will be ineligible for further welfare assistance.

We will seek appropriate administrative changes or legislation at the state level -- and waivers at the federal level, if necessary -- to implement the mandatory work program.

Medi-Cal Reform

I would like to conclude this Overview by drawing your attention to one of the most significant and comprehensive reforms of our entire program.

As you know, ever since the state's Medi-Cal program was written into law six years ago, the working men and women of California have been forced to underwrite Medi-Cal's virtually unlimited scope of benefits -- a health care program they could not afford to provide for themselves or their families.

Because the serious flaws in the original structure of Medi-Cal have been compounded by a caseload explosion in our welfare system, Medi-Cal costs to the taxpayers have escalated to an intolerable level.

It is grossly unfair to expect the already overburdened taxpayers of California to bear the brunt of Medi-Cal's excesses.

As you well know, anyone who gets on welfare automatically qualifies for the entire spectrum of Medi-Cal services. The Medi-Cal card provides some 20 different services -- every one of them paid for in full by the taxpayers. They are far more extensive than those provided in the average health insurance plan available to those not on welfare or not indigent.

The typical group health plan available to the average taxpayer and his family covers only about one-third the basic categories of medical services provided under Medi-Cal. And most of the private group plans require partial payment by the taxpaying family for the services they receive. Let me emphasize that this is above and beyond the basic premium they must pay in the first place.

But those welfare recipients on Medi-Cal pay absolutely nothing for a much broader range of services.

To restore fairness and equity to Medi-Cal, I will propose reforms in the Medi-Cal Program that will bring its benefits more closely into line with those which the average citizen taxpayer can afford.

The first key element in this program is the provision which would establish a uniform, statewide level of eligibility to assure that the taxpayers' dollars are spent to provide health care to those who are truly in need.

Medi-Cal Coverage

There is currently a variety of health care programs for the poor. The welfare-linked Medi-Cal program is the largest.

However, another 800,000 indigents who do not qualify for welfare must obtain their health benefits through county hospitals. Each county sets its own eligibility standards for these indigent recipients and determines how much health care each one is entitled to. Generally, these indigent citizens are restricted to only about one-third of the benefits available to welfare recipients.

The Medi-Cal Reform Program I am proposing would erase this inequity by establishing a uniform standard of eligibility, which would have to be applied equally in every county in the state.

The second principal element of our Medi-Cal Reform Program would be the establishment of a level of health care benefits for both welfare recipients and non-welfare indigents similar to those generally available to the average taxpayer through private health plans.

Under the current Medi-Cal program, welfare recipients have virtually unrestricted access to an unlimited range of services. But the non-welfare indigent has very limited access to a greatly reduced -- though reasonable -- schedule of services -- despite the fact that the indigent might well have a greater, far more legitimate need for medical help than the Medi-Cal recipient.

Again, to serve the cause of fairness, I intend to seek legislation to balance equally the scope of Medi-Cal benefits available to both indigents and welfare recipients so that their benefits are brought into line with those the average citizen can now afford.

Co-Payment

The third major provision of our Medi-Cal Reform Program will require a recipient to exercise a degree of self-control in obtaining his health care benefits.

I will seek legislation to require that every Medi-Cal recipient -- both the welfare recipients and non-welfare indigents -- make a token co-payment toward the services he receives. This legislation would require that each recipient would pay \$1 per doctor visit, \$1 per drug prescription received, \$1 for the purchase of a pair of eyeglasses, and \$3 per day in a hospital or nursing home.

The co-payment would merely be collected by the provider of the service, who in turn would reduce his bill to Medi-Cal by the same amount.

Welfare
1971

PROBLEM

O The present welfare system in California costs more than \$3.5 billion in tax money each year and represents a staggering financial burden on the working citizens of this state.

O Legal loopholes mandated by Federal regulation and law have permitted some families with incomes of \$12,000 to \$15,000 a year to remain eligible for welfare benefits that are financed by citizens with less income.

O Some of the worst abuses involve the Aid to Families with Dependent Children category of public assistance; a majority of AFDC welfare cases involve public support of families in which the male parent has either abandoned his responsibility to provide for his children or is otherwise absent.

O The present welfare system is a hodge-podge of confusing and sometimes conflicting regulations which perpetuate welfare as a way of life and allows outrageous abuses which are unfair both to the truly needy and to the taxpayer.

SOLUTION

O Governor Ronald Reagan has proposed a comprehensive, 70-point welfare reform program to completely change the direction of public assistance in California; key points of the program include:

O Separating the elderly, the blind and disabled from the present demeaning welfare structure and instead providing these groups with monthly pension checks through an automated system similar to Social Security.

O Treating all remaining adult welfare recipients as potentially employable and requiring these able-bodied recipients to be either seeking a job, training for employment or participating in a Public Assistance Work Force as a condition for receiving welfare.

O Correcting the flagrant abuses of the present welfare system through tighter eligibility standards, eliminating red tape, and imposing a realistic limitation on the amount of outside income a family might have and remain eligible for aid.

O Enacting tough new legal steps to track absent AFDC fathers and collect child support from them to reduce the tax burden on the taxpayer.

RESULT

O This complete overhaul of the welfare system in California will result in a saving estimated at \$566 million in state, federal and local taxes.

O Governor Reagan has demonstrated rare political courage in undertaking this massive effort to reform welfare.

O He has the support of responsible working citizens of this State in trying to bring welfare under control.

STATE OF CALIFORNIA

WELFARE REFORM ACT OF 1971
(Signed into law August 13, 1971)

513 796

ELIGIBILITY FACTORS

Treatment of Income

The bill eliminates the requirement under California law that a recipient be allowed unlimited exemptions to his earned income for work-related expenses, etc.

It changes a code section to require that earned income be disregarded only to the extent required by federal law, rather than the former provision that it be exempted to the maximum extent permitted by federal law.

Work-related expenses are restricted to a flat \$50 per month, plus reasonable and necessary costs of child care. Previously, state law placed no dollar limitation on work-related expenses.

Income Considered

Provisions are included to require that income from interest on savings accounts and casual income be considered in determining eligibility and grant.

In addition, state law will now require that all lump sum income received by applicants and recipients be considered as income in the month that it is received.

The new law also provides that the income of any person who has a contract of employment on an annual basis, but who works and receives income in fewer than 12 but more than 8 months must be averaged over a 12-month basis for the purpose of determining eligibility.

Eligibility Determination

The bill also requires that eligibility must be verified through cross-checking by the County Welfare Department before an applicant receives welfare. Previously, an applicant was granted aid on the basis of his simple declaration that he was in need. In addition, all redeterminations of eligibility as well as initial applications must now contain a written declaration by the recipient, under penalty of perjury, that all information he has given is true.

Personal Property Limitations

The bill places limitations on the amount of personal property a person may own and still be considered exempt from the eligibility process. Up until now, there has been no statutory limit on any personal property other than cash and negotiable securities.

Personal Property Limitations (Continued)

It allows an applicant or recipient to retain items of personal property up to a market value of \$1,000 plus the value of wedding and engagement rings, family heirlooms, and clothing. Included is a limitation on furnishings and other household equipment to a reasonable value.

GRANT DETERMINATION

Maximizing Grants

Previously, state law has directed those administering welfare to secure the maximum amount of aid for the recipient regardless of the techniques used to achieve it. The new bill deletes the word "maximum" so that the direction will be to secure the aid to which the recipient is actually entitled---no more, no less.

Grant Level

A standard AFDC payment level (flat grant) will now allow maximum efficiency in the delivery of welfare grants. In addition, the AFDC grant payment level has been increased to a level 30 percent higher than that paid prior to June of this year. AFDC recipients also will receive automatic annual cost-of-living increases in grants, based on federal indices, beginning in 1973. Net income will be subtracted from the payment level instead of the standard of assistance, thus reducing grants to those with significant outside income.

WELFARE WORK PROGRAM

The new bill provides for the establishment of a three-pronged work program.

First, a job development program, set up under the State Personnel Board, will develop jobs leading to permanent employment for welfare recipients. Work will be contracted with the State Department of Human Resources Development under WIN (Work Incentive Program). All jobs developed will pay the prevailing wage.

Second, career opportunities will be developed for under-educated, low-income persons employed by the State.

The third portion of the work program is entitled the Public Assistance Work Force and requires the Department of Human Resources Development to develop and implement a plan for community work experience programs so that welfare applicants and recipients may receive work experience that will assist them to move into regular employment. In this program, if the adult recipient refuses to accept work, training or participate in a public assistance work force, his portion of the family's welfare grant will be terminated.

RELATIVE'S RESPONSIBILITY

Many provisions of the bill relate to responsibility of relatives in caring for those persons who have no other source of income. These provisions are broadly divided into two categories: the responsibility of a parent to support his or her child; the responsibility for an adult child to support his or her aged parents.

Parental Responsibility to the Child

The bill includes the requirement that a portion of the stepfather's income be used for the support of the stepchild. Since California is a community property state, the wife's interest in the income of the husband is considered available for the support of her children. A second provision dealing with collection of support monies from absent parents requires that social security numbers of both parents be placed on birth certificates to assist in locating the absent parent. Another provision allows for the enforcement of the support obligation of the absent parent of an AFDC child by the attachment of his or her earnings or by levying liens after court proceedings. In the collection of absent parent support payments, an incentive fund will allow the counties a greater share of repaid or recovered monies from the collection of absent parent support. For the first time the absent parent becomes legally indebted to the county for any aid paid to his children.

Adult Child's Responsibility to Support Aged Parent

The bill requires that the children of a person receiving Aid to the Aged (OAS) support such person to the extent of their ability. In addition, the bill increases the amount of support an adult child must contribute to the county for the support of the parent, under OAS. It changes the current Welfare & Institutions Code OAS Relative's Responsibility scale to reflect the increased contributions, while also taking into consideration the adult child's ability to pay.

RESIDENCY

Residence Requirements

The new bill requires that welfare be granted only to California residents and establishes a one-year residence requirement for recipients under the AFDC program. The one-year residence requirement takes affect only when the unemployment rate in the county, in which the recipient resides, exceeds six percent. At such time, all recipients who have been in the state for less than one year would no longer be eligible in that county.

Out-of-State Recipients

The bill provides that the continued absence from the state by a welfare recipient for a period of 60 days creates a presumption that the recipient intends to establish residence elsewhere and therefore is no longer eligible for aid in California. The previous system allowed a recipient to remain out of the state for at least one year before any action was taken. Under this provision, the counties will now be required to make necessary inquiries of such recipients when they leave.

Illegal Aliens

This new law excludes illegal aliens from collecting welfare benefits in California. An alien, upon application, will receive welfare if he certifies under penalty of perjury that he is in this country legally or holds sworn verification from two U.S. citizens of having resided in the United States for over five years. Verification of his alien status by the United States Immigration Service will be required.

PROGRAM ADMINISTRATION

Confidentiality

The new law permits the inspection of state income tax records, unemployment insurance records, and county records by the State Department of Social Welfare for purposes directly related to the administration of welfare. These provisions will allow cross-checking to gain factual data on the income status of applicants, recipients and responsible relatives alike. In addition, the cross-checking will provide additional assistance in tracking down absent parents.

Simplified Administration

Another provision allows the State Department of Social Welfare (SDSW) to contract with the counties, enabling SDSW to simplify and tighten eligibility and grant determinations.

Restitution for Underpayments, Overpayments, and Fraud

The bill simplifies and standardizes the amount of time for which either a recipient or the state can reclaim errors in grant determination. Another provision requires that aid paid to a recipient who later is proved to be ineligible must be repaid to the state. Counties are authorized to pay an applicant up to \$100 for immediate assistance. However, verification of the applicant's eligibility must be made within five days or the county must bear the cost of such payment.

Mismanagement

The new law requires, rather than merely permits, counties to provide aid in the form of goods or services (in-kind) to recipients when a recipient has mismanaged the welfare payments that he has been receiving.

Funding of Programs

Beginning in 1972, the State will assume 50 percent of the non-federal share of county administrative costs in eligibility and grant determination. In addition, the State will pay 100 percent of grant payments in the aged and blind programs, and 50 percent of the grant payments in the disabled programs, beginning in 1972.

AB 949
M E D I - C A L R E F O R M A C T O F 1 9 7 1
(Signed into law August 13, 1971)

Eligibility

For the first time, about 800,000 needy Californians also will be able to obtain a uniform, broad spectrum of health care services under Medi-Cal. Heretofore, they were able to obtain limited assistance from county facilities only. About 250,000 of them are under 21 years of age. This will bring the total under the program to more than three million persons. Formerly, the health care for these patients was financed with state and county dollars. Now federal financial participation will be available.

Services

The bill establishes a basic schedule of benefits estimated to cover 95 percent of health care needs. A supplemental schedule of benefits provides for remaining "catastrophic" care.

It also institutes utilization controls based on a maximum of 24 annual visits for services rendered by most health care vendors, and requires *departmental approval for a wide range of non-emergency services and for services above normal usage.

Co-payment

The new law encourages patient responsibility by requiring co-payment for approximately 50 percent of the beneficiaries. These beneficiaries have certain resources and income which indicate their ability to meet part of their cost of health care.

Co-payment will require \$1 for each visit to a provider of health services and 50 cents toward the purchase of each drug prescription. This feature is a two-year experiment in California and is scheduled to end June 30, 1973.

The bill strengthens provisions for establishment of pre-paid health plans under which health care providers furnish services as a group as an alternative to the present system of unorganized fee-for-service arrangements. The *department is given flexibility in developing a variety of pre-paid plans. Other sections of the bill provide incentives for the movement of patients and providers into pre-paid systems. The *department would remove certain payment and administrative restrictions which are placed upon other health care services.

The legislation also requires establishment of uniform accounting and cost reporting systems for providers of health care services to accurately determine and control Medi-Cal costs. It establishes a 17-member commission to make recommendations to the director on:

1. The Medi-Cal budget;
2. Reimbursement rates for services;
3. Proposed regulations.

The commission is to be composed of representatives of health care providers, the public, the counties, the Legislature, affiliated departments, and the consumers.

*Department of Health Care Services

Welford
January 8, 1971

Mr. Jenkins:

The following was dictated to me, over the telephone, for your information.

"Since signing my final decision of January 8, 1971 in this matter, I have received a telegram dated 1/8/71 from Ronald Reagan, Governor of California, requesting, on behalf of the State of California, that proceedings in this matter be staid pending a determination of two cases in the courts of the State of California. A copy of this telegram is attached.

It appearing from the request of the State of California that, although the State is yet to take any action that would correct the lack of conformity with Federal requirements of its program of Aid to Families With Dependent Children, it has taken steps to achieve such conformity and intends to do so if permitted as result of the final resolution of defending State court proceedings, I hereby withdraw and rescind my final decision of January 8, 1971.

John D. Twine
Administrator Social and
Rehabilitation Services "

The above was issued January 8, 1971.

P.B.
FYI
January 5, 1971 - Dictated by Lucian Vandegrift's secretary

Letter dated
January 4, 1970

To: Mr. Twiname

From: Robert Martin

Regulation 44-313, maximum state participation base -- children's programs, is in effect. Implementation of the regulation has been delayed by a preliminary injunction against the use of an equitable adjustment (California Welfare Rights Organization vs. Martin) and a temporary restraining order (Levine vs. Martin and Orr).

It is my intention to implement regulation 44-313 when I am legally free to do so.

Sincerely,

Robert Martin

Willfare

2 letters dictated 2-25-71 by Jane Sudderth, Washington, D.C.

To: Wilbur Mills, Chairman, Ways and Means
Russell Long, Chairman, Senate Finance

Dear Mr. Chairmen:

The Winter Legislative Session of the National Governors Conference does not entertain resolutions or motions of affirmation.

However, following the breakup of yesterday's final plenary session, I was able to contact individually 27 of my fellow governors. Twenty-four of them signed the attached letter to you. Three of them will contact you directly. I will notify the remaining 23 of this action, and afford them the opportunity to join us.

Our sense of urgency in this matter, which I know you share, has dictated this unusual procedure.

The names and states represented by the signatories are as follows:

Richard B. Ogilvie, Illinois
John A. Love, Colorado
Carlos Camacho, Guam
Cecil D. Andrus, Idaho
Russell W. Peterson, Delaware
Ronald Reagan, California
Tom McCall, Oregon
Arch A. Moore, West Virginia
Robert Ray, Iowa
Deane C. Davis, Vermont
Nelson Rockefeller, New York

Thomas J. Meskill, Connecticut
Stanley Hathaway, Wyoming
John A. Burns, Hawaii
Daniel Evans, Washington
Robert Scott, North Carolina
Jack Williams, Arizona
Edgar D. Whitcomb, Indiana
Linwood Holton, Virginia
John West, South Carolina
Marvin Mandel, Maryland
Walter Peterson, New Hampshire
William Milliken, Michigan
Francis Sargent, Massachusetts

2-2-2-2-

We hope this expression of concern and support from the governors will be of assistance to you and your committee.

Best personal wishes,

Sincerely, RR

cc: James Hall
James Crumpacker
Jerry Martin

Dear Mr. Chairman:

The undersigned respectfully request immediate Congressional action to provide the governors necessary authority to cope with the current and rapidly expanding crisis in the existing welfare system.

Several necessary reforms cannot await development of overall reform, namely:

- a realistic and workable feeling on total amounts which can be retained by welfare recipients under the "thirty and a third" formula.

- a more effective state and local review authority to control eligibility determination.

- sufficient authority to implement a workable public work force program for employable recipients.

- congressional encouragement for the state to apply for, and the Department of Health, Education and Welfare to grant, the necessary waivers to allow states enough flexibility to explore solutions to present defects by instituting innovative demonstration projects.

Enclosed for your urgent consideration is a copy of the Report of the Committee on Human Resources of the National Governors Conference which outlines the fiscal crisis faced by the states and their localities and makes specific recommendations to the Congress for providing desperately needed fiscal relief.

FROM THE OFFICE OF
SENATOR CLAIR W. BURGNER (R-Rancho Santa Fe)
Room 5091
State Capitol Building
Sacramento, California
Contact: Bruce Gray
916 445-3731

March 15, 1971

IMMEDIATE RELEASE

Senator Clair W. Burgner (R-Rancho Santa Fe) and Assemblyman William Campbell (R-Hacienda Heights) said today they will introduce legislation to completely reform and overhaul California's welfare and Medi-Cal programs.

The Rancho Santa Fe lawmaker said he will introduce a package of three welfare reform bills this afternoon. Co-authors with Senator Burgner are Senator Fred Marler (R-Redding) and Assembly Minority Leader Robert Monagan (R-Tracy).

Assemblyman Campbell will introduce the Medi-Cal reform legislation. It will be co-authored by Senator Robert Lagomarsino (R-Ventura).

The overall legislative program was presented to the legislature by Governor Ronald Reagan in a 180 page message March 3.

The program is designed to assure that the truly needy receive the assistance and care they require at a cost the taxpayers can afford.

The three welfare reform bills deal with:

1. The need to strengthen the family as the basic unit of our society, by re-establishing the basic concept---parents support of, and responsibility for, their children.
2. The need for redirection and reform of the present welfare system.
3. The need for accountability in the system.

The first two measures require a 2/3 vote for passage because of the proposed assumption by the state of county costs. The third bill needs a simple majority.

The Medi-Cal reform legislation proposes to alter the way health care is delivered, the way it is used, and the way it is financed---under the current Medi-Cal system.

Outlines of the bills are attached.

#

WELFARE REFORM LEGISLATION

A. Family Responsibility Act of 1971

1. Absent parent
2. Stepfather support obligation
3. OAS Responsible Relative Scale Revision
4. Adult child responsible for parent
5. Property lien on estate of recipient
6. Child protection^{ive} services
7. Social Security number on birth certificate

B. The Fair Share Act of 1971

- (1) State to assume responsibility for ATD, AB, OAS
- (2) Establish flat grants
- (3) Work related expenses
- (4) Equitably adjust grants
- (5) Funding of special needs
- (6) Spendable income limit
- (7) Treatment of recipient income
- (8) Single grant to ATD
- (9) Inclusion of all income in determining
eligibility and grant
- (10) Lump sum payment as income
- (11) Revise maximum grant concept -- Section 10500
- (12) Income averaging
- (13) County-State formula change
- (14) Redefine totally disabled
- (15) Modified equit. apportionment for ATD
- (16) College students on aid (AFDC) Sec. 11253
- (17) Limit ownership of income producing property
- (18) Spend property reserve for special needs
- (19) Maximum limit on exempt property
- (20) Standardize eligibility requirements

C. Accountability Act of 1971

- (1) Residency and aliens**
- (2) Reduce period of absence from state
disqualifying recipient**
- (3) Uniform welfare fraud penalties**
- (4) Revise confidentiality statutes**

FAMILY RESPONSIBILITY ACT OF 1971

Summary

Under existing law a significant amount of public assistance is directly attributable to a disintegration of family responsibility. For example, in 1970 there were about 230,000 welfare families with absent parents and only about 15% of the absent parents were making a contribution to their children's support. Their total contribution was \$36.5 million and averaged out to about \$75 per parent. If all absent parents contributed the same average amount, about \$240 million -- rather than \$36.5 million -- would have been realized in child support payments.

Similarly, significant sums are expended every year because of the need to protect children from the violence or neglect of their parents, because of the need to provide support to aged persons who have adult children with good incomes, and because of the need to provide support for children who have stepfathers with good incomes.

While it is not possible to enforce all aspects of family responsibility by law, it is possible to provide more effective and meaningful enforcement of the basic support obligation of the parent to the child and of the adult child to the parent.

Analysis of the Act

The effect of the Act can be most easily understood by dividing it into the five general areas with which it is concerned. These areas relate to:

1. The absent parent,
2. The stepfather support obligation,
3. The adult child support obligation,
4. Property liens on estates of recipients of aid, and
5. Child protection services.

The Absent Parent

The bill would amend seven code sections and add one new section to provide for more prompt and effective enforcement of support obligations and to require additional information to facilitate locating the absent parent. To these ends:

1. Section 10125 of the Health and Safety Code is amended to require the social security numbers of the father and mother to be placed on birth certificates.

2. Section 11265 of the Welfare and Institutions Code is amended to require that the certificate of eligibility now required for welfare families include the name, social security number, and present location of the absent parent.

3. Section 11353 of the Welfare and Institutions Code is amended to require the absent parent to include in the statement now required from him, a description of his real and personal property, an estimate of its value and his social security number.

4. Section 11476 of the Welfare and Institutions Code is amended to require the county departments with respect to an absent parent whose location is known:

a. to, upon receipt of the application for assistance, immediately serve the absent parent with notice of his responsibility rather than to interview him as soon as possible; and

b. upon failure to respond to the notice within five days or upon response, but with failure to obtain a support agreement within 30 days, to refer the matter to the District Attorney; and

c. to refer immediately all cases to the District Attorney involving absent parents where he so requests.

Related amendments would also require the development of appropriate forms, prompt cooperation between counties and prompt action by the District Attorney.

5. Section 270 of the Penal Code is amended to add punishment by imprisonment for five years to the alternatives available for willful failure of a father to provide support, and language relating to being out of state or failure to comply with court orders which become unnecessary is deleted.

6. Section 11489 is added to the Welfare and Institutions Code to allow enforcement of the support obligation of an absent parent by attachment of his earnings and to provide that a claim for exemption is not effective against such attachment. A conforming amendment to Section 690.6 of the Code of Civil Procedure relating to exemption from attachment is also included.

7. The act also contains an incentive to the counties to pursue enforcement of child support by providing that they will receive 75% of the state-county share of the support money collected. Under existing law they receive only 32.5% of such money.

8. In addition, each county grand jury would annually review the county's nonsupport program and the functioning of the agencies related thereto. Child support would be given priority over other debts owed to creditors in dissolution and related proceedings. In the conciliation court law procedures, there would be provision for a financial referee and supportive staff who could work with each family with children for the purpose of obtaining agreement subject to judicial review. Provision is made for immediate entry of a support order by the conciliation court on welfare cases. The presence of the parents would be required at all support proceedings. Any document served on a parent in connection with a child support proceeding would specify the amount of child support requested. Provision for awarding fees to the prevailing party as a means for reducing capricious and vindictive petitions has been incorporated. Provision is made the the court will have discretion to order the payment of reasonable attorney's fees and court costs where the District Attorney is required to enforce a child support order pursuant to Section 4702 (c) of the Civil Code.

The Stepfather Support Obligation

Existing law provides for consideration of the stepfather's income in determining the amount of the grant to a welfare family and refers to the stepfather's obligation of support. The U.S. Supreme Court, however, in Lewis v. Martin found that California regulations were invalid because they were in conflict with federal law which allows consideration of stepfather support only if he is legally obligated under state law for such support or if he actually makes contributions. This bill would amend the law to conform it to the court's decision and to provide for enforcement of his obligation. To these ends:

1. Section 11351 of the Welfare and Institutions Code is amended to provide that eligibility for aid and the amount of grant shall be based only upon actual contributions from the stepfather but that if a child is not receiving support, the matter must be referred to the District Attorney.
2. Section 11350.5 is added to the Welfare and Institutions Code to provide that the term "parent" as used in Section 11350, relating to the authority of a county to recover assistance payments from a parent with sufficient assets, includes a stepfather.
3. Section 11351.1 is added to the Welfare and Institutions Code to provide that a wife's community property interest in her husband's earnings shall be liable for the support of her children -- his stepchildren.
4. Section 11490 is added to the Welfare and Institutions Code to provide that the term "parent" as used in Article 7, relating to the enforcement of support liability by the District Attorney, includes a stepparent.

The Adult Child Support Obligation

As a result of a California Supreme Court decision (County of San Mateo v. Boss) adult children cannot be required to contribute to the support of their parents under Sections 12100 and 12101 of the Welfare and Institutions Code. A change in the law is required to remedy this situation. Also, the existing contribution scale is unrealistic and should be increased. To these ends:

1. Section 206 of the Civil Code is amended to make it clear that a child has a responsibility to maintain his parents when in need.

2. Section 12101 of the Welfare and Institutions Code is amended to increase the contribution scale amounts and to provide for annual adjustment to reflect cost of living changes.

3. Section 12101.1 of the Welfare and Institutions Code is added to provide that any contributions will be paid to the counties as recoveries on aid granted.

Property Liens

There is no provision under existing law for recovery of money paid in welfare from the estate of the recipient. In fact, recipients are allowed to build up various reserves in real and personal property which goes to their heirs or designees. This bill would provide that aid granted to an OAS recipient would constitute a lien on his estate. Thus:

1. Section 11007.5 is added to the Welfare and Institutions Code to impose a lien upon the estate of an OAS recipient to the amount of the aid or to the extent to which the estate exceeds \$20,000, whichever is less.

2. Section 11007 of the Welfare and Institutions Code is amended to delete the provision that aid shall not constitute a lien upon any property of the recipient.

Child Protection Services

It is necessary in some cases to provide protective services to children as a result of abuse or neglect of the parents. Existing law provides for holding financially responsible parents liable for the cost of the care and maintenance of such children. There is doubt as to whether existing law adequately covers the period of time after the child is removed from the home and prior to the entry of a court order. Also liability should extend to all necessary social services rendered the child. To these ends:

1. Section 903 of the Welfare and Institutions Code is amended to make it clear that liability commences when the child is removed from the home or taken into custody.

2. Section 903.15 is added to the Welfare and Institutions Code to provide that liability exists even if the court refuses to make the child a ward of the court unless the court finds the child was taken into custody unlawfully.

3. Section 914 of the Welfare and Institutions Code is amended to provide that the value of social services rendered to the child shall be included in determining the amount of liability.

MEMORANDUM Re: Provisions of Fair Share Act of 1971

The following is a discussion of problems within the existing welfare system which are intended to be corrected by the Fair Share Act of 1971. Reference will be made to the specific changes within the act as they relate to these problems.

1) Loopholes related to recipient income.

One of the basic unfair characteristic of the existing welfare system is that it permits the disregarding of much of the income at the recipients disposal in determining eligibility and grant amount. As a result, the benefits received by a recipient frequently bear little relation to the resources at his disposal. This means that a truly needy recipient, without financial resources in addition to welfare, might receive little, if any, greater welfare benefit than a similarly situated recipient who might have hundreds of dollars of monthly income, and therefore a much greater amount of spendable income. The following are proposed:

- a) Amend Section 10008 to modify the provision stating that earned income of a recipient shall not be considered to the maximum extent permitted by federal law.
- b) Repeal Sections 11009 and 11009.1 providing for the disregarding of certain forms of income, and amend Section 12157 which permitted the disregarding of certain casual income.
- c) The present system permits the disregarding of certain lump sum income. Amendments to Sections 11262 and 12657 are intended to expand the categories of lump sum income required to be utilized by the recipient to meet his needs. Section 12052 is amended to delete the provision

for considering certain lump sum income as personal property.

- d) Under the present system, with the numerous deductions and exemptions from gross income available to a recipient, it is possible to be eligible for aid even with an income of \$1,000 a month. The addition of Section 11008.2 would restrict the eligibility of any recipient if his total gross income exceeded 150% of the standard of need for such recipient.
 - e) Under the present system, a person who, because of the nature of the type of his employment, is subject to seasonal unemployment, might be eligible for assistance regardless of the amount of money earned during that portion of the year he was employed. Examples are teachers, members of the construction and lumbering industries, and cannery workers. To correct this abuse, Section 11266 is added to require consideration of an applicant's annual gross income.
 - f) Under the present system, a recipient may deduct as "work-related expenses" many expenses which relate to everyday living. To restrict such deductions to a reasonable level, Section 11008.1 is added to permit the Department to specify standard deductions for work-related expenses.
- 2) The present system permits a recipient to be eligible even if owning certain income-producing property. Amendments to Sections 11151 and 11152 would require the consideration of income-producing property in determining eligibility.
- 3) The present system permits a considerable value of property to be held as a reserve, without affecting eligibility. In addition, it permits unlimited ownership of certain types of exempt property, such as furnishings, jewelry,

boats, and certain other personalty. Amendments to Sections 11154 and 11257 would require use of a portion of the personal or real property reserve to meet nonrecurring special needs. Amendments to Sections 11155 and 11258 would limit the value of property which could be excluded in determining eligibility.

4) Sections 11403, 11451.5 and 15200 are amended to change the state-county AFDC participation ratio from 67.5-32.5 to 50-50.

5) In 1965 the definition of permanent and total disability was expanded to include impairments substantially precluding the individual from engaging in useful occupations within his competence. As a result, a person whose only disability is social instability might receive benefits. Furthermore, a heavy reliance has been placed on the individual's own evaluation rather than on medical review. An amendment to Section 13501 would return to the pre-1965 definition of totally and permanently disabled.

6) Section 10500 provides that persons administering aid shall, among other things, secure for every recipient, "the maximum amount of aid to which he is entitled". When liberally construed, this has been interpreted by some persons as requiring presumptions in favor of increasing a recipient's aid. The amendment to Section 10500 would delete the word "maximum".

7) Under the present system, a family unit may be receiving aid in more than one category. For example, the father may be disabled and receiving an ATD grant, and the children qualify for an AFDC grant. When such grants are administered separately, certain of the items which comprise the minimum basic standard of adequate care or need may be duplicated. Section 11452.5 is added to prevent such duplication in determining aid grants.

8) Under the present system, each county performs its own independent operation to determine who is or is not eligible to receive public assistance. This has resulted in a situation where persons who might be declared eligible in one county would be ineligible in another, further resulting in recipients moving from one county to another to take advantage of a more liberal interpretation. Amendments to Sections 10800, 10804 and 11050 will make the State responsible for the determination of eligibility, providing that the Department may contract with the county for the actual performance of this function. The amendment to Section 11056 will require actual verification of need and determination of eligibility.

9) The present system provides for a limit on benefits under AFDC known as the maximum participating base (MPB). This implemented by Section 11450. This act will repeal the existing Section 11450 and add a new section of the same number to eliminate the MPB concept, and equitably apportion the total dollars available for the AFDC program by applying a uniform adjustment factor to the appropriate minimum basic standards of adequate care in determining grants. The adjustment factor would be a percentage by which appropriations meet estimated expenditures.

10) The present system calculates the grant on the basis of a minimum standard of need, and in adding certain other needs called "special needs". Many of these "special needs" are in fact common to the majority of needy persons. An amendment to Section 11452 would provide, for the AFDC program, that such common recurring special needs be averaged and be provided for as a flat grant. The addition of Sections 11452.1 and 11452.2 will provide that the counties make grants for such special needs that are not common to the majority of needy persons, or are of a nonrecurring and unusual nature.

11) Sections 15201, 15202, 15203 and 15204 have been amended to provide that the State assume full financial responsibility for the adult aid categories, that is, the ATD, OAS, and AB programs.

12) Under the present system, an AFDC recipient, ordinarily only eligible to age 18, may remain eligible for aid until age 21, if attending school. The amendment to Section 11253 would provide for eligibility of an AFDC recipient student until leaving high school or attaining the age of 18, whichever is later.

13) The amendment to Section 13702 provides for an increased grant to ATD recipients in the event funds appropriated exceed expenditures for the program.

ACCOUNTABILITY ACT OF 1971

BILL SUMMARY

Residency and Aliens

Court decisions have invalidated state durational residence requirements. An applicant for welfare only needs to indicate an intent to remain in California to qualify for welfare. As a result, many aliens not legally within the United States have applied for and become eligible for welfare assistance.

The bill will ensure that only those aliens who have legally established a permanent residence in California could qualify for welfare assistance. (Sec. 9)

Period of Absence from State

Under current interpretations of residency laws it is possible for public assistance recipients to leave California for extended periods of time and still remain eligible for welfare aid. The bill provides that the continued absence of a recipient from California for 60 days or more (rather than one year) shall be prima facie evidence of his intent to have changed his residence to another state (Sec. 8). The bill requires counties to re-determine residence of recipients who have been continuously absent from California for 30 days (Sec. 8).

It is also possible for a public assistance warrant mailed to a California address to be deposited in a California bank by someone other than the recipient, who may be in another state. The bill requires public assistance warrants to be personally indorsed by the recipient payee (Sec. 11).

Uniform Welfare Fraud Penalties

The criminal penalties for welfare fraud under present law vary depending upon the program involved. In some cases the fraudulent obtaining of welfare funds is a misdemeanor although theft of the same funds from a private agency would be a felony. The bill provides for uniform penalties for welfare fraud similar to those provided in the Penal Code for perjury, grand theft, and petty theft (Secs. 7, 10, 12-18).

Under current law, one method of recovering an overpayment of aid is to adjust the recipient's grant, but only two monthly grants may be adjusted in this manner. The bill (Sec. 6) would extend this from two months to six months and to one year in the case of willful fraud. The bill includes provision for the recipient's right to a hearing prior to such a reduction in aid and sets forth criteria for any such reduction.

Confidentiality Laws

Existing law does not permit welfare officials to examine tax records or the records of HRD of applicants for public assistance to assist in determining eligibility for aid. The bill would permit access to such records for the purposes indicated (Secs. 1-4).

The existing confidentiality law is so restrictive that counties can't even obtain information from other counties about recipients. This has resulted in some recipients receiving aid in more than one county at the same time. The bill will permit welfare records to be released to other county welfare departments, the Department of Social Welfare, and other public agencies for purposes directly connected with the administration of public social services (Sec. 5).

MEDI-CAL REFORM LEGISLATION

This legislation proposes to alter the way health care is delivered, the way it is used, and the way it is financed under Medi-Cal.

With these changes, we propose to broaden eligibility, place some responsibility for the use of services upon those eligibles, provide a uniform scope of benefits, increase federal matching funds, reduce county costs and attract prepaid health programs.

ELIGIBILITY

1. Medi-Cal Reform proposes to continue to cover all Welfare cash grant recipients as it has done before as well as another segment called the Medically Needy Only. This group is eligible for Welfare except that they have too much income. The Welfare categories are Old Age Security, Aid to the Blind, Aid to the Disabled and Aid to Families with Dependent Children.

2. In addition, the same uniform scope of benefits proposed for Welfare recipients would be extended to about 800,000 poor who are now eligible for varying levels of care from county or state and county-sponsored programs. This group includes about 270,000 persons under the age of 21.

BENEFITS

Historically, Medi-Cal has offered every officially-recognized health service available without restriction. The cost has doubled in less than five years -- from \$600 million to \$1.2 billion. During this time, every provider of service except hospitals (exempt by Federal law) has been placed under some kind of fee limitation. No restriction has been placed on the user.

Under Medi-Cal reform, these services would continue to be available under separate but related plans. A basic schedule of benefits would cover the vast majority of patients. For example, 65 days of hospitalization is proposed which statistics show would cover 95 per cent of the need. For those with major illnesses, a supplemental scope of benefits would be available. Under this supplementary schedule, for example, there would be an additional 300 days of hospital care.

USER RESPONSIBILITY

Medi-Cal Reform proposes that the user under Medi-Cal make some decisions about his health needs just as taxpayers with privately-paid plans do. This would be accomplished in two ways:

1. The Medi-Cal beneficiary would be allowed 24 visits yearly for physician office visits, therapy and the like, with a maximum of four physician visits per month and two for all other services. In addition, he would be allowed two drug prescriptions per month. These limits, of course, do not apply while the person is in the hospital where he may get laboratory and x-ray treatment as prescribed as well as medicines.
2. Co-payment would be required where it is not prevented by federal law or regulations on four services. This will give the user some responsibility for health services just as many private health plans provide.

It would require \$1 for each visit to a provider, for each pair of eyeglasses, for each drug prescription and \$3 for each day of hospital or nursing home care. Of course, if it is determined that the individual has no income, these token co-payments would be eliminated.

REFORM FINANCING

The basic scope of benefits for Medi-Cal recipients under Welfare eligibility would be financed:

1. 50 per cent with federal funds
2. All other costs would be financed by 70 per cent state funds and 30 per cent county funds.

Under the present schedule, Medi-Cal is financed 50% by federal funds, 40% by state funds and 10% by county funds. This does not necessarily include the cost of health care for all of those 800,000 proposed to be brought under the new program. Some counties now pay for this group entirely: others have chosen to share the cost with the state.

Under the reform the 270,000 children's health care costs could be matched by federal funds.

For the major illness portion of health care costs, the state and county would share the burden at a constant ratio of 70-30% respectively if federal funds were not available. This method

would cover the poor adults who are not eligible for welfare.

ADMINISTRATION

Medi-Cal Reform proposes that the state establish standards, and administer a basic schedule of benefits on a fee for service basis.

The county would continue to determine eligibility and administer the supplemental schedule of benefits which covers major illnesses. The county would be responsible for seeing that this supplemental health care is provided on a prepaid basis -- that is, a fixed amount for each eligible in its jurisdiction.

The county could act as its own prepaid health care organization, or it could contract out any or all of the services, providing a choice of three variations to the user.

APRIL 19, 1971

Office of the White House Press Secretary
(Williamsburg, Virginia)

THE WHITE HOUSE

TEXT OF AN ADDRESS BY THE PRESIDENT
REPUBLICAN GOVERNORS' CONFERENCE
WILLIAMSBURG, VIRGINIA

The last time we were together we talked about revenue sharing. Our seven legislative proposals for revenue sharing have now gone to the Congress, and I would say I am more optimistic about success now than I was then.

Revenue sharing, when it is enacted, will go far toward alleviating the financial burdens of State and local government. But it is hardly enough to make such great efforts to solve these problems on one hand, while on the other we pursue policies which compound the problem. I am speaking of the present disastrous system of public welfare. Rising welfare costs are not only placing heavier and heavier burdens on the Federal budget, they are crushing our States and cities. And they will continue to do so until something is done about it.

What we need is not a tinkering with the present welfare system which would merely relocate the financial disaster areas from the States and cities to Washington. We need an entirely new approach that will reach to the reasons for soaring welfare costs, and not deal simply with the results as we are doing now.

As you know, we have an entirely new approach in this administration's proposal for welfare reform which is before the Congress. I consider it our most urgent legislative proposal, because the welfare problem, allowed to run unchecked, would soon erode the benefits to be gained from reform in other areas. The House of Representatives has recognized its importance by designating it House Resolution number one. And it is going to be White House Priority number one until it is enacted.

We in this administration have urged welfare reform for three years. We discussed it in the 1968 campaign, and the country responded -- and I mean the whole country -- not just the taxpayer who sees his money going down the drain, but also many of the welfare recipients who see their lives going down the drain.

While we're trying to bring some order into this chaos at the Federal level, some of you have moved on your own at the State level with the same purpose. I want especially to commend Governor Reagan and Governor Rockefeller for their efforts in this area -- for biting a bullet the entire country is going to have to bite if we are going to bring the financial -- and worse, the human -- costs of the present welfare system under control.

The abuses in the system are not only unconscionable, but contagious as well.

It is a system which not only destroys the incentive of those who are on welfare to get off it, but attacks the motivation of those who are not on welfare -- the working poor -- to stay off.

(MORE)

It is incredible that we have allowed a system of laws under which one person can be penalized for doing an honest day's work and another person can be rewarded for doing nothing. It can happen and does happen under the present system. The person on welfare can often have a higher income than his neighbor who holds a low-paying job. Tragically, these situations often exist in the same neighborhood, side by side in the same apartment houses -- and the effect is corrosive. It creates bitterness on the part of the worker. In the end, I suspect, it causes resignation -- and we end up with another person on welfare.

At a time when we see all about us the problems of the disintegration of the family, we continue with a system that encourages family disintegration. A man out of work, or one struggling to support his family on a low income, sees that his family can have a higher income on welfare -- and yet he is torn by the knowledge that they cannot qualify as long as he is there. So he leaves. His children grow up either entirely without a father, or with a father who sneaks in and out of the house one step ahead of the welfare worker. What conclusion should his children draw about the morality and the compassion and the justness of a system which forces their father to desert them in order to feed them?

The fact is that the welfare establishment and system in the United States is a monumental failure. It makes the taxpayer furious. It makes the welfare recipient bitter, and it inflicts the distillation of all this anger and bitterness on the children who will inherit this land. It is a disgrace to the American spirit.

So I do not advocate broadening welfare. I do not advocate simply refining the system. I advocate a fundamental change of direction.

I do not advocate putting more people on welfare rolls as some have contended -- I advocate getting more people off welfare rolls. And the way to get them off is to provide incentives and disincentives which will make them get off -- while providing an opportunity for people to recapture the sense of dignity that comes with knowing that what you have, you have earned. I have been guided from the outset by that principle and I reaffirm my commitment to that principle now.

I do not believe in a guaranteed annual income. I do believe in a system which insures that a man is rewarded for working and not penalized, and I think it is a very sensible investment to insure that that reward is there in order to keep people safely out of the reach of welfare.

I advocate a system which will encourage people to take work. And that means whatever work is available. It does not mean the attitude expressed not long ago at a hearing on welfare by a lady who got up and screamed: "Don't talk to us about any of those menial jobs." I am not sure what she considers a menial job but I have probably done quite a few in my lifetime. And I never thought they were demeaning.

If a job puts bread on the table and gives you the satisfaction of providing for your children and lets you look everyone else in the eye, I do not think that is menial. But it is just this attitude that makes others -- particularly low-income workers -- feel somehow that certain kinds of work are demeaning. Scrubbing floors or emptying bed pans is not enjoyable work, but a lot of people do it -- and there is as much dignity in that as there is in any other work to be done in this country -- including my own. In the course of reforming the welfare system, we have to re-establish the recognition of that fact.

(MORE)

I do not think we can tolerate a system under which working people can be made to feel like fools by those who will not work. To the contrary, I think those who refuse to register for work and accept work or training should be ineligible for welfare payments, and we have written such a stipulation into our welfare reform proposal.

In addition, we have urged including in this proposal the language of Section 208 of the Social Security Act which clearly defines fraud, and establishes fines and other appropriate criminal punishment for abuses of the new welfare system.

So to those who see our present welfare reform proposal as a simple refinement of the old program, let me say as strongly as I can that this is not the case. We have no intention of measuring the success of this Nation's welfare programs by the money spent and the number of people supported. We are going to measure it by the money saved and the number of people who are given back the incentive and the opportunity to support themselves. We are going to measure it by the dignity it promotes, and not by the dole it provides.

One of the great strengths of America has always been that we believed in the value of work -- and we need a system of caring for the poor that rewards and encourages work.

Another great strength of America is that we believe in a helping hand for those in genuine need. The Bible tells us that charity is the greatest virtue -- and, by charity it means love. It blesses both the giver and the receiver.

But it is not charity to maintain a system which permits or encourages human beings to let die within themselves the energies, the dignity, and the drive that give meaning and satisfaction to life itself.

It is not charity to bind human beings into a cycle of despair and dependence when with a little courage and a little imagination and a little common sense we can end this cycle.

A long time ago this Nation proudly acquired a reputation as a refuge for the tired and the poor. Those "huddled masses" who sailed into New York Harbor so they might hold their heads up again have their counterparts today in slums all over this Nation -- and our task, together, is to provide a system that will help them to raise their heads in pride and dignity -- a system fair to the poor, fair to the taxpayer, and true to the spirit of independence that has built America and made it great.

#

Press Conf. - 6-9-71

Q. Do you consider your program dead?

A. No, as long as there is a welfare program working. They killed mine and submitted this other. My concern was I don't want to answer questions as most of the writing press has departed.

I want it perfectly clear that his attempt to portray this as a compromise is not a compromise at all. It is an entirely different concept and nothing but a bundle of band aids and will not reform welfare.