A STATE WELFARE SYSTEM FOR NEW JERSEY

Report to Governor William T. Cahill

State of New Jersey

Governor's Task Force on Welfare Management

June 2, 1971

STATE OF NEW JERSEY
GOVERNOR'S TASK FORCE ON WELFARE MANAGEMENT
STATE HOUSE—ROOM 127
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2 June 1971

The Honorable William T. Cahill
Governor
State of New Jersey
State House
Trenton, New Jersey 08625

Dear Governor Cahill:

Your Task Force on Welfare Management hereby submits to you its report: A State Welfare System for New Jersey.

This report recommends a complete assumption of administrative functions and non-federal costs of public welfare in New Jersey. We believe that such a step is necessary at this time to assure the future adequate functioning of the public welfare system in our State. It would be more than justified by fiscal relief for the counties and municipalities; lower administrative costs; more effective administration; better coordination with related agencies; and greater equity for recipients. Such a change is particularly important and timely because of impending changes in welfare programs being developed at the federal level.

We fully appreciate that our recommendations will require an entirely new type of organization to manage the State's welfare program. However, this merely recognizes that an organization that will have the responsibility of administering over a half billion dollars (this will occur within the next two years) must be developed "from the ground up" if it is to become effective and be efficient. In order to attain the maximum benefit from a new State system, and to avoid confusion during transition, we have included in the report recommendations for implementation in the areas of financing, schedule for changeover,

personnel, local involvement in the State system, the administration of money payments, and research, planning, and evaluation.

We respectfully urge you to accept our recommendation to establish a unified, State operated welfare system to replace the present highly fragmented structure, and to take those steps you deem appropriate to bring about a State welfare system for New Jersey.

Sincerely yours,

Frank K. Kelemen

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SUMMARY

This report of the Governor's Task Force on Welfare Management recommends a complete State assumption of administrative functions and non-federal costs of public welfare in New Jersey. It reiterates in expanded form the same recommendation made by the Task Force in its report of January 15, 1970. Although this step would require a substantial financial commitment on the part of the State, it would be more than justified by these factors: 1) fiscal relief for the counties and municipalities; 2) lower administrative costs; 3) more effective administration; 4) better coordination with related agencies; and 5) greater equity for recipients.

1) Fiscal relief for the counties and municipalities State assumption of administrative and financial responsibility for welfare expenditures would relieve the counties and municipalities of a substantial burden and distribute the tax load more equitably among all New Jersey taxpayers.

At present, the distribution of the cost of public welfare programs among the people of the twenty-one counties of the State is highly inequitable. In fiscal year 1970, the highest ranked county spent more than eight times as much per capita for welfare as the lowest ranked county; the highest ranked county spent more than twelve times as much per $1000 of equalized valuation.

A State assumption of administrative and non-federal financial responsibility would relieve the counties of approximately $67 million in fiscal 1972 and higher amounts thereafter. Similarly, municipalities would be relieved of about $8.9 million in fiscal 1972 and higher amounts

thereafter. Transfer would significantly ease the overburdened property tax and release those funds for other local purposes where the need for additional resources is great.

2) Lower administrative costs State assumption of administrative responsibility would permit more efficient deployment of administrative resources in the welfare system. It would also enable the State to take advantage of substantial economies of scale that are made possible because of the recent development of sophisticated electronic data processing equipment.

3) More effective administration Lodging administrative responsibility for public welfare programs at the State level would substantially increase accountability of administration by pinpointing authority at a single level of government within the State. It would also improve the capacity of welfare agencies to implement general policies uniformly, and to enforce appropriate standards at all administrative levels.

4) Better coordination with related agencies A unified State system of public welfare would significantly improve the linkages between public welfare programs and related programs offered by other agencies. Much duplication of effort would be avoided, inter-agency friction would be reduced, and clients would receive much better service.

5) Greater equity for recipients According to State law and regulation, all New Jersey welfare clients in similar circumstances are supposed to

be treated equally. Yet, the autonomy of county and municipal welfare boards along with the shortage of state supervisory staff ensure that the application of law and regulation will vary to some degree among jurisdictions. Under a State-administered system, treatment of welfare clients would become more adequate and uniform throughout the State.

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Careful planning for the implementation of the transfer of responsibility to the State level will be necessary to avoid confusion and to attain maximum benefit from the new State system. The Task Force report includes recommendations relating to six critical areas of implementation: 1) financing; 2) schedule for implementation; 3) personnel; 4) local involvement in a State system; 5) the administration of money payments; and 6) research, planning and evaluation.

1) Financing Because some savings in administrative costs would result from transfer of administration, the cost of a complete assumption by the State of administrative and fiscal responsibility for categorical and general assistance programs would be somewhat less than total county and municipal expenditures. These are projected to be approximately $75.4 million in fiscal 1972. Much of the cost of this step could be offset by the enactment of federal welfare reform legislation at the federal level.

While the Task Force recommends an immediate assumption by the State of all county and municipal welfare costs, it would be possible instead for

State to assume immediately the total cost of General Assistance but only administrative responsibility (including costs) of categorical assistance; assumption of county shares of expenditures for benefits would be postponed for several years. These steps could be taken in fiscal 1972 at a full year cost of somewhat less (due to savings in administrative costs) than $28.1 million.

2) Schedule for implementation County and municipal welfare expenditures should be assumed as soon as possible, but not less than six months should be allowed after passage of the enabling legislation for planning of the actual administrative transfer of functions.

3) Personnel The transfer of welfare administration to the State level should make provision for the protection of salary levels, pension rights, and seniority of qualified county and municipal welfare personnel.

4) Local involvement in a State system Within a Statewide system, the State should be divided into districts for administrative purposes. Local offices should be established which are convenient for recipients and applicants. In order to provide for flexible response to local circumstances, advisory committees should be instituted within each of the district service areas.

5) The administration of money payments In order for the State system to obtain maximum savings in administrative costs, the provision of money payments should be restructured according to the following principles:

-- money payments functions should be organizationally separated from the provision of social services;

-- the process of eligibility determination must be streamlined through the rapid implementation of a simplified method of eligibility determination;

-- eligibility requirements must be substantially simplified;

-- a statewide electronic data processing system must be established for the administration of money payments.

6) Research, planning, and evaluation The establishment of a State system should include specific provision for the development of an adequately funded and well-staffed administrative unit solely for the purposes of research, experimentation, planning, and evaluation. Given the magnitude of expenditures for public welfare in this State, the long-term increases in efficiency and effectiveness of the State system that would follow from the efforts of such a unit would pay for its costs many times over.

INTRODUCTION

The provision of monetary aid and social services under the categorical assistance programs[1] of the Social Security Act is the responsibility of state governments. Thirty-three states and territories administer these programs directly at the state level. The rest, including New Jersey, have chosen to delegate this responsibility to the counties as political subdivisions of the State. Moreover, in New Jersey, administrative responsibility for assisting persons not eligible for categorical aid through the General Assistance program has been allowed to remain in the hands of municipal agencies.

On January 15, 1970, this Task Force submitted to the Governor a preliminary report recommending a transfer of the administrative functions and non-federal costs of public welfare from the counties and municipalities to the State. In support of this recommendation, we pointed out that this step would eliminate the unequal fiscal burdens sustained by counties and municipalities in the support of welfare programs; improve the capacity of welfare's administrative structure to implement new policies; and enable the system to take advantage of significant economies of scale.

Since the issuance of our report in January 1970, the reasons we cited for a State assumption of welfare responsibility have become even more compelling. As the welfare system has grown rapidly, the inequities between the tax burdens of the localities have become even more pronounced; the inability of the welfare structure to accommodate the many recent policy changes has led to a condition of extreme confusion in many counties; large increases in the caseload have taxed the administrative resources of the archaic administrative structures maintained by many counties and municipalities.

1. Old Age Assistance (OAA) Aid to the Blind (AB), Disability Assistance (DA) and Aid to Families with Dependent Children (AFDC).

These factors alone would more than justify the immediate State assumption of administrative responsibility and the non-federal financial burden for welfare programs in New Jersey.

However, our continuing study of the welfare system has also strengthened our conviction that a transfer of administrative responsibility to the State is imperative in order to bring about a revitalization of public welfare in New Jersey. In the four reports previously issued by this Task Force, we have presented a program for a complete restructuring of public welfare in order to bring about such a revitalization.

Our January 1970 report recommended a revamping of the cash assistance aspects of welfare by means of a simplification of the eligibility determination process, an abridgment of unnecessarily intricate eligibility requirements, and the computerization of the payments process.

Our June 1970 report on the impact of federal welfare reform proposals pointed out that passage of the pending legislation would require far-reaching changes in the structure of public welfare. The report noted that many of the legislation's underlying concepts-- such as simplification of eligibility requirements and procedures--parallel those advanced for New Jersey by the Task Force.

Our April 1971 report on social services called for a complete reorganization of social services in New Jersey. The new structure outlined by the report would provide specialized, tangible services to a broader clientele, through a coordinated mix of public and non-profit private resources.

Our April 1971 report on research, development, and evaluation in public welfare programs recommended the creation of a permanent staff unit to increase understanding of welfare-related problems, rigorously evaluate

current procedures and policies, and continually test and develop innovative new approaches to welfare management.

Considered as a group, the reports of our Task Force present a plan for an urgently needed restructuring of the public welfare system in New Jersey. The restructuring we are advocating would result in a substantial saving in administrative costs, effective social services, a more equitable system of financing welfare, and a more dignified system for administrators as well as recipients. Although many important changes could be made within the present system, the prerequisite for the fundamental restructuring we are proposing would be a State assumption of administrative responsibility for welfare.

We are therefore concluding our efforts as a Task Force by submitting this report, which reiterates in greater detail our earlier recommendation for a State assumption of welfare. We are aware that the cost of a State assumption of the county and municipal welfare burden would be considerable. We believe that passage of the pending federal welfare legislation may yield a substantial fiscal dividend which should be applied to this end. We have suggested ways of making the transfer in several stages, in order to lessen the initial cost to the State.

It is our firm belief that the benefits of a transfer would far outweigh the costs to the State. We are submitting this report in the hope that it will lead to early action on this critical recommendation.

HISTORICAL BACKGROUND

The proper administration of public assistance has been a subject of concern since the earliest programs were initiated in colonial New Jersey. Patterned after Elizabethan poor laws, earliest administrative responsibilities were placed at the municipal level under local "overseers of the poor." Attempts to reform the municipal system led finally to the creation of the first statewide category of assistance in 1899, relief of dependent children, which was administered by the State Board of Children's Guardians. Other State-supervised categories of assistance and social services soon followed: the Commission for the Amelioration of the Condition of the Blind was established in 1910 to provide relief and train the blind to become self-supporting; the Old Age Relief Act was passed in 1931 to provide pensions for the aged. The latter act established the county as the level of administration for the program.

The major burden of public assistance remained at the local level until participation of the federal government was initiated during the depression. Financial assistance was extended on a permanent basis through the Social Security Act of 1935 to the three categories already established on the State level: Aid to the Blind, Old Age Assistance, and Aid to Dependent Children. Temporary federal assistance to municipalities was provided through the Federal Emergency Relief Act of 1933. However, this emergency assistance was terminated in 1936, at which point the State created a Financial Assistance Commission to distribute funds to municipalities (many municipalities did not take advantage of these funds). One additional category of federally supported public assistance, Disability Assistance, was enacted in 1950. Its administration was lodged by the State on the county level along with Old Age Assistance.

In the absence of any thorough recasting of the State's organization for public welfare, the many incremental additions over the years left the State with a cumbersome and unwieldy system with four different forms of administration for the five different categories of assistance.

Municipal Aid (General Assistance) was the responsibility of each municipality although State funds could be requested.

Home Life Assistance (Aid to Dependent Children[2]) was administered by the State Board of Child Welfare which recommended recipients to the county welfare boards for final approval. Non-federal costs were divided between counties and the State.

Assistance to the Blind was administered by the Commission for the Blind which made payments after recommendations were received from the county welfare boards. Expenditures for these payments were divided between the federal, State, and county levels.

Both Old Age Assistance and Disability Assistance were administered on the county level with the State contributing a portion of the non-federal costs.

In 1953, the Commission to Study the Administration of Welfare in New Jersey, chaired by Mr. Walter Kidde, submitted recommendations to Governor Alfred E. Driscoll.[3] Citing the "elaborate and complex pattern of public assis-

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2. Aid to Dependent Children (ADC) was renamed Aid to Families with Dependent Children (AFDC) in 1962.

3. Report of the Commission to Study the Administration of Welfare in New Jersey (Trenton, 1953).

tance programs," the Commission proposed that all federally assisted programs be administered by the county welfare board. General Assistance was to remain a municipal function because "the right to administer to the wants of the needy was inherent in the local governing body." Each municipality, however, was to have the option of turning over the administration of its General Assistance program to the county.

Many of the recommendations were carried out in the next few years. In 1960, the administration of Aid to Dependent Children was transferred to the counties. Aid to the Blind followed in 1963. However, non-monetary services to children were retained at the State level under the Bureau of Children's Services, while non-monetary services to the blind remained under the jurisdiction of the State Commission for the Blind.

Recently, however, new demands upon the welfare system have stimulated recommendations for a shift of responsibility to the State level. Within the last three years, several reports have been issued advocating state responsibility for welfare programs.

In 1968, the Governor's Select Commission on Civil Disorder, chaired by Robert D. Lilley, issued a report which included nine recommended welfare reforms.[4] Heading the list was this statement: "The funding and administration of all public assistance programs in New Jersey should be centralized in one State agency." Citing the inefficiencies of the current welfare administration

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4. Governor's Select Commission on Civil Disorder, Report for Action (Trenton, 1968).

along with the inequities of present arrangements for financing welfare programs, the Commission noted "that the problems welfare deals with transcend the responsibilities and resources of county and city."

The inequitable financial burden placed upon local government was also a concern of the Commission on State Tax Policy in its Twelfth Report, also published in 1968.[5] The state was termed the "optimal area of government" to be responsible for the function of public assistance. According to the Commission, assumption of public assistance by the State would be "a logical and necessary way to relieve the property tax."

The report of the County and Municipal Government Study Commission in 1969, chaired by William V. Musto, concluded that local welfare financing constituted a threat to the viability of county governments.[6] The range of expenditures which are required of the counties by the State, including welfare, consume 56% of county budgets. This impairs the ability of counties to meet challenges in other areas. Municipalities in urban counties are forced to assume greater financial responsibilities than their resources permit, thus increasing already widespread "urban blight." The Commission stated that the nature of the welfare problem required a larger scope than local control could provide. State assumption of welfare finances and administration would in fact give greater

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5. Commission on State Tax Policy, Twelfth Report, Tax Equity and Tax Relief (Trenton, 1968).

6. County and Municipal Government Study Commission, Second Report, County Government: Challenge and Change (Trenton, 1969).

strength and independence to local government by relieving it of what is properly a state responsibility.

In 1968, the New Jersey Legislature enacted legislation increasing the State share of non-federal costs of welfare benefits from 50% to 75% of the non-federal share. It also enacted a new program of "presumptive eligibility" to eliminate the necessity for categorical aid applicants to receive emergency assistance from municipalities pending approval of their applications by county welfare boards.

But, notwithstanding the recommendations of numerous reports, all categorical programs are still administered by county welfare boards. They function under the statutory provisions of State law and the regulatory supervision of the State Division of Public Welfare. Along with administrative responsibility, the counties bear the entire non-federal cost of administration, including services, along with 25% of the non-federal cost of financial assistance. Municipalities providing General Assistance receive 75% of the costs of benefits from the State. Thus, in spite of a larger State role in financing, primary administrative control of public welfare programs in New Jersey rests in the hands of counties and municipalities.

WHY A STATE SYSTEM IS NECESSARY

Consolidation of categorical welfare programs at the county level may well have been an appropriate step in 1960, but new demands on the structure along with the introduction of new technologies of administration have since rendered the county-based form of administration obsolete. The Task Force believes that adequate functioning of the public welfare system in New Jersey now requires a State assumption of administrative responsibility and non-federal expenditures. A new State welfare system should be established in which money payments and social services are provided through district offices which are conveniently accessible to applicants and recipients. Although this step would require a substantial financial commitment on the part of the State, it would be more than justified by these factors:

-- Fiscal relief for the counties and municipalities;

-- Lower administrative costs;

-- More effective administration;

-- Better coordination with related agencies;

-- Greater equity for recipients.

1) Fiscal Relief for the Counties and Municipalities

State assumption of administrative and financial responsibility for welfare expenditures would relieve the counties and municipalities of a substantial tax burden and distribute the tax load more equitably among all New Jersey taxpayers.

At present, all of the federally-assisted categorical programs are administered by county welfare boards operating under State law and the regulatory

supervision of the State Division of Public Welfare. Along with administrative responsibility, the counties bear the entire non-federal cost of administration, including services, but only 25% of the non-federal cost of financial assistance. Municipalities providing General Assistance receive from the State 75% of their assistance costs.

In 1960, the first year of consolidated county administration of categorical welfare programs in New Jersey, the twenty-one counties spent $16.4 million on benefits and administration for these programs. By 1969, the county share of welfare costs had grown to $45.1 million, although the State had increased its share of payments from 50% to 75% of the non-federal proportion. Even though welfare costs consume substantial proportions of annual county budgets, welfare costs are mandated by the State; counties have little or no control over their magnitude or rate of increase. A State assumption of administrative and non-federal financial responsibility would relieve the counties of approximately $67 million in welfare costs in fiscal 1972 and higher amounts thereafter. It would significantly ease the overburdened property tax and release those funds for other local purposes where the need for additional revenue is great.

Although categorical assistance is clearly a state responsibility, a large portion of the fiscal burden it imposes now falls on the counties. The result of assigning part of the burden to the counties, together with the irregular distribution of assistance caseloads, is an extremely uneven distribution of cost among the people of the twenty-one counties of the State.

This inequity can be seen in figures on total assistance expenditures for fiscal year 1970. On a statewide basis, the cost of all public assistance programs amounted to $40.60 per New Jersey inhabitant. This average cost,

however, was distributed very unevenly. In Essex County, total expenditures averaged $98.55 per inhabitant, and in Atlantic County, $77.80. At the other end of the scale, expenditures in Bergen County averaged $12.67 per inhabitant, and in Morris County, only $9.75. These averages, of course, include the contributions of state and federal funds, but given the uniform rates at which the counties must contribute, they still indicate the great disparity in fiscal burdens among the counties.

Expenditures by the counties alone give a more refined indication of fiscal inequity. In fiscal 1970, Essex County was forced to raise from its taxpayers $17.11 per inhabitant for categorical assistance programs, and Atlantic County raised $12.82 per inhabitant. The two lowest-cost counties, on the other hand, needed to raise $2.25 or less per inhabitant.

Variations in expenditures per inhabitant would be less inequitable if they corresponded with variations in county fiscal capacity. This is not the case, however, as Graph One indicates. Counties with exceptionally high assistance burdens have relatively low per capita income and low property tax bases. This means that raising taxes to pay for assistance costs requires the highest tax rates in those counties whose inhabitants' incomes can least afford a high tax rate. The seven counties with the highest assistance costs per inhabitant also have among the highest assistance costs per $1000 of assessed valuation. When county assistance costs per inhabitant are compared to per capita income, these same seven counties have among the highest in per-inhabitant contribution per $1,000 of per capita income. The counties which rank lowest in

GRAPH ONE: COUNTY EXPENDITURES FOR PUBLIC ASSISTANCE PER CAPITA, PER $1000 OF EQUALIZED VALUATION, AND PER $1000 OF PER CAPITA INCOME FOR FISCAL YEAR 1970

	Rank-Order According to Per-Capita County Assistance Expenditures	County Assistance Expenditures/ $1000 of Equalized Valuation	Per-Capita Assistance Expenditures/ $1000 of Per-Capita Income
Essex	$ 17.11	$ 2.81	$ 4.11
Atlantic	12.82	2.06	4.69
Cumberland	10.23	2.38	3.78
Camden	8.61	1.82	2.68
Passaic	8.52	1.24	2.61
Monmouth	8.10	1.20	2.41
Salem	7.37	1.59	2.75
Mercer	7.15	1.23	2.10
Hudson	7.03	1.48	2.26
Ocean	6.14	.71	2.18
Cape May	6.00	.44	2.19
Sussex	5.61	.66	1.77
Gloucester	4.36	.88	1.55
Middlesex	4.29	.62	1.36
Hunterdon	3.83	.44	1.16
Union	3.73	.44	.87
Warren	3.70	.61	1.34
Burlington	3.63	.79	1.23
Somerset	3.35	.40	.93
Bergen	2.25	.24	.54
Morris	1.98	.23	.49

Sources: Expenditures include the fiscal 1970 federally matchable expenditures for benefits and administration, as compiled by the New Jersey Division of Public Welfare. Population data are derived from 1970 census figures. Equalized valuation data as of October 1, 1969, as amended, are drawn from the 1970 Annual Report of the New Jersey Division of Taxation, Department of the Treasury. Figures for 1969 per-capita income by county are derived from Sales Management (June 1970), as compiled by the Division of Planning and Research, New Jersey Department of Labor and Industry.

costs per inhabitant are also most easily capable of bearing assistance costs, thanks to high per capita income and relatively large tax bases.

The same kind of inequity can be found when General Assistance burdens on municipalities are compared to per capita income and tax base of the state's cities and towns. The counties and municipalities with the heaviest welfare burdens are the least equipped for meeting the costs of public assistance.

Because poverty is a statewide problem demanding statewide solutions, this evidence makes it clear that the current method of distributing the costs of assistance programs among the people of New Jersey is highly inequitable. The gravity of this inequity is, of course, aggravated by the other fiscal pressures on the primarily urbanized high-cost counties. These pressures result to a great extent from economic trends which cause a narrowing of urban tax bases relative to need and a relative decline in per capita income in urban centers.

2) Lower Administrative Costs State assumption of administrative responsibility would permit more efficient deployment of administrative resources in the welfare system. It would also enable the State to take advantage of substantial economies of scale that are made possible because of the recent development of sophisticated electronic data processing equipment.

Every county must now maintain its own welfare board and agency, as must every municipality which provides General Assistance. The issue raised by this arrangement is whether political subdivisions are the best "target unit" through which administrative resources can be channelled to meet needs. It is clear, of course, that some counties with large assistance rolls must maintain a number

of local offices to meet their needs. It is less clear, however, that public funds should support separate agencies in counties or localities with small assistance burdens. In all of Hunterdon County in November 1970, for instance, there was only one General Assistance case on the rolls. Only 432 AFDC families were receiving aid in November and only 36 case applications were acted on by the county agency during the month. Several other counties have caseloads almost as small. Municipalities now maintain their own GA agencies simply because categorical programs do not cover their clients. For many years, approximately 80% of New Jersey's total General Assistance caseload has been concentrated in eighteen of the State's largest municipalities. With the initiation of presumptive eligibility and AFDC-U in January 1969, the GA caseload -- which was already small in many localities -- dropped by 75% as most recipients were shifted to the county rolls. Many municipalities now operate assistance programs for a mere handful of recipients.

State assumption of both categorical and GA programs would allow administrative consolidation. On the one hand, it can be argued that simple geographic distribution of administration according to county and municipal boundaries prevents the isolation of welfare agencies from prospective and current clients. On the other hand, this arrangement prevents the allocation of resources where they are most needed. The danger of isolation, furthermore, could be minimized if simplified procedures for eligibility determination and recertification were used.

The existence of independent county and municipal administrative structures makes more difficult the introduction of a sophisticated electronic data

processing system into public welfare administration. Since 1960, when administration of the categorical welfare programs was consolidated at the county level, electronic data processing equipment and systems have been developed which could perform many functions required in the administration of public assistance payments. Those functions would cost less with such a system than if they were performed manually by college-trained caseworkers and ancillary clerical personnel.

For example, the administration of a system of money payments under current procedures requires: 1) the determination of initial eligibility, including the collection of information and the computation of a family budget; 2) the completion of approximately ten sets of forms for eligible recipients, many of which entail the entry of duplicate information; 3) the calculation of grants; 4) the disbursement of monthly checks; 5) the periodic validation of eligibility; and 6) the recording of any changes in recipient status.

A well-designed statewide data-processing system could assist in the execution of all of these tasks and help to perform them more rapidly and accurately at much less than the current cost. The detailed design of such a system would be a major undertaking in itself. It is far beyond the capacity of this Task Force. However, it is possible to give a rough sketch of the outlines of such a system.

In a State welfare system, there could be a major computer facility centrally located in the State which would store the data and process the information. In each local welfare office, there could be located one or more remote terminals

similar to those used for airline reservations. An application form would be designed on which the recipient would provide the basic information necessary for the completion of all forms. This information would be entered into the computer by the clerical staff at one of the remote terminals in a local office. The computer would do the calculations necessary for the determination of initial eligibility. At this point, it would also check the internal consistency of the application to determine whether there have been arithmetical errors, inconsistent answers, or wildly improbable responses. It could also check to make sure that no application had been made for assistance by the same individual or on behalf of the same individual at any other office in the State. If the individual were eligible, an authorization for payment of a given amount could be issued. Under presumptive eligibility, the local office could then write a check pending a complete investigation. These steps could be completed in minutes.

The computer could also use the information on the application to print out automatically the necessary supplementary forms, including those establishing eligibility for food stamps and Medicaid. After the first payment, monthly (or bi-monthly) checks could be issued from the central data-processing facility. Changes in client status could be entered immediately by means of the remote terminals in local offices so that there would be no delay in altering the amount of payment. The data processing system could also assist in validating continuing eligibility by automatically issuing along with payments monthly status reports which the recipient would have to complete and return before receiving his next payment. Combined with routine spot checks of a random sample of these status reports, this procedure would permit closer monitoring of recipient status than is now the case.

The functions of completing multiple forms, calculating initial eligibility, computing family budgets, and verifying eligibility are now carried out primarily by college-educated caseworkers with the assistance of clerical staff. Although a detailed estimate of savings is not possible before the data processing system is designed, there can be no doubt that substantial savings in administrative costs would accrue from the development of such a system.

Other benefits would follow from the introduction of this type of data processing system.

First, it would make the collection of statistical information about recipients of welfare much easier and less expensive than is now the case. The only way information about recipients is collected now is if the State Division of Public Welfare specifically requests of the counties the precise information needed. The counties then collect the information by hand on a case-by-case basis. This is a slow, cumbersome, and expensive process. It severely restricts the amount of information obtained by State welfare administrators, the legislature, and the Governor. In contrast, a computerized welfare system would have any data readily available. Information about payments, characteristics of recipients, or changes in caseloads, could be retrieved almost instantaneously.

Second, the central storage of information in a welfare "data bank" could be tied into other data banks which are being developed in the administration of complementary programs, such as Medicaid and manpower programs. One such tie-in would be the connection of new "job banks" which are in the process of being established. If computerized systems existed in the welfare system as

well as the State Employment Service, a new recipient could be immediately matched with any available job opportunities appropriate for his skills.

If the proposed Family Assistance Program is enacted into law, the State will be forced as a practical matter to institute a data processing system if it is to retain administration of the new program. Under the current categorical programs, the federal share of welfare expenditures is a given proportion (50%) of aggregate payments to all eligible recipients in the State. In contrast, the proposed Family Assistance Program will require the separate calculation of the federal share for each family according to a complex individual formula. Computerization will be imperative under such a program in order to avoid exorbitant administrative costs and the risk of wholesale errors in calculation.

3) More Effective Administration Lodging administrative responsibility for public welfare programs at the State level would substantially increase accountability of administration. It would also improve the capacity of welfare agencies to implement general policies uniformly, and to enforce appropriate standards at all administrative levels.

According to federal statute, responsibility for enforcement of federal regulations and the maintenance of fiscal integrity in the categorical welfare programs lies with the states -- specifically with the single State agency responsible for administration of the programs. In New Jersey, the State delegates much of this responsibility to counties. Unlike many other governmental functions, however, the counties are given little local discretion in their administration of public welfare programs. The federal regulations governing State administration

of categorical welfare programs are voluminous, detailed, and specific in their regulation of State actions. In turn, areas of discretion left by the federal regulations are filled in by State regulations for the counties which are even more detailed and voluminous than their federal counterparts.

Since 1960, when administration of categorical welfare programs was consolidated at the county level, grants to recipients have been simplified and standardized while many special needs grants have been sharply curtailed. These changes have eliminated the most important areas of discretion relating to money payments which were left to the county welfare boards. The trend toward standardization of money payments will almost inevitably continue in future years. Given the extent to which federal and state regulations now limit the sphere of decision at the county level, the "independence" of county agencies is now limited to "selective implementation": they have the opportunity to choose which of the policies enunciated from above are to be most carefully executed.

With administrative authority pinpointed at the State level, responsibility for the formulation and execution of basic policies would be fixed and visible. This State agency would be clearly accountable for its actions to recipients, employees, taxpayers, and State officials. Delegation of administrative responsibility under the present system has created an extra layer of bureaucracy which impedes resolution of employee and recipient grievances while frustrating attempts of elected officials to pinpoint responsibility for basic policies. Within recent years, the organization of client groups together with the unionization of

caseworkers and other public welfare personnel have increased the demand for flexibility and responsiveness. Yet the multiple levels of approval required for employee contracts have undermined carefully negotiated agreements while the unclear origins of policies affecting recipients have added to recipient frustration and heightened militancy.

Assumption of administrative responsibility by the State would also improve the capacity of the system to implement rapidly changes in procedures and policies. The last few years have seen unprecedented numbers of basic changes imposed upon the system in rapid succession by federal or state statute, regulation, or court edict. Presumptive eligibility, work requirements, earnings exemptions, changes in budgeting methods, simplified methods of eligibility determination, organizational separation of services staff from money payments staff, new legal safeguards for clients, and many other far-reaching changes have been introduced into the public welfare system within a very short period of time. Within a unified state system, the introduction of new policies would be greatly facilitated. There can be little doubt that the rapid changes of recent years have placed a serious strain on the present administrative arrangements because of the difficulties of transmitting the specifics of new policies to semi-autonomous county agencies and the natural resistance of counties to imposed State authority. The new federal welfare reform legislation now pending in the United States Congress would require even greater changes in the future than in the past. A unified State system would be in a better position to implement smoothly the Family Assistance Program -- as well as the other changes mandated by the legislation -- than the present county-based system.

It makes good sense that administrative responsibility for a governmental function should be lodged at the same level of government as fiscal responsibility. The judicious administration of public funds is fostered by a complementary responsibility to raise those funds. The trend in New Jersey public finance has been toward increased State participation in financing of public welfare functions. When administrative responsibility for the categorical programs was consolidated at the county level in 1960, non-federal costs of benefits were shared 50-50 by the State and counties. As of January 1, 1969, State sharing in benefit costs was raised to 75% of non-federal expenditures.

Many county officials are advocating that the State share be raised to 90% of non-federal costs, but without any increase in State administrative authority. This Task Force believes that the counties should be relieved of 100% of expenditures for public welfare. Yet sound administration demands that any further increase in State funding be accompanied by a corresponding increase in authority over administration. Similarly, the State share in General Assistance benefits has been increased to 75% without any increase in State responsibility. Here, too, increases in fiscal responsibility by the State should be accompanied by increases in administrative authority.

Establishing a State-administered system would facilitate the adequate functioning of a research, planning, and evaluation staff which could continually analyze the efficiency and effectiveness of the public welfare system in attaining its goals. It has been said that the diversity of a county-administered system fosters innovation and responsiveness because of the variation in local conditions

and the different viewpoints of the administrators. Yet, the counties have in reality little opportunity to develop innovative reforms because of the tight restrictions of State regulations and the increasing standardization of welfare budgets. New approaches which have been tried in the counties have sometimes been developed only through violation of regulations.

In addition, many of the problems which emerge from the administration of public welfare are much too complex to be resolved through haphazard action at the county level. Rather, these problems need to be evaluated through sophisticated research studies. New administrative approaches to deal with the problems need to be tried under carefully controlled and limited circumstances before being introduced into a $350 million system such as we have in New Jersey. This type of research, experimentation, planning, and evaluation -- which are much needed in public welfare programs -- can best be supported in a unified State system.

4) Better Coordination With Related Agencies When administration of the categorical programs was consolidated at the county level ten years ago, public welfare consisted primarily of the disbursement of money payments to the needy, with only the beginnings of a program of social services. Passage by Congress of the 1962 amendments to the Social Security Act required States to offer to public welfare recipients a comprehensive range of social services. According to the statute, these services have the broad objectives for clients of strengthened family life, self-support, self-care, and rehabilitation.

The 1967 amendments to the Social Security Act expanded this range of

services with a special emphasis on manpower and day care services to be provided through the new Work Incentive (WIN) Program. The WIN Program in particular, and other social services to a lesser extent, require close coordination between the county welfare boards and various State agencies. The manpower services provided to clients are administered by the State Department of Labor and Industry while day care is arranged and approved by the State Bureau of Children's Services. In addition, some day care centers are operated by the State Department of Community Affairs.

Many other services to welfare clients are offered through other State agencies. A prime example is Medicaid which is a State-administered program for which only welfare recipients are eligible (with only a few exceptions). Other examples are child welfare services provided by the Bureau of Children's Services; services to the disabled offered by the Rehabilitation Commission; services to the blind provided by the Commission for the Blind and Visually Handicapped.

A unified State system of public welfare would significantly improve the linkages between public welfare programs and related programs operated by other State agencies. Much duplication of effort would be avoided, inter-agency friction would be reduced, and clients would receive much better service. The administration of the WIN program should improve with better linkages between agencies. The involvement of three agencies -- Labor and Industry, Public Welfare, and the Bureau of Children's Services -- in administration of the program causes confusion by itself. But this confusion and the resulting inefficiencies

would be reduced if public welfare were administered at the State level rather than the county level. It is much more difficult for county welfare departments than a State welfare agency to relate effectively to other State agencies.

Similarly, many of the difficulties inherent in the Medicaid program would be less severe if a State welfare agency rather than county welfare agencies were determining eligibility and validating the status of recipients of medical benefits. Finally, much of the friction between BCS and welfare agencies would disappear if the administration of public welfare were consolidated at the State level and child welfare services were made part of a unified social services system for the State.

Consolidation of all assistance programs under a single State agency would eliminate the necessity of shuttling recipients back and forth between municipal and county agencies. Many recipients are referred from one type of office to another because they initially inquire at the wrong place. Many other recipients must be transferred -- and undergo entirely new investigations -- as their status changes or their county applications are processed. Under a unified system, an applicant could go to a single office with the assurance that he would receive the assistance appropriate to his circumstances, no matter what the name of the category.

5) Greater Equity for Recipients According to State law and regulation, all New Jersey welfare clients in similar circumstances are supposed to be treated equally. Equitable treatment for clients is the basis for the volume and detail of the regulations promulgated by the Division of Public Welfare. Yet,

under county administration, treatment of client inevitably varies from county to county as county welfare boards interpret regulations differently. The autonomy of county welfare boards and the shortage of state supervisory staff ensure that procedures and practices will vary to some degree among counties. A State-administered system would institute a uniform administration and would likely achieve a greater consistency in philosophy and goals throughout the State than is now attained under county administration.

Inter-municipal disparities in treatment of general assistance clients are much greater than inter-county disparities in treatment of categorical assistance clients. By State law, every municipality is required to offer assistance to those persons in need who are not eligible for any categorical program of assistance. However, municipal welfare boards do not operate under State supervision unless they apply for State matching funds to help support their programs. In calendar year 1970, only 395 out of New Jersey's 567 municipalities applied for such State matching funds. There is no systematic knowledge concerning the adequacy of General Assistance programs in the remaining 172 municipalities. In addition, State supervision of the 395 municipalities qualifying for State aid is loose due to the difficulty of enforcing standards among so many administering agencies. Under a State-administered system, treatment of non-categorical welfare clients would become much more adequate and uniform throughout the State.

IMPLEMENTATION

Although some fear that a State system would be remote and inaccessible, a properly structured system could be more convenient and responsive to individual needs than the present system. The Task Force believes that such a system is feasible and could be operated at greatly reduced administrative cost. Accordingly, the State should act immediately to initiate a transfer of administrative and fiscal responsibility for public welfare to the State level. A transfer of administrative personnel and facilities should be followed by a re-structuring of the money payments function and reorganization of the social services programs of the State. But any integration of qualified county and municipal personnel into a State system should make provision for safeguarding their seniority, salary levels, and pension rights.

Financing

County shares of benefit payments, administrative costs, and services to recipients are projected to total $66.5 million in fiscal 1972. Municipal expenditures for General Assistance programs are estimated to total $8.9 million in fiscal 1972. (The breakdown of these projections is given in the Appendix). Because some savings in administrative costs would result from transfer of administration, the cost of a complete assumption by the State of administrative and fiscal responsibility for categorical and general assistance programs would be somewhat less than total county and municipal expenditures. These are expected to be $75.4 million in 1972.

Much of the cost of this step could be offset by the enactment of welfare

reform legislation at the federal level. Our studies indicate such legislation would bring into New Jersey substantial new federal monies at the approximate time that we recommend a State assumption of welfare responsibility. In our Special Report to the Governor on The Impact of Proposed Federal Welfare Legislation on New Jersey (June 9, 1970), we estimated that the enactment of H.R. 16311 (the bill then embodying President Nixon's welfare proposals) would have gained New Jersey from $28 million to $41 million, depending on a further specification of certain cost formulas and on the administrative options selected by the State. If the fiscal provisions of the final legislation do not reduce this amount, the additional federal funds could finance a major proportion of the cost of a State assumption of fiscal responsibility for public welfare.*

Although we strongly recommend that the State assume non-federal costs of benefits concurrently with assumption of administration, it would be possible for the State to temporarily defer total non-federal responsibility for the costs of benefits. One such approach would be an immediate assumption on administrative responsibility (including costs) of categorical assistance with assumption of county shares of expenditures for benefits postponed for several years. However, the total cost of General Assistance would be taken on immediately, since it would be impractical to require municipal participation in benefits after administrative responsibility were assumed by the State. Thus, the State would administer all categorical and general assistance programs. Municipalities would be relieved of further participation in the costs of General Assistance. Counties would continue to contribute 25% of the non-federal share of categorical assistance expenditures until the State were ready to absorb costs. This could by done in stages over

* As this report went to press, H.R. 1--The revised version of President Nixon's welfare proposals--had not yet been published in its final form by the House Ways and Means Committee. It was therefore not possible to assess the impact of the legislation's latest form.

the course of several years as the fiscal gain from federal legislation or other new sources of revenue became available. The additional cost to the State of this alternative in fiscal 1972 would be somewhat less than the $19.2 million county share of administrative costs (due to administrative savings from consolidation at the State level) plus $8.9 million for the costs of general assistance for a total of $28.1 million. On a half fiscal year basis, the cost would be further reduced to less than $15 million.

Ample precedent for this alternative exists in the present arrangement for financing the costs of foster care in New Jersey. In fiscal year 1971, approximately $14 million will be expended for foster care of children under State supervision. Foster care is administered by the State Bureau of Children's Services, yet the counties contribute 25% of the cost of the payments. This arrangement is analagous to the possible alternative just outlined. The State would assume administrative responsibility for public welfare, with the counties continuing to contribute 25% of the non-federal share of benefits until the State is capable of taking over full costs.

Schedule for Implementation

The establishment of the kind of new State welfare system recommended by the Task Force requires several steps which should not be taken simultaneously. These steps include a shift of financial responsibility; a transfer of current administrative machinery, including staff and facilities; the development of a

State-wide electronic data processing system; the restructuring of the administration of money payments; the reorganization of social services; and the creation of an administrative unit for research, planning, and evaluation.

This Task Force believes that county and municipal welfare expenditures should be assumed by the State as soon as possible. Legislation enabling the transfer of existing administrative personnel and facilities should also be enacted as soon as possible, but the actual transfer should be delayed for not less than six months from date of enactment in order to provide time for adequate planning. In addition, a research, planning, and evaluation group should be created immediately. One of its functions would be the planning of an orderly transition to a unified State system.

Planning for a restructured money payments system and reorganized social services system should begin concurrently with planning for transfer of administrative machinery. However, such changes -- including the installation of a State-wide data processing system -- will take much longer than six months to develop and implement. Eighteen to twenty-four months might be a more realistic estimate for the time required to complete this phase of the transition to a new State system.

If the pending federal welfare reform legislation is enacted by Congress, the State should coordinate its shift to a new State system with the implementation of the new federal programs.

Personnel

The transfer of welfare administration to the State level should make provision for the protection of the prerogatives of qualified county and municipal welfare personnel. During the transfer of administration of "Home Life Assistance" (ADC) from the State Bureau of Children's Services to county welfare boards in 1960, arrangements were made for the orderly transfer of personnel between the agencies without salary cuts, demotions, loss of pension rights, or loss of seniority. Transfer of qualified county and municipal personnel to the State in a shift of administrative responsibility should make provision for similar arrangements.

Local Involvement in a State System

Within a statewide system, the State should be divided into districts for administrative purposes with local offices established which are convenient for recipients and applicants. For example, a series of neighborhood offices would be established in the large cities which have heavy concentrations of welfare clients. Similarly, one base office might be established to cover several counties in which there are few welfare recipients. Mobile offices traveling from town to town could ensure convenient access to the public welfare system in those areas.

In order to provide for flexible response to local circumstances, advisory committees should be established within each of the district service areas of the new public welfare system. Such committees would be appointed by the Governor. They would make recommendations relating to the monetary payments and social service components of the public welfare program, but they would not have

authority to establish administrative policies. The advisory committees should be composed of a broad-based group of community representatives, including welfare clients, public officials, professional groups, and members representing the general public interest. The mandate of such advisory committees would be to present administrators with an accurate assessment of the real-life situation at the point of contact between the system and the public. Their purpose would be to make the system more responsive to client needs and local situations.

The Administration of Money Payments

Maximum savings in administrative costs of a new system will accrue to the State only if:

1) Money payments functions are organizationally separated from the provision of social services;

2) The process of eligibility determination is streamlined through the rapid implementation of a simplified method of eligibility determination;

3) Eligibility requirements are substantially simplified; and

4) A statewide electronic data processing system is established for the administration of money payments.

The administrative separation of money payments from social services is a prerequisite for the creation of a computerized system of money payments. It is also a necessary first step in the organization of a more effective program of social services. Separation has reportedly taken place in all counties as of July 1, 1970, but it is creating much confusion due to the inadequate definition and structure of social services. This Task Force has submitted a report with recommendations for a restructuring of the social services com-

ponent of public welfare which was partially directed to the problems now being experienced by the counties under separation.[7]

In our earlier report of January 15, 1970, we estimated that implementation of the simplified method of eligibility determination would reduce administrative costs by approximately fifty percent. If the simplified method would have been in use for this entire fiscal year (1971), for example, a savings of about $13 million in federal, state, and county funds would have been gained. Testing of this method is now underway in several counties and the federal government has required its exclusive use in the adult categories (Aid to the Blind, Old Age Assistance, and Disability Assistance) no later than July 1, 1971.[8] We recommend that testing of the Simplified Method in AFDC be expedited with a view toward rapid implementation in that category.

Simplification of eligibility requirements and computerization would both significantly reduce the costs of administering money payments. Simplification is valuable in itself, but is also a help in computerization. Both should accompany a transfer of administrative functions to the State level.

Research, Planning, and Evaluation

In this fiscal year, total federal, state, county, and municipal expenditures for public welfare benefits in New Jersey are expected to approach $340 million. In past years, large expenditures for public assistance payments of this magni-

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7. Governor's Task Force on Welfare Management, Social Services in New Jersey (Trenton: April 14, 1971).

8. 45 Code of Federal Regulations 205.20 (a) (2).

tude in this State have not been accompanied by significant expenditures for research, experimentation, planning, and evaluation. As a consequence, there has been a dearth of serious efforts to 1) analyze the underlying problems that must be dealt with by the welfare system; 2) seek out and evaluate possible new approaches to these problems; and 3) plan for future developments. This paucity of research and analysis has been partly caused by inadequate funding at the State level and partly by failure of the State to take advantage of available federal funds.

It should be noted that research, planning, and evaluation is more difficult in a county-administered system than a state system because of the necessity of enlisting the cooperation of the counties in any projects. Any shift to the State should include specific provision for the development of an adequately funded and well-staffed administrative unit solely for the purposes of research, experimentation, planning, and evaluation. Given the magnitude of expenditures for public welfare in this State, the long-term increases in efficiency and effectiveness of the State system that would follow from the efforts of such a unit would pay for its costs many times over. The absence of such a unit in the present organization is one of the most glaring deficiencies in this State's public welfare system.

APPENDIX: PROJECTED EXPENDITURES FOR PUBLIC WELFARE IN NEW JERSEY, FISCAL YEAR 1972

I. CATEGORICAL PROGRAMS — in millions of dollars

A. Assistance Payments[1]	Federal	State	County	Total
AFDC	$161.287	$125.769	$41.922	$328.978
OAA	10.031	7.975	2.658	20.664
AB	.618	.469	.156	1.243
DA	10.181	7.809	2.603	20.593
All Programs	$182.117	$142.022	$47.339	$371.478
B. County Administrative and Service Costs[2]				
All Programs	$28.800	----	$19.200	$48.000
C. Total (A + B)	$210.917	$142.022	$66.539	$419.478

II. GENERAL ASSISTANCE

	State	Municipal	Total
A. Assistance Payments[2]	$14.214	$6.092	$20.306
B. Municipal Administrative and Service Costs	----	2.800	2.800
C. Total	$14.214	$8.892	$23.106

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1. Budget, State of New Jersey, Fiscal Year 1972.

2. As estimated by New Jersey Division of Public Welfare.